The following discussion and analysis of our financial condition and results of operation is based on the financial information set forth in the Accountant's Report. Accordingly, you should read this section in conjunction with our audited consolidated financial information as of and for the years ended 31 March 2007, 2008 and 2009, and the nine month period ended 31 December 2009 including the notes thereto, set forth in the Accountant's Report. The Accountant's Report has been prepared in accordance with International Financial Reporting Standards as adopted by the International Accounting Standards Board ("IFRS"), which differ in certain material respects from generally accepted accounting principles in other jurisdictions, including the United States.

In addition to historical information, the following discussion and other parts of this prospectus contain forward-looking statements that involve risks and uncertainties. Our future financial condition may differ materially from those discussed in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.

Unless otherwise indicated, all references to years in this Financial Information section refer to the respective financial year ended 31 March; for example, "FY2009" refers to the financial year ended 31 March 2009.

OVERVIEW

Founded in 1976, L'Occitane is one of the fastest growing prestige beauty companies in the world, and a leader by sales and consumer awareness of natural and organic-based cosmetics and personal care products. We design, manufacture, market and sell under the L'Occitane brand body care, face care, fragrances, hair care, toiletries, men's grooming and home fragrance products based on natural ingredients. We also market other cosmetic and personal care products under the trademark Le Couvent des Minimes and our newly purchased brand Melvita. Between 31 December 2009 and 31 March 2010, we discontinued the operations of nine stores in the United States, where we were acting as a third-party retailer of a range of olive oils and foodstuff products under a supplier's brand, Oliviers & Co.

Our net sales increased by €80.0 million, or 23.9%, from FY2007 to FY2008, and by €122.4 million, or 29.5%, from €415.0 million in FY2008 to €537.3 million in FY2009, representing a CAGR of 26.7% for net sales from FY2007 to FY2009. For the nine month period ended 31 December 2009 our net sales increased by €59.6 million, or 14.8%, compared to the corresponding period in 2008, to €462.7 million. Likewise, our operating profits increased by €21.0 million or, 40.3%, from FY2007 to FY2008, and by €7.4 million, or 10.1%, from €73.1 million in FY2008 to €80.5 million in FY2009. For the nine month period ended 31 December 2009, our operating profit increased by €34.1 million, or 57.2%, compared to the corresponding period in FY2008, to €93.7 million.

Despite the recent global economic downturn caused by the financial crisis, our business continued to expand. We believe that the recent global economic downturn did not have a significant impact on our overall sales and financial position. The impact on our sales and financial position was relatively limited compared to other companies since the vast majority of our sales are made directly to end customers. Since September 2009, our sales have gradually recovered, including in markets

that were especially affected by the crisis, such as the United States. Moreover, despite the tightening of credit generally, we have not encountered financing difficulties and have benefited from lower interest rates.

In anticipation of a global economic recovery, we have continued to invest in marketing our products and in expanding our operations. We have continued to strategically open new Retail Stores, resulting in a net opening of 64 stores from 31 March 2009 to 28 February 2010. Furthermore in April 2009, we acquired 12 additional stores through the acquisition of the net assets of our Canadian distributor.

We have a broad distribution network. As at 28 February 2010, we sold our products in over 80 countries through over 1,500 retail locations that exclusively sell our products. Of such locations, 763 are our own ***Retail Stores***, including the Melvita stores and Oliviers & Co. Stores. We utilise a distinctive marketing strategy with our retail-based multi-channel distribution model to serve a variety of consumers worldwide. Although we mainly sell our products through our own Retail Stores, we also sell our products through intermediaries such as premium wholesalers and home-shopping television as well as to the travel industry, including hotel and airline companies. We believe that this strategy enhances our brand recognition and allows us to reach a broad spectrum of consumers.

We operate our business through three business segments reflecting our customer focus and primary reporting format:

- Our Sell-out Segment (***Sell-out***) comprises sales of our products directly by us to end customers. These sales are made mainly through our own Retail Stores but also include sales through spas, mail-order and our own Internet-shopping websites. In FY2009 and for the nine month period ended 31 December 2009, 71.5% and 73.5%, respectively, of our net sales were derived from this segment.

- Our Sell-in Segment (***Sell-in***) comprises sales of our products to resellers, including retail locations not managed and operated by us, distributors, wholesalers, department stores, home-shopping television networks and duty free stores. This segment also includes sales of products to corporate customers that use the products as gifts, for instance, to employees or customers. In FY2009 and for the nine month period ended 31 December 2009, 24.7% and 23.1%, respectively, of our net sales were derived from this segment.

- Our business-to-business Segment (***B-to-B***) comprises sales of our products to intermediaries, such as hotels and airlines that provide these products as free amenities to their customers. In FY2009 and for the nine month period ended 31 December 2009, 3.8% and 3.4%, respectively, of our net sales were derived from this segment.

We also evaluate our business from a geographic perspective. We show our net sales for each significant country in which we operate as a secondary reporting format. Our geographic areas are based on the invoicing subsidiary of origin of our sales and comprise Japan, Hong Kong, Taiwan, France, the United Kingdom, the United States, Brazil and Other Countries. As at 31 December 2009, other countries are China, Korea, Singapore, Australia, Thailand, Mexico, Luxembourg, Spain, Germany, Belgium, Switzerland, Italy, Austria, Slovakia, Hungary, Czech Republic, Russia, Poland, India and Canada (collectively, ***Other Countries***).

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATION

New Products

In order to meet the demands of consumers, we continuously introduce and market new products under the L'Occitane brand and phase out existing products that no longer meet the needs of our customers or our sales requirements. Our continuing ability to develop, launch and market new products not only impacts our image and perception among consumers but also has a significant effect on our net sales, operating profit and growth each year. We currently manufacture seven broad categories of products under the L'Occitane brand and as of 28 February 2010, we had a total of over 400 L'Occitane brand products that we sold in our Own L'Occitane Stores. We introduced approximately 115 new products during FY2009, of which 87 were completely new products which were never sold by us before and approximately 28 were improved and/or altered versions of products which had previously been sold.

Expansion of Retail Network

Our ability to increase our sales and our profitability is directly affected by the total number of retail locations selling our products as well as the number and proportion of such retail locations that we operate as our own Retail Stores with the Sell-out Segment generally commanding a higher gross profit margin (and also higher operating expenses) as compared to our other channels. Moreover, our ability to continue to secure prime retail locations at costs that allow us to maintain our target profit margins is a key factor to our success. During the Track Record Period, we expanded from 459 Retail Stores as at 31 March 2007 to 549 Retail Stores as at 31 March 2008 to 687 Retail Stores as at 31 March 2009. As at 28 February 2010, we further expanded to 763 Retail Stores. In particular, we have successfully targeted our expansion in the Asia-Pacific region, as well as in emerging markets such as Brazil and Russia where we expect relatively higher economic growth as compared to more mature markets such as the United States and Western Europe. In the Asia-Pacific region, including China, we expanded by 159 Retail Stores over the Track Record Period, and in Brazil and Russia, we expanded by 56 Retail Stores over the same period. Over the Track Record Period, the increase in the number of our own Retail Stores in the Asia-Pacific region, Brazil and Russia accounted for about 56% of all our new Retail Stores during that period. Globally, increases in Non-comparable Store Sales (as defined below) in FY2008 and FY2009 represented 45.8% and 58.2% of our overall net sales growth, respectively, excluding foreign currency translation effects. Increases in Comparable Store Sales (as defined below) represented 19.2% and 5.7% of our overall net sales growth in FY2008 and FY2009, respectively.

As at 28 February 2010, we had 763 Retail Stores, and the following table gives a breakdown by geographic area of our number of Retail Stores:

	Retail Stores 31 March 2007 to 28 February 2010								
	31 March 2007	**31 March 2008**	***2007–2008 Change***	**31 March 2009**	***2008–2009 Change***	**31 December 2009**	***31 March–31 December 2009 Change***	**28 February 2010**	***31 December 2009 – 28 February 2010 Change***
Japan	47	56	*9*	67	*11*	70	*3*	70	—
Hong Kong[(1)]	11	15	*4*	15	—	19	*4*	18	*(1)*
Taiwan	41	44	*3*	47	*3*	48	*1*	50	*2*
France[(2)]	51	54	*3*	62	*8*	64	*2*	64	—
United Kingdom	24	30	*6*	36	*6*	42	*6*	42	—
United States[(3)]	165	173	*8*	176	*3*	178	*2*	173	*(5)*
Brazil[(4)]	24	26	*2*	30	*4*	33	*3*	33	—
Other Countries	96	151	*55*	254	*103*	309	*55*	313	*4*
All Countries	**459**	**549**	***90***	**687**	***138***	**763**	***76***	**763**	—

(1) Includes 1 L'Occitane store in Macau from December 2007 and 1 Melvita store in December 2009.

(2) Includes 4 Melvita stores from 1 June 2008 to 31 December 2009.

(3) Includes 10 Oliviers & Co. stores in the U.S. through 31 March 2009, 9 stores as of 31 December 2009 and five stores as of 28 February 2010.

(4) Includes 1 Oliviers & Co. store in Brazil up to 31 March 2007.

Exchange Rate Fluctuations

We conduct our business globally in several major international currencies. In the nine month period ended 31 December 2009, about 27% of our total net sales were denominated in Euros; about 25% of our total net sales were denominated in US dollars or in currencies pegged to the US dollar; and about 24% of our total net sales were denominated in Japanese Yen. As our operations and production are primarily in France, a major portion of the costs of our production and purchases are denominated in Euros, our reporting currency. Approximately 46% of our total costs (cost of goods sold and operating expenses) incurred in the nine month period ended 31 December 2009 were denominated in Euro; about 21% of our total costs were denominated in US dollars or in currencies pegged to the US dollar and about 17% of our total costs were denominated in Japanese Yen.

Fluctuations in the exchange rates between the Euro and other non-Euro currencies, primarily the US dollar and Japanese Yen, affect the translation into Euro of the financial results of our consolidated entities whose functional currency is not the Euro and, therefore, affect our consolidated financial results. These fluctuations also affect the value of any distributions that our foreign subsidiaries located outside the Euro zone make to us. Exchange rate fluctuations also affect our consolidated balance sheet. Changes in the Euro values of our consolidated assets and liabilities resulting from exchange rate fluctuations may cause us to record foreign currency exchange gains and losses.

As our reporting currency is the Euro, foreign exchange movements have a significant impact on our consolidated sales figures. In the following discussion of our financial performance and year on year analysis, we have therefore shown the performance of each of our geographic areas and business segments based on the local currencies recorded from our global operations excluding

foreign currency translation effects. For further details regarding how the exclusion of foreign currency translation effects is calculated, see Description of Selected Income Statement Line Items — *Net Sales*.

During the Track Record Period, the strength of the Euro against a number of other major world currencies, especially with respect to the U.S. dollar, had a significant impact on our reported net sales and profitability. We experienced foreign exchange losses of €2.1 million in FY2007 and €7.0 million in FY2008, but experienced foreign exchange gains of €1.7 million in FY2009. We also experienced foreign exchange gains of €3.1 million for the nine month period ended 31 December 2009 and €2.2 million in the corresponding period in 2008. In addition, the impact of foreign currency translation lowered our overall net sales growth from 30.7% to 23.9% in FY2008 but increased our overall net sales growth from 26.6% to 29.5% in FY2009 and from 14.0% to 14.8% during the nine month period ended 31 December 2009. Although we have used foreign currency derivative instruments to hedge part of our forecast sales to partially alleviate our foreign exchange exposure during the Track Record Period, there is no guarantee that we can or will continue to do so. As a result, our sales, results of operation and financial condition may be significantly affected.

Seasonality

We are subject to significant seasonal variances in sales, such as within the United States and in Europe. However, as our sales have expanded out of these regions, the effect of seasonal fluctuations on our results of operation has correspondingly decreased. Nonetheless, we still experience and rely to a certain extent on significantly higher sales in our financial third quarter (between 1 October and 31 December) in anticipation of and during the Christmas holiday season. As a result, to the extent sales through our Sell-out Segment increases as a percentage of our total net sales, we may experience an increased seasonality effect on our sales. Fluctuations in sales and operating income in any financial quarter may also be affected by the timing of wholesale shipments, home-shopping television appearances and other promotional events. In each of financial years 2007, 2008 and 2009, our third quarter net sales represented 35.4%, 32.0% and 34.2% of our total net sales for the year, respectively and our third quarter gross profit represented 35.8%, 33.1% and 34.5% of profit for the year, respectively. In addition to net sales and gross profit, our operating profit is affected by seasonality. Our financial third quarter operating profit is much higher than in other quarters during the year mainly because a significant portion of our Sell-out costs such as rent, personnel costs and depreciation expenses are relatively fixed so that higher sales in our financial third quarter contributes to higher operating profit margins once these fixed costs are covered.

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

Competition

The pricing and demand for our products are also affected by the intensity of the competition we face. The cosmetics and personal care products industry is highly competitive. Some of our more well known competitor brands include, among others, Aveda, The Body Shop, Origins, Natura, Kiehl's and Yves Rocher.

We price our products based on various factors including the cost of living in each country that we operate in and the different import duties in each country. Within these parameters, we strive to price our products competitively and in an appropriate relative position to our competitors. Although we face competition from both international and domestic brands, we believe our natural and organic products are recognised and sold at a premium relative to a majority of our current competitors. Moreover, we have successfully grown our revenue from €334.9 million in FY2007 to €537.3 million in FY2009, representing a CAGR of approximately 26.7% over this period, with net sales continuing to grow in the nine month period ended 31 December 2009, although at a slower pace than from FY2007 to FY2009, despite the competition. Nonetheless, we expect competition to further intensify principally due to new and existing retailers starting to sell natural and organic-based cosmetic and personal care products similar to ours. As a result of increased competition, our sales and results of operation may be significantly and adversely affected.

Product Sales Mix

We offer an extensive range of cosmetics and personal care products to our customers. Changes in the mix of products we sell impact our sales and operating profit as profit margins for different categories of product may vary. Such margins may vary for a number of reasons, including supply and demand factors as well as the economics associated with developing, producing, launching and marketing new and existing products. For example, our face care products generally carry higher margins than most of our products. We expect that changes to the mix of products we sell will have a positive impact on our net sales and profitability as we continue to diversify our product offerings into higher margin products such as face care.

Brand Sales Mix

We sell a significant portion of our cosmetics and personal care products under the L'Occitane brand and to a lesser extent, under the Le Couvent des Minimes brand and our recently purchased Melvita brand. Changes in the mix of brands we sell impact our gross profit margins as L'Occitane brand products carry higher gross profit margins than our other two brands. In the financial years 2007, 2008 and 2009, sales of L'Occitane brand products constituted 96.5%, 98.3% and 95.2% of our total net sales. In the nine month period ended 31 December 2009, sales of L'Occitane brand products constituted 95.6% of our total net sales, as compared to 95.5% in the corresponding period in 2008. The decrease in contribution of L'Occitane branded sales in FY2009 as compared to FY2008 was primarily due to our purchase of the Melvita brand during the period. We acquired the Melvita brand in FY2009 through our acquisition of 100% interest in M&A SAS. M&A SAS and its subsidiaries are located in France and specialise in the manufacturing and distribution of organic cosmetic and hygiene products. Melvita branded products are generally sold through distributors and since our acquisition of M&A SAS on 5 June 2008 until 31 March 2009, M&A SAS sales have contributed €19.1 million or 3.6% to our total net sales in FY2009. In the nine month period ended 31 December 2009, M&A SAS contributed €15.5 million or 3.3% to our total net sales. We plan to further enhance, develop and expand our Melvita branded products and expect that going forward, the Melvita brand will further improve our mix of branded products and contribute an increasing proportion of our total sales.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The methods, estimates and judgments that we use in applying our accounting policies may have a significant impact on our results as reported in our audited

consolidated financial statements included elsewhere in this prospectus. Some of the accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Below is a summary of the accounting policies in accordance with IFRS that we believe are both important to the presentation of our financial results and involve the need to make estimates and judgments about the effect of matters that are inherently uncertain. We also have other policies that we consider to be key accounting policies, which are set forth in detail in Note 2 and Note 4 to the Accountant's Report in Appendix I to this prospectus.

Revenue Recognition

We recognise revenue upon the transfer of title of ownership and related risks, insofar as all significant contractual obligations have been fulfilled and the collection of corresponding receivables is probable. Sales of goods to retail customers in our Retail Stores are recognised upon transfer of merchandise in exchange for payment. It is not our policy to sell products to retail customers with a right of return. Sale of goods to wholesalers and distributors are recognised upon: (i) the Company's transfer to the customer of the significant risks and rewards of ownership of the goods, (ii) the customer has acquired full control over the products (iii) the amount of revenue can be measured reliably, (iv) collectability is reasonably assured and (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably. Sales of gift certificates are recognised when the customer redeems the gift certificates for products and the product is delivered to the customer. We account for award credits granted as part of our customer loyalty programme, for which customers can redeem such award credits for purchase of our products, as a separately identifiable component of sales. We recognise revenue in respect of the award credits in the periods, and reflecting the pattern, in which award credits are redeemed.

Impairment of Trade Receivables

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to pay their invoices to us in full. A provision for impairment of trade receivables is established when there is objective evidence that we will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance for doubtful accounts and the amount of the loss or profit, depending on whether such allowance has increased or decreased during the year, is recognised in the income statement within "Distribution expenses". The allowance for doubtful accounts as at 31 March 2007, 2008 and 2009 were €1,286,000, €1,119,000 and €2,353,000, respectively. The allowance for doubtful accounts as at 31 December 2009 was €1,560,000.

Estimated Impairment of Non-Current Assets

Intangible assets and property, plant and equipment are reviewed for impairment at each balance sheet date each year, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, in accordance with the accounting policy stated in Note 2.7 to the Accountant's Report. We review the estimated impairment of such assets mostly based on estimates of future cash flows that by definition are uncertain. We regularly review the reasonableness of the

assumptions on which cash flow projections are based. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of (i) an asset's fair value less costs to sell and (ii) the value in use. Our cumulative impairment losses as at 31 March 2007, 2008 and 2009, and 31 December 2009, were €661,000, €735,000, €1,243,000 and €1,217,000, respectively.

Depreciation and Amortisation

Depreciation and amortisation include leasehold improvements relating to stores, other tangible assets related to the stores, buildings, machinery and equipment, key moneys (the entry rights we pay to secure the premises for a new stores) and other assets. The amortisation and depreciation periods used take into consideration the expected life of the asset or lease term, whichever is shorter. Our depreciation and amortisation expense in FY2007, FY2008 and FY2009 was €17,002,000, €17,384,000 and €23,011,000, respectively. Our depreciation and amortisation expense in the nine month periods ended 31 December 2008 and 2009 were €16,574,000 and €18,131,000, respectively.

Allowance for Inventories

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

We regularly review inventory quantities on hand for excess inventory, discontinued products, obsolescence and declines in net realisable value below cost and record an allowance against the inventory balance for such declines. When the annual stocktaking takes place on a date different from the balance sheet date, the quantity on hand is adjusted to apply the shrinkage rate (after deduction of non-recurring differences) over the period between the date of the stocktaking and the balance sheet date. The allowance for inventory as at 31 March 2007, 2008 and 2009, and 31 December 2009 was €3,719,000, €4,453,000, €6,694,000 and €6,451,000, respectively.

Income Taxes

We are subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of our business. We recognise liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such a determination is made. Our income tax expenses in FY2007, FY2008 and FY2009 was €9,818,000, €15,656,000, and €16,927,000, respectively. In the nine month periods ended 31 December 2008 and 2009, our income tax expenses were €11,275,000 and €25,307,000, respectively.

DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

Net Sales

Our net sales represent sales to customers net of value-added tax, returns, rebates and discounts and after eliminating intra-group sales. In addition, unless otherwise indicated, the following definitions apply within this Financial Information section:

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

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

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

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

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

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

  Comparable and Non-comparable Stores, Comparable and Non-Comparable Store Sales, and Same Store Sales Growth (collectively, ***Retail Metrics***) are important measures that are commonly used in the retail industry which allow us to evaluate the performance of our Retail Stores. There may be variations in the way in which some of our competitors and other retailers calculate these Retail Metrics. As a result, operating data herein regarding Retail Metrics may not be comparable to similar data made available by our competitors or other retailers.

- ***Excluding foreign currency translation effects*** means that non-Euro currencies are translated into Euro with respect to a given period at a constant currency exchange rate from the prior period, which is, for any given currency, the effective weighted average exchange rate as reflected in the Company's financial statements for the prior period. The effective weighted average exchange rate for the prior period is the result of the average of the monthly exchange rates weighted by reference to monthly sales. The Euro sales amounts for monthly sales have been translated from local currency at the average exchange rate for such month as published by the European Central Bank, except for the Taiwan dollar's exchange rate which is published by the Federal Reserve Bank of New York.

The following table sets out our effective weighted average exchange rates used in our financial statements and in this section to translate non-Euro amounts into Euros for the three years ended 31 March 2009 and the nine month periods ended 31 December 2008 and 2009:

		Year ended 31 March			Nine month period ended 31 December	
Country	**Currency**	**2007**	**2008**	**2009**	**2008**	**2009**
Japan	JPY	151.19671	161.38491	137.88724	145.20313	132.87680
Hong Kong	HKD	10.01827	11.15058	10.95198	11.30519	11.07033
Taiwan	TWD	42.68915	46.13073	45.24460	45.34171	46.75647
United Kingdom	GBP	0.67684	0.70876	0.83870	0.82149	0.88910
United States	USD	1.28811	1.42566	1.40831	1.43114	1.43178
Brazil	BRL	2.77034	2.58492	2.80726	2.76569	2.65342
Other Countries[1]						
Australia	AUD	1.67913	1.63595	1.83656	1.80585	1.69139
Canada	CAD	—	—	—	—	1.56185
China	CNY	10.15987	10.61467	9.55475	9.80862	9.78944
Czech Republic	CZK	28.07883	26.90077	25.51870	25.07924	26.02900
India	INR	—	—	—	—	68.09243
Korea	KRW	1,219.01303	1,337.13860	1,739.65193	1,690.10920	1,742.55828
Mexico	MXN	14.35131	15.57508	17.07085	16.55071	18.78600
Russia[2]	RUB	—	36.38844	38.63823	36.52299	43.99387
Singapore	SGD	2.00941	2.09325	2.03261	2.05037	2.04230
Switzerland	CHF	1.58904	1.64083	1.55418	1.57017	1.51216
Thailand[2]	THB	—	—	47.22052	47.78982	48.46371
Poland[2]	PLN	—	—	3.84040	3.65206	4.24556

(1) Sales amounts with respect to Other Countries that are translated from non-Euro currencies into Euros also reflect the weighting of each of the respective exchange rates based on the monthly sales volume for the respective country during the applicable period.

(2) For Russia in FY2007, Thailand and Poland in FY2007 and FY2008, the Group was paid in Euros instead of the respective local currencies as we were only operating in these countries through distributors.

Cost of Sales

Our cost of sales consists of the costs associated with the manufacture of our products, including raw materials, labour, depreciation of production plant and equipment, subcontractor costs and other manufacturing overhead expenses. We account for the cost of raw materials utilised in our production over the financial year on a weighted average basis. Labour costs include wages, bonuses, employee benefits and other related expenses for our production employees. Depreciation relates primarily to production property, plant and equipment we own and is calculated on a straight-line basis over the estimated useful life of these assets. Subcontractor costs relate to outsourced manufacturing expenses for some of our L'Occitane products and all of the products sold under the Le Couvent des Minimes brand. Other manufacturing overhead expenses include energy and utility costs and repair and maintenance expenses.

Distribution Expenses

Distribution expenses include mainly expenses related to our Retail Stores, including employee salaries and benefits; rents and other occupancy expenses including logistic, shipping and warehousing expenses; depreciation and amortisation of leasehold premises (including security deposits paid to lessors), fixtures and equipment; freight on sales; marketing expenses relating to our stores, including product testers and shopping bags, credit card fees; maintenance and repairs;

telephone charges and postage; travel and entertainment expenses; doubtful receivables; and start-up, pre-opening and shutting-down costs. Start-up and pre-opening costs of stores are expensed when incurred and include broker and legal fees, rent paid before opening date and travel expenses related to the opening team.

Marketing Expenses

Marketing expenses include costs relating to general marketing and promotional activities, development of new products, and related employee salaries and benefits. Promotional goods such as press kits, free goods, samples, commercial brochures and store window decoration items are expensed when they are purchased or produced.

General and Administrative Expenses

General and administrative expenses include corporate costs such as central management salaries and benefits; IT costs; professional fees, finance, accounting and human resources personnel salaries and benefits; and other costs related to central administrative functions.

Finance Costs, Net

Net finance costs consist primarily of interest on our bank borrowings, interest on our former convertible debenture bonds, and finance lease liabilities offset by interest earned from our cash and cash equivalents. Interest on our convertible debenture bonds, which converted into shares in our Company in FY2007, were capitalised and generated no cash outflows.

Exchange Gain/Loss

In preparing our consolidated financial statements, we translate foreign currency transactions into the functional currency of each subsidiary using the exchange rates prevailing at the dates of the relevant transaction. We approximate the exchange rates prevailing at such date using a single rate per currency for each month (unless we believe these rates are not reasonable approximations of the cumulative effect of the rates prevailing on the transaction dates). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in our consolidated income statement except when those monetary assets and liabilities qualify as cash flow hedges, in which case they are then deferred in shareholders' equity.

RESULTS OF OPERATION

The following table is a comparative summary of net sales, broken down by business segment and geographic area, and gross profit and operating profit, each broken down by business segment for the financial years 2007, 2008 and 2009 and the nine month periods ended 31 December 2008 and 2009, both in actual terms and as a percentage of net sales. The figures are extracted from or calculated based on figures extracted from the Accountant's Report set out in Appendix I.

	Year Ended 31 March						Nine month period ended 31 December			
	2007		2008		2009		2008		2009	
	(€'000)	(% of net sales)	(€'000)	(% of net sales)	(€'000)	(% of net sales)	(€'000) (unaudited)	(% of net sales)	(€'000)	(% of net sales)
NET SALES										
By Business Segment										
Sell-out	238,834	*71.3*	293,158	*70.6*	384,406	*71.5*	285,776	*70.9*	339,936	*73.5*
Sell-in	85,726	*25.6*	105,797	*25.5*	132,561	*24.7*	101,515	*25.2*	107,086	*23.1*
B-to-B	10,389	*3.1*	16,010	*3.9*	20,368	*3.8*	15,809	*3.9*	15,672	*3.4*
Total	334,949	*100.0*	414,965	*100.0*	537,335	*100.0*	403,100	*100.0*	462,694	*100.0*
By Geography										
Japan	50,403	*15.1*	78,676	*19.0*	127,470	*23.7*	87,243	*21.6*	107,190	*23.2*
Hong Kong[(1)]	24,360	*7.3*	35,552	*8.5*	43,312	*8.1*	32,176	*8.0*	36,190	*7.8*
Taiwan	25,254	*7.5*	24,758	*6.0*	24,163	*4.5*	19,017	*4.7*	19,526	*4.2*
France	46,313	*13.8*	53,781	*13.0*	77,136	*14.4*	58,986	*14.6*	61,592	*13.3*
United Kingdom	21,479	*6.4*	26,406	*6.4*	26,004	*4.8*	21,012	*5.2*	24,621	*5.3*
United States	89,046	*26.6*	89,928	*21.7*	90,872	*16.9*	71,189	*17.7*	70,580	*15.3*
Brazil	11,118	*3.3*	14,332	*3.4*	19,282	*3.6*	15,418	*3.8*	19,994	*4.3*
Other Countries[(2)]	66,976	*20.0*	91,532	*22.0*	129,096	*24.0*	98,059	*24.3*	123,002	*26.6*
Total	334,949	*100.0*	414,965	*100.0*	537,335	*100.0*	403,100	*100.0*	462,694	*100.0*
GROSS PROFIT										
By Business Segment										
Sell-out	208,772	*62.3*	256,842	*61.9*	336,953	*62.7*	249,930	*62.0*	297,789	*64.4*
Sell-in	59,099	*17.7*	73,963	*17.8*	88,998	*16.6*	67,393	*16.7*	72,520	*15.7*
B-to-B	3,276	*1.0*	5,559	*1.4*	5,834	*1.1*	4,627	*1.1*	4,759	*1.0*
Total Gross Profit	271,147	*81.0*	336,364	*81.1*	431,785	*80.4*	321,950	*79.9*	375,068	*81.1*
OPERATING PROFIT										
By Business Segment										
Sell-out	74,489	*22.2*	95,671	*23.1*	119,032	*22.2*	88,701	*22.0*	117,133	*25.3*
Sell-in	42,128	*12.6*	51,951	*12.5*	55,209	*10.3*	41,860	*10.4*	51,969	*11.2*
B-to-B	1,758	*0.5*	3,233	*0.8*	3,096	*0.6*	2,507	*0.6*	3,020	*0.7*
Non-allocated expenses[(3)]	(66,264)	*(19.8)*	(77,719)	*(18.7)*	(96,847)	*(18.0)*	(73,427)	*(18.2)*	(78,381)	*(16.9)*
Total Operating Profit Margin	52,111	*15.6*	73,136	*17.6*	80,490	*15.0*	59,641	*14.8*	93,741	*20.3*

(1) Includes sales from Macau.

(2) Net sales in Other Countries includes sales made directly by L'Occitane International, which are accounted for as sales in Luxembourg under IFRS. See Note 5.2 to the Accountant's Report in Appendix I to this prospectus.

(3) Non-allocated expenses reflect mainly expenses relating to central corporate activities that are not allocated to a specific business segment. These expenses include expenses related to central distribution warehouses and central marketing as well as most of our general and administrative expenses. See Note 5 to the Accountant's Report in Appendix I — *Segment Information*.

The following table presents our consolidated income statement for the periods indicated:

	Year ended 31 March						Nine month period ended 31 December			
	2007		2008		2009		2008		2009	
	(€'000)	(% of net sales)	(€'000)	(% of net sales)	(€'000)	(% of net sales)	(€'000) (unaudited)	(% of net sales)	(€'000)	(% of net sales)
Net Sales	334,949	*100.0*	414,965	*100.0*	537,335	*100.0*	403,100	*100.0*	462,694	*100.0*
Cost of sales	(63,802)	*(19.0)*	(78,601)	*(18.9)*	(105,550)	*(19.6)*	(81,150)	*(20.1)*	(87,626)	*(18.9)*
Gross profit	271,147	*81.0*	336,364	*81.1*	431,785	*80.4*	321,950	*79.9*	375,068	*81.1*
Distribution expenses	(149,256)	*(44.6)*	(180,221)	*(43.4)*	(239,906)	*(44.6)*	(176,481)	*(43.8)*	(197,647)	*(42.7)*
Marketing expenses	(37,144)	*(11.1)*	(44,658)	*(10.8)*	(59,434)	*(11.1)*	(48,081)	*(11.9)*	(44,450)	*(9.6)*
General and administrative expenses	(32,298)	*(9.7)*	(38,379)	*(9.2)*	(50,803)	*(9.5)*	(36,488)	*(9.1)*	(40,982)	*(8.9)*
Direct costs related to the projected IPO	—	—	—	—	(1,996)	*(0.4)*	(1,996)	*(0.5)*	—	—
Gain/(Loss) on sale and disposal of assets	(338)	*(0.1)*	30	—	844	*0.2*	737	*0.2*	1,752	*0.4*
Operating profit	52,111	*15.6*	73,136	*17.6*	80,490	*15.0*	59,641	*14.8*	93,741	*20.3*
Finance costs	(4,535)	*(1.4)*	(970)	*(0.2)*	(5,856)	*(1.1)*	(4,336)	*(1.1)*	(2,787)	*(0.6)*
Exchange gain/(loss) on finance costs	(2,137)	*(0.6)*	(7,029)	*(1.7)*	1,677	*0.3*	2,202	*0.5*	3,080	*0.7*
Share of gain/(loss) of associates	(114)	—	134	—	—	—	—	—	—	—
Profit before income tax	45,325	*13.5*	65,271	*15.7*	76,311	*14.2*	57,507	*14.3*	94,034	*20.3*
Income tax expense	(9,818)	*(2.9)*	(15,656)	*(3.8)*	(16,927)	*(3.1)*	(11,275)	*(2.8)*	(25,307)	*(5.5)*
Profit for the year/period from continuing operations	35,507	*10.6*	49,615	*12.0*	59,384	*11.1*	46,232	*11.5*	68,727	*14.9*
Profit/(loss) for the year/period from discontinued operations	—	—	(91)	—	—	—	—	—	—	—
Profit for the year/period	35,507	*10.6*	49,524	*11.9*	59,384	*11.1*	46,232	*11.5*	68,727	*14.9*
Attributable to:										
Equity holders	33,157	*9.9*	47,898	*11.5*	58,383	*10.9*	45,275	*11.2*	66,377	*14.3*
Minority interests	2,350	*0.7*	1,626	*0.4*	1,001	*0.2*	957	*0.2*	2,350	*0.5*
Total	35,507	*10.6*	49,524	*11.9*	59,384	*11.1*	46,232	*11.5*	68,727	*14.9*

NINE MONTH PERIOD ENDED 31 DECEMBER 2009 COMPARED TO THE NINE MONTH PERIOD ENDED 31 DECEMBER 2008

Net Sales

Net sales were €462.7 million in the nine month period ended 31 December 2009, a 14.8%, or €59.6 million, increase compared to the corresponding period in 2008, reflecting net sales growth in all of our business segments and geographic areas, except for the United States. In the nine month period ended 31 December 2009, net sales in our Sell-out and Sell-in business segments (representing 73.5% and 23.1%, respectively, of our total net sales) increased by 19.0% and 5.5%, respectively. Excluding foreign currency translation effects, net sales increased by 14.0% in the nine month period ended 31 December 2009.

We increased the total number of retail locations where our products are sold from 1,203 as at 31 December 2008 to 1,512 as at 31 December 2009. Likewise, we increased the number of our Retail Stores from 670 at 31 December 2008 to 763 at 31 December 2009, representing a net increase of 93 stores, including 40 additional stores in Asia, 34 in Europe and 19 in the Americas. Excluding foreign currency translation effects, Comparable Store Sales represented 5.9% of our overall growth in the nine month period ended 31 December 2009 while Non-comparable Store Sales during the period represented 77.4% of our overall growth.

Sales in Japan, Hong Kong, the United Kingdom, Brazil and in Other Countries, including China and Russia, were the driving factors of our net sales growth in nine month period ended 31 December 2009.

Business Segments

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

	Net Sales Growth Nine month period ended 31 December 2008 compared to nine month period ended 31 December 2009			
	(€'000)	**% Growth**	**% Growth[(2)]**	**% Contribution to Overall Growth[(2)]**
Sell-out	**54,159**	**19.0**	**18.0**	**91.3**
Comparable Stores	5,876	2.6	1.5	5.9
Non-comparable Stores	43,162	94.4	95.6	77.4
Other[(1)]	5,122	30.9	27.3	8.0
Sell-in	**5,572**	**5.5**	**5.2**	**9.3**
B-to-B	**(137)**	**(0.9)**	**(2.0)**	**(0.6)**
Overall Growth	**59,594**	**14.8**	**14.0**	**100.0**

(1) Includes Mail-order, Internet and other sales.

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

Sell-out

Sell-out net sales increased by 19.0%, or €54.2 million, to €339.9 million in the nine month period ended 31 December 2009, as compared to the corresponding period in 2008, primarily due to our net addition of 93 stores between 31 December 2008 and 31 December 2009, including net additions of 7 stores in Japan, 4 stores in Hong Kong, 6 stores in the United Kingdom and 72 stores (including 12 stores acquired from our Canadian distributor) in the Other Countries. The net sales of our own Retail Stores represented 83.3% of our overall growth in the nine month period ended 31 December 2009, as compared to the corresponding period in 2008, with Non-comparable Stores providing 77.4% of the growth and Comparable Stores providing 5.9% of the growth, respectively. We experienced a Same Store Sales Growth of 1.5% during the period, which was primarily driven by an increase in sales transactions from both existing and new customers offsetting a slight decrease in the average prices of our products. The other sell-out activities benefited primarily from the strong development of our internet sales. Our internet sales increased by 35.8% and represented 6.5% of our overall sales growth excluding foreign currency translation effects.

Excluding foreign currency translation effects, our Sell-out net sales increased by 18.0%, with such an increase representing 91.3% of overall net sales growth in the nine month period ended 31 December 2009, compared to the corresponding period in 2008.

Sell-in

Sell-in net sales increased 5.5%, or €5.6 million, to €107.1 million in the nine month period ended 31 December 2009 compared to the corresponding period in 2008 primarily due to:

- the addition of Melvita in June 2008 which accounted for €0.9 million, or 16.8% of our total Sell-in net sales growth, as Melvita mainly sells in wholesale channels as well as to distributors in France and abroad;

- an increase in sales to duty free stores, where despite a continued severely depressed travel market throughout the period, sales increased by 17.0%, or €3.7 million, to €25.8 million. In the nine month period ended 31 December 2009, 140 new duty free outlets which sell our products were opened by our customers;

- an increase in sales to wholesale customers, excluding sales by Melvita and to department stores, by 6.8%, or €2.3 million, primarily due to our acquisition of our wholesale operations in Italy in FY2009 from a distributor; and

- such increases being partially offset by lower than expected net sales relating to our distributors in Asia, Europe and the Middle East, which decreased by €1.9 million or 7.7% to €22.7 million. This decrease was mainly due to the reclassification of revenue that we derived from sales to distributors in Thailand, Poland, Italy and Canada to both of the other segments, following our acquisitions of: (i) the controlling interests in our distributors in Thailand and Poland in June and July of 2008, respectively, (ii) our wholesale operations in Italy in April 2009 as mentioned above, and (iii) the net assets of our distributor in Canada in May 2009. However, the decrease was also attributable to our distributors reducing their inventories due to the uncertain global economic situation.

Excluding foreign currency translation effects, the Sell-in Segment grew by 5.2%, which represented 9.3% of overall net sales growth in the nine month period ended 31 December 2009.

B-to-B

B-to-B net sales decreased by 0.9%, or €0.1 million, to €15.7 million in the nine month period ended 31 December 2009 compared to the corresponding period in 2008 primarily due to lower hotel occupancy and reduced traffic at airports. Our B-to-B sales increased in Japan by €0.5 million and in the Other Countries by €0.5 million, as we are in the early stages of our B-to-B development in these countries. Excluding foreign currency translation effects, net sales in the B-to-B Segment decreased by 2.0%, which reduced our overall net sales growth by 0.6% in the nine month period ended 31 December 2009.

