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 2017

HIGHLIGHTS

- Group's net sales were €1,323.2 million, recording an increase of 3.2% for FY2017. At constant exchange rates, the growth was 1.7%
- Gross margin improved by 0.5 pp to 83.3%
- Operating profit grew by 0.2% to €168.3 million
- Record net profit of €132.4 million, an increase of €18.8 million or 16.6%
- Earnings per share increased by 20.0% to €0.09
- Inventory turnover days further improved by 18 days or 7.3%
- Proposed final dividend of €0.0316 per share (LY: €0.0291), increase by 8.6%

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 2017 ("FY2017") together with comparative figures for the year ended 31 March 2016 ("FY2016"). The following financial information, including the comparative figures, has been prepared in accordance with International Financial Reporting Standards ("IFRS").

CONSOLIDATED STATEMENTS OF INCOME

For the year ended 31 March	*Notes*	**2017** *€ '000*	**2016** *€ '000*	*%* *Change*
Net Sales	2	**1,323,177**	**1,282,676**	**3.2**
Cost of sales		(220,751)	(221,171)	-0.2
Gross profit		**1,102,426**	**1,061,505**	**3.9**
% of net sales		83.3%	82.8%	
Distribution expenses		(621,883)	(598,607)	3.9
Marketing expenses		(170,908)	(160,843)	6.3
Research & development expenses		(15,622)	(14,556)	7.3
General and administrative expenses		(127,862)	(117,704)	8.6
Share of (losses) from joint venture accounted for using the equity method		(27)	(39)	-30.8
Other gains, net	3	2,188	(1,737)	-226.0
Operating profit	4	**168,312**	**168,019**	**0.2**
Finance costs, net	5	(819)	(2,698)	-69.6
Foreign currency gains / (losses)		1,100	(6,949)	-115.8
Profit before income tax		**168,593**	**158,372**	**6.5**
Income tax expense	6	(36,239)	(44,817)	-19.1
Profit for the period from continuing operations		**132,354**	**113,555**	**16.6**
Attributable to:				
Equity Owners of the company		131,910	110,343	19.5
Non-controlling interests		444	3,212	-86.2
Total		**132,354**	**113,555**	**16.6**
Effective Tax rate		21.5%	28.3%	
Earnings per share for profit attributable to the equity owners of the Company during the period *(expressed in Euros per share)*				
Basic		0.090	0.075	20.0
Diluted		0.090	0.075	20.0
Number of shares used in earnings per share calculation				
Basic	7	1,462,720,221	1,468,616,721	-0.4
Diluted	7	1,463,878,454	1,470,859,116	-0.5

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at	*Notes*	31 March 2017 *€'000*	31 March 2016 *€'000*
ASSETS			
Property, plant and equipment, net		172,357	181,661
Goodwill		138,676	129,508
Intangible assets, net		56,677	60,540
Deferred income tax assets		80,058	71,189
Investments in associates		—	(43)
Other non-current receivables		41,449	33,082
Non-current assets		**489,217**	**475,937**
Inventories, net	9	138,096	136,994
Trade receivables, net	10	107,983	97,498
Other current assets		55,162	52,628
Derivatives financial instruments		153	468
Cash and cash equivalents		452,751	424,818
Current assets		**754,145**	**712,406**
TOTAL ASSETS		**1,243,362**	**1,188,343**
EQUITY AND LIABILITIES			
Share capital		44,309	44,309
Additional paid-in capital		342,851	342,851
Other reserves		(66,125)	(45,975)
Retained earnings		598,845	509,399
Capital and reserves attributable to the equity owners		**919,880**	**850,584**
Non-controlling interests		465	4,973
Total equity		**920,345**	**855,557**
Borrowings		70,572	86,382
Deferred income tax liabilities		3,973	4,420
Other financial liabilities		5,603	8,846
Other non-current liabilities		31,405	29,468
Non-current liabilities		**111,553**	**129,116**
Trade payables	11	102,429	92,022
Salaries, wages, related social items and other tax liabilities		64,339	63,675
Current income tax liabilities		9,496	8,420
Borrowings		2,468	2,496
Other current liabilities		18,024	17,764
Derivatives financial instruments		442	67
Provisions for other liabilities and charges		14,266	19,226
Current liabilities		**211,464**	**203,670**
TOTAL EQUITY AND LIABILITIES		**1,243,362**	**1,188,343**
NET CURRENT ASSETS		**542,681**	**508,736**
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,031,898**	**984,673**

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 2017 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

FY2017

	Sell-out	**Sell-in**	**Other reconciling items**	**Total**
	€ '000	*€ '000*	*€ '000*	*€ '000*
Net Sales	992,512	330,665	—	1,323,177
In % of total	75.0%	25.0%	—	100.0%
Gross profit	871,032	231,394	—	1,102,426
% of net sales	87.8%	70.0%	—	83.3%
Distribution expenses	(515,732)	(57,394)	(48,757)	(621,883)
Marketing expenses	(54,853)	(10,622)	(105,433)	(170,908)
Research & development expenses	—	—	(15,622)	(15,622)
General and administrative expenses	13	—	(127,875)	(127,862)
Share of profit/(losses) from joint operations	—	—	(27)	(27)
Other (losses) / gains-net	136	(105)	2,157	2,188
Operating profit	300,596	163,273	(295,557)	168,312
% of net sales	30.3%	49.4%	n/a	12.7%

