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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2016

HIGHLIGHTS

- Group's net sales were €1,282.7 million, recording an increase of 8.9% for FY2016. At constant exchange rates, the growth was 5.0%
- Growth was primarily driven by China, France, Japan, Brazil, and Russia. At constant exchange rates, China, Brazil, France and Russia were among the fastest growing countries (16.8%, 11.5%, 11.0% and 10.0% respectively)
- Own E-Commerce sales growth remained strong at 14.5% at constant exchange rates, reached 9.8% as compared to retail sales
- Operating profit rose by 2.4% or €3.9 million to €168.0 million
- Positive results from the brands' positioning, pricing, online activities and favourable exchange rates
- Net profit for the year was €113.6 million, a decrease of €12.0 million or 9.6%. The decrease was mainly due to net unrealized foreign exchange losses of €6.9 million and settlements of tax disputes with the French Tax Authorities for a total impact of €14.6 million
- Increase in free cash flow by €11.3 million to €148.3 million
- Inventory turnover days improved by 17 days to 245 days
- Proposed final dividend of €0.0291 per share, same as that of last year

ANNUAL RESULTS

The board of directors (the "Board") of L'Occitane International S.A. (the "Company" or "L'Occitane") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2016 ("FY2016") together with comparative figures for the year ended 31 March 2015 ("FY2015"). 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*	2016 *€ '000*	2015 *€ '000*	Change *%*
Net Sales	2	**1,282,676**	**1,177,877**	**8.9**
Cost of sales		(221,171)	(214,661)	3.0
Gross profit		**1,061,505**	**963,216**	**10.2**
% of net sales		82.8%	81.8%	n/a
Distribution expenses		(598,607)	(544,316)	10.0
Marketing expenses		(160,843)	(130,344)	23.4
Research & development expenses		(14,556)	(13,038)	11.6
General and administrative expenses		(117,704)	(111,077)	6.0
Share of (losses) from joint venture accounted for using the equity method		(39)	(14)	178.6
Other (losses), net	3	(1,737)	(284)	511.6
Operating profit	4	**168,019**	**164,143**	**2.4**
Finance costs, net	5	(2,698)	(4,578)	-41.1
Foreign currency (losses) / gains		(6,949)	8,896	-178.1
Profit before income tax		**158,372**	**168,460**	**-6.0**
Income tax expense	6	(44,817)	(42,882)	4.5
Profit for the year		**113,555**	**125,578**	**-9.6**
Attributable to:				
Equity owners of the company		110,343	122,383	-9.8
Non-controlling interests		3,212	3,196	0.5
Total		**113,555**	**125,578**	**-9.6**
Effective tax rate		28.3%	25.5%	n/a
Earnings per share for profit attributable to the equity owners of the Company during the period *(expressed in Euros per share)*				
Basic		0.075	0.083	-9.6
Diluted		0.075	0.083	-9.6
Number of shares used in earnings per share calculation				
Basic	7	1,468,616,721	1,470,309,391	-0.1
Diluted	7	1,470,859,116	1,471,886,682	-0.1

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at	*Notes*	31 March 2016 *€'000*	31 March 2015 *€'000*
ASSETS			
Property, plant and equipment, net		181,661	184,722
Goodwill		129,508	138,228
Intangible assets, net		60,540	67,656
Deferred income tax assets		71,189	68,702
Investments in joint ventures		(43)	(4)
Other non-current receivables		33,082	31,634
Non-current assets		**475,937**	**490,938**
Inventories, net	9	136,994	159,947
Trade receivables, net	10	97,498	106,978
Other current assets		52,628	56,361
Derivatives financial instruments		468	1
Cash and cash equivalents		424,818	395,128
Current assets		**712,406**	**718,415**
TOTAL ASSETS		**1,188,343**	**1,209,353**
EQUITY AND LIABILITIES			
Share capital		44,309	44,309
Additional paid-in capital		342,851	342,851
Other reserves		(45,975)	(25,432)
Retained earnings		509,399	492,092
Capital and reserves attributable to the equity owners		**850,584**	**853,819**
Non-controlling interests		4,973	6,372
Total equity		**855,557**	**860,191**
Borrowings		86,382	107,373
Deferred income tax liabilities		4,420	4,730
Other financial liabilities		8,846	7,452
Other non-current liabilities		29,468	27,089
Non-current liabilities		**129,116**	**146,644**
Trade payables	11	92,022	90,667
Salaries, wages, related social items and other tax liabilities		63,675	64,703
Current income tax liabilities		8,420	13,347
Borrowings		2,496	2,803
Derivatives financial instruments		67	1,215
Provisions for other liabilities and charges		19,226	15,266
Other current liabilities		17,764	14,517
Current liabilities		**203,670**	**202,518**
TOTAL EQUITY AND LIABILITIES		**1,188,343**	**1,209,353**
NET CURRENT ASSETS		**508,736**	**515,897**
TOTAL ASSETS LESS CURRENT LIABILITIES		**984,673**	**1,006,835**

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 2016 do not have any material impact on the consolidated financial statements.

2. Net sales and segment information

The management assesses the performance of the 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, and travel retailers. This segment also comprises sales of products to corporate customers, airline companies and hotels.

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

2.1. Operating segments

FY2016

	Sell-out	**Sell-in**	**Other reconciling items**	**Total**
	€ '000	*€ '000*	*€ '000*	*€ '000*
Net sales	962,436	320,240	—	1,282,676
In % of total	75.0%	25.0%	—	100.0%
Gross profit	837,372	224,134	—	1,061,505
% of net sales	87.0%	70.0%	—	82.8%
Distribution expenses	(496,138)	(54,721)	(47,748)	(598,607)
Marketing expenses	(53,779)	(11,249)	(95,816)	(160,843)
Research & development expenses	—	—	(14,556)	(14,556)
General and administrative expenses	—	—	(117,704)	(117,704)
Share of (losses) from joint operations	—	—	(39)	(39)
Other (losses) / gains-net	198	(46)	(1,889)	(1,737)
Operating profit	**287,653**	**158,118**	**(277,752)**	**168,019**
% of net sales	*29.9%*	*49.4%*	*n/a*	*13.1%*

