

### OVERVIEW

The Company is a global, natural and organic ingredient-based cosmetics and well-being products enterprise with strong regional roots in Provence. We are committed to bringing products of the highest quality under the L'Occitane brand to our customers around the world. We design, manufacture and market a wide range of cosmetics and well-being products based on natural and organic ingredients sourced principally from or near Provence. Our L'Occitane products include:

- Body care: including body lotions and creams, body scrubs and sun protection lotions.
- Face care: including facial moisturisers and treatment products, face wash, face masks, face scrubs, sun protection lotions and lip glosses.
- Fragrances: including eau de toilette and eau de parfum.
- Hair care: including shampoos and conditioners.
- Toiletries: including soap bars, shower gels, bath products and deodorant for men and women.
- Men's grooming: including shaving creams, after shave balms, facial moisturisers and eaux de toilette.
- Home fragrances: including home perfumes and perfumed candles.

The L'Occitane brand and its first line of products was created in 1976 by our founder, Mr. Olivier Baussan. Mr. Baussan, who is still involved in our Company as our creative consultant, opened the first L'Occitane store in 1978 in Provence. Mr. Reinold Geiger took control of our business in 1996 and under his leadership, our sales and distribution have expanded significantly and our L'Occitane products are now sold in over 80 countries through over 1,500 retail locations which sell exclusively L'Occitane products and are decorated with a standardised L'Occitane design, of which as of 28 February 2010, 753 were our Own L'Occitane Stores, 470 were stores operated by third party distributors and 294 were operated by our airport and duty-free store customers. Our three largest markets in terms of sales for the nine months ended 31 December 2009 were Japan, the United States and France. For the year ended 31 March 2009 and the nine months ended 31 December 2009, we generated sales of approximately €537.3 million and approximately €462.7 million, respectively and profit attributable to equity holders of approximately €58.4 million and approximately €66.4 million, respectively.

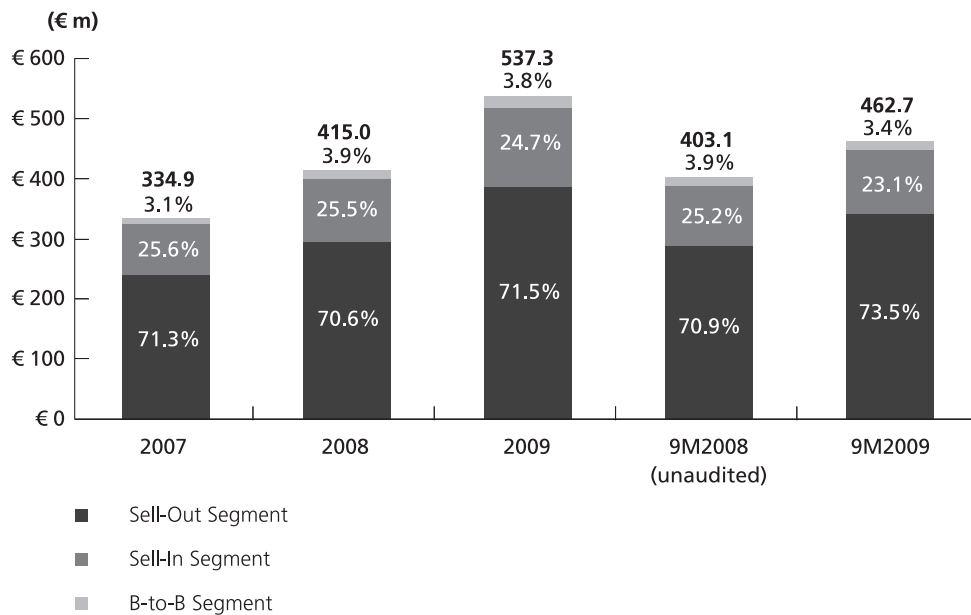
We are committed to developing high quality products that are rich in natural ingredients and essential oils. Our research and development facilities and policies are focused on achieving this objective. We believe that one of the key attractions of L'Occitane products is the quality and the use of natural ingredients with traceable origins.