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%

2.2. Geographic areas

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

	FY2017		FY2016	
In thousands of Euros	**Total**	*In % of total*	**Total**	*In % of total*
Japan	238,795	18.0%	206,696	16.1%
United States	171,198	12.9%	173,115	13.5%
Hong Kong [(1)]	124,329	9.4%	138,566	10.8%
China	139,012	10.5%	131,319	10.2%
France	100,478	7.6%	101,355	7.9%
United Kingdom	64,816	4.9%	74,839	5.8%
Luxembourg [(2)]	65,907	5.0%	61,221	4.8%
Russia	48,973	3.7%	44,940	3.5%
Brazil	56,509	4.3%	43,473	3.4%
Taiwan	41,555	3.1%	41,460	3.2%
Other countries	271,605	20.5%	265,691	20.7%
Net sales	1,323,177	100%	1,282,676	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

	FY2017	FY2016
	€ '000	*€ '000*
Net (losses) / gains on sale of assets	(30)	135

4. Operating profit

Operating profit is arrived at after charging the following:

	FY2017	FY2016
	€ '000	*€ '000*
Employee benefit expenses	379,576	358,495
Rent and occupancy	240,777	233,283
Raw materials and consumables used	98,342	81,679
Change in inventories of finished goods and work in progress	2,623	21,189
Advertising costs	134,715	125,196
Professional fees	80,383	76,081
Depreciation, amortization and impairment	66,746	61,384
Transportation expenses	52,400	54,129
Auditor's remuneration	1,677	1,608
Other expenses	99,787	99,837
Total cost of sales, distribution expenses, marketing expenses, research and development expenses and general and administrative expenses	1,157,026	1,112,881

5. Finance costs, net

	FY2017	FY2016
	€ '000	*€ '000*
Interest on cash and cash equivalents	2,222	2,991
Finance income	2,222	2,991
Interest expense on:		
- Interest expenses	(2,149)	(2,229)
- Finance lease	(110)	(155)
- Unwinding of discount on financial liabilities	(782)	(756)
- Late interest on France tax audit	—	(2,549)
Finance costs	(3,041)	(5,689)
Finance costs, net	(819)	(2,698)

6. **Taxation**

The components of income tax expense are as follows:

	FY2017	**FY2016**
	€ '000	*€ '000*
Current income tax	(42,402)	(50,783)
Deferred income tax	6,163	5,966
Total income tax expense	(36,239)	(44,817)

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

	FY2017	**FY2016**
	€ '000	*€ '000*
Profit before tax and share of loss from joint ventures accounted for using the equity method	168,620	158,411
Income tax calculated at corporate tax rate *(Luxembourg tax rate of 27.08% as at 31 March 2017 and 29.22% as at 31 March 2016)*	(45,662)	(46,288)
Effect of different tax rates in foreign countries	12,961	13,145
Effect of unrecognized tax assets	(630)	(746)
Expenses not deductible for taxation purposes	(1,034)	(929)
Tax reassessment	—	(9,121)
Effect of unremitted tax earnings	(1,529)	(1,384)
Recognition of previously unrecognized tax assets	—	747
Minimum tax payments	(345)	(242)
Income tax expense	(36,239)	(44,817)

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 €131.9 million for FY2017 (€110.3 million for FY2016) and the weighted average number of shares in issue of 1,462,720,221 (basic) and 1,463,878,454 (diluted) for the year ended 31 March 2017 and 1,468,616,721 (basic) and 1,470,859,116 (diluted) for the year ended 31 March 2016.

8. **Dividends**

At the Board meeting held on 12 June 2017, the Board recommended a distribution of gross final dividend of €0.0316 per share for a total amount of €46.2 million or 35.0% of the net profit attributable to the equity owners of the Company.

The amount of the proposed final dividend is based on 1,462,720,221 shares in issue excluding 14,244,670 treasury shares as at 12 June 2017.

9. Inventories, net

Inventories, net consist of the following items:

As at 31 March	2017	2016
	€'000	*€'000*
Raw materials and supplies	22,120	20,956
Finished goods and work in progress	127,856	128,011
Inventories, gross	149,976	148,967
Less: allowance	(11,880)	(11,973)
Inventories, net	138,096	136,994

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	2017	2016
	€'000	*€'000*
Current and past due within 3 months	107,585	95,275
Past due from 3 to 6 months	363	1,663
Past due from 6 to 12 months	1	560
Past due over 12 months	34	—
Trade receivables, net	107,983	97,498

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	2017	2016
	€'000	*€' 000*
Current and past due within 3 months	101,406	91,294
Past due from 3 to 6 months	339	40
Past due from 6 to 12 months	7	681
Past due over 12 months	677	7
Trade payables	102,429	92,022

MANAGEMENT DISCUSSION & ANALYSIS

Summary:

	FY2017 *€' million or %*	FY2016 *€' million or %*
Net sales	1,323.2	1,282.7
Operating profit	168.3	168.0
Profit for the year	132.4	113.6
Gross profit margin	83.3%	82.8%
Operating profit margin	12.7%	13.1%
Net profit margin	10.0%	8.9%
Net cash inflow from operations	194.1	209.0

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 & others mean all stores that are not Comparable Stores, i.e. stores opened, closed and renovated during the previous or the current financial period under discussion, together with other sales from marketplaces, mail-orders and services.

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.

REVENUE ANALYSIS

The Group's net sales were €1,323.2 million for FY2017, an increase of €40.5 million or 3.2% as compared to FY2016. In FY2017, net sales in Sell-out and Sell-in segments (representing 75.0% and 25.0% of total net sales, respectively) increased by 1.3% and 3.1% respectively, excluding foreign currency translation effects. At constant exchange rates, the net sales growth was 1.7%. The Company increased the total number of retail locations from 2,924 as at 31 March 2016 to 3,037 as at 31 March 2017, an increase of 113 or 3.9%. The Company maintained its selective global retail expansion during FY2017 and increased the number of its own retail stores from 1,463 as at 31 March 2016 to 1,514 as at 31 March 2017, representing a net increase of 51 own stores or 3.5%. The net own store openings included 24 in Asia Pacific, 28 in the Americas and -1 in Europe and South Africa. The Group had accelerated the expansion of the emerging brands, with net 29 openings. At the end of March 2017, the emerging brands had a total of 95 own-stores (Melvita: 54, L'Occitane au Brésil: 36 and Erborian: 5).