Geographic Areas

The following table presents our net sales growth for the nine month period ended 31 December 2009 and contribution to net sales growth (including and excluding foreign currency translation effects as indicated) by geographic area:

	Net Sales Growth Nine month period ended 31 December 2008 compared to nine month period ended 31 December 2009			
	(€'000)	**% Growth**	**% Growth[1]**	**% Contribution to Overall Growth[1]**
Japan	19,947	22.9	14.2	21.9
Hong Kong[2]	4,014	12.5	10.5	6.0
Taiwan	509	2.7	6.0	2.0
France	2,606	4.4	4.4	4.6
United Kingdom	3,609	17.2	26.4	9.8
United States	(610)	(0.9)	(0.6)	(0.7)
Brazil	4,576	29.7	25.4	6.9
Other Countries[3]	24,943	25.4	28.5	49.5
All countries	**59,594**	**14.8**	**14.0**	**100.0**

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

(2) Includes sales from Macau.

(3) Calculated using a weighted average of constituent countries.

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

	Retail Stores — Nine month period ended 31 December 2008 compared to nine month period ended 31 December 2009						
	Retail Stores			% of Overall Growth[1] [2]			
	31 December 2008	31 December 2009	Change	Non-comparable Stores	Comparable stores	Total Stores	Same Store Sales Growth[2]
Japan	63	70	7	21.3	(3.9)	17.4	(4.2)
Hong Kong[3]	15	19	4	1.9	1.8	3.6	7.9
Taiwan	47	48	1	1.3	0.4	1.8	1.6
France[4]	63	64	1	4.5	(1.0)	3.6	(2.3)
United Kingdom	36	42	6	4.0	2.6	6.6	12.4
United States[5]	179	178	(1)	0.7	1.2	1.9	1.4
Brazil	30	33	3	3.0	2.1	5.1	10.3
Other Countries[6]	237	309	72	40.6	2.7	43.3	3.2
All countries	**670**	**763**	**93**	**77.4**	**5.9**	**83.3**	**1.5%**

(1) Represents percentage of overall net sales growth attributable to Non-comparable Stores, Comparable Stores and Retail Stores for the geographic area and period indicated.
(2) Excludes foreign currency translation effects.
(3) Includes 1 L'Occitane store in Macau from December 2007 and 1 Melvita store in Hong Kong from December 2009.
(4) Includes 4 Melvita Stores from June 2008.
(5) Includes 10 Oliviers & Co. stores as at 31 December 2008 and 9 Oliviers & Co. stores as at 31 December 2009.
(6) Calculated using a weighted average of constituent countries.

Japan
Net sales in Japan increased by 22.9%, or €19.9 million, to €107.2 million in the nine month period ended 31 December 2009, as compared to the corresponding period in 2008. This growth primarily reflected higher net sales in our Sell-out Segment. Net sales in our Sell-out Segment in Japan rose by 22.9%, or €18.4 million, driven by Non-comparable Store Sales which represented 21.3% of our overall growth. Between 31 December 2008 and 2009, we opened a net 7 stores in Japan. Comparable Store Sales decreased by 4.2% primarily due to the impact of the financial crisis on the Japanese economy. Comparable Store Sales negatively impacted our overall growth excluding foreign currency translation effects by 3.9%.

Our Sell-in sales increased by 17.1%, or €1.0 million, in the nine month period ended 31 December 2009 compared to the corresponding period in 2008, primarily due to growth in the corporate gift activity and to sales to QVC (television home shopping) customers. Excluding foreign currency translation effects, net sales in Japan increased by 14.2%.

Hong Kong
Net sales in Hong Kong increased by 12.5%, or €4.0 million, to €36.2 million in the nine month period ended 31 December 2009, compared to the corresponding period in 2008. This growth was driven by higher net sales in our Sell-out and Sell-in segments. Net sales in our Sell-out segment increased by 16.9% or €2.2 million. The increase in Sell-out sales was primarily due to increased

net sales from Non-comparable Stores, as we opened 4 new stores in Hong Kong between 31 December 2008 and 2009 and to increased sales at our Comparable Stores. The Non-comparable Store Sales represented 1.9% of our overall growth excluding foreign currency translation effects. Our Comparable Store Sales grew by 7.9%, primarily due to an increase in average sales per transaction and represented 1.8% of our overall growth excluding foreign currency translation effects.

Our Sell-in sales increased by 10.8%, or €2.0 million, in the nine month period ended 31 December 2009 compared to the corresponding period in 2008, primarily due to strong growth in sales to duty free customers, which offset decreased sales to our Asian distributors (our sales are recorded based on the location of the invoicing subsidiary) partly due to the acquisition of the controlling rights of our former distributor in Thailand in June 2008. Excluding foreign currency translation effects, net sales in Hong Kong increased by 10.5%.

Taiwan
Net sales in Taiwan increased by 2.7%, or €0.5 million, to €19.5 million in the nine month period ended 31 December 2009, compared to the corresponding period in 2008. This increase was mainly driven by an increase in Non-Comparable Stores Sales, which grew by 23.5% and represented 1.3% of our overall growth excluding foreign currency translation effects primarily as a result of our net opening of 3 stores in FY2009 and 1 store in the nine month period ended 31 December 2009. Comparable Store Sales recovered and increased by 1.6%. Excluding foreign currency translation effects, net sales in Taiwan increased by 6.0%.

France
Net sales in France increased by 4.4%, or €2.6 million, to €61.6 million in the nine month period ended 31 December 2009, compared to the corresponding period in 2008. This growth was primarily driven by sales of Melvita, acquired in June 2008, which represented €2.3 million, or 4.1%, of our overall growth excluding foreign currency translation effects. Excluding the effect of Melvita's sales, net sales in France increased by 0.6%, or €0.3 million, to €46.1 million in the nine month period ended 31 December 2009 driven primarily by our Sell-out activities. Retail sales increased by 3.4%, or €0.9 million, primarily due to Non-comparable Store Sales, while Comparable Store Sales decreased by 2.3% as a result of lower demand throughout the period. Between 31 December 2008 and 2009, we opened a net of 1 store in France with related Non-comparable Store Sales representing 4.5% of our overall growth excluding foreign currency translation effects. Comparable Store Sales reduced our overall growth by 1.0% excluding foreign currency translation effects. Our internet sales grew by 84.8%, or €0.7 million, which accounted for 1.3% of our overall sales growth excluding foreign currency translation effects.

Excluding Melvita's sales, our Sell-in sales fell by 8.1%, or €1.2 million, in the nine month period ended 31 December 2009 compared to the corresponding period in 2008, mainly due to a decrease of our wholesale sales by 2.9% and to a decrease in sales to our distributor customers by 18.8%, or €1.3 million, as a consequence of their cautious buying and inventory reduction efforts stemming from weak consumer activity. Our B-to-B sales decreased slightly by 0.8% in the nine month period ended 31 December 2009 in the context of lower occupancy at our hotel customers.

United Kingdom

Net sales in the United Kingdom increased by 17.2%, or €3.6 million, to €24.6 million in the nine month period ended 31 December 2009, as compared to the corresponding period in 2008, and increased by 26.4% excluding foreign currency translation effects. This growth was mainly driven by higher net sales in the Sell-out and Sell-in Segments. Net sales in our Sell-out Segment, excluding foreign currency translation effects improved by 29.6% or €4.2 million due to increased sales at both Comparable Stores and Non-Comparable Stores during the period, with Comparable Stores Sales growing by 12.4%. The increase in Comparable Store Sales was the result of increased transactions combined with increased average sales per transaction. Comparable Store Sales represented 2.6% of our overall growth excluding foreign currency translation effects. During the period, we opened a net of 6 stores in the United Kingdom with related Non-comparable Store Sales representing 4.0% of our overall growth excluding foreign currency translation effects.

Excluding foreign currency translation effects, our Sell-in sales improved by 24.9%, or €1.5 million, in the nine month period ended 31 December 2009, compared to the corresponding period in 2008, reflecting the continued increases in our sales to QVC (television home shopping) customers in the United Kingdom and to increased sales to department stores.

United States

Net sales in the United States decreased slightly by 0.9%, or €0.6 million, to €70.6 million in the nine month period ended 31 December 2009, compared to the corresponding period in 2008. Excluding foreign currency translation effects, net sales in the United States decreased by 0.6%. This decrease was mainly attributable to decreased sales in the Sell-in and B-to-B segments in which net sales decreased by 19.6% and 16.7% respectively. The Sell-in segment was primarily affected by lower sales of corporate gifts and by lower wholesale and department stores sales, which decreased by 9.0% as these customers reduced their inventories. The declines in our Sell-in and B-to-B segments were largely offset by increased sales in the Sell-out segment. Despite the net closing of 1 store between 31 December 2008 and 2009, our net opening of 3 stores in FY2008 led to an increase of 9.5% in Non-comparable Store Sales, representing 0.7% of our overall growth excluding foreign currency translation effects. After a decline in Comparable Store Sales in FY2009, Comparable Store Sales increased by 1.4%, which represented 1.2% of our overall growth excluding foreign currency translation effects. Our internet sales continued to increase, growing by 10.0% and represented 1.1% of our overall sales growth excluding foreign currency translation effects. During the nine month period ended 31 December 2009, our internet sales in the United States represented 8.8% of our total sales in the United States.

During the nine month period ended 31 December 2009, we closed 1 store selling Oliviers & Co. branded foodstuff products and operated 9 remaining Oliviers & Co. stores in the United States through our subsidiary, Oliviers & Co. LLC (USA) as at 31 December 2009. Oliviers & Co. branded products generated net sales in the United States of €3.1 million in the nine month period ended 31 December 2009, a decrease of 13.1% from corresponding period in 2008, primarily due to the weak retail environment. Excluding foreign currency translation effects, net sales of Oliviers & Co. branded products decreased by 12.8%. We have entered into transition and assets purchase agreements with Oliviers & Co. S.A. Under these agreements, 4 of our stores selling Oliviers & Co. Products were transferred to Oliviers & Co. S.A. as at 1 February 2010, while the remaining 5 stores ceased to sell Oliviers & Co. products as of 31 March 2010. We are currently considering changing these stores into Melvita stores or distributors.

Brazil
Net sales in Brazil increased by 29.7%, or €4.6 million, to €20.0 million in the nine month period ended 31 December 2009, as compared to the corresponding period in 2008. This growth was driven primarily by higher net sales in the Sell-out, and Sell-in Segments. Net sales in our Sell-out Segment increased by 23.4% or €3.2 million due to Same Store Sales Growth of 10.3%, and to increased Non-comparable Stores Sales. Comparable Store Sales represented 2.1% of our overall growth excluding foreign currency translation effects. Between 31 December 2008 and 2009, we opened a net of 3 stores in Brazil, contributing to the increase in Non-comparable Store Sales, which represented 3.0% of our overall growth excluding foreign currency translation effects.

Our Sell-in sales improved by €1.2 million in the nine month period ended 31 December 2009 compared to the corresponding period in 2008 primarily due to our development of a network of distributors in Brazil and to increased sales to local wholesalers. Excluding foreign currency translation effects, net sales in Brazil increased by 25.4%.

Other Countries
Net sales in Other Countries increased by 25.4%, or €24.9 million, to €123.0 million in the nine month period ended 31 December 2009, as compared to the corresponding period in 2008. This growth primarily reflected higher net sales in our Sell-out Segment. Net sales in our Sell-out Segment grew by €22.6 million, primarily driven by the net opening of 72 additional stores and Same Store Sales Growth of 3.2% (calculated by using a weighted average by country). During the nine month period ended 31 December 2009, we increased our Retail Stores in, among other countries, China by 10, Korea by 10, Russia by 7, Mexico by 5, and in the Western European countries (Belgium, Germany, Switzerland, Italy and Spain) by 15, in accordance with our expansion strategy. Following the acquisition of our assets in Canada, 12 more stores were added. Non-comparable Store Sales in Other Countries accounted for 40.6% of our overall growth during the nine month period ended 31 December 2009 while Comparable Store Sales accounted for 2.7% of our overall growth excluding foreign currency translation effects. Excluding foreign currencies translation effects, net sales in Other Countries increased by 28.5% (calculated by using a weighted average by country).

Cost of Sales and Gross Profit
Cost of sales increased by 8.0%, or €6.5 million, to €87.6 million in the nine month period ended 31 December 2009 compared to the corresponding period in 2008. Our gross profit margin increased by 1.2 points to 81.1% in the nine month period ended 31 December 2009. The increase in gross profit margin for the nine month period ended 31 December 2009 mainly reflected:

- a favourable effect of the foreign currencies of 0.2 points as a percentage of net sales primarily due to the stronger Japanese Yen in the nine month period ended 31 December 2009;

- an improved gross profit margin for our Le Couvent des Minimes brand, as we incurred inventory allowances in the nine month period ended 31 December 2008, of 0.1 points as a percentage of net sales; and

- an increase in the gross profit margin of L'Occitane brand products of 0.8 points as a percentage of net sales mainly due to a favourable channel-mix effect as a consequence of the stronger development of our Sell-out Segment, accounting for 0.5 points as a percentage

of net sales and 0.3 points as a percentage of net sales to overall lower production costs following the implementation of new quality control procedures and lower freight costs due to reduced subcontracting which were offset in part by higher average discounts in our retail operations and a slightly less favourable product mix.

Distribution Expenses

Distribution expenses increased by 12.0%, or €21.2 million, to €197.6 million in the nine month period ended 31 December 2009, as compared to the corresponding period in 2008. As a percentage of net sales, our distribution expenses decreased by 1.1 point to 42.7% of net sales in the nine month period ended 31 December 2009, as compared to the corresponding period in 2008. This decrease was primarily due to our L'Occitane brand and is attributable to a combination of:

- lower depreciation costs of 0.3 points as a percentage of net sales, mainly due to several stores in the USA, which became fully depreciated after FY2008;
- lower freight on sales resulting from reduced air shipments of 0.7 points as a percentage of net sales;
- reduced pre-opening costs mainly due to fewer openings in Western Europe notably and to high costs incurred in the nine month period ended 31 December 2008 for the opening of spas and cafés representing 0.3 points as a percentage of net sales;
- the reversal of unused bad debts provisions booked during the nine month period ended 31 December 2008 of 0.4 points of as a percentage net sales;
- savings on travel expenses and bags and wrapping materials of 0.3 points as a percentage of net sales; and
- the above were partially offset for 0.9 points as a percentage of net sales by increases relating to higher rent and occupancy costs as a percentage of net sales due to a higher share of retail sales in our total sales, accruals for indemnities to be paid for the severance of Melvita's sales agents and accruals for a few stores which continued to experience losses.

Marketing Expenses

Marketing expenses decreased by 7.6%, or €3.6 million, to €44.5 million in the nine month period ended 31 December 2009, as compared to the corresponding period in 2008. Our marketing expenses, as a percentage of net sales, decreased by 2.3 points to 9.6% of net sales in the nine month period ended 31 December 2009, as compared to the corresponding period in 2008. This reduction of our marketing expenses by 2.3 points as a percentage of net sales is attributable primarily to:

- a reduction of our inventory of promotional goods, including samples and testers, during the nine month period ended 31 December 2009, whereas our inventory of promotional goods increased in the corresponding period in 2008, which resulted in a reduction in marketing expenses by 1.4 points as a percentage of net sales; and

- lower advertising expenses which resulted in a reduction in marketing expenses by 0.6 points as a percentage of net sales, due partly to higher expenses incurred during the nine month period ended 31 December 2008 in Japan for our special investment in the mail order activity in order to increase our market share, and to lower marketing costs in Hong Kong, Taiwan, and France in the nine-month period ended 31 December 2009 partly due to lower advertising fees during the financial crisis.

General and Administrative Expenses

General and administrative expenses increased by 12.3%, or €4.5 million, to €41.0 million in the nine month period ended 31 December 2009, as compared to the corresponding period in 2008 and decreased as a percentage of net sales from 9.1% in the nine month period ended 31 December 2008 to 8.9% in the nine month period ended 31 December 2009. This decrease as a percentage of net sales was primarily attributable non-recurring costs incurred during the nine month period ended 31 December 2008 in relation to commercial litigations and other accruals.

Direct Costs Related to the Projected IPO

An initial public offering project was initiated in the nine month period ended 31 December 2008 but was postponed due to the adverse financial market conditions. As the initial public offering was not probable as at 31 December 2008, all of the costs attributable to the Company were expensed in the nine month period ended 31 December 2008 for €2.0 million. The total costs amounted to €4.0 million and were partly recharged to LOG, in the amount of €2.0 million. The portion reinvoiced to LOG represented 50% of the costs incurred to date. This ratio was deemed to reflect the ratio of expected proceeds from the sale of existing shares versus the total proceeds from sale of existing shares and issuance of new shares.

Operating Profit

Operating profit increased by 57.2%, or €34.1 million, to €93.7 million in the nine month period ended 31 December 2009 as compared to the corresponding period in 2008, and our operating profit margin increased by 5.5 points from 14.8% in the nine month period ended 31 December 2008 as compared to 20.3% in the nine month period ended 31 December 2009. The increase in our operating profit margin was primarily due to improved gross profit margin by 1.2 points, our decrease in operating expenses by 4.1 points as previously discussed, and also due to increased other gains of €1.0 million, which mainly related to the disposal of the key money of our store in Soho, New York (USA) in April 2009. In terms of segment growth, our increase in operating profit margin was mainly attributable to:

- a 3.3 point favourable contribution of our Sell-out activities attributable to 2.4 points from a favourable channel-mix effect on our gross profit margin as a consequence of the stronger development of our sell-out segment, and 0.7 points from lower operating expenses, notably in distribution and marketing;

- a 0.8 point favourable contribution from our Sell-in segment, due to a 1.9 point benefit from lower operating expenses in marketing, administration and particularly distribution expenses, partially offset by an unfavourable channel-mix effect, which offset an improvement in the gross profit margin of 1.3 points. The distribution expenses contributed positively for 0.9 points of sales primarily in relation to the reversal of unused accruals for bad debts as mentioned above; and

- a 1.3 point favourable contribution, mainly from lower corporate expenses, attributable to the lower marketing expenses in promotional goods and to the direct costs related to the initial public offering project incurred in the nine month period ended 31 December 2008.

Finance Costs, net

Net finance costs decreased by €1.5 million, to €2.8 million in the nine month period ended 31 December 2009 compared to the corresponding period in 2008. This decrease was mainly related to reduced borrowings as a result of the increase of our cash flow from operations and lower capital expenditures and lower interest rates applicable to our borrowings in the nine month period ended 31 December 2009 as a result of lower interest rates in general following the recent global financial crisis.

Exchange Gain/Loss on Finance Costs

Our net foreign currency gains amounted to €3.1 million in the nine month period ended 31 December 2009. The net gains of €3.1 million in the nine month period ended 31 December 2009 were mainly due to:

- realized net gains on inter-company and external trading transactions for €1.7 million, primarily achieved on the US dollar and the Japanese Yen;

- unrealized net gains related to financing in foreign currencies, notably in Korea, Mexico and the Czech Republic, contributing €1.2 million.

Income Tax Expense

The effective rate for income taxes was 26.9% for the nine month period ended 31 December 2009 as compared with 19.6% for the nine month period ended 31 December 2008. The increase in the effective tax rate was mainly a consequence of our policy to decrease our inventories in the distribution subsidiaries during the nine month period ended 31 December 2009. To achieve this objective we have produced less and have consumed the inventories located in the distribution entities as at 31 March 2009. As the profit generated by these subsidiaries is taxed at a higher rate than the profit generated by our production and central distribution entities, this lead to an increase in the effective tax rate.