FY2015

	Sell-out	Sell-in	Other reconciling items	Total
	€ '000	*€ '000*	*€ '000*	*€ '000*
Net sales	883,381	294,496	—	1,177,877
In % of total	75.0%	25.0%	—	100.0%
Gross profit	759,739	203,476	—	963,216
% of net sales	86.0%	69.1%	—	81.8%
Distribution expenses	(447,881)	(50,179)	(46,255)	(544,316)
Marketing expenses	(48,883)	(8,263)	(73,198)	(130,344)
Research & development expenses	—	—	(13,038)	(13,038)
General and administrative expenses	—	—	(111,077)	(111,077)
Share of (losses) from joint operations	—	—	(14)	(14)
Other (losses) / gains-net	(94)	(84)	(106)	(284)
Operating profit	**262,881**	**144,950**	**(243,688)**	**164,143**
% of net sales	*29.8%*	*49.2%*	*n/a*	*13.9%*

2.2. Geographic areas

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

	FY2016		FY2015	
In thousands of Euros	**Total**	*In % of total*	**Total**	*In % of total*
Japan	206,696	16.1%	188,325	16.0%
United States	173,115	13.5%	153,578	13.0%
Hong Kong [(1)]	138,566	10.8%	134,180	11.4%
China	131,319	10.2%	102,975	8.7%
France	101,355	7.9%	91,279	7.7%
United Kingdom	74,839	5.8%	67,198	5.7%
Luxembourg [(2)]	61,221	4.8%	58,566	5.0%
Russia	44,940	3.5%	50,400	4.3%
Brazil	43,473	3.4%	49,265	4.2%
Taiwan	41,460	3.2%	38,985	3.3%
Other countries	265,691	20.7%	243,125	20.6%
Net sales	**1,282,676**	**100%**	**1,177,877**	**100%**

[(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 Americas.

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

	FY2016 *€ '000*	FY2015 *€ '000*
Net gains / (losses) on sale of assets	135	(1,641)

4. Operating profit

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

	FY2016 *€ '000*	FY2015 *€ '000*
Employee benefit expenses	358,495	328,365
Rent and occupancy	233,283	214,395
Raw materials and consumables used	81,679	97,909
Change in inventories of finished goods and work in progress	21,189	(2,295)
Advertising costs	125,196	106,207
Professional fees	76,081	64,657
Depreciation, amortization and impairment	61,384	62,211
Transportation expenses	54,129	53,944
Auditor's remuneration	1,608	1,242
Other expenses	99,837	86,800
Total cost of sales, distribution expenses, marketing expenses, research and development expenses and general and administrative expenses	1,112,881	1,013,436

5. Finance costs, net

	FY2016 *€ '000*	FY2015 *€ '000*
Interest on cash and cash equivalents	2,991	2,336
Finance income	**2,991**	**2,336**
Interest expense on:		
- Interest expenses	(2,229)	(2,049)
- Finance lease	(155)	(220)
- Unwinding of discount on financial liabilities	(756)	(552)
- Depreciation of cash balance at the SB Bank, Russia	—	(4,093)
- Late interest on France tax audit	(2,549)	—
Finance costs	**(5,689)**	**(6,914)**
Finance costs, net	**(2,698)**	**(4,578)**

6. Taxation

The components of income tax expense are as follows:

	FY2016 *€ '000*	FY2015 *€ '000*
Current income tax	(50,783)	(48,387)
Deferred income tax	5,966	5,505
Total tax expense	(44,817)	(42,882)

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

	FY2016 *€ '000*	FY2015 *€ '000*
Profit before tax and share of loss from joint ventures accounted for using the equity method	158,411	168,474
Income tax calculated at corporate tax rate *(Luxembourg tax rate of 29.22% as at 31 March 2016 and 31 March 2015)*	(46,288)	(49,228)
Effect of different tax rates in foreign countries	13,145	20,724
Effect of unrecognized tax assets	(746)	(3,093)
Expenses not deductible for taxation purposes	(929)	(1,509)
Tax reassessment	(9,121)	(8,000)
Effect of unremitted tax earnings	(1,384)	(1,375)
Recognition of previously unrecognized tax assets	747	—
Minimum tax payments	(242)	(401)
Income tax expense	(44,817)	(42,882)

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 €110.3 million for FY2016 (€122.4 million for FY2015) and the weighted average number of shares in issue of 1,468,616,721 (basic) and 1,470,859,116 (diluted) in the year ended 31 March 2016 and 1,470,309,391 (basic) and 1,471,886,682 (diluted) in the year ended 31 March 2015.

8. Dividends

At the Board meeting held on 6 June 2016, the Board recommended a distribution of gross final dividend of €0.0291 per share for a total amount of €42.7 million or 38.7% of the net profit attributable to the equity owners of the Company.

The amount of the proposed final dividend is based on 1,468,616,721 shares in issue excluding 8,348,170 treasury shares as at 6 June 2016.

9. Inventories, net

Inventories, net consist of the following items:

As at 31 March	2016 *€ '000*	2015 *€ '000*
Raw materials and supplies	20,956	24,400
Finished goods and work in progress	128,011	151,166
Inventories, gross	148,967	175,566
Less: allowance	(11,973)	(15,619)
Inventories, net	136,994	159,947

10. Trade receivables, net

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

As at 31 March	2016 *€ '000*	2015 *€ '000*
Current and past due within 3 months	95,275	105,157
Past due from 3 to 6 months	1,663	1,148
Past due from 6 to 12 months	560	673
Past due over 12 months	—	—
Trade receivables, net	97,498	106,978

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 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:

As at 31 March	2016 *€ '000*	2015 *€ ' 000*
Current and past due within 3 months	91,294	89,216
Past due from 3 to 6 months	40	797
Past due from 6 to 12 months	681	212
Past due over 12 months	7	442
Trade payables	92,022	90,667

MANAGEMENT DISCUSSION & ANALYSIS

Summary:

	FY2016 *€' million or %*	**FY2015** *€' million or %*
Net sales	1,282.7	1,177.9
Operating profit	168.0	164.1
Profit for the year	113.6	125.6
Gross profit margin	82.8%	81.8%
Operating profit margin	13.1%	13.9%
Net profit margin	8.9%	10.7%
Net cash inflow from operations	209.0	206.1

Definitions:

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

Non-comparable Stores & others 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 marketplace.