We develop almost all of our products ourselves and manufacture a significant portion of our products at our manufacturing plants in Manosque and Lagorce. We mainly sell our products directly to end customers through our Sell-Out Segment which principally comprises our Own L'Occitane Stores (being our own L'Occitane boutiques and department store corners which are directly managed and operated by us) but also includes our own internet-shopping websites, mail-

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order, spas and cafés. For the nine months ended 31 December 2009, 73.5% of our sales were derived from sales made through our Sell-out Segment. Approximately 23.1% of our sales for the same period were made through our Sell-in Segment, which comprises sales of our products to resellers, including locations not managed and operated by us such as distributors, wholesalers, airports and duty free stores, department stores and home-shopping television networks. This segment also includes sales of products to corporate customers that use the products as gifts, for instance, to employees or customers. The remaining portion of our sales are made through our B-to-B Segment which comprises sales of our products to intermediates, such as hotels and airlines that provide our products as free amenities to their customers.

For the three years ended 31 March 2009, our compound annual growth rate, or CAGR, of net sales was 26.7%. The following diagram shows the proportion of sales generated by our Sell-Out Segment, our Sell-In Segment and B-to-B Segment for the three years ended 31 March 2009, and for the nine-month periods ended 31 December 2008 and 2009:



Our L'Occitane brand currently represents the core of our business, but we also have two other brands of cosmetics and personal care products, namely Melvita and Le Couvent des Minimes. Melvita is a leading brand in the organic and personal care market in France that we have started to launch internationally in order to capture the growth of the fast growing organic segment within the natural cosmetics market. Le Couvent des Minimes offers a short range of well-being products, based on natural ingredients, mainly distributed in France in multi-brand perfumeries that enables us to better cover the natural cosmetics market.

Sales from Melvita represented 3.6% and 3.3% of our Group's total net sales for the year ended 31 March 2009 and the nine months ended 31 December 2009, respectively, while sales from Le Couvent des Minimes represented 0.4% of our Group's total net sales for both of those periods. Although these brands do not currently contribute a significant portion of our total revenues and we currently consider ourselves to be a single-brand company marketing principally under the L'Occitane brand, we intend to develop these brands, as well as any other brands we may acquire

or create in the future, and increase their weight in our brand portfolio. Please see further details regarding our development strategies for these brands in the section headed “— Our Products — Our Other Brands” below.

## **COMPETITIVE STRENGTHS**

### **Global brand with strong regional roots in Provence**

We are a global brand of natural ingredient-based cosmetics and well-being products company that continues to be strongly rooted in our place of birth, Provence. Our brand has a strong emotional identity evocative of its roots in Provence. This connection to Provence is established and reinforced principally by the fact that for over 30 years, the fields of Provence and Provençal traditions and techniques have been the inspiration behind our products. To this day, a significant portion of our products are developed and produced in the small Provençal town of Manosque and we source most of our key ingredients from Provence and its surrounding areas. Our packaging and our store décor are designed to tell stories about the Provençal origins and traditions of the key ingredients used in our products. We believe that a combination of our marketing plans, our packaging and our store décor create a strong emotional connection between the uniqueness of the L’Occitane brand and our customers’ desire to purchase products that are based on natural ingredients of traceable origins sourced from or near Provence.

We consider our L’Occitane brand to be strongly associated with these values and we believe that this distinguishes us from our competitors and enables us to charge premium prices and position our products towards the higher end of the market.

### **Integrated business model which facilitates an efficient product mix, speed to market and high quality products**

We operate an integrated business model in which we closely control both our manufacturing and distribution network. We develop almost all of our products ourselves and manufacture a significant portion of our products at our own manufacturing plants in Manosque and Lagorce. We sell our products principally through our Own L’Occitane Stores.

A key element of our integrated business model is that we maintain a close dialogue between our frontline sales staff, our marketing team and our research and development team to allow us to quickly and effectively respond to changes in consumer demand and preferences. For instance, any trends or seasonal demands identified by our frontline sales staff at our Own L’Occitane Stores around the world are promptly and directly communicated to our management, including our marketing, research and development team, in France. For example, in 2007 we launched the Rose facial spray in Japan as a result of successful customer feedback.

We adjust our product portfolio, including by developing and launching new products, in response to such customer feedback. This is complemented by our strong product development capability, which allows us to develop a wide range of new products within a relatively short period of time, thereby enabling us to introduce new incremental products as well as to respond promptly to changes in market demand. In most countries, our vertically integrated business model enables us to have a relatively short time of approximately 10 to 12 months to market from conception of a product to its production and launch in most markets. This enables us to respond promptly to changes in market demand.

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This close relationship between our sales, marketing, research and development and production teams, allows us to educate consumers promptly and directly about and create interest in novel products developed by us which are new to the market.

Our integrated business model is complemented by an effective inventory and supply chain management system, thereby enabling costs and inventory to be effectively managed and kept at acceptable levels.