Profit for the Year

For the aforementioned reasons, profit for the period increased by 48.7% or €22.5 million to €68.7 million in the nine month period ended 31 December 2009, as compared to the corresponding period in 2008. The profit for the period attributable to the minority interests increased by €1.4 million, or 145.6%, notably due to the increase of profits in our joint-ventures in Taiwan, Korea, Mexico and Russia. As a result, the profit for the period attributable to equity holders of the Company increased by 46.6%, or €21.1 million. Basic and diluted earnings per Share improved by 46.6% from €0.036 to €0.052 with the number of Shares used in both calculations remaining unchanged in the nine month periods ended 31 December 2008 and 2009 at 1,274,396,391.

FY2009 COMPARED TO FY2008

Net Sales

Net sales were €537.3 million in FY2009, a 29.5%, or €122.4 million, increase compared to FY2008, reflecting net sales growth in all our business segments and geographic areas, except for Taiwan and the United Kingdom. In FY2009, net sales in our Sell-out and Sell-in business segments (representing 71.5% and 24.7%, respectively, of our total net sales) increased by 31.1% and 25.3%, respectively. Excluding foreign currency translation effects, net sales increased by 26.6% in FY2009.

We increased the total number of retail locations that our products are sold from 1,055 as at 31 March 2008 to 1,271 as at 31 March 2009. Likewise, we increased the number of our Retail Stores from 549 at 31 March 2008 to 687 at 31 March 2009, representing a net increase of 138 stores, including 56 additional stores in Asia, 67 in Europe and 15 in the Americas. Excluding foreign currency translation effects, Comparable Store Sales represented 5.7% of our overall growth in FY2009 while Non-comparable Store Sales during the year represented 58.2% of our overall growth.

Sales in Japan, Hong Kong, Brazil and in Other Countries, including China and Russia, were the driving factors of our net sales growth in FY2009. France also recorded sizable growth mainly due to the inclusion of M&A SAS's sales. However, there was a contraction of 2.4% in Taiwan.

Business Segments

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

	Net Sales Growth FY2008 to FY2009			
	(€'000)	% Growth	% Growth[2]	% Contribution to Overall Growth[2]
Sell-out	**91,248**	**31.1**	**27.0**	**71.6**
Comparable Stores	13,287	5.6	2.6	5.7
Non-comparable Stores	68,424	159.7	149.9	58.2
Other[1]	9,537	74.3	66.4	7.7
Sell-in	**26,763**	**25.3**	**25.5**	**24.4**
B-to-B	**4,358**	**27.2**	**27.3**	**4.0**
Overall Growth	**122,369**	**29.5**	**26.6**	**100.0**

(1) Includes Mail-order, Internet and other sales.

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

Sell-out
Sell-out net sales increased by 31.1%, or €91.2 million, to €384.4 million in FY2009 primarily due to our net addition of 138 stores, including net additions of 11 stores in Japan, 8 stores in France and 6 stores in the United Kingdom. Excluding foreign currency translation effects, our own Retail Stores represented 63.9% of our overall growth in FY2009 with Non-comparable Stores providing 58.2% of the growth and Comparable Stores providing 5.7%. We experienced a Same Store Sales Growth of 2.6% during the year, which was primarily driven by an increase in sales transactions from both existing and new customers and to an increase in the average prices of our products. The Other sell-out activities benefited primarily from the strong development of our internet sales. Our internet sales increased by 46.5% and represented 3.8% of our overall sales growth excluding foreign currency translation effects.

Excluding foreign currency translation effects, our Sell-out net sales increased by 27.0% with such an increase representing 71.6% of overall net sales growth in FY2009.

Sell-in
Sell-in net sales increased 25.3%, or €26.8 million, to €132.6 million in FY2009 primarily due to:

- the addition of the Melvita sub-group in June 2008 with sales of €19.1 million, as Melvita mainly sells in wholesale channels as well as to distributors in France and abroad;

- an increase in sales in duty free stores, where despite a severely depressed travel market in the second part of the financial year, sales increased by 27.8%, or €6.3 million, to €29.0 million. In FY2009, 93 new duty free outlets were opened by our customers selling our products; and

- such increases being partially offset by lower than expected net sales relating to our distributors in Asia, Europe and the Middle East, which decreased by €2.3 million or 7.0% to €31.0 million. This decrease was mainly due to the reclassification of revenue that we derived from sales to distributors in Russia, Poland and Thailand to the Sell-out Segment, due to our acquisition of controlling interests in those distributors in December of 2007 and in July and June of 2008, respectively. However, the decrease was also attributable to our distributors reducing their inventories due to the uncertain global economic situation.

Excluding foreign currency translation effects, the Sell-in Segment grew by 25.5%, which represented 24.4% of overall net sales growth in FY2009.

B-to-B
B-to-B net sales increased 27.2%, or €4.4 million, to €20.4 million in FY2009 primarily due to increased sales in France, China and Taiwan with airlines, large hotel chains and independent hotels. Excluding foreign currency translation effects, the B-to-B Segment grew by 27.3%, which represented 4.0% of overall net sales growth in FY2009.

Geographic Areas

The following table presents our FY2009 net sales growth and contribution to net sales growth (including and excluding foreign currency translation effects as indicated) by geographic area:

	Net Sales Growth FY2008 to FY2009			
	(€'000)	**% Growth**	**% Growth[1]**	**% Contribution to Overall Growth[1]**
Japan	48,793	62.0	38.4	27.4
Hong Kong[2]	7,760	21.8	19.5	6.3
Taiwan	(595)	(2.4)	(4.3)	(1.0)
France	23,355	43.4	43.4	21.2
United Kingdom	(403)	(1.5)	16.5	4.0
United States	944	1.0	(0.2)	(0.1)
Brazil	4,950	34.5	46.1	6.0
Other Countries[3]	37,565	41.0	43.8	36.3
All Countries	**122,369**	**29.5**	**26.6**	**100.0**

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

(2) Includes sales from Macau.

(3) Calculated using a weighted average of constituent countries.

The following table gives a breakdown, by geographic area, of our number of Retail Stores, their contribution percentage to overall growth and our Same Store Sales Growth for periods indicated:

	Retail Stores FY2008 to 2009						
	Retail Stores			% of Overall Growth[1] [2]			
	31 March 2008	**31 March 2009**	**Change**	**Non-comparable Stores**	**Comparable Stores**	**Total Stores**	**Same Store Sales Growth[2]**
Japan	56	67	11	16.7	4.7	21.4	9.9
Hong Kong[3]	15	15	—	1.8	0.9	2.8	9.2
Taiwan	44	47	3	0.8	(2.1)	(1.3)	(12.9)
France[4]	54	62	8	1.7	(0.3)	1.4	(1.2)
United Kingdom	30	36	6	2.2	0.5	2.8	4.0
United States[5]	173	176	3	1.7	(3.0)	(1.3)	(5.1)
Brazil	26	30	4	3.2	1.9	5.1	19.1
Other Countries[6]	151	254	103	30.0	3.1	33.1	9.1
All Countries	**549**	**687**	**138**	**58.1**	**5.7**	**63.9**	**2.6%**

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

Japan

Net sales in Japan increased by 62.0%, or €48.8 million, to €127.5 million in FY2009. This growth primarily reflected higher net sales in all business segments and particularly our Sell-out Segment. Net sales in our Sell-out Segment in Japan rose by 64.8% or €46.3 million, mainly driven by the Non-comparable Store Sales representing 16.7% of our overall growth excluding foreign currency translation effects. During the year, we opened a net of 11 stores in Japan. With a Same Store Sales Growth of 9.9% primarily due to an increase in transactions arising from improved consumer awareness in our L'Occitane brand, the Comparable Store Sales represented 4.7% of our overall growth excluding foreign currency translation effects.

Our Sell-in sales increased by 35.2%, or €2.2 million, in FY2009 primarily due to growth in domestic in-flight sales to our airline partners and to sales to QVC (television home shopping) customers. Excluding foreign currency translation effects, net sales in Japan increased by 38.4%.

Hong Kong

Net sales in Hong Kong increased by 21.8%, or €7.8 million, to €43.3 million in FY2009. This growth was driven by greater net sales in our Sell-out and Sell-in Segments. Net sales in our Sell-out segment increased by 28.4% or €3.8 million. Such an improvement was mainly due to an increase in Non-comparable Stores Sales as we opened 4 stores in Hong Kong during the previous financial year. The Non-comparable Store Sales represented 1.8% of our overall growth excluding foreign currency translation effects. The Same Store Sales Growth of 9.2% was primarily due to increased purchases by customers travelling from mainland China. Comparable Store Sales represented 0.9% of our overall growth excluding foreign currency translation effects.

Our Sell-in sales improved by 19.7%, or €4.1 million, in FY2009 primarily due to strong growth in sales to duty free customers that more than offset the decrease in sales to our Asian distributors (our sales are recorded based on the location of the invoicing subsidiary) partly explained by the acquisition in June 2008 of the controlling rights of our former distributor in Thailand. Excluding foreign currency translation effects, net sales in Hong Kong increased by 19.5%.

Taiwan

Net sales in Taiwan decreased by 2.4%, or €0.6 million, to €24.2 million in FY2009. This decline was mainly driven by a decrease in Same Store Sales. Same Store Sales decreased by 12.9% primarily due to a weak retail environment caused by political uncertainty and consumer credit issues resulting from tightened control over credit card debt, a phenomenon that was amplified by the financial crisis in the latter half of FY2009. During the year, we opened a net of 3 stores in Taiwan with related Non-comparable Store Sales representing 0.8% of our overall growth excluding foreign currency translation effects. However, Comparable Store Sales reduced overall growth by 2.1% excluding foreign currency translation effects for the aforementioned reasons. Excluding foreign currency translation effects, net sales in Taiwan decreased by 4.3%.

France

Net sales in France increased by 43.4%, or €23.4 million, to €77.1 million in FY2009. This growth was primarily driven by sales of the Melvita sub-group acquired in June 2008, which represented €19.1 million, or 17.3% of our overall growth. Excluding Melvita, net sales in France increased by 7.9%, or €4.3 million, to €58.0 million in FY2009 driven by moderate increases in net sales for all segments. Retail sales increased by 5.1%, or €1.5 million, primarily due to the Non-comparable Store Sales, while Comparable Store Sales decreased by 1.2% as a result of weak consumption in the second part of the financial year. During the year and excluding the 4 Melvita stores, we opened a net of 4 stores in France with related Non-comparable Store Sales representing 1.7% of our overall growth excluding foreign currency translation effects. Comparable Store Sales negatively impacted our overall growth by 0.3% excluding foreign currency translation effects.

Excluding Melvita, our Sell-in sales improved by 4.1%, or €0.7 million, in FY2009 mainly due to a moderate growth of our wholesale activities by 2.6% and to the opening of 7 new franchisee stores operated by our distributor customers. Our B-to-B sales increased by 30.8%, or €1.6 million, in FY2009 primarily due to additional sales to new hotel customers.

United Kingdom

Net sales in the United Kingdom decreased by 1.5%, or €0.4 million, to €26.0 million in FY2009, but actually increased by 16.5% excluding the foreign currency translation effect. This growth, excluding the foreign currency translation effect, was mainly driven by higher net sales in the Sell-out and Sell-in Segments. Net sales in our Sell-out Segment, excluding the foreign currency translation effect improved by 20.9% or €3.7 million due to the combination of the Non-comparable stores with a Same Store Sales Growth of 4.0% that was achieved despite the weak economic environment due to effective promotion and communication activities. During the year, we opened a net of 6 stores in the United Kingdom with related Non-comparable Store Sales representing 2.2% of our overall growth excluding foreign currency translation effects. Comparable Store Sales represented 0.5% of our overall growth excluding foreign currency translation effects.

Excluding the foreign currency translation effect, our Sell-in sales improved by €0.5 million in FY2009 reflecting the continuous increase in our sales to QVC (television home shopping) customers in the UK.

United States

Net sales in the United States increased by 1.0%, or €0.9 million, to €90.9 million in FY2009. However, excluding foreign currency translation effects, net sales in the United States decreased by 0.2%. During the year, we opened a net of 3 stores in the United States with Non-comparable Store Sales representing 1.7% of our overall growth. The Same Store Sales declined by 5.1% mainly due to the major deterioration of economic conditions and consumer confidence within the United States. Comparable Store Sales in the United States reduced our overall growth by 3.0% excluding foreign currency translation effects. However, the overall decline in retail sales was offset by the strong development of our internet sales which rose by 24.0%.

Our Sell-In activities in the United States grew by 5.5%, or €0.4 million primarily due to our sales to QVC (television home shopping) customers, whereas our wholesale activities were negatively impacted by the weak sales experienced by our wholesale customers and their attempts to reduce

their inventory levels. Our B-to-B Segment remained significant with sales of €4.9 million, but decreased by 6.4% due to the poor travel and hotels environment throughout the country as a result of the economic crisis.

Throughout FY2009, we continued to operate 10 stores selling Oliviers & Co. branded foodstuff products in the United States through our subsidiary, Oliviers & Co. LLC (USA). Oliviers & Co. branded products generated net sales in the USA of €4.4 million in FY2009, a decrease of 3.6% from FY2008 because of the weak retail environment. Excluding the foreign currency translation effect, net sales of Oliviers & Co. branded products decreased by 4.7%.

Brazil

Net sales in Brazil increased by 34.5%, or €5.0 million, to €19.3 million in FY2009. This growth was driven by higher net sales in the Sell-out and Sell-in Segments. Net sales in our Sell-out Segment increased by 36.8% or €4.6 million due to a Same Store Sales Growth of 19.1%, and to increased Non-comparable Stores Sales. During the year, we opened a net of 4 stores in Brazil with related Non-comparable Store Sales representing 3.2% of our overall growth. Comparable Store Sales represented 1.9% of our overall growth excluding foreign currency translation effects.

Our Sell-in sales improved by €0.3 million in FY2009 primarily due to increased sales to local wholesalers. Excluding foreign currency translation effects, net sales in Brazil increased by 46.1%, as during the year the Brazilian Real weakened against the Euro. In FY2009, we sold our Oliviers & Co. operation in Brazil.

Other Countries

Net sales in Other Countries increased by 41.0%, or €37.6 million, to €129.1 million in FY2009. This growth primarily reflected higher net sales in our Sell-out Segment. Net sales in our Sell-out Segment grew by €34.4 million, primarily driven by the addition of Thailand and Poland as our controlled affiliates and the full year effect of the acquisition of a controlling position in Russia during December 2007. Sales in Russia were classified in the Sell-in Segment prior to December 2007 and sales in Thailand and Poland were reported in the Sell-in Segment prior to July 2008. Another major driver of this growth was the net opening of 73 additional stores and a strong Same Store Sales Growth of 9.1% (calculated using a weighted average by country). During FY2009, we increased our retail stores in, among other countries, Russia by 20, China by 8, in Korea by 7, in Mexico by 8, and in the Western European countries (Belgium, Germany, Switzerland, Italy and Spain) by 21, in accordance with our expansion strategy. Following the acquisition of our former distributors in Thailand and Poland, 23 and 7 stores were added respectively. We opened additional stores in China, Korea, Russia and Mexico mainly due to the economic growth in those countries during the past few years and their continuing positive economic trends. Excluding foreign currency translation effects, Non-comparable Store Sales in Other Countries during FY2009 accounted for 30.0% of our overall growth while Comparable Store Sales accounted for 3.1%. Excluding foreign currency translation effects, net sales in Other Countries increased by 43.8% (calculated using a weighted average by country).

Cost of Sales and Gross Profit

Cost of sales increased by 34.3%, or €26.9 million, to €105.6 million in FY2009. Gross profit margin decreased by 0.7 points to 80.4% in FY2009. The decrease in gross profit margin for FY2009 mainly consisted of:

- an unfavourable effect related to an increase in production costs as we expanded capacity through increased subcontracting of production in anticipation of greater sales that did not materialize mainly due to the economic downturn;
- an unfavourable brand-mix effect primarily resulting from the addition of Melvita brand products, that have lower gross profit margins than those of L'Occitane brand products, as Melvita is mainly sold through our Sell-in Segment. These brand-mix effects negatively impacted our gross profit margin by 1.2 points as a percentage of sales;
- which was partially offset by an increase in gross profit margin for L'Occitane brand products mainly due to a favourable channel-mix effect as a consequence of the stronger development of our Sell-out Segment, and to positive currency translation effect due to a weaker Euro.

Distribution Expenses

Distribution expenses increased by 33.1%, or €59.7 million, to €239.9 million in FY2009. As a percentage of net sales, they increased by 1.2 points to 44.6% of net sales in FY2009. This increase mostly reflected an increase in distribution expenses in our Sell-out Segment primarily due to the acceleration in the opening of new stores, which have higher expenses compared to net sales than existing stores until they reach their normal sales level.

In FY2009, our rent and occupancy expenses increased by 35.3% or €21.8 million to €83.7 million in FY2009 primarily due to our net opening of 138 additional stores. As a percentage of net sales, our rent and occupancy expenses grew by 0.7 points to 15.6% in FY2009.

Marketing Expenses

Marketing expenses increased by 33.1%, or €14.8 million, to €59.4 million in FY2009. Marketing expenses, as a percentage of net sales, remained almost stable at 11.1% of net sales in FY2009 as compared to 10.8% in FY2008. However, the weight of the overheads declined by 0.2% as a percentage of net sales, thereby allowing us to increase the level of marketing programs that were primarily targeted at reinforcing our communication efforts with customers in shops (e.g., samples, gifts with products and window displays). The cost of these marketing programs increased by €9.6 million or 0.1 point as a percentage of net sales.

General and Administrative Expenses

General and administrative expenses increased by 32.4%, or €12.4 million, to €50.8 million in FY2009 and increased slightly as a percentage of net sales from 9.2% in FY2008 to 9.5% of net sales in FY2009. This increase as a percentage of net sales was attributable to a 0.1 point unfavorable brand mix effect related to the consolidation of Melvita around FY2009, and unfavorable 0.2 point effect due to higher non-recurring expenses. The increase in non-recurring expenses was primarily related to accruals for various taxes, as well as fees and litigation costs.

Direct costs related to the projected IPO

An initial public offering project was initiated in FY2009 but was postponed due to the adverse financial market conditions. As the initial public offering was not probable as at 31 March 2009, all the costs attributable to the Company were expensed in FY2009 for €2.0 million. The total costs amounted to €4.0 million and were partly recharged to L'Occitane Groupe S.A. the parent company, for an amount of €2.0 million. The portion reinvoiced to LOG represented 50% of the costs incurred to date. This ratio was deemed to reflect the ratio of expected proceeds from the sale of existing shares versus the total proceeds from sale of existing shares and issuance of new shares.

Operating Profit

Operating profit increased by 10.1%, or €7.4 million, to €80.5 million in FY2009, however, our operating profit margin decreased by 2.6 points from 17.6% in FY2008 to 15.0% in FY2009. The decrease in our operating profit margin by 2.6 points was primarily due to our lower gross profit margin and to an increase in distribution expenses in FY2009 as previously discussed. In terms of segment growth, our decrease in operating profit margin was mainly attributable to:

- a 0.9 point unfavourable effect related to lower operating profit margins within the Sell-out Segment primarily due to the acceleration in the opening of new stores resulting in higher expenses as a percentage of net sales until the new stores have reached their expected sales levels;

- a 2.2 point unfavourable effect related to the lower operating profit margins within the Sell-in Segment due primarily to increased sales through duty free and QVC (television home shopping), which generally have lower margins;

- a 0.2 point unfavourable effect related to lower operating profit margins within the B-to-B Segment primarily due to economic downturn and greater price competition resulting from this situation; and to

- a 0.8 point favourable effect mainly due to lower corporate expenses as a percentage of revenue, despite the 0.4 point unfavourable effect of the direct costs related to the initial public offering project (as described above).