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

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

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

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

REVENUE ANALYSIS

The Group's net sales were €1,282.7 million in FY2016, an increase of €104.8 million or 8.9% as compared to FY2015. In FY2016, net sales in Sell-out and Sell-in segments (representing 75.0% and 25.0% of total net sales, respectively) increased by 5.1% and 4.6% respectively, excluding foreign currency translation effects. At constant exchange rates, the net sales growth was 5.0%. The Company increased the total number of retail locations from 2,797 as at 31 March 2015 to 2,924 as at 31 March 2016, an increase of 127 or 4.5%. The Company maintained its selective global retail expansion during FY2016 and increased the number of its own retail stores from 1,384 as at 31 March 2015 to 1,463 as at 31 March 2016, representing a net increase of 79 own stores or 5.7%. The net own store openings included 52 in Asia Pacific, 22 in the Americas and 5 in Europe and South Africa. The Group had accelerated the expansion of the emerging brands, with net 26 openings. At the end of March 2016, emerging brands had a total of 66 own-stores.

At constant exchange rates, Comparable Stores, Non-comparable Stores & others and Sell-in segments contributed 13.2%, 63.9% and 22.9% respectively to Overall Growth in FY2016. The Company's sales in China, France, Japan, Brazil and Russia were the driving factors of net sales growth in FY2016.

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 FY2016:

Year-on-year growth

	Growth	*Growth*	*Growth*[2]	*Contribution to Overall Growth*[2]
	€ '000	*%*	*%*	*%*
Sell-out	79,055	8.9	5.1	77.1
Comparable Stores	32,733	5.2	1.2	13.2
Non-comparable Stores & others [1]	46,322	18.3	14.9	63.9
Sell-in	25,744	8.7	4.6	22.9
Overall Growth	**104,799**	**8.9**	**5.0**	**100.0**

[1] Others include marketplaces, mail-orders and other service sales.

[2] Excludes the impact of foreign currency translation effects

Sell-out

The Sell-out business segment accounted for 75.0% of the Group's total sales and amounted to €962.4 million, an increase of 8.9% as compared to FY2015 and a 5.1% increase at constant exchange rates. The growth was mainly contributed by Non-comparable Stores & others.

There was a net addition of 79 own-stores during FY2016, including net additions of 26 stores in China, 12 stores in Japan, 11 stores in Brazil, 3 stores in the USA and 2 stores in the UK. In Russia, there was a net decrease of 4 stores after transfer of certain stores to franchisees.

Sell-out segment contributed 77.1% to Overall Growth in FY2016, with 13.2% from Comparable Stores and 63.9% from Non-comparable Stores & others, which was mainly driven by new stores opened and renovated in these two years and the marketplace operators in China and Korea. The Group's own E-commerce channel achieved a 14.5% growth at constant exchange rates for FY2016 and reached 9.8% as compared to the retail sales.

Sell-in

The Sell-in business segment accounted for 25.0% of the Group's total sales and amounted to €320.2 million, an increase of 8.7% as compared to FY2015 and a 4.6% increase at constant exchange rates. Sell-in segment contributed 22.9% to Overall Growth. The growth was mainly contributed by wholesales, distributors, B2B and web partners channels. In particular, strong growth was posted in wholesale business for all brands in France, and other European countries and in distribution business for L'Occitane au Brésil in Brazil.

Geographic Areas

The following table presents the net sales growth for FY2016 and contribution to overall sales growth (including and excluding foreign currency translation effects as indicated) by geographic area:

	Net Sales Growth FY2016 compared to FY2015			
	Growth €'000	*Growth %*	*Growth[(1)] %*	*Contribution to Overall Growth[(1)] %*
Japan	18,371	9.8	4.5	14.2
Hong Kong[(2)]	4,386	3.3	(9.3)	(21.0)
China	28,344	27.5	16.8	29.4
Taiwan	2,475	6.3	(0.7)	(0.5)
France	10,076	11.0	11.0	17.1
United Kingdom	7,641	11.4	3.2	3.6
United States	19,537	12.7	(1.3)	(3.5)
Brazil	(5,792)	(11.8)	11.5	9.6
Russia	(5,461)	(10.8)	10.0	8.6
Other countries[(3)]	25,221	8.4	8.3	42.5
All countries	**104,799**	**8.9**	**5.0**	**100.0**

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

[(2)] Includes sales in Macau and to distributors and travel retail customers in Asia.

[(3)] Includes sales from Luxembourg.

The following table provides a breakdown, by geographic area, of the number of own retail stores, their contribution percentage to Overall Growth and the same store sales growth for FY2016:

	Own Retail Stores				**% contribution to Overall Growth[1] [2]**			
	31 Mar 2016	*Net openings YTD Mar 2016*	*31 Mar 2015*	*Net openings YTD Mar 2015*	*Non-comparable Stores*	*Comparable Stores*	*Total Stores*	*Same Store Sales Growth %[2]*
Japan[3]	123	12	111	5	11.2	3.5	14.6	1.8
Hong Kong[4]	36	—	36	4	(5.5)	(9.8)	(15.2)	(17.2)
China[5]	187	26	161	25	12.4	2.5	14.9	2.1
Taiwan	55	—	55	1	(0.8)	(1.1)	(1.9)	(2.8)
France[6]	81	—	81	6	2.4	4.8	7.1	6.8
United Kingdom	75	2	73	5	2.2	1.2	3.3	1.9
United States	217	3	214	17	2.0	(2.4)	(0.4)	(1.3)
Brazil[7]	92	11	81	3	4.2	4.0	8.2	9.1
Russia[8]	103	(4)	107	(3)	2.9	3.9	6.8	8.1
Other countries[9]	494	29	465	26	17.4	6.7	24.1	2.6
All countries	**1,463**	**79**	**1,384**	**89**	**48.4**	**13.2**	**61.5**	**1.2**

(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 13 and 20 Melvita stores as at 31 March 2015 and 31 March 2016 respectively.

(4) Includes 3 L'Occitane stores in Macau and 10 Melvita stores in Hong Kong as at 31 March 2015 and 3 L'Occitane stores in Macau and 8 Melvita stores in Hong Kong as at 31 March 2016.

(5) Includes 8 Melvita stores as at 31 March 2016.

(6) Includes 5 Melvita stores as at 31 March 2015 and 4 Melvita stores and 1 Erborian store as at 31 March 2016.

(7) Includes 6 L'Occitane au Brésil stores as at 31 March 2015 and 12 L'Occitane au Brésil stores as at 31 March 2016.

(8) Includes 1 Erborian store as at 31 March 2016.