### **High quality products made with ingredients of traceable origins and respect for the environment**

Our research and development and marketing teams are dedicated to creating high quality products devoted to well-being and the pleasure of taking care of oneself. Our production methods follow strict internal guidelines. We require our raw material suppliers to harvest or manufacture our ingredients under strict rules and we conduct on-site inspection of some of our suppliers annually. We strive to use high quality, traceable, natural ingredients (*appellation d'origine contrôlée*, organic agriculture, local farming communities and sustainable program).

Occasionally, we may use synthetic or semi-synthetic ingredients such as emulsifiers, fragrances and preservatives when no reliable and effective natural alternative exists.

We develop our products according to the principles of phytotherapy and aromatherapy. We never use animal products or by-products as ingredients in our products, except for honey, royal jelly and propolis.

We create patented formulas and test our products under dermatological and medical supervision for safety. We believe that, from the texture to its fragrance, a L'Occitane product is devised to offer a moment of performance, well-being and sensory delight.

### **Strong network of Own L'Occitane Stores located at prime locations augmented by other complementary distribution channels**

We sell our products principally directly to end customers through our Own L'Occitane Stores, being our own chain of L'Occitane boutiques and department store corners situated at prime retail locations which we directly manage and operate. For the year ended 31 March 2009 and the nine months ended 31 December 2009, approximately 66.5% and 67.9% of our revenue was derived from sales made through our Own L'Occitane Stores respectively. As at 28 February 2010, we had 753 Own L'Occitane Stores in 27 countries.

One of our key strengths is that we sell the majority of our products directly to end customers through our Own L'Occitane Stores, and supplement this network of own stores with other complementary distribution channels.

We directly operate and manage our Own L'Occitane Stores, which gives us total control over their setting and direct contact with our customers, thereby allowing us to optimise our marketing efforts directly to customers as well as directly instilling in our customers the L'Occitane brand image and atmosphere which we create and express through the setting of our stores. Further, we are able to train our sales staff directly to strengthen their skills and enhance their knowledge. This enables us to provide a consistent and high standard of service to our customers, which we believe is critical in maximising customer satisfaction. Our direct access to our customers provides us with

immediate feedback on customer preferences and needs, which are communicated to our marketing, research and development teams. This allows us to develop products which address our customers' demand and hence optimise our product mix. We also prefer opening our Own L'Occitane Stores and managing them directly because operating our own stores enables us to retain all of our profits.

Our other distribution channels are also important as they supplement our Own L'Occitane Store network to make our L'Occitane products readily available to customers worldwide. These other distribution channels include distributors, wholesalers, airport and duty free stores, department stores, our own internet-shopping websites and home shopping television networks. Our B-to-B customers such as hotels and airlines enables us to further promote the awareness and trial of our brand to targeted customers.

### **Extensive sales network around the world with controlled, profitability-driven growth**

Our L'Occitane products are currently sold in over 80 countries through over 1,500 retail locations which sell exclusively L'Occitane products and are decorated with a standardised L'Occitane design, of which as of 28 February 2010, 753 were our Own L'Occitane Stores. Our worldwide presence enables our L'Occitane brand name to be easily recognised and established in new markets. Our presence in such a diverse number of locations also means that we are well positioned to be able to quickly respond to and take advantage of any expected strong economic growth or other positive market developments, such as any expected increase in consumer spending power or demand, in any particular region. We believe that certain countries, such as China, Brazil, India, Mexico and Russia present strong growth opportunities for us and our existing presence and knowledge of these national markets will allow us to more easily capture any growth opportunities. Our presence in various regions and national markets also means that we are not overly reliant on any particular market.

We adopt a systematic, profitability-driven expansion policy as opposed to an expansion policy primarily focused on increasing our market share. We adopt a stringent store opening policy, the effectiveness of which is reflected in the strong financial performance of our stores. Please see "Markets and Distribution — Description of Sell-Out Segment" below for a more detailed description of our new store opening policy. This systematic approach allowed us to successfully expand from approximately 448 Own L'Occitane Stores as of 31 March 2007 to 753 Own L'Occitane Stores as of 28 February 2010.

We also regularly monitor and appraise the performance of our existing network of Own L'Occitane Stores. We conduct such assessments at least annually, and focus principally on total sales contribution, total rental expense and total operating costs. Through such regular assessment, we are able to identify stores whose actual results do not meet our expectations or standards. We would explore with the managers of these stores methods to increase sales such as launching more advertising and marketing campaigns. If after such alterations a store still fails to achieve our pre-defined return targets, we might discontinue such store and re-evaluate other distribution methods to conduct business in a particular region.