Sales from Comparable Stores, Non-comparable Stores and others and Sell-in segments grew by -1.3%, 9.0% and 3.1% respectively. Geographically, China, Japan, Brazil and other countries were the key contributing countries to Overall Growth.

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 FY2017:

Year-on-year growth

	Growth	*Growth*	*Growth*[(2)]	*Contribution to Overall Growth*[(2)]
	€ '000	*%*	*%*	*%*
Sell-out	**30,076**	**3.1**	**1.3**	**55.2**
Comparable Stores	2,052	0.3	(1.3)	(43.1)
Non-comparable Stores & others [(1)]	28,023	11.5	9.0	98.3
Sell-in	**10,426**	**3.3**	**3.1**	**44.8**
Overall Growth	**40,501**	**3.2**	**1.7**	**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 €992.5 million, an increase of 3.1% as compared to FY2016 and a 1.3% increase at constant exchange rates. The growth was mainly contributed by Non-comparable Stores & others. There was a net addition of 51 own stores during FY2017, including net additions of 31 stores in Brazil (including 24 L'Occitane au Brésil stores), 15 stores in China and 11 stores in Japan. In the United States, 10 net stores were closed as planned. Hong Kong closed 2 net stores due to lease end and performance issue. There was one net closing in both France and United Kingdom. After transferring 3 existing stores to the franchisees, there was 1 net store increase in Russia.

Sell-out segment contributed 55.2% to Overall Growth in FY2017, mainly from Non-comparable Stores & others, which was driven by new stores opened and renovated in these two years and the marketplace platforms in China and Korea. The Group's own E-commerce sales achieved a 11.8% growth at constant exchange rates for FY2017 and were equivalent to 11.0% of total retail sales.

Sell-in

The Sell-in business segment accounted for 25.0% of the Group's total sales in FY2017 and amounted to €330.7 million, an increase of 3.3% as compared to FY2016 and a 3.1% increase at constant exchange rates. Sell-in segment contributed 44.8% to Overall Growth. The increase was mainly driven by dynamic growth in webpartners, wholesale, distribution and B2B channels and the emerging brands - L'Occitane au Brésil, Melvita and Erborian.

Geographic Areas

The following table presents the net sales growth for FY2017 and contribution to overall sales growth (including and excluding foreign currency translation effects as indicated) by geographic area:

	Net Sales Growth FY2017 compared to FY2016			
	Growth	*Growth*	*Growth*[(1)]	*Contribution to Overall Growth*[(1)]
	€ '000	*%*	*%*	*%*
Japan	32,098	15.5	4.1	37.7
Hong Kong[(2)]	(14,238)	(10.3)	(11.0)	(68.0)
China	7,692	5.9	11.0	64.6
Taiwan	95	0.2	(3.3)	(6.1)
France	(877)	(0.9)	(0.9)	(3.9)
United Kingdom	(10,023)	(13.4)	0.4	1.5
United States	(1,918)	(1.1)	(1.8)	(14.3)
Brazil	13,036	30.0	18.4	35.7
Russia	4,033	9.0	3.1	6.2
Other countries[(3)]	10,601	3.2	3.2	46.5
All countries	40,501	3.2	1.7	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 FY2017 compared to FY2016:

	Own Retail Stores				**% contribution to Overall Growth[(1) (2)]**			
	31 Mar 2017	*Net openings YTD Mar 2017*	*31 Mar 2016*	*Net openings YTD Mar 2016*	*Non-comparable Stores*	*Comparable Stores*	*Total Stores*	*Same Store Sales Growth %[(2)]*
Japan[(3)]	134	11	123	12	42.5	(5.7)	36.8	(0.9)
Hong Kong[(4)]	34	(2)	36	—	(24.2)	(18.2)	(42.5)	(13.3)
China[(5)]	202	15	187	26	31.4	15.2	46.6	3.9
Taiwan[(6)]	56	1	55	—	(2.4)	(2.4)	(4.8)	(2.1)
France[(7)]	80	(1)	81	—	(0.1)	(9.9)	(10.0)	(5.3)
United Kingdom	74	(1)	75	2	0.8	(3.4)	(2.6)	(1.6)
United States	207	(10)	217	3	(13.5)	(7.4)	(20.9)	(1.4)
Brazil[(8)]	123	31	92	11	15.9	8.9	24.7	7.2
Russia[(9)]	104	1	103	(4)	2.4	(1.7)	0.8	(1.6)
Other countries[(10)]	500	6	494	29	17.8	(18.4)	(0.6)	(2.5)
All countries[(11)]	1,514	51	1,463	79	70.6	(43.1)	27.5	(1.3)

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

(2) Excludes foreign currency translation effects.

(3) Includes 20 and 26 Melvita stores as at 31 March 2016 and 31 March 2017 respectively.

(4) Includes 3 L'Occitane stores in Macau and 8 Melvita stores in Hong Kong as at 31 March 2016 and 2 L'Occitane stores in Macau and 10 Melvita stores in Hong Kong as at 31 March 2017.

(5) Includes 8 and 10 Melvita stores as at 31 March 2016 and 31 March 2017 respectively.

(6) Includes 1 Erborian store as at 31 March 2017

(7) Includes 4 Melvita and 1 Erborian stores as at 31 March 2016 and 3 Melvita and 1 Erborian stores as at 31 March 2017.

(8) Includes 12 and 36 L'Occitane au Brésil stores as at 31 March 2016 and 31 March 2017 respectively.

(9) Includes 1 and 2 Erborian stores as at 31 March 2016 and 31 March 2017 respectively.