Finance Costs, net

Net Finance costs increased €4.9 million, to €5.9 million in FY2009. This increase in the net finance costs between FY2008 and FY2009 was mainly related to:

- increased borrowings (capex facility, revolving facility and other borrowings), finance leases, and financing from our parent company, primarily related to the financing of the acquisition of Melvita. The increased borrowings represented 80.5% of the increase in net finance costs;

- the net losses related to the changes in the fair value of derivatives which represented 7.3% of the increase in net finance costs;

- the unwinding of discount on the financial liabilities related to options granted by the Company to certain minority interests, which represented 12.2% of the increase in net finance costs.

Exchange Gain/Loss on Finance Costs

Our net foreign currency gains amounted to €1.7 million in FY2009, against net foreign currency losses of €7.0 million in FY2008. The net gains of €1.7 million in FY2009 are mainly explained by the following:

- fair value gains on foreign exchange derivatives for an amount of €2.2 million;

- net foreign exchange losses amounting to €0.5 million. These losses are mainly related to financial liabilities denominated in Euro or US dollar in subsidiaries whose functional currency weakened in comparison to Euro or US dollar, largely offset by exchange gains related to receivables denominated in Japanese Yen and US dollars and to the fact that the Euro weakened in comparison to these currencies in FY2009.

Income Tax Expense

The effective rate for income taxes was 22.2% for FY2009 as compared with 24.0% for FY2008. The decrease in the effective tax rate was mainly due to our expansion towards greater international operations, which allowed the Company to benefit from lower local tax rates in certain jurisdictions.

Profit for the Year

For the aforementioned reasons, profit for the year increased by 19.9% or €9.9 million to €59.4 million in FY2009. Basic earnings per Share improved 21.8% from €0.038 to €0.046 with the number of Shares used in the calculation increasing by 776,833, or from 1,273,619,558 in FY2008 to 1,274,396,391 in FY2009. Diluted Earnings per Share improved 21.9% from €0.038 in FY2008 to €0.046 in FY2009, with the number of Shares used in the calculation increasing by 37,083, or from 1,274,359,308 in FY2008 to 1,274,396,391 in FY2009.

FY2008 COMPARED TO FY2007

Net Sales

Net sales were €415.0 million in FY2008, a 23.9%, or €80.0 million, increase compared to FY2007, reflecting net sales growth in all our business segments and geographic areas, except Taiwan. In FY2008, net sales in our Sell-out and Sell-in business segments (representing 70.6% and 25.5%, respectively, of our total net sales) increased 22.7% and 23.4%, respectively. Excluding foreign currency translation effects, net sales increased 30.7% in FY2008.

We increased the total number of retail locations that our products are sold from 857 as at 31 March 2007 to 1,055 as at 31 March 2008. We increased the total number of our Retail Stores from 459 at 31 March 2007 to 549 at 31 March 2008, representing a net increase of 90 stores, including 38 additional stores in Asia, 38 in Europe and 14 in the Americas. Excluding foreign currency translation effects, comparable Store Sales represented 19.2% of our overall growth in FY2008 while Non-comparable Store Sales during the year represented 45.8% of our overall growth.

Sales in Japan and Hong Kong and in Other Countries, which includes China and Russia, were the significant drivers of our net sales growth in FY2008. France and the United Kingdom also recorded sizable growth. However, sales growth in the United States, our largest country in FY2008, was minimal and there was a minor contraction of 2.0% in Taiwan.

Business Segments

The following table provides a breakdown of net sales growth (with exclusion of foreign currency translation effects as indicated) by business segments for the periods indicated:

	Net Sales Growth FY2007 to FY2008			
	(€'000)	**% Growth**	**% Growth[(2)]**	**% Contribution to Overall Growth[(2)]**
Sell-out	**54,324**	**22.7**	**30.1**	**70.0**
Comparable Stores	8,069	4.2	10.4	19.2[(3)]
Non-comparable Stores	42,114	106.8	119.3	45.8[(3)]
Other[(1)]	4,141	47.7	58.7	5.0
Sell-in	**20,071**	**23.4**	**28.5**	**23.7**
B-to-B	**5,621**	**54.1**	**62.1**	**6.3**
Overall Growth	**80,016**	**23.9**	**30.7**	**100.0**

(1) Includes Mail-order, Internet and other sales.

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

(3) See further breakdown under Geographic Areas — Retail Stores table.

Sell-out

Sell-out net sales increased 22.7%, or €54.3 million, to €293.2 million in FY2008 primarily due to our net addition of 90 stores and increased Comparable Store Sales. Same Store Sales Growth was 10.4% during the year, excluding foreign currency translation effects, which was primarily driven by our increase of average prices in our products and increased sales transactions from both existing and new customers.

Excluding foreign currency translation effects, our Sell-out net sales increased by 30.1% with such an increase representing 70.0% of overall net sales growth in FY2008. Excluding foreign currency translation effects, our own Retail Stores represented 65.0% of our overall growth in FY2008 with Non-comparable Stores providing 45.8% and Comparable Stores providing 19.2% of overall growth.

Sell-in

Sell-in net sales increased 23.4%, or €20.1 million, to €105.8 million in FY2008 primarily due to:

- strong sales to duty free store customers, which showed an increase of 63.6%, or €8.8 million, to €22.7 million. In FY2008, 40 new duty free stores were opened by our customers selling our products;

- strong sales to our distributors where the most important growth was in Slovenia, Croatia, Kazakhstan, Lithuania and the Middle East; and

- strong sales growth to our distributors in Asia amounting to €2.1 million primarily due to additional sales in Vietnam, Thailand and Malaysia.

Excluding foreign currency translation effects, the Sell-in Segment grew by 28.5%, which represented 23.7% of overall net sales growth in FY2008.

B-to-B

B-to-B net sales increased 54.1%, or €5.6 million, to €16.0 million in FY2008 primarily due to increased sales in France and the United States to airlines, large hotel chains and independent hotels. Excluding foreign currency translation effects, the B-to-B Segment grew by 62.1%, which represented 6.3% of overall net sales growth in FY2008.

Geographic Areas

The following table presents our FY2008 net sales growth and contribution to overall net sales growth (with exclusion of foreign currency translation effects as indicated) by geographic area:

	Net Sales Growth FY2007 to FY2008			
	(€'000)	% Growth	% Growth[1]	% Contribution to Overall Growth[1]
Japan	28,273	56.1	66.6	32.7
Hong Kong[2]	11,192	45.9	62.4	14.8
Taiwan	(496)	(2.0)	8.5	2.1
France	7,468	16.1	16.1	7.3
United Kingdom	4,927	22.9	28.7	6.0
United States	882	1.0	11.8	10.2
Brazil	3,214	28.9	20.3	2.2
Other Countries[3]	24,556	36.7	38.2	24.8
All Countries	80,016	23.9	30.7	100.0

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

(2) Includes sales from Macau.

(3) Calculated using a weighted average of constituent countries.

The following table gives a breakdown, by geographic area, of our number of Retail Stores, their contribution percentage to overall growth and our Same Store Sales Growth for periods indicated:

	Retail Stores FY2007 to FY2008						
	Retail Stores			% of Overall Growth[(1)(2)]			
	31 March 2007	31 March 2008	Change	Non-comparable Stores	Comparable Stores	Total Stores	Same Store Sales Growth[(2)]
Japan	47	56	9	17.0	10.6	27.7	33.2
Hong Kong[(3)]	11	15	4	2.9	1.3	4.2	16.8
Taiwan	41	44	3	2.7	(1.1)	1.6	(6.3)
France	51	54	3	2.4	0.9	3.3	3.7
United Kingdom	24	30	6	2.2	1.5	3.7	13.7
United States[(4)]	165	173	8	4.4	0.6	5.0	1.0
Brazil[(5)]	24	26	2	0.7	1.0	1.7	14.1
Other Countries	96	151	55	13.5	4.4	17.9	19.3
All Countries	**459**	**549**	**90**	**45.8**	**19.2**	**65.0**	**10.4%**

(1) Represents percentage of overall net sales growth attributable to Non-comparable Stores, Comparable Stores and Total Retail Stores for the geographic area and period indicated.
(2) Excludes foreign currency translation effects.
(3) Includes 1 L'Occitane store in Macau from December 2007.
(4) Includes 10 Oliviers & Co. stores as at 31 March 2007 and 2008.
(5) Includes 1 Oliviers & Co. store as at 31 March 2007.

Japan

Net sales in Japan increased 56.1%, or €28.3 million, to €78.7 million in FY2008. This growth primarily reflected higher net sales in all business segments and particularly our Sell-out Segment. Net sales in our Sell-out Segment in Japan rose by 56.2% or €25.7 million, mainly driven by strong Same Store Sales Growth of 33.2% primarily due to an increase in transactions arising from improved consumer awareness in our L'Occitane brand created by opening additional stores in prime locations. During the year, we opened a net of 9 stores in Japan. Excluding foreign currency translation effects, Non-comparable Store Sales represented 17.0% of our overall growth mainly due to our opening of 24 Retail Stores in the last two financial years and Comparable Store Sales represented 10.6% of our overall growth.

Our Sell-in sales improved by €2.2 million in FY2008 primarily due to growth in domestic inflight sales to our airline partners. Excluding foreign currency translation effects, net sales in Japan increased by 66.6%.

Hong Kong

Net sales in Hong Kong increased by 45.9%, or €11.2 million, to €35.6 million in FY2008. This growth was driven by greater net sales in all segments, particularly in our Sell-out and Sell-in Segments. Net sales in our Sell-out Segment improved by 28.4% or €3.0 million and such improvement was mainly due to Same Store Sales Growth of 16.8% primarily due to the continued success of our customer loyalty programme for Hong Kong customers. During the year, we opened

a net of 4 stores in Hong Kong with related Non-comparable Store Sales representing 2.9% of our overall growth excluding foreign currency translation effects. Comparable Store Sales represented 1.3% of our overall growth excluding foreign currency translation effects.

Our Sell-in sales improved by 61.7% or €7.9 million in FY2008 primarily due to strong growth to duty free customers as well as increased sales to our Asian distributors, particularly in Malaysia, Thailand and Vietnam (our sales are recorded based on the location of the invoicing subsidiary). Excluding foreign currency translation effects, net sales in Hong Kong increased by 62.4%.

Taiwan
Net sales in Taiwan decreased by 2.0%, or €0.5 million, to €24.8 million in FY2008. This decline was mainly driven by unfavourable foreign currency translation effects and a decrease in Same Store Sales. Excluding foreign currency translation effects, net sales in Taiwan actually increased by 8.5%. Same Store Sales decreased by 6.3% primarily due to a weak retail environment caused by political uncertainty and consumer credit issues caused by tightened control over credit card debt. During the year, we opened a net of 3 stores in Taiwan with related Non-comparable Store Sales representing 2.7% of our overall growth excluding foreign currency translation effects. However, comparable Store Sales had a negative impact of 1.1% against our overall growth excluding foreign currency translation effects for the aforementioned reasons.

France
Net sales in France increased by 16.1%, or €7.5 million, to €53.8 million in FY2008. This growth was driven by increase in net sales for all segments. Retail sales improved by 12.8% or €3.4 million primarily due to modest Same Store Sales Growth of 3.7% mainly due to a less favourable economic environment. During the year, we opened a net of 3 stores in France with related Non-comparable Store Sales representing 2.4% of our overall growth. Excluding foreign currency translation effects, Comparable Store Sales represented 0.9% of our overall global growth.

Our Sell-in sales improved by 8.6%, or €1.4 million, in FY2008 primarily due to the opening of 5 new stores operated by our distributors. Our B-to-B sales increased by 88.1%, or €2.4 million, in FY2008 primarily due to additional sales to airlines and hotels.

United Kingdom
Net sales in the United Kingdom increased by 22.9%, or €4.9 million, to €26.4 million in FY2008. This growth was driven by higher net sales in the Sell-out and Sell-in Segments. Net sales in our Sell-out Segment improved by 24.1% or €3.4 million primarily due to a strong Same Store Sales Growth of 13.7%, which was mainly attributable to additional marketing efforts through mailings and promotions. During the year, we opened a net of 6 stores in the United Kingdom with related Non-comparable Store Sales representing 2.2% of our overall growth. Excluding foreign currency translation effects, Comparable Store Sales represented 1.5% of our overall global growth.

Our Sell-in sales improved by €1.0 million in FY2008 reflecting the continuing increase in our sales to QVC (television home shopping) customers in the UK. Excluding foreign currency translation effects, net sales in the United Kingdom increased by 28.7%.

United States
Net sales in the United States increased 1.0%, or €0.9 million, to €89.9 million in FY2008. However, excluding foreign currency translation effects, net sales in the United States actually increased by 11.8%. The continuing weakness of the US Dollar against the Euro during the year offset most of our growth in the United States.

During the year, we opened a net of 8 stores in the United States with Non-comparable Store Sales representing 4.4% of our overall global growth. Same Store Sales Growth was relatively low at 1.0% mainly due to a continued deterioration of economic conditions and consumer confidence within the United States primarily due to the housing downturn and rising energy and food prices. Comparable Store Sales in the United States represented 0.6% of our overall growth excluding foreign currency translation effects.

Our sales growth in the United States primarily reflected higher net sales in our B-to-B Segment of €1.5 million mainly due to increased sales to airlines, large hotel chains and independent hotels. Throughout FY2008, we continued to operate 10 stores selling Oliviers & Co. branded products in the United States through our subsidiary, Oliviers & Co., LLC (USA). Oliviers & Co. branded products generated net sales of €4.6 million in FY2008, a decrease of 4.7%, or €0.2 million, from FY2007 primarily due to the unfavourable foreign currency translation effects as noted above. Excluding such effects, net sales of Oliviers & Co. branded products grew by 5.5%.

Brazil
Net sales in Brazil increased by 28.9%, or €3.2 million, to €14.3 million in FY2008. This growth was driven by higher net sales in the Sell-out and Sell-in Segments. Net sales in our Sell-out Segment increased by 26.1% or €2.6 million primarily due to Same Store Sales Growth of 14.1%, reflecting less import customs related issues in FY2008 as compared to FY2007. Increased investigation of import operations due to recent cases of fraud not related to L'Occitane led to a slower customs clearing process and the temporary loss of our trading partner's import license. This contributed to delays in shipment of inventory to our stores in Brazil in FY2007. During the year, we opened a net of 2 stores in Brazil with related Non-comparable Store Sales representing 0.7% of our overall growth excluding foreign currency translation effects. Excluding foreign currency translation effects, Comparable Store Sales represented 1.0% of our overall global growth.

Our Sell-in sales improved by €0.6 million in FY2008 primarily due to our development of new sales to local wholesalers. Excluding foreign currency translation effects, net sales in Brazil increased by 20.3% as during the year, the Brazilian Real increased against the Euro. In FY2008, we closed our only store selling Oliviers & Co. branded products in Brazil.

Other Countries
Net sales in Other Countries increased 36.7%, or €24.6 million, to €91.5 million in FY2008. This growth primarily reflected higher net sales in our Sell-out Segment. Net sales in our Sell-out Segment grew by €17.6 million, mainly driven by the net opening of 55 additional stores and strong Same Store Sales Growth of 19.3%. During FY2008, we increased our Retail Stores in, among other countries, Russia by 17, China by 9, in Korea by 5, in Mexico by 4, and in Germany by 4, in accordance with our expansion strategy. We opened additional stores in China, Korea, Russia and Mexico mainly due to the economic growth in those countries during the past few years and continuing positive economic trends there. Our Retail Stores in Russia were acquired by us in

FY2008 through the purchase of our exclusive distributor in Russia and sales in Russia were classified in the Sell-in Segment prior to FY2008. Same Store Sales grew by 19.3% in FY2008 primarily due to the dynamic economic environment and the successful promotion of our products there. Excluding foreign currency translation effects, Non-Comparable Store Sales in Other Countries during FY2008 accounted for 13.5% of our overall growth while Comparable Store Sales accounted for 4.4%. Excluding foreign currency translation effects, net sales in Other Countries increased by 38.2% (calculated using a weighted average by country).

Cost of Sales and Gross Profit

Cost of sales increased 23.2%, or €14.8 million, to €78.6 million in FY2008. However, our gross profit margin increased by 0.1 points to 81.1% in FY2008. This improvement for FY2008 mainly consisted of:

- an improved brand-mix effect as our sales of L'Occitane brand products continued to increase in FY2008 relative to sales of Le Couvent des Minimes and Oliviers & Co. products, whose gross profit margins are generally lower than that of L'Occitane brand products, and

- which was partially offset by a decrease in gross profit margin for L'Occitane brand products mainly due to negative currency translation effect of 1.0% on gross profit margin due to the stronger Euro.

Distribution Expenses

Distribution expenses increased 20.7%, or €31.0 million, to €180.2 million in FY2008. However, distribution expenses, as a percentage of net sales, decreased by 1.1 point to 43.4% of net sales in FY2008. This decrease by 1.1 point mostly reflected a decrease in distribution expenses as a percentage of sales in our Sell-out Segment largely due to the benefits of our efforts to control personnel costs. Our personnel costs as a percentage of net sales decreased by 1.2 point from 17.1% in FY2007 to 15.9% in FY2008.

In FY2008, our rent and occupancy expenses increased by 24.3% or €12.1 million to €61.9 million in FY2008 primarily due to our net opening of 90 additional stores. As a percentage of net sales, our rent and occupancy expenses remained at 14.9% in both FY2007 and FY2008.

Marketing Expenses

Marketing expenses increased 20.2%, or €7.5 million, to €44.7 million in FY2008. However, marketing expenses, as a percentage of net sales, actually decreased slightly by 0.3 point to 10.8% of net sales in FY2008. The lower marketing expense as a percentage of nets sales in FY2008 was primarily due to higher expenses in the previous year as result of our €3.0 million grant to the L'Occitane Foundation in order to fund this charitable foundation over five years starting in FY2007. This €3.0 million expense, however, represents the total commitment over five years and was entirely expensed in FY2007 due to IFRS requirements. The lower marketing expenses in FY2008 were partially offset by higher expenses related to mailings and other communication efforts with customers such as through samples, gifts with products and window displays.

General and Administrative Expenses

General and administrative expenses increased by 18.8%, or €6.1 million, to €38.4 million in FY2008. However, general and administrative expenses as a percentage of net sales actually decreased by 0.4 point to 9.3% of net sales in FY2008. This slight decrease was primarily due to economies of scale from higher net sales.

Operating Profit

Operating profit increased 40.3%, or €21.0 million, to €73.1 million in FY2008, with our operating profit margin increasing by 2.1 points from 15.6% in FY2007 to 17.6% in FY2008. The increase in our operating profit margin by 2.1 points was primarily due to our net sales growth, and relative decreases in our distribution, marketing, and general and administrative expenses in FY2008 as previously discussed. In terms of segment growth, our increase in operating profit margin was mainly attributable to:

- a 0.5 point favourable effect related to improved operating profit margins within the Sell-out Segment primarily due to the improvement in retail personnel costs and to strong Same Store Sales Growth providing for economies of scale (improved coverage of overall fixed costs from higher net sales);

- a 1.4 point favourable effect mainly due to lower general administrative expenses in the corporate segment and the €3.0 million grant made to the L'Occitane Foundation in FY2007 but not in FY2008; and

- a 0.3 point favourable effect related to greater operating profit margins within the B-to-B Segment primarily due to the development of new sales with independent hotels.