(9) Includes 7 L'Occitane stores from the acquisition of distributor in Norway and 6 Melvita stores as at 31 March 2015 and 10 Melvita and 2 Erborian stores as at 31 March 2016.

Japan

Japan's net sales for FY2016 were €206.7 million, an increase of 9.8% as compared to FY2015. At constant exchange rates, the growth was 4.5%, contributing 14.2% to Overall Growth. The decent growth outperformed the weak and flat market environment. Sell-out sales growth in local currency was 4.7%, contributing 14.0% to Overall Growth. The growth was driven by both Comparable Stores and Non-comparable Stores. Same Store Sales Growth was 1.8% in FY2016, contributing 3.5% to Overall Growth. During FY2016, Japan had a net addition of 12 stores, including 5 for L'Occitane and 7 for Melvita. Non-comparable Stores & others contributed 10.6% to Overall Growth. Sell-in sales increased by 1.0% at constant exchange rates, contributing 0.2% to Overall Growth.

Hong Kong

Hong Kong's net sales for FY2016 were €138.6 million, an increase of 3.3% as compared to FY2015. At constant exchange rates, the growth was -9.3%, posting a negative contribution of 21.0% to Overall Growth. Sell-out segment growth was -14.8%, posting a negative contribution of 15.0% to Overall Growth. Same Store Sales Growth was -17.2%. Hong Kong retail market remained depressed due to the drop in mainland Chinese tourists and the relatively strong Hong Kong dollar. Sell-in sales decreased by 4.8% at constant exchange rates, posting a negative 6.0% to Overall Growth. The decrease was mainly due to softer sales to Travel Retail operators in the greater China region. The outbreak of MERS in Korea during the year had also affected the sales to Korea duty free operators.

China

China's net sales for FY2016 were €131.3 million, an increase of 27.5% as compared to FY2015. At constant exchange rates, the growth was 16.8%, contributing 29.4% to Overall Growth. Sell-out sales growth was 18.0% at constant exchange rates, mainly contributed by both Non-Comparable Stores and others including sales from T-mall. The Group's own retail network in China reached 187 stores at the end of FY2016, with a net increase of 26 stores during the year, including 18 for L'Occitane and 8 for Melvita. In April 2015, the Company inaugurated the first Melvita shop in Beijing. China remained the fastest growing country of the Group. Sell-in sales also performed well with an increase of 9.2% in local currency, contributing a 2.1% to Overall Growth, mainly contributed by B2B and web partner channels.

Taiwan

Taiwan's net sales for FY2016 were €41.5 million, an increase of 6.3% as compared to FY2015. At constant exchange rates, the growth was -0.7%, posting a negative contribution of 0.5% to Overall Growth. The growth rates in local currency for Sell-out and Sell-in were -1.2% and 3.7% respectively. Business in Taiwan was challenging in a flattish economy and retail sentiment was weak especially during the typhoon attacks in summer time and the earthquake before Chinese New Year. Yet sales recorded good growth in other service sales, i.e. L'Occitane café and spa services in FY2016, and offset part of the decrease in retail.

France

France's net sales for FY2016 were €101.4 million, an increase of 11.0% as compared to FY2015, contributing 17.1% to Overall Growth. Sales in Paris area were affected by lower traffic in the touristic districts after the terrorist attacks in November 2015. Despite all these, Same Store Sales Growth remained at a resilient pace of 6.8%. Sell-in segments also performed well in major wholesale channels such as department stores, pharmacies, web partners and distributors. Under aggressive expansion of the wholesale networks, the emerging brands of the Group were also key contributors to the Sell-in growth in France.

United Kingdom

United Kingdom's net sales for FY2016 were €74.8 million, an increase of 11.4% as compared to FY2015. At constant exchange rates, the growth was 3.2%, contributing 3.6% to Overall Growth. The Sell-out segment contributed 3.3% to Overall Growth, driven by own E-commerce and Non-comparable Stores & others. Same Store Sales Growth was 1.9% in local currency, contributing 1.2% to Overall Growth. Non-comparable Stores & others contributed 2.2% to Overall Growth, mainly from the net openings in FY2016 and FY2015. Sell-in sales increased by 1.1% at constant exchange rates, contributing 0.3% to Overall Growth.

United States

United States' net sales for FY2016 were €173.1 million, an increase of 12.7% as compared to FY2015. At constant exchange rates, the growth was -1.3%, posting a negative contribution of 3.5% to Overall Growth. The retail sentiment was soft in particular under the strong US dollars. Some of our touristic stores and outlet shops had posted significant decline in traffic. Yet the digital channels such as the own E-commerce platform and web partners remained strong. Sell-in segment decreased by 8.6% in local currency, which was mainly affected by the exit of Nordstrom.

Brazil

Brazil's net sales for FY2016 were €43.5 million, a decrease of 11.8% as compared to FY2015. At constant exchange rates, the growth was 11.5%, contributing 9.6% to Overall Growth. The results at actual rates were affected by the weak Brazilian Real against Euro. However, the growth at constant rates remained strong under the challenging economic situation, with 12.1% growth in Sell-out and 8.8% in Sell-in. The growth in Sell-out was contributed by both the Same Store Sales Growth of 9.1%, and the new stores opened in these two years. Sell-in also posted a good growth of 8.8%. The overall good results were contributed by the new store openings and successful products launches coupled with CRM, digital initiatives and advertising campaigns for both L'Occitane en Provence and L'Occitane au Brésil brands. The new products and festive season launches were well received in the market. Network expansion of L'Occitane au Brésil accelerated during the year, with 6 net own-stores openings and a significant increase in franchise stores.

Russia

Russia's net sales for FY2016 were €44.9 million, a decrease of 10.8% as compared to FY2015. At constant exchange rates, the growth was 10.0%, contributing 8.6% to Overall Growth. Consumer spending remained weak under the impact of economic depression, sanctions and sharp depreciation of the Russian Ruble against major world currencies. Sell-out posted a growth of 8.4% in local currency, with contribution from both the Same Store Sales Growth of 8.1% including strong growth in own E-commerce channel and the new stores opened during the past two years. Sell-in also recorded a good growth of 19.1%, mainly contributed by the successful development of a franchise network.