(10) Include 10 Melvita and 2 Erborian stores as at 31 March 2016 and 5 Melvita and 1 Erborian stores as at 31 March 2017.

(11) Include 50 Melvita, 12 L'Occitane au Brésil and 4 Erborian stores as at 31 March 2016 and 54 Melvita, 36 Au Brésil and 5 Erborian stores as at 31 March 2017.

Japan

Japan's net sales for FY2017 were €238.8 million, a record high with an increase of 15.5% as compared to FY2016. At constant exchange rates, the growth was 4.1%, contributing 37.7% to Overall Growth. The encouraging growth was particularly accelerated in the second half of the financial year, which benefited from the TV advertising campaign, new merchandising and digital supports. Sell-out sales growth in local currency was 4.1%, contributing 34.7% to Overall Growth. The growth was driven by Non-comparable Stores and own E-commerce. Same Store Sales Growth was -0.9% in FY2017. During FY2017, Japan had a net addition of 11 stores, including 5 for L'Occitane and 6 for Melvita. Sell-in sales increased by 4.6% at constant exchange rates, with double digit growth in webpartners.

Hong Kong

Hong Kong's net sales for FY2017 were €124.3 million, a decrease of 10.3% as compared to FY2016. At constant exchange rates, the growth was -11.0%. Sell-out segment growth was -17.0%, with Same Store Sales Growth of -13.3%. Hong Kong retail market remained challenging with drops in number and spending of mainland Chinese tourists, heavy discounts offered by competitors and a strong Hong Kong dollar. The negative growth was also due to close of net two shops in Hong Kong and Macau during the year. Sell-in sales decreased by 6.7% at constant exchange rates. In the second half of the year, Sell-in sales in Travel Retail channel were softer in the Greater China region, South East Asia and inflight sales. Yet it was in line with the market trend.

China

China's net sales for FY2017 were €139.0 million, an increase of 5.9% as compared to FY2016. At constant exchange rates, the growth was 11.0%. Sell-out sales growth was 13.3% at constant exchange rates, with contribution not only from stores opened in these two years, but also from Comparable Stores and T-mall. The Group's own retail network in China reached 202 stores at the end of FY2017, with a net increase of 15 stores during the year, including 13 for L'Occitane and 2 for Melvita. China saw a rebound in sales growth in the second half of the year, thanks to the economy recovery and the advertising campaign engaged with a local celebrity.

Taiwan

Taiwan's net sales for FY2017 were €41.6 million, an increase of 0.2% as compared to FY2016. At constant exchange rates, the growth was -3.3%, posting a negative contribution of 6.1% to Overall Growth. The growth rates in local currency for Sell-out and Sell-in were -3.6% and -0.6% respectively. Retail market in Taiwan, in particular in department stores, remained weak.

France

France's net sales for FY2017 were €100.5 million, a decrease of 0.9% as compared to FY2016, contributing -3.9% to Overall Growth. Store traffic remained sluggish due to terrorist threats, upcoming presidential election and poor retail sentiment. Sell-in segments, on the other hand, performed well, thanks to the dynamic growth in wholesale channel. The double-digit growth in wholesale was contributed by expansion of distribution networks for emerging brands together with tighter collaboration with existing networks for L'Occitane brand.

United Kingdom

United Kingdom's net sales for FY2017 were €64.8 million, a decrease of 13.4% as compared to FY2016, as a result of weak Great British Pound. At constant exchange rates, the growth was 0.4%, contributing 1.5% to Overall Growth. Sell-out sales dropped by 1.0%, due mainly to weak traffic post-BREXIT uncertainties and closure of 1 net store. Growth was picked up in the second half especially the own E-commerce channel. Sell-in sales grew by 5.6%, contributed by TV channel, wholesale and B2B. Christmas and holiday offerings were also well received by the customers.

United States

United States' net sales for FY2017 were €171.2 million, a decrease of 1.1% as compared to FY2016. At constant exchange rates, the growth was -1.8%, posting a negative contribution of 14.3% to Overall Growth. Sell-out sales of the year ended at -2.9% at constant rates compared to FY2016. Retail continued to see the contrast of strong digital growth vs. traffic declines in bricks and mortar. Retail traffic remained challenging since the big dip around the presidential election. Net 10 stores were closed during the year as a result of the store network optimization program. On the contrary, own E-commerce channels continued to grow with gains from conversion and average ticket value. Marketplaces also posted encouraging growth. Sell-in channels performed well with healthy growth in webpartners, wholesale and B2B, posted together a growth of 6.6% at constant rates.

Brazil

Brazil's net sales for FY2017 were €56.5 million, an increase of 30.0% as compared to FY2016. At constant exchange rates, the growth was 18.4%, contributing 35.7% to Overall Growth. The results at actual rates benefited from a stronger Brazilian Real against Euro. In addition, the growth at constant rates remained robust under the challenging economic situation, with 16.0% growth in Sell-out and 31.0% in Sell-in. The growth in Sell-out was contributed by both the healthy Same Store Sales Growth of 7.2% and the new stores opened in these two years. Own E-commerce also registered high double-digit growth. In addition, franchise and distribution channels continued to expand. The growth of both L'Occitane en Provence and L'Occitane au Brésil brands was mainly driven by the successful product launches as well as the investments in CRM and digital initiatives. L'Occitane au Brésil had 36 own stores at the end of FY2017.

Russia

Russia's net sales for FY2017 were €49.0 million, an increase of 9.0% as compared to FY2016. At constant exchange rates, the growth was 3.1%, contributing 6.2% to Overall Growth. Consumer spending remained weak under the impact of economic depression. The second half of the FY2017 saw a highly promotional environment in the market. Traffic was sluggish and Same Store Sales were negative, dragged the Sell-out growth for the whole year down to 0.2% in local currency. Yet own E-commerce channel and Sell-in remained strong. Sell-in posted a strong growth of 17.6% in local currency, mainly contributed by wholesale and distribution.