Finance Costs, net

Net finance costs decreased 78.6%, or €3.6 million, to €1.0 million in FY2008. During FY2007, we incurred €3.2 million in interest costs relating to the convertible debenture bond we issued to the Clarins group in 2001 — See Note 19.3 of the Accountant's Report in Appendix I. On 26 February 2007, the Clarins Group converted all of its convertible bonds into our common shares thereby correspondingly reducing our financing costs in FY2008. The decrease in net finance costs was also due to lower bank borrowings in FY2008 as we needed to borrow less due to the increase in cash we generated from operating activities. We generated €51.1 million in cash from operating activities in FY2008 and €47.9 million in FY2007.

Exchange Loss

Our exchange loss increased to €7.0 million in FY2008 from €2.1 million in FY2007, primarily due to the strengthening of the Euro against our major local currencies, in particular the US dollar and the Japanese Yen, during the year. In FY2008, we also incurred an unrealised loss of €1.6 million relating to the fair value adjustment of currency hedging instruments.

Income Tax Expense

The effective rate for income taxes was 24.0% for FY2008 as compared with 21.7% for FY2007. In FY2007 we received tax savings of €0.8 million from our grants made to L'Occitane Foundation, for which we did not receive in FY2008.

Profit for the Year

Profit for the year increased by 39.4% or €14.0 million to €49.5 million in FY2008. Although our operating profit margin increased by 2.1 points in FY2008 compared to FY2007, our net profit margin only increased by 1.3 point over the same period mainly due to a greater foreign currency exchange loss and higher income tax expenses partially offset by lower finance costs relating to conversion of convertible bonds by the Clarins group in FY2007. Basic earnings per Share improved 12.2% from €0.034 to €0.038 with the number of Shares used in the calculation increasing by 284,598,426, from 989,021,132 in FY2007 to 1,273,619,558 in FY2008. Diluted earnings per Share improved 33.3% from €0.028 in FY2007 to €0.038 in FY2008, with the number of Shares used in the calculation increasing by 17,640,030, from 1,256,719,278 in FY2007 to 1,274,359,308 in FY2008.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following table summarises our cash flows for the years ended 31 March 2007, 2008 and 2009, and the nine month periods ended 31 December 2008 and 2009:

	Year ended 31 March			Nine month period ended 31 December	
(€'000)	**2007**	**2008**	**2009**	**2008**	**2009**
				(unaudited)	
Net cash generated from operating activities	47,869	51,138	56,332	27,556	99,084
Net cash used in investing activities	(28,650)	(32,378)	(100,103)	(91,790)	(27,938)
Net cash (used in)/generated from financing activities	4,399	(33,917)	36,949	74,538	(9,442)
Effects of exchange rate changes[1]	937	(423)	(4,130)	(5,148)	(1,435)
Net increase/(decrease) in cash and bank overdrafts of discontinued operations	—	(91)	—	—	—
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	24,555	(15,671)	(10,952)	5,156	60,269
Cash, cash equivalents and bank overdrafts at beginning of the year	28,996	53,551	37,880	37,880	26,928
Cash, cash equivalents and bank overdrafts at end of the year	53,551	37,880	26,928	43,036	87,197

(1) The effects of exchange rate changes include the following: The translation at the closing rate of foreign currency cash and cash equivalents; the exchange rate effect of the movement in foreign currency cash and cash equivalents from the average rate to the closing rate; and exchange movements on intra-group transactions at year end.

Operating Activities

The following table summarise our cash flows from operating activities for the years ended 31 March 2007, 2008 and 2009, and the nine month periods ended 31 December 2008 and 2009:

(€'000)	Year ended 31 March			Nine month period ended 31 December	
	2007	2008	2009	2008	2009
				(unaudited)	
Net result adjusted for non-cash items	47,492	61,352	76,899	56,055	92,637
Change in working capital — generated/ (used)	377	(10,214)	(20,567)	(28,499)	6,447
Net cash generated from operating activities	47,869	51,138	56,332	27,556	99,084

Operating Activities

Operating cash flows increased by €71.5 million in the nine month period ended 31 December 2009 as compared to the corresponding period in 2008 reflecting the profit for the period adjusted for non-cash items increasing by €36.6 million coupled with lower working capital usage of €34.9 million. Our net profit adjusted for non-cash items increased by 65.3% and amounted to €92.6 million in the nine month period ended 31 December 2009. During the nine month period ended 31 December 2009, our working capital decreased by €6.4 million, primarily due to a combination of a decrease in our inventories by €11.7 million due to our efforts to reduce our relatively high inventories produced in FY2009 as a result of lower than expected sales caused by the economic downturn, and the increases in salaries, wages and related social item liabilities and current income tax liabilities, both related to the development of our business activities of €13.7 million in total. This was partially offset by the increase of our trade receivables by €18.5 million, essentially due to the seasonality of our sales, as December is normally our largest sales month of the year. Our trade payables decreased by €1.5 million also in relation to the seasonality of our activity and to a law passed in France that effectively reduced payment terms given by suppliers.

Operating cash flows increased by €5.2 million between FY2008 and FY2009 mainly reflecting the profit for the year adjusted for non-cash items increasing by €15.5 million, which was partly offset by the increase in the working capital of €10.3 million between FY2008 and FY2009. The net profit for FY2009 adjusted for non-cash items amounted to €76.9 million, whereas the working capital increased by €20.5 million during the financial year. This increase in working capital resulted from higher inventory levels due to continued expansion of our stores worldwide while the trade receivables decrease contributed positively to the cash flows mainly as a consequence of better cash collection and shorter average payment conditions in the Sell-in Segment, in particular within Other Countries. However, the trade payables had a negative contribution to the operating cash flows mainly as a result of lower trade payables at the end of FY2009. Such a decrease in trade payables was mainly due to the decrease in raw materials and components orders in L'Occitane SA in anticipation for a decrease in orders from the distribution subsidiaries at the beginning of FY2010. The objective of this action was to reduce the level of finished goods inventories in the context of a lesser dynamic market demand.

Operating cash flow increased by €3.3 million between FY2008 and FY2007. The net increase in operating cash flows in FY2008 as compared to FY2007 reflected €13.9 million in higher profit as adjusted for non-cash accounts, partly offset by a €10.6 million increase in working capital usage in FY2008 as compared to FY2007. The net profit for FY2008 as adjusted for non-cash accounts amounted to €61.4 million, whereas the working capital increased by €10.2 million during the year. This increase in working capital resulted from higher inventory levels due to our continued expansion of stores worldwide and increased trade receivables mainly as a consequence of our sales development in the Sell-in and B-to-B Segments, particularly in Hong Kong, France, Japan and Other Countries. This increase in inventories was partly offset by higher trade payables, notably at L'Occitane S.A. in anticipation of expected increased sales during 2009 from new and existing stores, and by higher salaries, social and tax liabilities. However, our tax receivables and prepaid expenses increased during FY2008, thereby further decreasing our cash generated from operating activities for the year.

Investing Activities

Net cash used in investing activities was €27.9 million in the nine month period ended 31 December 2009 compared to €91.8 million in the corresponding period in 2008.

The net cash used in the nine month period ended 31 December 2009 reflected capital expenditures mainly related to:

- the acquisition of net assets from our distributor in Canada for €4.6 million;

- the acquisition of the remaining minority interests in L'Occitane Do Brasil S/A for €2.7 million. After this transaction, L'Occitane Do Brasil S/A is now wholly held by our Company;

- the additions of leasehold improvements and other tangible assets related to the opening of new stores for €8.9 million;

- the additions of machinery and equipment, land and building, other tangible assets and tangible assets in progress for €8.0 million, primarily for our premises at Manosque and Lagorce;

- additions in intangible assets of €5.4 million, reflecting the acquisition of additional key moneys primarily in France, Brazil, Italy and Mexico for €2.1 million, and the additions of other intangible assets and intangible assets in progress primarily in IT software for €3.3 million;

- the net increase in deposits and key moneys paid to landlords of €0.8 million; and

- proceeds from the disposal of fixed assets for €1.9 million primarily related to the disposal of the key money of our Soho store in New York, USA.

Net cash used in investing activities was €100.1 million in FY2009 compared to €32.4 million in FY2008.

The net cash used in investing activities in FY2009 reflected capital expenditures relating to:

- the acquisition of subsidiaries for €57.0 million mainly due to the purchase of the Melvita sub-group: 85% of the Melvita Group was acquired in June 2008 for a purchase price of €46.8 million and the remaining 15% was acquired in March 2009 for a consideration of €4.5 million. The other cash payments are related to the following acquisitions: 100% of Urban Design Sp.z.o.o. (Poland) (renamed L'Occitane Polska S.p.z.o.o.,) 49% of the business conducted by our agent in Thailand and 49% of the Chinese minority shareholders;

- the acquisition of leasehold improvements and other tangible assets related to the stores of €20.3 million relating to the opening of new stores in FY2009;

- the acquisition of machinery and equipment, land and building, other tangible assets and tangible assets in progress for an amount of €11.6 million. Main acquisitions during the financial year were related to the production and warehousing facilities in Manosque, and the Paris offices;

- investments in intangible assets of €8.5 million in FY2009 mainly due to the acquisition of additional key moneys in France, Mexico and Spain in the amount of €6.6 million;

- other investments for €4.8 million primarily due to deposits and prepayments related to the stores (key moneys paid to the landlord); and

- proceeds from the disposal of fixed assets for €0.7 million.

The net cash used in investment activities in FY2008 reflected capital expenditures relating to (i) increased leasehold improvements and other tangible assets for stores of €11.4 million, (ii) increased equipment, land and building of €2.9 million primarily for the production and warehousing facilities in Manosque, and (iii) increase in other tangible assets and tangible assets in progress of €7.3 million, including €3.0 million for the Manosque and Paris facilities and €3.0 million in the distribution subsidiaries. In addition, our investments in intangible assets of €6.5 million in FY2008 were mainly due to (i) the acquisition of additional key moneys in France, Mexico and Italy in the amount of €4.7 million, and (ii) investment in management information system software of €1.1 million. In addition, we used €2.9 million in net cash during FY2008 to acquire the stores of our distributor in Russia.

The net cash used in investment activities in FY2007 reflected capital expenditures relating (i) increased leasehold improvements and other tangible assets for stores of €11.0 million, (ii) increased equipment, land and building of €4.8 million primarily for acquisition and set-up of a new warehousing facility in Manosque, and (iii) increase in other tangible assets and tangible assets in progress of €2.4 million. In addition, our investments in intangible assets of €5.8 million in FY2007 were mainly due to (i) the acquisition of additional key moneys in France and Spain in the amount of €4.7 million, and (ii) investment in management information system software for €1.1 million. In addition, we used €1.8 million in cash during FY2007 to acquire L'Occitane Mexico S.A. de CV (Mexico) and a minority interest in L'Occitane Australia PTY LTD. (Australia).

Financing Activities

Net cash used in financing activities was €9.4 million in the nine month period ended 31 December 2009 and mainly reflected the following:

- a €32.0 million dividend paid to LOG, our controlling shareholder, offset by increased financing from LOG of €40.3 million. The €32.0 million dividend was related to scheduled repayments and interests due by LOG in relation to our 2007 Credit Facility;
- proceeds from borrowings for €7.8 million, offset by repayment of borrowings and repayments on obligations under finance leases for €23.6 million; and
- dividends paid to minority shareholders for €1.6 million.

Net cash generated by financing activities was €36.9 million in FY2009. Net cash used in financing activities was €33.9 million in FY2008. Net cash generated by financing activities was €4.4 million in FY2007.

Net cash generated by financing activities in FY2009 mainly reflected the following:

(i) the net proceeds from borrowings for €69.3 million primarily related to the drawings from our Capex Facility and Revolving Facility that are part of our 2007 Credit Facility, see "— Credit Facilities". These proceeds were used for financing our business combinations, our acquisitions of tangible and intangible fixed assets and the increase in working capital requirements;

(ii) the net repayment of borrowings and finance leases for €6.2 million. These repayments are mainly related to the scheduled repayments of our 2007 Credit Facility;

(iii) the dividend paid by the Company of €30.0 million partly offset by an increased financing from LOG in an amount of €5.3 million; and

(iv) dividends paid to minority shareholders for €1.9 million.

As a consequence primarily of the net proceeds from borrowings and repayments of borrowings in FY2009 as stated above, our non-current liabilities increased from €19.9 million as at 31 March 2008 to €96.1 million as at 31 March 2009.

Net cash used in financing activities in FY2008 reflected an increase in dividends paid to shareholders during the year. The Company paid to the shareholders €32.9 million in dividends in FY2008 as compared to €9.8 million in FY2007. In addition, cash flows used in financing activities in FY2008 reflected the net repayment of borrowings for approximately €22.4 million including the repayment in full of the Company's €19.8 million outstanding credit facility in place with certain banks as at 31 March 2007. This repayment was funded partially with credit financing of €19.1 million provided by LOG in FY2008.

INDEBTEDNESS

We have historically met our working capital and other capital requirements principally from cash flow from operations, through long-term and short-term bank borrowings and through the issue of convertible debentures. As at 31 March 2009, we had cash and cash equivalents of €27.3 million compared with €39.1 million at 31 March 2008. As at 31 December 2009, we had cash and cash equivalents in an amount of €88.3 million.

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

(€'000)	**As at 31 March 2009**	**As at 31 December 2009**	**As at 28 February 2010**
Capex facility[2]	48,275	49,599	36,029
Revolving facility[2]	16,507	1,345	—
Other bank borrowings[1]	5,999	4,808	4,068
Finance lease liabilities[3]	7,274	6,657	6,482
Current accounts with minority shareholders and related parties[4]	30,561	70,258	64,357
Bank overdrafts	351	1,126	2,135
Total	108,968	133,793	113,071

(1) Certain bank borrowings are secured by key moneys. As at 31 December 2009, the net book value of key moneys was €34.7 million.

(2) The Capex Facility and Revolving Facility are guaranteed by the Company and are secured by a pledge on respectively 100% of L'Occitane S.A. shares and 100% of Les Relais L'Occitane France shares. In addition, LOG granted a guarantee on our own borrowings in relation to both the Capex Facility and the Revolving Facility. LOG has also pledged the Shares held in our Company as described in the section headed "Credit facilities" below.

(3) Finance lease liabilities relate primarily to land and building for the Manosque factory and premises. On 30 March 2010, we signed a new finance lease agreement in connection with (i) the acquisition of the existing land and building of Melvita for an amount of €4.9 million and (ii) the extension and restructuring of the plant for an amount of €9.1 million. As at 30 March 2010, an amount of €4.9 million was drawn.

(4) Current accounts include a current account with LOG in the amount of €64.3 million owing to LOG as at 31 December 2009 (€58.3 million as at 28 February 2010). We did not grant any guarantee to LOG with respect to amounts owing under such current account. This current account with LOG bears an interest rate linked to the Euribor 3M + 1%. On 30 March 2010, the total amount due to LOG under the current account with LOG of €59.6 million was fully settled. In addition, on 31 March 2010, a Shareholders' Meeting approved the distribution of a dividend for €80,000,000. This decision has resulted in a liability for the same amount to LOG that will be released before listing. The remaining balance represents loans and advances from minority shareholders of certain subsidiaries of the Company of which: (i) balances with the Clarins Group totalling €4.9 million as at 31 December 2009 (€5.2 million as at 28 February 2010) that will not be settled prior to our listing and (ii) balances with other minority shareholders, representing their debt contribution to our subsidiaries as part of their shareholding/joint venture arrangements, which will not be settled prior to listing. See Note 32.4 of the Accountant's Report in Appendix I for further details. Other balances with related parties, notably the Clarins Group, will not be released before listing.

The Capex Facility and Revolving Facility, other bank borrowings and finance lease liabilities are secured. The current accounts with minority shareholders and related parties and bank overdrafts are unsecured.

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

(€'000)	As at 31 March 2009	As at 31 December 2009	As at 28 February 2010
Maturity			
On demand or within one year	33,831	73,754	68,433
Between 1 and 2 years	1,942	14,330	10,799
Between 2 and 5 years	40,632	43,341	31,471
Over 5 years	32,563	2,368	2,368
Total	108,968	133,793	113,071
Less: Amounts due for settlement within 12 months (shown under current liabilities)	(33,831)	(73,754)	(68,433)
Amounts due for settlement after 12 months (shown under non-current liabilities)	75,137	60,039	44,638

The increase in our borrowings due for settlement within 12 months from €33.8 million as at 31 March 2009 to €73.8 million as at 31 December 2009 was primarily due to increased financing from LOG of €39.9 million.

On 31 March 2010, a Shareholders' Meeting approved the distribution of a dividend for an amount of €80.0 million, which resulted in a liability to LOG for the same amount. This liability will be released prior to our Listing.

Contingent Liabilities and Guarantees

We have contingent liabilities in respect of bank, other guarantees and other matters arising in the ordinary course of business. As part of the FY2007 Credit Facility, we granted certain banks a guarantee coupled with a security interest to our and our subsidiaries' assets and LOG pledged 100% of our Shares that it currently holds. The share pledge will be released in respect of the Offer Shares upon or before completion of the Global Offering, and none of any remaining security interest over any of LOG's Shares will be held to secure any obligations of our Company or any of our subsidiaries. In addition, LOG's guarantee of our borrowings under the Capex Facility and Revolving Facility will be released on or before the Listing Date.

We are subject to litigation and claims arising in the ordinary course of business. See Note 30.1 of the Accountant's Report in Appendix I — *Legal proceedings*. It is not anticipated that any material liabilities will arise from our contingent liabilities.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, as at 28 February 2010, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance, acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

CREDIT FACILITIES

In FY2006, we entered into a structured financing agreement with eight commercial banks in France (the ***Lending Syndicate***)[1] providing us with a total credit facility of €60.0 million (the ***2006 Credit Facility***) made up of: (i) a medium term bank facility of €35.0 million with a maturity of seven years and (ii) a short-term revolving facility of €25.0 million for a period of three years. The 2006 Credit Facility was secured by a pledge on 67% of the shares of our subsidiary L'Occitane Inc. and 66.67% of the shares of our subsidiary L'Occitane (Far East) Limited. As at 31 March 2007, €19.8 million was outstanding under this credit facility. On 22 May 2007, we repaid in full the 2006 Credit Facility. The 2006 Credit Facility has been fully repaid.

In FY2007, LOG, ourselves, L'Occitane S.A., our subsidiary, entered into a senior credit facility agreement, with the Lending Syndicate, in the principal amount of €280.0 million (the ***2007 Credit Facility***) made up of:

(i) a medium term senior loan of €205.0 million that can be drawn only by LOG (the ***Acquisition Facility***), of which €200.0 million was drawn as of 31 December 2009. During FY2009, a repayment was made for an amount of €10 million and an amount of €5.0 million was drawn by LOG. The balance of the principal amount was €174.3 million as at 31 December 2009.

(ii) a capital expenditures facility of €50.0 million with a maturity of seven years that can be drawn only by us and L'Occitane S.A. (the ***Capex Facility***), of which €49.6 million was outstanding as at 31 December 2009; and

(iii) a multi-currency revolving facility of €25.0 million granted for a period of seven years that can be drawn only by us and L'Occitane S.A. (the ***Revolving Facility***), of which €1.3 million was outstanding as at 31 December 2009.

The maturity dates and repayment amounts payable by LOG under the Acquisition Facility are €20,500,000, €25,625,000, €25,625,000 and €30,750,000 on 20 April 2010, 2011, 2012 and 2013 and €71,750,000 on 29 April 2014. That is, such amounts are repayable by LOG subsequent to our listing on the Hong Kong Stock Exchange. LOG currently intends to use all or part of the proceeds it will receive under the Global Offering for the repayment, where sufficient and subject to other financing requirements of LOG, of at least 80% of the amounts owing under the Acquisition Facility.