Other countries

Other countries' (including Luxembourg) net sales for FY2016 were €326.9 million, an increase of 8.4% as compared to FY2015. At constant exchange rates, the growth was 8.3%, contributing 42.5% to Overall Growth. The Sell-out segment contributed 27.3% to Overall Growth, with 6.7% contributed by Comparable stores and 20.7% by Non-comparable Stores & others. Same Store Sales Growth was 2.6%. During FY2016, the net openings in Other countries were 29 (14 in Asia, 8 in Americas and 7 in Europe & Africa). Net sales in Canada, Australia and Germany grew by 18.5%, 14.3% and 9.6%, respectively, in local currency. At constant exchange rates, Sell-in sales increased by 9.2% and contributed 15.1% to Overall Growth. This was mainly due to an increase in sales to wholesalers.

PROFITABILITY ANALYSIS

COST OF SALES AND GROSS PROFIT

Cost of sales increased by 3.0%, or €6.5 million, to €221.2 million in FY2016. The gross profit margin rose by 1.0 points to 82.8%, as a result of the following factors:

- favourable foreign exchange effect for 0.7 points;
- favourable price mix effect for 0.4 points;
- reduction in obsolescence from tighter inventory management for a total of 0.3 points; and
- saving in labelling and freights & duties also from tighter inventory management for 0.2 points.

The rise in gross profit margin was partly offset by higher investment in Mini Products and Pouches (the "MPPs") for 0.2 points, production costs for 0.2 points and unfavourable brand mix and other for 0.2 points.

DISTRIBUTION EXPENSES

Distribution expenses increased by 10.0%, or €54.3 million, to €598.6 million in FY2016. As a percentage of net sales, distribution expenses increased by 0.5 points to 46.7%. The higher cost percentage is attributable to a combination of:

- investment in travel retail and wholesale activities, international supply chain team and development of emerging brands retail networks for 0.4 points; and
- lower leverage on rental and personal costs for 0.6 points.

This deterioration was partly offset by efficiency and savings for 0.2 points, favourable channel mix for 0.2 points and favourable exchange rates for 0.1 points.

MARKETING EXPENSES

Marketing expenses increased by 23.4%, or €30.5 million, to €160.8 million in FY2016. As a percentage of net sales, marketing expenses increased by 1.5 points to 12.5% of net sales. This increase was attributable to:

- L'Occitane en Provence brand awareness investment in advertising and digital media, tools and resources for 1.1 points;

- increase investment in emerging brands for 0.8 points notably in Melvita and L'Occitane au Brésil; and
- re-classification for 0.2 points;

This was mitigated by leverage on sales level and savings in other advertising costs for 0.4 points, favourable exchange rates for 0.1 points and other factors for 0.1 points.

RESEARCH & DEVELOPMENT EXPENSES

Research and development ("R&D") expenses increased by 11.6%, or €1.5 million, to €14.6 million in FY2016, mainly due to increased investments dedicated to special projects for L'Occitane brand. As a percentage of net sales, those investments represented 0.1 points and were offset by efficiency gains and leverage on higher sales.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased by 6.0%, or €6.6 million, to €117.7 million in FY2016. As a percentage of net sales, general and administrative expenses decreased by 0.3 points. The improvement was mainly due to leverage effects and favourable exchange impact in FY2016.

OTHER GAINS AND LOSSES

Other losses were €1.7 million in FY2016 (FY2015: €0.3 million), including €3.0 million losses mainly related to the reassessment of the Company's legal profit sharing plus social charges with its employees in France for the financial years ended March 2009, 2010 and 2011. The losses were partly offset by net gains principally relating to the R&D tax credit of €1.2 million granted by the French government.

OPERATING PROFIT

Operating profit increased by 2.4%, or €3.9 million, to €168.0 million in FY2016, and the operating profit margin decreased by 0.8 points of net sales to 13.1%. The decrease in the operating profit margin is explained by:

- investments for future sales growth and increased efforts in R&D, digital, L'Occitane en Provence brand awareness and other for a total 1.5 points;
- investments in the development of our emerging brands combined with brand mix effects for 1.3 points; and
- one-offs and other factors for 0.1 points.

This was partly offset by favourable effects:

- leverage on higher sales, savings and efficiency gains for 0.6 points;
- price and product mix for 0.2 points;
- favourable channel mix effects for 0.2 points; and
- exchange rate effects for 1.1 points.

FINANCE COSTS, NET

Net finance costs were €2.7 million in FY2016, as compared to €4.6 million in FY2015, which was impacted by a provision of €4.1 million relating to a bank deposit placed with a Russian bank whose business license was revoked by the Russian Central Bank.

In FY2016, the net of interest income on cash balances and interest expenses on borrowings and leases resulted in an income of €0.6 million, as compared to an income of €0.1 million in FY2015. There was also an increase in non-cash bookings of €0.8 million at the year-end of FY2016, principally due to the recognition of increased liabilities in relation to put options granted to minority shareholders. In addition, a late payment interest of €2.5 million was accounted in relation to the tax and profit reassessments.

FOREIGN CURRENCY GAINS/LOSSES

Net foreign currency losses amounted to €6.9 million in FY2016 and were composed of €2.3 million realized gains and €9.2 million unrealized losses.

The unrealized losses were mainly resulted from year-end conversion of intercompany loans and trade balances into euro, at relatively stronger euro rates against various foreign currencies at the end of March 2016 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 Russia, China, the UK and Korea. The realized gains of €2.3 million were largely related to US dollar, Japanese yen and Singaporean dollar.

INCOME TAX EXPENSE

The effective income tax rate was 28.3% for FY2016, as compared to 25.5% for FY2015. This increase in effective income tax rate of 2.8 points is explained by:

- unfavourable exchange rates effects for 3.1 points;
- the net effect of the tax litigation with the French tax authorities ("FTA") for a negative 1.0 points;
- unfavourable country mix impacting by 1.0 points;

This was partly offset by favourable effects:

- the effect on the change in deferred tax assets of higher gross margins partly balanced by lower inventories for a net 0.5 points; and
- the recognition of previously unrecognized tax assets, as a consequence of improved profits in some subsidiaries, and other effects, for 1.8 points.

Reference is made to the announcement of the Company posted on 3 May 2016, regarding the settlements of two tax disputes with the FTA. The total financial consequence of these settlements on FY2016 was €14.6 million, with €3.0 million on operating expenses, €2.5 million on finance costs and € 9.1 million on income tax expenses.