Other countries

Other countries' (including Luxembourg) net sales for FY2017 were €337.5 million, an increase of 3.2% at constant exchange rates, contributing 46.5% to Overall Growth. The Sell-out segment contributed 8.2% to Overall Growth, with key contribution from decent growth in certain countries such as Canada, Australia, Korea and Mexico. Sell-in contributed 38.3% to Overall Growth, mainly driven by distribution, wholesale and B2B.

PROFITABILITY ANALYSIS

COST OF SALES AND GROSS PROFIT

Cost of sales reduced by 0.2%, or €0.4 million, to €220.8 million in FY2017. The gross profit margin rose by 0.6 points to 83.3%, as a result of the following factors:

- reduction in production and logistics costs for 0.3 points;
- favourable price and product mix effect for 0.3 points;
- favourable foreign exchange (“FX”) effect for 0.2 points;
- reclassification for 0.1 points; and

The rise in gross profit margin was partly offset by unfavourable brand mix and channel mix for 0.2 points and 0.1 points respectively.

DISTRIBUTION EXPENSES

Distribution expenses increased by 3.9%, or €23.3 million to €621.9 million in FY2017. As a percentage of net sales, distribution expenses increased by 0.3 points to 47.0%. The higher cost percentage is attributable to a combination of:

- lower leverage on rental and personal costs for 1.0 points;
- investment in travel retail, logistics, new stores openings and development of emerging brands retail networks for 0.3 points
- unfavourable FX impact of 0.1 points; and

This deterioration was partly offset by:

- favourable channel mix for 0.6 points, driven by the over-proportional development of our internet sales; and
- net improvements from store network optimization for 0.5 points.

MARKETING EXPENSES

Marketing expenses increased by 6.3%, or €10.1 million, to €170.9 million in FY2017. As a percentage of net sales, marketing expenses increased by 0.4 points to 12.9% of net sales. This increase was attributable to:

- L’Occitane en Provence brand awareness investment in advertising and digital media as well as strengthening of the teams for 0.5 points;
- FX and others for 0.1 points.

This was partly offset by leverage effect from the emerging brands which had higher sales level this year for a total of 0.2 points.

RESEARCH & DEVELOPMENT EXPENSES

Research and development ("R&D") expenses increased by 7.3%, or €1.1 million, to €15.6 million in FY2017, due mainly to increased investments dedicated to new projects for L'Occitane brand. As a percentage of net sales, those additional investments represented 0.1 points and were partly offset by exchange impact and leverage on higher sales.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased by 8.6%, or €10.2 million, to €127.9 million in FY2017. As a percentage of net sales, general and administrative expenses increased by 0.5 points. The increase was due mainly to the following items:

- one-off items this year for restructuring costs, provisions and litigations for a total of 0.3 points;
- non-recurring gains achieved last year for another 0.2 points; and
- higher IT licenses, leases and maintenance, consulting and depreciation for 0.2 points.

This was mitigated by a leaner organizational structure for 0.2 points.

OTHER GAINS AND LOSSES

Other gains were €2.2 million in FY2017 (FY2016: losses €1.7 million), being profits from disposal of the brand Le Couvent des Minimes and tax credits on research expenditures, netting off partly by a reversal of advertising credits as well as certain capital losses on fixed and financial assets.

OPERATING PROFIT

Operating profit increased by 0.2%, or €0.3 million, to €168.3 million in FY2017, and the operating profit margin decreased by 0.4 points of net sales to 12.7%. The decrease in the operating profit margin is explained by:

- investments for future sales growth and increased efforts in R&D, digital and L'Occitane en Provence brand awareness for a total 0.4 points;
- investments in the development of emerging brands combined with brand mix effects for 0.3 points;
- lower leverage and efficiency in particular in distribution expenses for 0.2 points; and
- investments in infrastructure including offices and IT supports for a total of 0.2 points.

This was partly offset by the following:

- favourable channel mix for 0.5 points, driven by the development of the internet channels; and
- beneficial price & product mix for 0.2 points;

FINANCE COSTS, NET

Net finance costs were €0.8 million in FY2017, improved from €2.7 million in FY2016 which was impacted by a late payment interest of €2.5 million relating to the profit tax reassessments.

In FY2017, the net interest income on cash balances and interest expenses on borrowings and leases resulted in a breakeven (FY2016: an income of €0.6 million). The non-cash accrual remained at €0.8 million level at the year-end of FY2017.

FOREIGN CURRENCY GAINS/LOSSES

Net foreign currency gains amounted to €1.1 million in FY2017 and were composed of €0.7 million realized losses and €1.8 million unrealized gains.

The unrealized gains were mainly resulted from year-end conversion of bank balances and intercompany trade balances into euro, at relatively weaker euro rates against various foreign currencies at the end of March 2017 as compared to those rates at the end of March 2016, leading to unrealized foreign exchange gains on those bank balances at group level, largely related to Japanese yen, Australian dollar, Hong Kong dollar and US dollar being held at Group level. The realized losses of €0.7 million were mainly related to US dollar syndicated loans settlements, netted off some gains from settlements of trade accounts in Hong Kong dollar, Russian ruble and Korean won.

INCOME TAX EXPENSE

The effective income tax rate was 21.5% for FY2017, as compared to 28.3% for FY2016. This decrease in effective income tax rate of 6.8 points is essentially explained by:

- effect of the tax litigation with the French tax authorities last year for a negative 5.5 points; and
- favourable exchange rates effects for 1.5 points.