The outstanding balance under the Capex Facility includes principal borrowed and interest incurred to finance our acquisition of M&A SAS on 5 June 2008. The Revolving Facility is expected to be used to finance working capital needs, if necessary. The Capex Facility and Revolving Facility are guaranteed by us and are secured by a pledge on respectively 100% of L'Occitane S.A. shares and 100% of Les Relais L'Occitane France shares. In addition, LOG granted a guarantee on our borrowings in relation to both the Capex Facility and the Revolving Facility. LOG's guarantee of

1. As at 31 December 2009, out of these eight commercial banks (the ***Lending Syndicate***):

- One member of the Lending Syndicate was the indirect controlling shareholder of CLSA Equity Capital Markets Limited (one of the Joint Sponsors, ***CLSA ECM***);
- One member of the Lending Syndicate was a subsidiary of the ultimate parent company of CLSA ECM; and
- One member of the Lending Syndicate was an indirect minority shareholder of the ultimate parent company of CLSA ECM (as at 31 December 2009, such member was one of the 39 regional banks which together indirectly held a majority interest in the ultimate parent company of CLSA ECM, and the ultimate parent company of CLSA ECM also held a non-controlling minority interest in such member of the Lending Syndicate).
- one member of the Lending Syndicate was a subsidiary of the ultimate parent company of The Hongkong and Shanghai Banking Corporation Limited (one of the Joint Sponsors).

these borrowings will be terminated on or before the Listing Date and will be replaced by a pledge of the shares of M&A Development SAS. LOG had also pledged the Shares held by it in favour of the Lending Syndicate in relation to the 2007 Credit Facility. The share pledge will be released in respect of the Offer Shares offered by LOG upon or before completion of the Global Offering, and none of any remaining security interest over any of LOG's Shares will be held to secure any obligations of our Company or any of our subsidiaries. In addition, the new Offer Shares issued by our Company upon completion of the Global Offering will not be subject to this share pledge. Under the terms of the 2007 Credit Facility, any default under any of the Acquisition Facility, Capex Facility or Revolving Facility will trigger automatic defaults in the other facilities so that all principal amounts and interest owing under all facilities would become immediately payable. For the avoidance of doubt, neither our Company nor L'Occitane S.A. is under any obligation to repay any amounts owed by LOG, and LOG will not be under any obligation after listing to repay any amounts owed by us or L'Occitane S.A., to the Lending Syndicate under the 2007 Credit Facility, whether generally or upon an automatic default triggered by a default under any of the Acquisition Facility, Capex Facility or Revolving Facility. We believe that, in the event of a trigger of any such automatic default in the Capex Facility and/or the Revolving Credit Facility, on the basis of our current financial position we have sufficient resources (including internal resources and/or access to other undrawn credit facilities) to repay in full any amounts that may thereby become payable to the Lending Syndicate.

Under the 2007 Credit Facility, we are subject to two key restrictive covenants requiring us to maintain a leverage financial ratio calculated as: (current and non-current borrowings – cash and cash equivalents)/EBITDA (***Leverage Financial Ratio***) and finance cost coverage ratio, calculated as: EBITDA/finance costs (***Finance Cost Coverage Ratio***).

Under the 2007 Credit Facility we are required to maintain a Leverage Financial Ratio based on LOG's consolidated financial statements of less than:

- 3.75 for the year ended 31 March 2008;
- 3.50 for the 6 months ended 30 September 2008;
- 3.25 for the year ended 31 March 2009;
- 3.00 for the 6 months ended 30 September 2009;
- 2.75 for the year ended 31 March 2010;
- 2.50 for the 6 months ended 30 September 2010 and each 6 month periods thereafter.

Our Leverage Financial Ratio as at 31 March 2009 and 30 September 2009 were 2.26 and 1.75, respectively.

Under the 2007 Credit Facility we are required to maintain a Finance Cost Coverage Ratio based on LOG's consolidated financial statements of no less than:

- 4.00 for the year ended 31 March 2008;
- 4.25 for the 6 months ended 30 September 2008;
- 4.50 for the year ended 31 March 2009;
- 5.00 for the 6 months ended 30 September 2009 and each 6 month periods thereafter.

Our Finance Costs Coverage Ratio as at 31 March 2009 and 30 September 2009 were 6.09 and 6.08, respectively.

On 15 December 2008, we renegotiated the terms of the 2007 Credit Facility and the following key changes were made:

- The Leverage Financial Ratio requirement was adjusted so that we are required to maintain a ratio below 2.75 for the 6 months ended 30 September 2010, and for the 6 month periods thereafter;
- The agreement was modified to allow potential listing of the Group and to determine the use of the proceeds;
- There was also a reduction in the constraints on investment. Prior to the 15 December 2008 amendments to the 2007 Credit Facility, investments outside of the core business of LOG (including all of its subsidiaries) were restricted to investments as part of a contemplated joint venture with Clarins. This restriction has been changed to allow for investments in entities in the same line of business, or in non-core business entities with the prior consent of the banks.

As at the Latest Practicable Date, there has been no material adverse change in our or LOG's results of operation or financial position leading us to believe that we or LOG will likely default on any of our credit facilities.

As at 28 February 2010, the aggregate amount of unutilized committed bank facilities was €127.4 million.

Our borrowings are denominated in the following currencies as at the dates indicated:

(€'000)	**As at 31 March 2009**	**As at 31 December 2009**
Euro	67,207	104,168
US Dollar	19,086	17,643
Pounds Sterling	3,223	450
Australian dollar	2,992	4,079
Swiss Franc	1,165	500
Mexican Peso	1,334	—
Japanese Yen	10,216	5,933
Other	3,745	1,020
Total	108,968	133,793

The following table sets forth the range of interest rates for the Company's borrowings (including bank borrowings, credit facilities, finance lease liabilities, current accounts and bank overdrafts) for the periods indicated:

	For the Year Ended 31 March			Nine month period ended 31 December	Two month period ended 28 February
	2007	2008	2009	2009	2010
Interest rate range.	3.362–5.224%	4.427–6.253%	2.010%–6.693%	1.200%–5.850%	1.156%–5.850%

As at the Latest Practicable Date, we plan to draw an additional €70 million in bank borrowings on our existing banking facilities in May 2010 to finance principally the repayment of the LOG current account. No new borrowings have been forecasted that are not covered by our committed bank facilities.

INVENTORY ANALYSIS

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

	For the Year Ended 31 March			Nine month period ended 31 December
	2007	2008	2009	2009
Average inventory turnover days[(1)]	201	230	233	224

(1) Average inventory turnover days equals average inventory divided by cost of sales and multiplied by 365 for the years ended 31 March 2007, 2008 and 2009, and 274 for the nine month period ended 31 December 2009. Average inventory equals the average of net inventory at the beginning and end of a given period.

Inventory turnover days decreased 9 days between FY2009 and the nine month period ended 31 December 2009, primarily due to seasonality and our efforts to reduce our inventories.

Inventory turnover days increased by 3 days between FY2008 and FY2009 mainly due to an increase of the inventory of our B-to-B products, as a result of lower sales than expected in this segment, partially offset by a reduction of our inventory days in our own stores and lower inventory days of raw material and supplies.

Inventory turnover days increased by 29 days between FY2007 and FY2008 primarily due to higher inventory levels as part of our international expansion of stores and a 38.6% increase in raw materials and supplies inventories at year-end in anticipation of planned sales for FY2009. During FY2008, our net inventories increased by €15.6 million to €57.2 million as at 31 March 2008 as we experienced increased net sales of 23.9% and opened a net of 90 additional stores.

TRADE RECEIVABLES

Turnover of Trade Receivables

We provide a summary of our turnover of trade receivables for our Sell-in and B-to-B Segments only since sales from our Sell-out Segment are generally made in cash without credit terms. Net trade receivables for the Sell-out Segment were €7.8 million, €10.2 million and €16.5 million as at 31 March 2007, 2008 and 2009, respectively. Net trade receivables for the Sell-out Segment was €30.4 million for the nine month period ended 31 December 2009. In some countries, the cash from our Sell-out Segment is collected on our behalf by banks or department stores, which results in a balance for net trade receivables for the Sell-out Segment.

The following table sets out a summary of our turnover of trade receivables from our Sell-in and B-to-B Segments for FY2007, FY2008 and FY2009, and the nine month period ended 31 December 2009:

	For the Year Ended 31 March			Nine month period ended 31 December
	2007	2008	2009	2009
Turnover days of trade receivables[(1)]	61	75	66	63

(1) Turnover days of trade receivable equals average Sell-in and B-to-B trade receivables divided by Sell-in and B-to-B revenues and multiplied by 365 for the years ended 31 March 2007, 2008 and 2009, and 274 for the nine month period ended 31 December 2009. Average trade receivable equals net trade receivables of Sell-in and B-to-B at the beginning of the year plus net trade receivables of Sell-in and B-to-B at the end of the year divided by two.

Net trade receivables for the Sell-In Segment were €19,544,000, €25,777,000 and €20,944,000, at as 31 March 2007, 2008 and 2009, respectively. Net trade receivables for the Sell-In Segment was €26,824,000 in the nine month period ended 31 December 2009. Net trade receivables for the B-to-B Segment were €1,803,000, €3,162,000 and €5,094,000, as at 31 March 2007, 2008 and 2009, respectively. Net trade receivables for the B-to-B Segment was €4,018,000 for the nine month period ended 31 December 2009.

Turnover of trade receivables decreased by 3 days from FY2009 to the nine month period ended 31 December 2009 primarily due to seasonality and improved collection of trade receivables in Sell-In and B-to-B Segments.

Turnover of trade receivables decreased by 9 days between FY2008 and FY2009 due to significant efforts to shorten payment terms and to quicker collect balances in the Sell-in Segment. This was partly offset by higher days of trade receivable on the B-to-B Segment.

Turnover of trade receivables increased by 14 days between FY2007 and FY2008 primarily due to longer payment terms in the Sell-in Segment, including notably to new distributors and duty free store customers primarily due to our sales development efforts. This was partly offset by lower days of trade receivable on the B-to-B Segment.

Age of Trade Receivables

The following table sets forth a summary of the age of our trade receivables as at the dates indicated:

	As at 31 March			As at 31 December
(€'000)	**2007**	**2008**	**2009**	**2009**
Age of trade receivables:				
0 to 90 days	28,940	38,573	41,965	60,880
91 to 180 days	674	996	1,875	454
181 days to 1 year	358	63	309	552
Over 1 year	653	684	716	877
Trade receivables, gross	30,625	40,316	44,865	62,763
Less, allowance for doubtful accounts	(1,286)	(1,119)	(2,353)	(1,560)
Trade receivables, net	29,339	39,197	42,512	61,203

Generally, our trade receivables at the end of December are significantly higher due to our higher sales during the month of December as a result of seasonality.

We do not have a concentration of credit risk with respect to trade receivables as we have a large number of customers internationally. The maximum exposure to credit risk at each balance sheet date is the fair value of receivables set out above. Sales to end customers are generally made in cash without credit terms. For sales made in our Sell-in and B-to-B Segments, sales are made with credit terms generally from 60 to 90 days.

TRADE PAYABLES

The following table sets out a summary of our average trade payables, total purchases and turnover of trade payables for FY2007, FY2008 and FY2009 and the nine month period ended 31 December 2009:

	For the Year Ended 31 March			Nine month period ended 31 December
(€'000)	**2007**	**2008**	**2009**	**2009**
Average Trade Payables[1]	33,465	45,443	52,202	50,130
Total Purchases	192,723	236,968	316,300	230,614
Turnover days of trade payables[2]	63	70	60	60

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

(2) Calculated using the average of the beginning and ending trade payables balance for the period, divided by total purchases for the period, multiplied by 365 for the years ended 31 March 2007, 2008 and 2009, and 274 for the nine month period ended 31 December 2009. In calculating turnover days of trade payables, we use total purchases rather than cost of sales as our cost of sales do not take into account certain distribution, general and administrative expenses that are included in our trade payables, whereas our total purchases include all payments to suppliers.

From FY2007 to FY2008, our trade payables increased by €16.5 million and our turnover days of payables increased by 7 days primarily due to the increase of the turnover days at L'Occitane SA (France), the entity that purchases the large majority of the raw materials and components for our production, and the increase of the turnover days in Japan. The increase in Japan was primarily due to significant marketing activities toward the end of FY2008. The corresponding amounts were still due to the vendors as at 31 March 2008. Out of the total 7 days increase, L'Occitane SA (France) contributed 3 days and Japan contributed 3 days to the total increase.

From FY2008 to FY2009, our trade payables decreased by €3.0 million or 10 turnover days of purchases. This decrease was mainly related to our operations in France, with L'Occitane SA (France) contributing 6 days and Les Relais L'Occitane, our distribution entity in France, contributing 1 day to the total decrease of the turnover days. The decrease of turnover days in France was partly attributable to a new law passed in France effective 1 January 2009 that automatically entitles suppliers to charge financial penalties where a supplier is paid later than 60 days net (or 45 days after the end of the month of the invoice), thereby leading us to pay our suppliers in France earlier starting in 2009. The total decrease in turnover days was also partly attributable to lower purchases of raw materials and components at the end of the year.

CAPITAL EXPENDITURES

Historical Capital Expenditures

The following table sets forth our historical capital expenditures for the periods indicated:

	Year Ended 31 March				Nine month period ended 31 December
(€'000)	**2007**	**2008**	**2009**	**Total**	**2009**
Land and buildings	3,093	495	161	3,749	261
Machinery and equipment	1,750	2,423	2,990	7,163	1,931
Other tangible assets[(1)]	1,631	3,761	4,141	9,553	2,210
Tangible assets related to the stores[(2)]	10,955	11,361	20,300	42,616	8,856
Tangible assets in progress[(3)]	725	4,038	4,352	9,115	3,561
Key moneys[(4)]	4,672	4,656	6,612	15,940	2,122
Intangible assets and others[(5)]	1,123	1,308	1,861	4,292	3,284
Total	23,949	28,042	40,417	92,408	22,225

(1) Other tangible assets include notably leasehold improvements not related to the stores and data processing equipment.

(2) Tangible assets related to the stores include leasehold improvements and the costs of dismantling and restoring the stores as well as other tangible assets related to the stores.

(3) Tangible assets in progress represent tangible assets that are not yet in service.

(4) Key moneys are entry rights we pay to lessors (except landlords) to secure premises for new stores and are amortised using the straight-line method over the shorter of 10 years or the lease term. What would otherwise be key moneys but paid to a landlord are instead classified as a prepaid expense and amortised using the straight-line method over the lease term.

(5) Others relate mainly to purchases of internally used software but also include acquisitions of finance leases, website and contractual customer relationships during the year.

Planned Capital Expenditures

As at 31 December 2009, we have capital expenditures contracted for but not yet incurred of €8.9 million for improvements to our manufacturing facilities. In addition, we used an estimated €6.5 million in the three month period ending 31 March 2010 for the establishment of 9 new stores, significant IT investment as detailed below, factory and machinery investments, and other investments. We financed our FY2010 capital expenditure requirements primarily with the net cash generated from our operating activities and additional borrowings.

We are also in the process of implementing worldwide SAP as our ERP (Enterprise Resource Planning) system to support, in an efficient and integrated way, our supply chain and financial processes. The estimated overall expenses relating to the SAP project is approximately €12 million. We plan to fund the estimated overall expenses of €12 million through our internal resources, and/or from bank borrowings, as necessary.

CONTRACTUAL OBLIGATIONS

The following table summarises scheduled maturities of our contractual obligations for which cash flows are fixed and determinable as at 31 December 2009:

		Payments Due			
(€'000)	**Total as at 31 December 2009**	**Within 1 Year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Debt service[1]	133,793	73,754	14,330	43,341	2,368
Operating lease commitments[2]	217,830	48,633	40,360	77,639	51,198
Capital expenditure commitments[3]	8,907	8,907	—	—	—
Total contractual obligations	360,530	131,294	54,690	120,980	53,566

(1) Includes long-term and short-term debt and to a lesser extent, finance lease liabilities. See Note 19 to the Accountant's Report in Appendix I.

(2) The Company leases various retail stores, offices and warehouses under non-cancellable operating lease agreements. See Note 31.2 to the Accountant's Report in Appendix I.

(3) Capital expenditure commitments mainly relate to factory improvements.

NET CURRENT ASSETS

The following table sets forth current assets and current liabilities as at the dates indicated:

	As at 31 March			As at 31 December	As at 28 February
(€'000)	**2007**	**2008**	**2009**	**2009**	**2010**
Current assets					
Inventories, net	41,616	57,245	77,666	65,894	65,421
Trade receivables, net	29,339	39,197	42,512	61,203	48,721
Other current assets	10,145	17,124	23,608	21,088	22,715
Derivatives at fair value through profit and loss	210	43	2,644	472	116
Cash and cash equivalents	55,916	39,073	27,279	88,323	90,166
	137,226	152,682	173,709	236,980	227,139
Current liabilities					
Trade payables	37,184	53,702	50,702	49,557	50,528
Salaries, wages, related social items and other tax liabilities	13,435	14,478	19,608	29,034	26,967
Current income tax liabilities	12,623	15,783	13,998	16,076	17,120
Borrowings	15,873	29,044	33,831	73,754	68,433
Other current liabilities	1,865	2,273	3,187	3,343	2,948
Derivatives at fair value through profit and loss	—	1,637	769	1,082	3,753
Provisions for other liabilities and charges	1,538	2,317	1,660	2,239	2,269
	82,518	119,234	123,755	175,085	172,018
Net Current Assets	54,708	33,448	49,954	61,895	55,121

The decrease in our net current assets from 31 March 2007 to 31 March 2008 was mainly related to increased trade payables, principally as a result of increased raw material purchases and significant marketing activities in Japan towards the end of FY2008, and to a lesser extent the increase in the current portion of our borrowings, which mainly related to financing from LOG. We do not consider that the other period to period fluctuations in our net current assets position above are significant.

WORKING CAPITAL

Based on past performance and current expectations, our Directors are of the opinion that cash on hand, cash generated from operations, available credit facilities, access to credit markets and our estimated net proceeds from the Global Offering will be adequate to support currently planned business operations, commitments and other contractual obligations for at least the next 12 months from the date of this prospectus and we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

We address certain financial exposures through a controlled programme of risk management that includes the use of derivative financial instruments. We primarily enter into foreign currency forward exchange contracts and foreign currency options to reduce the effects of fluctuating foreign currency exchange rates. We also enter into interest rate derivative contracts to manage the effects of fluctuating interest rates. We categorise these instruments as entered into for purposes other than trading.

Foreign Exchange Risk Management

We enter into forward exchange contracts to hedge anticipated transactions, as well as receivables and payables not denominated in our presentation currency, the Euro, for periods consistent with our identified exposures. The purpose of the hedging activities is to minimise the effect of foreign exchange rate movements on our costs and on the cash flows that we receive from foreign subsidiaries. The financial derivative contracts are traded "over the counter" with major financial institutions and generally mature within not more than 12 months. The accounting for derivatives is described in Note 2.13 to the Accountant's Report in Appendix I to this prospectus.