PROFIT FOR THE PERIOD

For the aforementioned reasons, profit for FY2016 decreased by 9.6% or €12.0 million to €113.6 million, as compared to FY2015. Both basic and diluted earnings per share in FY2016 decreased by 9.6% to €0.075 (FY2015: €0.083). The numbers of basic and diluted shares used in the calculations of earnings per share in FY2016 were 1,468,616,721 and 1,470,859,116 respectively, (FY2015: basic 1,470,309,391 and diluted 1,471,886,682).

BALANCE SHEET AND CASH-FLOW REVIEW

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2016, the Group had cash and cash equivalents of €424.8 million, as compared to €395.1 million as at 31 March 2015.

As at 31 March 2016, the aggregate amount of undrawn borrowing facilities was €330.6 million.

As at 31 March 2016, total borrowings, including finance lease liabilities, current accounts with non-controlling interests and related parties and bank overdrafts, amounted to €88.9 million, as compared to €110.2 million as at 31 March 2015. The decrease was mainly due to lower needs of operating funds in local currencies of certain subsidiaries.

SUMMARIZED CASH-FLOW STATEMENT

For the year ended 31 March	**2016**	**2015**
	€ '000	*€ '000*
Profit before tax, adjusted for non-cash items	227,884	247,647
Changes in working capital	36,196	486
Income tax paid	(55,111)	(42,085)
Net cash inflow from operating activities	208,969	206,108
Net cash (outflow) from investing activities	(60,631)	(69,027)
Free cash flow	148,338	137,081
Net cash (outflow) from financing activities	(121,881)	(45,291)
Effect of exchange rate changes	3,233	(15,915)
Net increase in cash, cash equivalents and bank overdrafts	29,690	75,875

Free cash flow increased by €11.3 million, to €148.3 million, as compared to €137.1 million in FY2015. The strong performance, despite lower profit before tax and higher tax paid, is explained by the lower level of capital expenditures and the improvement in working capital contributing €36.2 million to the net cash, particularly from tighter inventory management. The increase in financing activities was mainly due to a payout of final and special dividends of €93.1 million.

INVESTING ACTIVITIES

Net cash used in investing activities was €60.6 million in FY2016, as compared to €69.0 million in FY2015, representing a decrease of €8.4 million. This reflected capital expenditures primarily related to:

- the additions of leasehold improvements, other tangible assets, key moneys and changes in deposits related to stores for €29.8 million;
- the additions in information technology software and equipment for €10.2 million, including €1.1 million for the implementation of SAP as the Group's enterprise resources planning system and €6.3 million for the renewal, extension and security of the IT equipment;
- the additions of machinery, equipment, construction, fittings and others to the Group's factories, R&D and warehousing facilities for €13.3 million; among which €4.2 million were in progress for Nord Largorce project; and
- investment in Myglamm for €1.9 million and final payment for the acquisition of the Norway distributor for €0.7 million.

FINANCING ACTIVITIES

Net cash used in financing activities in FY2016 was €121.9 million (FY2015: €45.3 million). Net cash used during the year mainly reflected the following:

- dividend payments to non-controlling interests in subsidiaries, for €4.1 million;
- payment of final and special dividend during the year for €93.1 million; and
- net repayment of borrowing for €21.3 million due to reduction in needs of financing at subsidiary level.

INVENTORIES

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

	FY2016	**FY2015**
Average inventory turnover days[(1)]	245	262

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

Inventory value reduced by €23.0 million to €137.0 million as at 31 March 2016, or 14.4% below FY2015. Inventory turnover improved by 17 days as a result of:

- reduced turnover days of raw materials, components and finished goods at the factories for 16 days, in relation to improvement in production forecast, inventory management and the anticipation of deliveries; and

- reduced turnover days of finished goods for 15 days in countries such as the USA, Brazil, Japan and the UK.

The improvement was partly offset by unfavourable exchange rate impacts for 10 days and a reduction in inventory allowances for 4 days.

TRADE RECEIVABLES

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

	FY2016	FY2015
Turnover days of trade receivables[1]	29	30

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

Turnover days of trade receivables reduced by 1 day to 29 days for FY2016 as compared to FY2015. Improvement was mainly contributed from the Sell-in segment.

TRADE PAYABLES

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

	FY2016	FY2015
Turnover days of trade payables[1]	151	153*

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

* restated due to reclassification

The decrease in turnover days of trade payables was mainly due to a decrease in trade payables at the factory level.

BALANCE SHEET RATIOS

Return on capital employed slightly decreased by 0.2 points in FY2016 as compared to FY2015. The decrease in net operating profit after tax by 10.5% accompanied by a drop of 9.7% in capital employed which was mainly contributed by a lower working capital, ended with the slight decrease in return on capital employed. The capital and reserves attributable to the equity owners decreased by €3.2 million from 31 March 2015 to 31 March 2016 primarily due to a combination of the Group's profit during this period offset by the final and special dividend payment during the year and an unfavourable foreign currency translation effect. As a result the return on equity ratio decreased to 13.0%. The Group remained in high net cash position with favourable liquidity and capital adequacy ratio. The gearing ratio dropped to 7.5%, mainly due to a decrease in net borrowing for the financing needs at subsidiary level.

		FY2016	FY2015
Profitability			
Net operating profit after tax (NOPAT)(1)	€'000	115,490	128,991
Capital employed(2)	€'000	519,616	575,238
Return on capital employed (ROCE)(3)		22.2%	22.4%
Return on equity (ROE)(4)		13.0%	14.3%
Liquidity			
Current ratio (times)(5)		3.50	3.55
Quick ratio (times)(6)		2.83	2.76
Capital adequacy			
Gearing ratio(7)		7.5%	9.1%
Debt to equity ratio(8)		Net cash position	Net cash position

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

(2) Non-current assets - (deferred tax liabilities + other non-current liabilities) + working capital*
* excluded current financial liabilities to show only working capital relating to operations

(3) NOPAT / Capital employed

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

(5) Current assets / current liabilities

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

(7) Total debt / total assets

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

FOREIGN EXCHANGE RISK MANAGEMENT

The Company enters into forward exchange contracts to hedge anticipated transactions, as well as receivables and payables not denominated in its presentation currency, the Euro, for periods consistent with its identified exposures. As at 31 March 2016, the Company had foreign exchange derivatives net assets of €0.4 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 2016 were primarily Japanese Yen for an equivalent of €9.4 million, Chinese Yuan for €3.5 million, Australia Dollar for €2.1 million, US Dollar for €2.0 million, Mexican Peso for €0.8 million, Polish Zloty for €0.6 million and Czech Republic Koruna for €0.1 million.