PROFIT FOR THE YEAR

For the aforementioned reasons, profit for FY2017 recorded at €132.4 million, grew by 16.6% or €18.8 million as compared to FY2016. Basic and diluted earnings per share in FY2017 were €0.090 (FY2016: €0.075), and increased by 20.0%. The numbers of basic and diluted shares used in the calculations of earnings per share in FY2017 were 1,462,720,221 and 1,463,878,454 respectively, (FY2016: basic 1,468,616,721 and diluted 1,470,859,116).

BALANCE SHEET AND CASH-FLOW REVIEW

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2017, the Group had cash and cash equivalents of €452.8 million, as compared to €424.8 million as at 31 March 2016.

As at 31 March 2017, the aggregate amount of undrawn borrowing facilities was €344.5 million.

As at 31 March 2017, total borrowings, including finance lease liabilities, current accounts with non-controlling interests and related parties and bank overdrafts, amounted to €73.0 million, as compared to €88.9 million as at 31 March 2016. The decrease was due mainly to lower needs of operating funds in local currencies of certain subsidiaries.

SUMMARIZED CASH-FLOW STATEMENT

For the year ended 31 March	2017	2016
	€ '000	*€ '000*
Profit before tax, adjusted for non-cash items	233,246	227,884
Changes in working capital	635	36,196
Income tax paid	(39,753)	(55,111)
Net cash inflow from operating activities	194,128	208,969
Net cash (outflow) from investing activities	(52,045)	(60,631)
Free cash flow	142,083	148,338
Net cash (outflow) from financing activities	(110,466)	(121,881)
Effect of exchange rate changes	(3,684)	3,233
Net increase in cash, cash equivalents and bank overdrafts	27,933	29,690

Free cash flow generated during the year was €142.1 million, mainly contributed by the record profit, lower tax paid and slight improvement in working capital. Net cash outflow from investing activities decreased to €52.0 million, which is explained by the lower level of capital expenditures. In FY2017 financing activities amounted to €110.5 million, €11.4 million lower than in FY2016.

INVESTING ACTIVITIES

Net cash used in investing activities was €52.0 million in FY2017, as compared to €60.6 million in FY2016, representing a decrease of €8.6 million. The capital expenditures for FY2017 primarily related to:

- the additions of leasehold improvements, other tangible assets, key moneys and changes in deposits related to stores for €31.7 million;

- the additions in information technology software, licenses and equipment for €8.1 million, including various upgrades of software in certain key subsidiaries and some new global projects such as Human Resources database, website redesigned, accounts payable software and data centres.

- the additions of machinery, equipment and others to the Group's factories, R&D and warehousing and parking facilities for €6.9 million; and

- payment of investment in MyGlamm committed in FY2016 for €1.9 million, plus further investment in FY2017 for €4.9 million and partly net off by the €4.4 million gain from the disinvestment of Le Couvent des Minimes.

FINANCING ACTIVITIES

Net cash used in financing activities in FY2017 was €110.5 million (FY2016: €121.9 million). Net cash used during the year mainly reflected the following:

- settlement for the acquisition of the minority shareholding of the Taiwanese subsidiaries for €36.6 million;

- payment of final dividend during the year for €42.6 million;

- net repayment of borrowing for €14.4 million due to reduction in needs of financing at subsidiary level;

- Purchase of treasury shares for a total of €12.0 million; and

- Dividends paid to non-controlling interests in subsidiaries for €3.4 million.

INVENTORIES

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

	FY2017	**FY2016**
Average inventory turnover days(1)	227	245

(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 increased slightly by €1.1 million to €138.1 million as at 31 March 2017, or 0.8% increase. However, inventory turnover improved by 18 days as a result of:

- reduced turnover days of raw materials, MPPs (Mini Pouches and Products), boxes and finished goods at the factories for 6 days, in relation to improvement in production forecast, inventory management and the anticipation of deliveries;

- reduced turnover days of finished goods and MPPs for 5 days in countries such as Brazil, Japan and the UK; and

- favourable exchange rates for 9 days.

The improvement was partly offset by a reduction in inventory allowances and rounding for 2 days.

TRADE RECEIVABLES

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

	FY2017	**FY2016**
Turnover days of trade receivables[1]	28	29

(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 28 days for FY2017 as compared to FY2016. Improvement was mainly contributed by favourable FX conversions.

TRADE PAYABLES

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

	FY2017	**FY2016**
Turnover days of trade payables[1]	161	151

(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.

The increase in turnover days of trade payables was due mainly to an increase in trade payables at the factory and in certain subsidiaries i.e. France and the USA.

BALANCE SHEET RATIOS

Return on capital employed in FY2017 was 24.6%, increased by 2.4 points as compared to FY2016. The increase in net operating profit after tax by 15.2% accompanied by an increase of 4.0% in capital employed which was contributed by a higher working capital and non-current assets. The capital and reserves attributable to the equity owners increased by € 69.3 million from 31 March 2016 to 31 March 2017 due mainly to higher profit during the year together with a favourable foreign currency translation effect and lower effective tax rate. As a result the return on equity ratio increased to 14.3%.

The Group remained in high net cash position with favourable liquidity and capital adequacy ratio. The gearing ratio dropped to 5.9%, due mainly to a decrease in net borrowing for the financing needs at subsidiary level.

		FY2017	FY2016
Profitability			
Net operating profit after tax (NOPAT)[1]	€'000	132,997	115,490
Capital employed[2]	€'000	540,634	519,616
Return on capital employed (ROCE)[3]		24.6%	22.2%
Return on equity (ROE)[4]		14.3%	13.0%
Liquidity			
Current ratio (times)[5]		3.57	3.50
Quick ratio (times)[6]		2.91	2.83
Capital adequacy			
Gearing ratio[7]		5.9%	7.5%
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 2017, the Company had foreign exchange derivatives net liabilities of €0.3 million in the form of forward exchange contracts (in accordance with fair market valuation requirements under IFRS). The notional principal amounts of outstanding forward exchange derivatives as at 31 March 2017 were primarily sale of Japanese yen for an equivalent of €15.9 million, Chinese yuan for €10.5 million, US dollar for €4.2 million, Great British pound for €3.4 million and Australian dollar for €2.4 million.