Internal Controls

Our foreign exchange rate exposures are primarily related to inter-company sales transactions and financing balances. A large majority of our inter-company sales transactions and all intercompany financing balances are arranged by LOI with its subsidiaries such that the related risks are monitored and managed by the Group Treasury and Financing Department. The Group Treasury and Financing Department follows the Group's treasury procedures which are enforced with all entities within the Group (the ***Group Treasury Procedures***). This department reviews the current and forecasted exposures on a monthly basis and proposes hedging transactions to be put in place under the control of the Currency Risks Committee, which is composed of the Chairman of the Group, the Group Managing Director and the Group Chief Financial Officer (the ***Group CFO***). The Group CFO may approve hedging operations provided that they follow the guidelines given by the Currency Risks Committee and that the proposed operation is a forward contract only. Currency options can only be authorized by the Currency Risks Committee.

A minority of subsidiaries are invoiced or financed in foreign currencies, primarily in Euros or US dollars and are therefore exposed locally to the foreign exchange risk. Following the Group Treasury Procedures, they are required to hedge these risks according to the recommendation of the Group Director of the Treasury and Financing Department.

Hedging Policies

As a matter of policy, we only enter into contracts with counterparties that are major financial institutions. We do not have significant exposure to any one counter-party. Management believes risk of default under these hedging contracts is remote and in any event would not be material to the consolidated financial results. We do not utilise derivative financial instruments for speculative purposes.

The general policy, as provided by the Group Treasury Procedure is that the exchange rates exposures are hedged on a 12-months rolling basis with the highest levels of hedging for the most recent months. For example, the intercompany exposures to be settled within 2 months should be 100% hedged whereas the exposures to be settled in 10 months should be hedged between 0% and 11%. The Currency Risks Committee may override this policy, but it is estimated that the Group's exposure to currency risks are permanently hedged between 45% and 50%.

Balance sheet positions such as current accounts and loans are generally hedged naturally by borrowing in the same currency, with the same amount and maturity. Exceptions are however possible when the cost of borrowing in the foreign currency is considered excessive. Such departure from the general policy is discussed between the subsidiary and the Group Director of Treasury and Financing under the control of the Group CFO.

Exposure

As at 31 December 2009, we had foreign exchange derivatives net liabilities 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 December 2009 were Japanese Yen 3,500 million, Canadian Dollar 1.0 million, Australian dollar 2.7 million, Mexican peso 3.0 million, Thai baht 40.8 million and British Pound 2.3 million.

A significant majority of our exposure lies with L'Occitane International SA. As at 28 February 2010, L'Occitane International SA had foreign exchange derivatives net liabilities of €2.5 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 28 February 2010 are: Japanese Yen 4,300 million, US dollar 5.1 million, Australian dollar 2.5 million, Canadian dollar 0.8 million, Mexican Peso 4.5 million, Thai Baht 40.8 million and British Pound 3.6 million.

Sensitivity

During FY2007, FY2008, FY2009 and the nine month period ended 31 December 2009 and as at 31 March 2007, 2008, 2009 and 31 December 2009, if the Euro had weakened/strengthened by 10% in comparison to the currencies listed below with all other variables held constant, equity, net sales and post-tax profit for the period would have been higher/lower as follows:

	Equity					**Net sales**					**Profit for the year**				
(In thousands of Euros)	**Mar 2007**	**Mar 2008**	**Mar 2009**	**Dec 2008**	**Dec 2009**	**Mar 2007**	**Mar 2008**	**Mar 2009**	**Dec 2008**	**Dec 2009**	**Mar 2007**	**Mar 2008**	**Mar 2009**	**Dec 2008**	**Dec 2009**
USD	5,147	5,130	4,759	4,596	3,505	8,913	9,007	9,119	7,145	7,058	3,306	3,617	3,241	2,973	1,716
JPY	2,917	5,164	7,618	6,329	6,858	5,043	7,877	12,766	8,738	10,769	2,378	3,842	5,158	4,178	3,615
HKD	1,704	2,673	3,180	3,050	2,798	2,070	2,896	3,620	2,682	3,101	1,161	1,568	1,817	1,360	1,512
GBP	1,136	1,617	1,438	1,506	1,515	2,151	2,641	2,600	2,101	2,462	829	1,258	1,126	1,154	1,121

During FY2007, FY2008, FY2009 and the nine month period ended 31 December 2009 and as at 31 March 2007, 2008, 2009 and 31 December 2009, if the Euro had weakened/strengthened by 20% in comparison to the currencies listed below with all other variables held constant, equity, net sales and post-tax profit for the period would have been higher/lower as follows:

	Equity					**Net sales**					**Profit for the year**				
(In thousands of Euros)	**Mar 2007**	**Mar 2008**	**Mar 2009**	**Dec 2008**	**Dec 2009**	**Mar 2007**	**Mar 2008**	**Mar 2009**	**Dec 2008**	**Dec 2009**	**Mar 2007**	**Mar 2008**	**Mar 2009**	**Dec 2008**	**Dec 2009**
USD	10,295	10,259	9,519	9,193	7,010	17,827	18,014	18,239	14,289	14,116	6,611	7,233	6,481	5,945	3,433
JPY	5,834	10,328	15,236	12,658	13,716	10,087	15,753	25,532	17,476	21,538	4,755	7,684	10,316	8,356	7,231
HKD	3,408	5,346	6,361	6,099	5,595	4,141	5,792	7,240	5,365	6,202	2,321	3,135	3,634	2,721	3,023
GBP	2,272	3,235	2,876	3,011	3,031	4,302	5,282	5,201	4,202	4,924	1,657	2,515	2,251	2,308	2,242

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

Interest Rate Risk Management

We enter into interest rate derivative contracts to manage the exposure to fluctuations of interest rates on our long-term borrowings. Borrowings issued at variable rates expose us to cash-flow interest rate risks. All interest rate derivative contracts are with large financial institutions rated as strong investment grade by a major rating agency.

As at 31 December 2009, we had interest rate derivative liabilities of €1.4 million. The notional principal amount of outstanding interest rate derivatives as at 31 December 2009 was €29.0 million. As at 28 February 2010, we had interest rate derivative liabilities of €1.6 million. The notional principal amount of outstanding interest rate derivatives as at 28 February 2010 was €26.3 million.

Our interest rate exposure is primarily concentrated within LOI, as its subsidiaries are not allowed to conduct financing activities with external financial institutions except as required by the Group Treasury and Financing Department, as provided by the Group Treasury Procedures. When additional credit line bears a variable interest rate that is forecasted to be used over more than one year, the Group Director of Treasury and Financing may propose to hedge part of the related interest rate risk with interest rates swaps. Such proposals are submitted to the Group CFO for approval.

Based on the simulations performed, on 31 March 2007, 2008 and 2009 and on 31 December 2008 and 2009, if interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings as follows:

	Impact on post-tax profit				
				Nine month period ended 31 December	
(€'000)	**FY2007**	**FY2008**	**FY2009**	**2008**	**2009**
				(unaudited)	
Sensitivity of finance costs . . .	106	27	345	173	149
Sensitivity of post tax profit . .	73	18	237	119	103

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

The interest rate of the 2007 Credit Facility is subject to a repricing option. As at 31 December 2009, we had €50.9 million outstanding under the 2007 Credit Facility. The interest rate is determined every six months and is based on our Leverage Financial Ratio. See Note 19.8 to Accountant's Report in Appendix I for further details. Our Leverage Financial Ratio as at 30 September 2009 was 1.75.

For the 2007 Credit Facility, a change in the Leverage Financial Ratio results in repricing of our interest rate as follows:

- Ratio being higher or equal to 2.4 = Euribor 3M + Margin
- Ratio being between 1.9 and 2.4 = Euribor 3M + Margin – 0.1
- Ratio being between 1.4 and 1.9 = Euribor 3M + Margin – 0.2
- Ratio being between 1.0 and 1.4 = Euribor 3M + Margin – 0.25
- Ratio being lower than 1.0 = Euribor 3M + Margin – 0.3

Other Financial Risks

In addition to currency and interest rate risks, we are subject to other risks such as equity securities risk, commodity risk, credit risk, liquidity risks and inflation risks. However, as of the Latest Practicable Date, we believe that such risks are not material. We are not materially exposed to equity security risks because of our minimal holdings of such securities. We have no significant concentration of credit risk because we maintain adequate allowances for potential credit losses and as at 31 December 2009, we did not have any significant concentration of business with any particular customer. Our liquidity risk is minimal because we maintain sufficient cash to service our debt and committed credit facilities. We are not significantly exposed to commodity price risks because (i) commodities represent a limited portion of our total expenses, (ii) the risk is spread over a large number of commodities that are submitted to different and non correlated price variation factors, (iii) we have the capacity to change our products conditioning and formulation in reaction to commodities price increases and (iv) we are in a position, due to the relative size of our Company, as compared to our suppliers, to resist unacceptable price increases from most of our commodities suppliers. Moreover, we do not operate in any country currently facing hyperinflation.

OFF-BALANCE SHEET ARRANGEMENTS

Except for the contingent liabilities discussed above, we do not maintain any off-balance sheet arrangements, transactions, obligations or other relationships with unconsolidated entities that would be expected to have a material current or future effect upon our financial condition or results of operation.

DIVIDENDS

Dividends Paid by L'Occitane International S.A.

In FY2007, we paid a dividend of €0.006 per Share, representing a total dividend of €8,006,000. The dividend consisted of:

- €6,477,000 was paid on 25 October 2006 to stockholders of record of the same date;
- €1,529,000 was paid on 7 March 2007 to stockholders that converted their convertible bonds into ordinary shares between 26 October 2006 and 7 March 2007.

In FY2008, we paid a dividend of €0.024 per Share to stockholders of record at the close of business 17 March 2008. The total dividend of €30,855,000 was paid to LOG on 17 March 2008.

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

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

On 9 April 2010, our Board approved the payment of an exceptional dividend of €0.063 per Share on our common stock held by our existing Shareholders, representing a total dividend of €80.0 million, out of our distributable reserves of €135.8 million as of 31 March 2009 calculated based on Luxembourg Generally Accepted Accounting Principles. The dividend payment will be funded from our internal financial resources. The Shareholders approved this dividend at a meeting held on 31 March 2010. The dividend is expected to be paid on 4 May 2010.

See note 18.5 to our consolidated financial information included in the Accountant's Report set out in Appendix I to this prospectus for further information.

Dividends Paid by L'Occitane (Taiwan) Ltd.

In FY2007, L'Occitane (Taiwan) Ltd., our 50.1% owned subsidiary, paid a total dividend of €3,597,000 to its shareholders, of which €1,805,000 was paid to our wholly owned subsidiary, L'Occitane Singapore Pte Ltd., and €1,792,000 was paid to its minority shareholders.

In FY2008, L'Occitane (Taiwan) Ltd., paid a total dividend of €4,005,000 to its shareholders, of which €2,006,000 was paid to L'Occitane Singapore Pte Ltd. and €1,999,000 was paid to its minority shareholders.

In FY2009, L'Occitane (Taiwan) Ltd. paid a total dividend of €3,772,000 to its shareholders, of which €1,890,000 was paid to L'Occitane Australia Pty Ltd. and €1,882,000 was paid to its minority shareholders.

In the nine month period ended 31 December 2009, L'Occitane (Taiwan) Ltd. paid a total dividend of €3,273,000 to its shareholders, of which €1,640,000 was paid to L'Occitane Australia Pty Ltd and €1,633,000 was paid to its minority shareholders.

Dividend Policy

We may distribute dividends by way of cash or by other means that we consider appropriate. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Luxembourg law of 10 August 1915 on commercial companies, as amended (the "Luxembourg Companies Law"), including the approval of shareholders, as applicable. As substantially all of our operations are conducted through our operating subsidiaries internationally, the ability of these subsidiaries to make dividend and other payments to us may be restricted by a number of factors, including various laws and regulations in which these subsidiaries are subject. In addition, our controlling shareholder will be able to influence our dividend policy.

A decision to declare or to pay any dividends in the future, and the amount of any dividends, depend on a number of factors, including our results of operation, financial condition, the payments by our subsidiaries of cash dividends to us, our future prospects, any restrictive covenants that we are obligated to observe and other factors that our Directors may consider important.

Subject to the above factors, we currently plan to pay annual dividends of approximately 20% of our consolidated profit attributable to Shareholders beginning from the financial year 1 April 2010. Cash dividends on our Shares, if any, will be paid in Euros, except that we will make arrangements to effect payment of any cash dividends to be made in Hong Kong Dollars to shareholders resident in Hong Kong. Other distributions, if any, will be paid to our Shareholders by any means which our Directors consider legal, fair and practicable.

Our ability to pay dividends is subject to our having sufficient distributable reserves. Further, dividends paid by our Company to Shareholders are subject to Luxembourg withholding tax at rates ranging between 10% and 15%, depending on specific circumstances. Please see the sections headed "E. Amendments to the Articles of Association — 13. Distribution of Assets/Reserves" and "F. Summary of Main Luxembourg Tax Aspects Relevant to Shareholders of the Company" in Appendix V to this prospectus for further details.

Distributable Reserves

Our distributable reserves consist of any reserves available for distribution and retained earnings as determined under the Luxembourg accounting principles and provisions under the Luxembourg Companies Law. Under Luxembourg Companies law, distributable reserves are determined under Luxembourg accounting principles and regulations. There is no definition of distributable reserves under IFRS. The main differences between Luxembourg accounting principles and IFRS applicable to the Company with regard to distributable reserves over the Track Record Period are as follows: 1) under IFRS the additional paid-in capital includes the effect of valuing at market value the shares issued in exchange of acquisitions, as indicated in Note 18.6 to the Accountant's Report in Appendix I to this prospectus; 2) with regard to fair value adjustments on derivative financial instruments, under IFRS all derivative financial instruments are recognized at fair value while under Luxembourg accounting principles, only certain derivative financial instruments are recognized; 3) under Luxembourg accounting principles no deferred taxes are recorded; and 4) under Luxembourg accounting principles, share-based compensation expenses are not recorded.

Under the Luxembourg Companies Law, we may declare and pay dividends if the Company has sufficient funds available for distribution. Except for cases of reductions of subscribed capital, no distributions to shareholders may be made when on the closing date of the last financial year the net assets as set out in the annual accounts are, or following such a distribution, would become, lower than the amount of the subscribed capital plus the reserves which may not be distributed under law or by virtue of the articles. The amount distributed to shareholders may not exceed the amount of the profits at the end of the last financial year plus any profits carried forward and any amounts drawn from reserves, which are available for the purpose of distribution, less any losses carried forward and any sums to be placed in reserve. Further, the Board may take the decision to distribute interim dividends at any time during the year by using for such interim distribution, in addition to the distributable amounts as defined here above, the profits made since the end of the last financial year. Our Articles of Association do not allow our Company to declare dividends when

we have no distributable reserves (as determined under accounting standards in accordance with which our Company's financial statements are prepared, namely Luxembourg Generally Accepted Accounting Principles).

As at 31 March 2009, the distributable reserves of L'Occitane International S.A. amounted to €135.8 million (€105.9 million as at 31 March 2008 calculated based on Luxembourg Generally Accepted Accounting Principles). Dividend distributions to our shareholders is recognised as a liability in our financial statements in the period in which the dividends are approved by our Shareholders.

PROPERTY VALUATION

Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued our property interests as of 28 February 2010 at France, Hong Kong and the PRC. The texts of its letter, summary of values and valuation certificates are set out in Appendix IV to this prospectus.

A reconciliation of the net book value of property interests (Group I of the property valuation: main facility and European logistic center) as at 31 December 2009 to their fair value as stated in Appendix IV to this prospectus is as follows:

	€'000
Net book value at 31 December 2009[1]	12,926
Movements during the two months ended 28 February 2010:	
— Additions	—
— Depreciation	(368)
— Disposals	—
Net book value at 28 February 2010	12,558
Valuation surplus at 28 February 2010	11,967
Valuation amount at 28 February 2010	24,525

(1) Net book value represents the sum of the closing net book amount of land and buildings as stated in the Accountant's Report set out in Appendix I to this prospectus.

PROFIT ESTIMATE

We estimate that, on the bases set out in "Appendix III — Profit Estimate" in this prospectus, the estimated consolidated profit attributable to equity holders of the Company for the year ended 31 March 2010 is unlikely to be less than €73.8 million. The profit estimate has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by us and are based on the assumptions set out in Appendix III to this prospectus.

UNAUDITED PRO FORMA ESTIMATED BASIC EARNINGS PER SHARE

On the assumption that we have been listed since 1 April 2009 and a total of 1,456,456,391 Shares were in issue during the year ended 31 March 2010 (being the number of Shares expected to be in issue immediately after completion of the Global Offering not taking into account Shares which may be issued upon exercise of the Over-allotment Option), our unaudited pro forma estimated earnings per Share for the year ended 31 March 2010 is unlikely to be less than €0.05.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our net tangible assets as of 31 December 2009 as if it had taken place on 31 December 2009.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as of 31 December 2009 or any future date following the Global Offering. It is prepared based on our consolidated net assets as of 31 December 2009 as set out in the Accountant's report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's report in Appendix I of this prospectus.

	Audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2009[1] (€'000)	Estimated net proceeds from the Global Offering[2] (€'000)	Unaudited pro forma adjusted net tangible assets of the Group attributable to the equity holders of the Company (€'000)	Unaudited pro forma adjusted net tangible assets per Share[3] (€)	HK$
Based on an Offer Price of HK$12.88 per Share	94,391	214,345	308,736	0.21	2.23
Based on an Offer Price of HK$15.08 per Share	94,391	251,512	345,903	0.24	2.50

Notes

(1) The audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2009 is based on the audited consolidated net assets of the Group attributable to the equity holders of the Company as at 31 December 2009 of approximately €217,696,000, as extracted from the Accountant's Report set out in Appendix I to this prospectus, with an adjustment for the intangible assets of the Group as at 31 December 2009 of approximately €123,305,000.

(2) The estimated net proceeds from the Global Offering are based on an indicative Offer Price of HK$12.88 and HK$15.08 per Share respectively (after deducting the underwriting fees and other related expenses payable by the Company), and do not take into account of any Shares which may be issued pursuant to the Over-allotment Option. For the purpose of the estimated net proceeds from the Global Offering, the translation of HK dollars into Euro was made at the rate of €1.00 to HK$10.5062.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis that 1,456,456,391 Shares were in issue assuming the Global Offering had been completed on 31 December 2009, but does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The unaudited pro forma adjusted net tangible assets per Share is converted into Hong Kong dollars at the rate of €1.00 to HK$10.5062.

(4) In accordance with the Group's accounting policies, property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. The Group's properties interests as at 28 February 2010 were revalued by Jones Lang LaSalle Sallmanns Limited, an independent property valuer, and the relevant property valuation report is set out in "Appendix IV - Property valuation and details of leased properties of the Group". With reference to such valuation, the net revaluation surplus, representing the excess of market value of the properties over their book value, is approximately €11,967,000 as at 28 February 2010. Such revaluation surplus has not been included in the Group's consolidated financial information for the nine months ended 31 December 2009 and will not be included in the Group's consolidated financial information for the year ended 31 March 2010. The above pro forma adjustments do not take into account of the above revaluation surplus. Had the properties been stated at such valuation, an additional depreciation of approximately €551,000 per annum would be charged to the consolidated income statement for the year ended 31 March 2010.

(5) No adjustments have been made to the unaudited pro forma adjusted net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2009. In particular, the unaudited pro forma adjusted net tangible assets of the Group has not taken into account the payment of an exceptional dividend of €80 million which was approved by the Board of Directors of the Company on 9 April 2010 and is expected to be paid on 4 May 2010.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the Latest Practicable Date, there has been no material adverse change in our financial, trading or forecast position since 31 December 2009.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Listing Rules 13.13 to 13.19.