CONTINGENCIES

In July 2012, the FTA started an audit of the tax returns filed by Laboratoires M&L S.A. ("M&L"), formerly known as L'Occitane S.A. in France, a subsidiary of the Company, for the three financial years ended 31 March 2009, 2010 and 2011. The FTA questioned the level of intercompany transactions. After consulting its tax advisors, the Company made a provision of €8,000,000 tax liabilities for the financial year ended 31 March 2015. On 30 November 2015, the FTA and M&L reached a €10,500,000 settlement for years ended 31 March 2009, 2010 and 2011. The amount was paid in January 2016.

The under-provided €2,500,000 is recognized as income tax expense in the financial year ended 31 March 2016. Furthermore, in June 2015, the FTA started another audit of the tax returns filed by M&L for the three financial years ended 31 March 2012, 2013 and 2014. As mentioned in the interim report for the six months ended 30 September 2015, the Company could not assess any reliable estimate for the risk related to those fiscal years and no provision had been recorded in the previous annual and interim reports. In April 2016, the FTA and M&L reached an agreement on the level of intercompany transactions with approximately €6,600,000 of additional income tax and other taxes for years ended 31 March 2012 and 2013 and a tax relief for year ended 31 March 2014. The €6,600,000 is provided for as income tax expense as at 31 March 2016.

In accordance with the related French law, a tax re-assessment triggers a re-assessment of the Company's legal profit sharing with its employees in France. Accordingly, the Company records additional profit sharing plus social charges of €3,000,000 as "other losses" in the operating profit as at 31 March 2016. The additional profit sharing will be paid out during the financial year ending 31 March 2017.

In relation to the aforementioned tax and profit sharing re-assessments, M&L also recognizes late payment interests of €2,500,000 as finance costs as at 31 March 2016.

In summary, the total financial impact of the one-off items listed above for year ended 31 March 2016 is €14,600,000, with €3,000,000 on operating expenses, €2,500,000 on finance costs and €9,100,000 on income tax expenses.

The FTA are about to start the audit of the tax return filed by M&L for the year ended 31 March 2015. After consulting its tax advisors, the Company considers no risks for the years ended 31 March 2015 and 2016 and does not record any provision in the year ended 31 March 2016.

In November 2015, the US tax authorities started an audit of the tax returns filed by L'Occitane Inc. for the year ended 31 March 2014. At the present time, L'Occitane Inc. received an information document request for the years ended 31 March 2013 and March 2014. The probability and moreover the amount of an obligation cannot be reliably assessed. Consequently, no provision has been recorded.

DIVIDENDS

At the Board meeting held on 1 June 2015, the Board recommended a gross dividend distribution of €0.0291 per share for a total amount of €42.8 million or 35.0% of the net profit attributable to the equity owners of the Company. The Board further recommended a distribution of special dividend of €0.034 per share for a total amount of €50.0 million or 40.9% of the net profit attributable to the equity owners of the Company. The amount of the proposed final and special dividends was based on 1,470,309,391 shares in issue as at 1 June 2015 excluding 6,655,500 treasury shares. The shareholders of the Company (the "Shareholders") approved this dividend at a meeting held on 30 September 2015. The dividend was paid on 22 October 2015.

Considering the performance delivered during FY2016, the Board is pleased to recommend a gross final dividend of €0.0291 per share (the "Final Dividend"), same as that of last year. The total amount of the dividend is €42.7 million, representing 38.7% of the net profit attributable to the equity owners of the Company.

The Final Dividend is based on 1,468,616,721 shares in issue as at 6 June 2016 excluding 8,348,170 treasury shares.

EVENTS SUBSEQUENT TO THE END OF FINANCIAL YEAR

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

STRATEGIC REVIEW

In FY2016, the Group reaffirmed its commitment to investing for long- term, sustainable growth. Most of its key markets, especially China, posted good growth despite the challenging global economic backdrop, backed by management team's efforts to pursue innovative approaches in product development, marketing, CRM initiatives and operations re-engineering. The improved store efficiency, 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. The Group's focused investment in its emerging brands, particularly Melvita and L'Occitane au Brésil, has empowered the impressive growth and secured a lucrative opportunity in the long term. Overall, the Group posted good financial performance anchored by its committed team which has delivered operational excellence.

Optimized Omni-Channel Expansion

As part of the selective omni-channel strategy, the Group grew the total number of own retail stores to 1,463 and upgraded 116 stores in FY2016. 4 Erborian own boutiques were opened in fashion capitals including Paris, Seoul and Moscow while 6 L'Occitane au Brésil own boutiques were added to our portfolio, further boosting their brand identity in the regions. Net opening for emerging brands totaled 26 stores, bringing their overall presence to 66 stores. Besides the expansion of quality physical touch points self-owned or operated by distributors, the Group has achieved continuous success with its digital outreach through own websites, marketplaces, web partners as well as social networking platforms. The expansion and upgrade of retail network has driven a balanced growth across channels, with China, France, Japan, Brazil and Russia being the growth contributors.

Upgraded Customer Satisfaction and Experience

Customer-centric is at the core of L'Occitane's success. In France and the UK, the new "order online, pick in stores" services proved its caring way of customer services and elevated shopping experience at every touch point. The Group further enlightened such experience by embracing in-store technologies and digital features at a number of its flagship stores, combining its online/ offline strategy to lift overall traffic.

Focused Investment in Brand Awareness and Digital Marketing

Under the brand awareness program to raise L'Occitane's awareness and relevance to skincare products, the Group continued rolled out "Skin Care Campaign" to reveal value of its face care products, in a hope to boost awareness and recruit more customers in an efficient manner. To facilitate the spread of L'Occitane's true stories, it had also engaged top beauty bloggers and vloggers (video bloggers) as our brand ambassadors to interact with targeted consumers through multimedia, "emotional" branding contents.

The marketing 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. Among other branding initiatives, the limited product collaboration with Line in Japan generated great interest both on-line and in- store.

Evolved E-Commerce Business and CRM Development

At the Group level, own E-Commerce business continued to drive the affluent growth with at 14.5% rate and was 9.8% as compared to retail sales. The impressive performance of on-line business in most of its key countries showcased the Group's digital capability and commitment. Since the grand opening in December 2014, the amazing result of our digital flagship boutique on Tmall marketplace in China has demonstrated L'Occitane's appeal to sophisticated shoppers in emerging countries.