CONTINGENCIES

In July 2012, the French tax authorities ("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 in 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 in 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 in March 2009, 2010 and 2011. The amount was paid in January 2016.

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 the fiscal years ended in March 2012 and 2013 and a tax relief for year ended in March 2014. The €6,600,000 has been provided for as "income tax expense" and "current income tax liability" as at 31 March 2016. This amount was paid as at 30 September 2016, together with late payment interests of €700,000 (already recorded as "finance costs" as at 31 March 2016)

Accordingly, the Company recorded 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 had been paid out during the financial year ended 31 March 2017.

The FTA are about to start the audit of the tax return filed by M&L for the year ended in March 2015. After consulting its tax advisors, the Company has assessed the potential tax risk for the years ended in March 2015 and 2016 and concluded there is no need to record any provision in the year ended 31 March 2016.

DIVIDENDS

At the Board meeting held on 6 June 2016, the Board recommended a gross dividend distribution 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 final dividend was based on 1,468,616,721 shares in issue as at 6 June 2016 excluding 8,348,170 treasury shares. The shareholders of the Company (the "Shareholders") approved this dividend at a meeting held on 28 September 2016. The dividend was paid on 20 October 2016.

Considering the performance delivered during FY2017, the Board is pleased to recommend a gross final dividend of €0.0316 per share (the "Final Dividend"), an increase of 8.6% compared to FY2016. The total amount of the dividend is €46.2 million, representing 35.0% of the net profit attributable to the equity owners of the Company.

The Final Dividend is based on 1,462,720,221 shares in issue as at 12 June 2017 excluding 14,244,670 treasury shares.

EVENTS SUBSEQUENT TO THE END OF FINANCIAL YEAR

The Company has acquired a 40% interest in LimeLight USA for a total consideration of US$128 million. Founded by Alcone in 2015, LimeLight USA specializes in professional makeup for artists and makeup enthusiasts in the US. In addition, the Company will establish with LimeLight USA a joint venture, in which the Company will hold a 60% controlling stake. Through the joint venture, the Company plans to leverage on its global exposure to expand the business model outside of the US.

STRATEGIC REVIEW

In FY2017, the Group continued to develop in line with its strategies for long-term growth, in particular optimising its omni-channel expansion strategy, expanding its product mix and investing in digital marketing and brand awareness, all of which are centred around its goal of becoming the number one natural brand in the affordable premium segment. To this end, the Group focused on further enhancing the appeal of the L'Occitane brand, re-enchanting and engaging its customers, as well as improving organisational capability and efficiency.

These strategies helped the Group deliver its highest ever profit since its listing, while also positioning it well for faster, yet sustainable growth.

Developing appealing and memorable omni-channel shopping experiences

Improving the seamless physical and online shopping experience of customers remained at the centre of the Group's growth and omni-channel sales strategy. Throughout FY2017, the Group continued to significantly invest in its self-owned e-commerce websites, mobile sites, third-party marketplaces and social media platforms to make them more welcoming, user-friendly and personalised — essential ingredients for driving traffic, conversion, sales and growth to its online platforms and physical stores. The Group also expanded its relationship with marketplaces, such as Tmall in China, to reach online-savvy and millennial consumers in emerging markets. The Group's E-commerce business grew 11.8%, equivalent to 11.0% of retail sales during FY2017 — a higher rate than many of its peers.

Providing appealing and highly memorable physical stores also remained an essential part of the Group's omni-channel sales strategy. To this end, the Group is focusing on introducing the new 'Sunshine' store concept, which incorporates better in-store navigation and modern design that provides an unforgettable and pleasant shopping experience, as well as valuable marketing opportunities for its L'Occitane en Provence brand. Some hints of this strategy were seen with the reopening of the Group's newly renovated Flatiron flagship store in New York City and Shinjuku flagship store in Tokyo during FY2017, where customers were able to learn about the true stories of the Group's brands through a modern and memorable state-of-the-art digital technology experience.

Rationalisation of store network

The Group continued to selectively expand and renovate its store network to include more quality locations in promising markets during FY2017, while also consolidating its store network in some markets as part of its shift towards adapting consumers' rising craving for omni-channel shopping experiences. During FY2017, the Group opened net 51 own stores, growing its global own retail store network to a total of 1,514 stores. It also upgraded or relocated a total of 110 stores globally during the year under review.

The Group also continued to develop the store network of its emerging brands, particularly in Japan and Brazil. During FY2017, the Group opened a net of 4 Melvita stores, 24 L'Occitane au Brésil stores (including 8 reclassified stores) and 1 Erborian store globally.

Promising returns from digital marketing and brand awareness investments

The Group's ongoing investments in digital marketing and brand awareness continued to deliver results. Specific highlights included a highly effective brand ambassador campaign in China, which featured the well-known singer, Xue Zhiqian, whose endorsement on key online shopping holidays such as Valentine's Day and Alibaba's 'Singles Day' helped drive the Group's strong growth on TMall. The Group's new brand ambassador, Lu Han, is expected to drive better return and awareness throughout the Greater China region.

Successful promotional activities and TV advertisement campaigns also underpinned the turnaround of the Group's business in Japan. The initial success of the test rounds for the Group's new merchandising strategy —implementing clearer in-store navigation for hero products, a focus on gifting and rationalising SKUs— in two stores in Ikebukuro, Tokyo also laid a good foundation for a future global roll-out.