The successful implementation and integration of own e-commerce platforms, user-friendly mobile sites, physical POS system and on-line CRM programs are the keys to tap into the growing on-line beauty market. The Group has reached initial success in integrating our digital and CRM platform in Japan.

Enriched Brand Portfolio and Product Offerings

Great progress was witnessed under the group's multi-brand growth strategy. With a focused natural and organic positioning and marketing on key ranges including Argan Oil and Floral Water, Melvita saw good performance in Japan, HK and France markets. Erborian brands gained more popularity with attractive products that carry sophisticated Korean-French fusion features and the quality openings in FY2016. The ramp-up of L'Occitane au Brésil brand was also well on track, with more sales points opened and number of SKUs doubled in 2 years to over 130. The recent launch of L'Occitane au Brésil's own e-commerce website in turn generated tremendous interest.

Within its core brand, L'Occitane en Provence, the Group's ongoing dedication to research & development capability amplified and uplifted its product portfolio by sourcing nature's finest ingredients. The breakthrough whitening range Reine Blanche and successful holiday offerings also reinforced L'Occitane's brand identity and fostered an outperforming retail growth in the midst of deteriorating economic conditions.

Delivered Operational Excellence under Volatile Environment

Under its guideline of "Operations roadmap" and after the successful implementation of SAP, the Group continued its process re-engineering initiatives. Better efficacies were found in particular with supply chain and inventory management which contributed nicely to gross profit. Its solid pricing strategy and discount control initiatives in turn ensured the optimal sales/store efficiency whilst safeguarded and strengthened brand integrity, proposition and profitability.

OUTLOOK

With a vision to become the no.1 brand in natural beauty with product offerings that are increasingly respectful of people and environment, the Group will continue grow alongside its entrepreneurship and team spirit. L'Occitane aims to offer indulgent beauty experiences inspired by the power of nature, so as to remain as the most competitive brand in this space.

The Group will continue 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 to drive more traffic to both its on-line channels and physical stores, the Group's key focus in the coming year shall remain the investment in digital platforms, such as own e-commerce websites, mobile sites and marketplaces.

The recent grand opening of the Group's Erborian boutique in Taiwan coincided with L'Occitane's 40th year anniversary roadshows, created a buzz in the market. It will continue its selective expansion for all emerging brands, especially L'Occitane au Brésil.

The Group's committed investment in brand awareness and digitalisation has brought initial success and saved it from the fear of global slowdown in consumer demand. It plans to further boost relevance to shoppers with more exciting, high-end product offerings in face care and perfume categories. 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, two of whom are independent non-executive Directors. The Audit Committee together with external auditor 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 and the consolidated financial statement of the Group for FY2016. This annual result announcement is based on the Group's audited consolidated financial statements for the year ended 31 March 2016 which have been agreed with the auditor of the Company.

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 (the "CG Code") set out in Appendix 14 to the Listing Rules throughout FY2016 save as disclosed below:

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

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

Furthermore, Mr. Geiger is supported by Mr. André Hoffmann, Managing Director Asia-Pacific and Vice-Chairman of the Board appointed on 19 April 2016 and by Mr. Domenico Trizio, Group Chief Operating Officer and Group Managing Director of the Company appointed on 26 January 2016. Mr. Geiger is responsible to the Board and focuses on Group strategies and Board issues, ensuring a cohesive working relationship between members of the Board and management. 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.

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

Mr. Karl Guénard ("Mr. Guénard"), joint company secretary of the Company, is based in Luxembourg and reports to Mr. Thomas Levilion ("Mr. Levilion"), an Executive Director and the Group's Deputy General Manager whose primary responsibility is to oversee the Group's finance functions worldwide. The Company believes this is appropriate because both Mr. Guénard and Mr. Levilion work closely together on a day-to-day basis including dealing with matters relating to corporate governance and other Board-related matters. Ms. Ming Wai Mok ("Ms. Mok"), another joint company secretary of the Company, is based in Hong Kong. Ms. Mok works in coordination with Mr. Guénard in the discharge of all company secretarial duties.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct for dealing in the Securities of the Company by the Directors of the Company. Having made specific enquiry of all Directors, they have confirmed that they have complied with the Model Code during FY2016.

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

On 1 April 2015, the Company held 6,655,500 shares in Treasury. During FY2016, the Company repurchased a total of 2,626,000 shares on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") with an aggregate amount of HK$34,021,895, which were transferred to Treasury on 31 March 2016.

Details of shares repurchased during FY2016 are set out as follows:

		Price paid per share		Aggregate
Month of repurchases	**Number of shares purchased**	**Highest (HK$)**	**Lowest (HK$)**	**consideration paid (HK$)**
January 2016	2,408,000	13.30	12.61	30,871,166
February 2016	124,750	14.94	13.9968	1,838,149
March 2016	93,250	14.30	13.60	1,312,580

A total of 933,330 shares held in treasury were transferred out of treasury during the year pursuant to the employees' share option schemes of the Company.

The Company held 8,348,170 shares in treasury on 31 March 2016.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during FY2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 22 September 2016 to Wednesday, 28 September 2016, 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 annual general meeting of the Company (the "AGM") will be Wednesday, 28 September 2016 (the "AGM Record Date"). All transfers accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 21 September 2016.

Subject to the Shareholders approving the recommended Final Dividend, if any, at the AGM, such Final Dividend will be payable on Thursday, 20 October 2016 to Shareholders whose names appear on the register of members on Tuesday, 11 October 2016 (the "Dividend Record Date"). To determine eligibility for the Final Dividend, the register of members of the Company will be closed from Wednesday, 5 October 2016 to Tuesday, 11 October 2016, 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 the 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 Tuesday, 4 October 2016.

PUBLICATION OF FINAL RESULTS AND FY2016 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 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 will be held on 28 September 2016. 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.

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)*
André Hoffmann *(Vice Chairman and Managing Director Asia Pacific)*
Domenico Trizio (*Group Managing Director and Chief Operating Officer)*
Thomas Levilion (*Group Deputy General Manager, Finance and Administration)*
Karl Guénard *(Company Secretary)*

Non-executive Director
Martial Lopez

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

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

Hong Kong, 6 June 2016

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.