The Group's digital marketing initiatives and gifting strategy also safeguarded its performance in markets with a more uncertain economic situation, including the United States, United Kingdom and other European countries. For example, the Group's Advent Calendar during the recent Christmas holiday sales season was hugely successful in boosting demand and supporting the L'Occitane brand, despite the ongoing 'controlled discount strategy' taking place in a heavy-promotional environment.

Visible results from multi-brand strategy

The Group continued to experience success in pushing forward its multi-brand strategy. All of its emerging brands, Melvita, L'Occitane au Brésil and Erborian, continued to perform well, achieving double-digit or even triple-digit growth by tapping audiences and followings, especially in the Japan, France and Brazil markets where there is strong demand for affordable premium products with superior quality and at reasonable price points. The Group also continued to strengthen the awareness for its core brand, L'Occitane en Provence, by investing more in digital marketing, brand ambassadors, opinion leaders and influencers in the beauty community.

As part of this strategy, the Group recently invested in a minority stake in LimeLight by Alcone, a US-based natural skincare and personalized makeup company, in part to speed up its expansion into the colour cosmetics sector. It will continue to explore other potential investment and M&A opportunities in line with its multi brand strategy and to grow the contribution from its non-core brands.

New products and hero product merchandising strategy

The Group's new forays into face care and fragrances — 'Divine Harmony' and 'Terre de Lumière' — were well received in FY2017, with the latter being named the best buy of the 12 'Best New Fragrances for Spring' by *The Independent*. In addition to face care and fragrances, the Group is also seeking to expand into other product streams, in particular colour cosmetics, in order to cater for a wider customer audience including younger consumers — a prospect that will be supported by its recent investment in LimeLight by Alcone.

During FY2017, the Group also revamped its merchandising strategy to promote its iconic core products (or hero products and best sellers), which have historically proven to be the most popular among new customers, by increasing their prominence within the Group's streamlined store layouts and by allocating more R&D and marketing resources to existing and future hero products and best sellers.

Focus on operational efficiency

The Group's recent reorganisation and optimisation of its management structure continued to bear fruit. Despite the Group's significant investments in new products during FY2017, it still managed to solidly expand its gross profitability by improving its supply chain, inventory management, discount policy and other key functions.

The new pricing and merchandising strategy being developed by the Group's new Chief Growth Officer will continue to support its efforts to explore more growth opportunities and achieve operational excellence.

OUTLOOK

Looking ahead to FY2018, the Group will continue to push forward these strategies, particularly its efforts to add more colour cosmetics, face care and fragrance products to its range. The Group's recent investment in LimeLight by Alcone will greatly strengthen its capabilities in this area without compromising on the use of high-quality, natural and sustainable ingredients in all of its products.

The Group will also focus on providing seamless physical and online shopping experiences to its customers as part of its omni-channel sales strategy in order to boost the profile and visibility of its brands while driving traffic, conversion and sales to all channels. It will continue to leverage on its integrated online and offline CRM program to better serve its regular customers while also rolling-out its new 'Learning Management System' — a digital platform that optimises the latest training provided to the Group's in-store beauty advisors.

The management is also committed to further growing brand awareness and engaging more millennials by introducing new face care products and categories that will tap into their demand, and via physical touch points with the gradual roll out of new 'Sunshine concept' stores in key countries, in order to delight increasingly sophisticated experience seekers. Examples of these include the Group's soon-to-open new flagship stores in Paris as well as in London.

The Group will also further analyse each market to determine what mix of online experiences — own websites, mobile sites, marketplaces and social media — best suits local consumers. It will also explore opportunities to extend the success of its "Click and Collect" services beyond its pilot countries in Europe.

These selected initiatives, combined with the Group's ongoing efficiency improvement measures under its new corporate organisation, will continue to support its ability to deliver sustainable growth and value to 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 FY2017. This annual result announcement is based on the Group's audited consolidated financial statements for the year ended 31 March 2017 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 FY2017 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 2017 and by Mr. Domenico Trizio, Group Chief Operating Officer and Group Managing Director of the Company. 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 FY2017.

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

On 1 April 2016, the Company held 8,348,170 shares in Treasury. During FY2017, the Company repurchased a total of 6,639,000 shares on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") with an aggregate amount of HK$101,534,980, which were transferred to Treasury on 31 March 2017.

Details of shares repurchased during FY2017 are set out as follows:

	Number of	Price paid per share		Aggregate
	shares	Highest	Lowest	consideration
Month of repurchases	**purchased**	**(HK$)**	**(HK$)**	**paid (HK$)**
June 2016	1,907,500	15.80	13.50	29,602,196.46
July 2016	2,150,000	16.50	15.24	33,670,685.00
December 2016	1,910,750	15.04	14.52	28,017,935.01
January 2017	670,750	15.30	15.22	10,244,163.53

During the year, a total of 742,500 shares held in treasury were transferred out of treasury pursuant to the employees' free share schemes of the Company.

On 31 March 2017 the Company held 14,244,670 shares in treasury.

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 FY2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 21 September 2017 to Wednesday, 27 September 2017, 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, 27 September 2017 (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, 20 September 2017.

Subject to the Shareholders approving the recommended Final Dividend, if any, at the AGM, such Final Dividend will be payable on Thursday, 19 October 2017 to Shareholders whose names appear on the register of members on Tuesday, 10 October 2017 (the "Dividend Record Date"). To determine eligibility for the Final Dividend, the register of members of the Company will be closed from Wednesday, 4 October 2017 to Tuesday, 10 October 2017, 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, 3 October 2017.

PUBLICATION OF FINAL RESULTS AND FY2017 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 (group.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 (group.loccitane.com) in due course.

ANNUAL GENERAL MEETING

The AGM will be held on 27 September 2017. A notice convening the AGM will be published, on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (group.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

Luxembourg, 12 June 2017

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.