### **Highly effective marketing directly to end customers creating a loyal customer base**

We market our products to customers principally through marketing directly at our Own L'Occitane Stores. As our Own L'Occitane Stores are directly managed and operated by us, we are able to control directly the marketing and promotion of our products and our brand to our customers. This gives us a high degree of control over the development and reinforcement of our brand name and image, and enables us to educate our customers directly about our products and values.

We study the needs of our existing customers through our global retail management system and strive to bring to them high quality products that serve their needs. In Asia we operate a customer loyalty programme, and in our other key markets we maintain databases of our existing customers who have joined our mailing lists, which allow us to tailor our marketing to address the needs and preferences of these customers. We conduct marketing directly and promotions exclusively to our loyalty membership and mailing list customers. We believe that customised, targeted marketing to our loyalty membership and mailing list customers has enabled us to establish a strong brand loyalty from them. See "Sales and Marketing — Customer Loyalty Program".

We strive to give our existing and new customers a reason to visit or revisit our stores through carefully managed marketing campaigns and frequent introduction of new products. We introduced approximately 115 new products during the year ended 31 March 2009, of which 87 were completely new products which were never sold before (including for example Immortelle Very Precious Regenerating Concentrate, Citrus Verbena Body Sorbet and Almond Mist Concentrate), and approximately 28 were improved and/or altered versions of products which had previously been sold (including for example Aromachologie Repairing and Volumizing Shampoos and Conditioners, Shea Butter Ultra Rich Body Cream and Citrus Verbena Shower Gel). For the year ended 31 March 2009, these new products accounted for a significant part of new sales (a sale is counted as a new product sale in a financial year if such product is sold within 12 months after it is launched). Because we conduct a majority of our sales through our Own L'Occitane Stores, we can effectively deliver our marketing messages through controlled, frequent renewal of our own window displays and new product launches.

We also believe that launching marketing campaigns in our Own L'Occitane Stores offers us a competitive advantage as it eliminates the need to compete for advertising space or pay a premium for such space. Our specially designed store décor and our regular launch of new products, together with our frequent renewal of window displays, are designed to make shopping for cosmetics and well-being products an enjoyable Provençal shopping experience all year long, thereby encouraging new and repeated visits to our Own L'Occitane Stores.

### **Professional and experienced management team with proven track record of delivering sustainable growth and profitability**

We have a strong management team which is characterised principally by its continued commitment to our Company, its culture of balanced entrepreneurship and professionalism, and the diversity of background and extensive experience of its members:

- **Continued commitment.** Our management team has shown a loyal, continued commitment to our Company. The members of our senior management have, on average, served our Company for over seven years. Our founder, Mr. Olivier Baussan, who founded L'Occitane in 1976, is still involved in our Company as our creative consultant and is actively involved in the

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research and marketing of our products. Mr. Reinold Geiger, our Chairman, has led our Group since 1996 when he took control and, under his leadership, we have expanded internationally and experienced a period of strong growth.

- **Balanced entrepreneurship and professionalism.** Our management team is characterised by a culture of balanced entrepreneurship and professionalism, whereby our managers are encouraged to take calculated risks in our best interests, whilst always applying professional care and judgment to decision making.
- **Diverse background and extensive experience.** Our management team of professional managers with diverse ethnic and professional backgrounds as well as a variety of personal interests has nurtured a culture which encourages flexibility and open-mindedness in the development and delivery of consistently high quality products that answer our customers' needs and demands. Our management team is also responsible for instilling our customer-focused corporate culture with a respect for mankind and the environment throughout our operations globally. This has created a dedicated and united vision for the Group amongst not only our management but also our staff.

### BUSINESS STRATEGIES

**Further expand our L'Occitane brand distribution in high-growth emerging markets and in developed markets where our L'Occitane brand has not yet achieved a mature presence, through controlled, profitability-driven expansion of our own store network**

We intend to expand our presence in high-growth emerging markets such as China, Brazil, Russia, India and Mexico. We also intend to further penetrate markets where L'Occitane has not yet achieved a mature presence such as, for example Japan, the US, the UK, Germany and Korea.

We will continue to adopt a systematic, profitability driven expansion policy whereby our principal consideration in deciding whether to establish a new store is the store's expected contribution to our profits. We intend to open new stores subject to expected rate of investment return, and would not normally establish a new store merely to gain market share.

In order to continue our effective strategy of marketing directly to customers, we will aim to expand our network through establishing our Own L'Occitane Stores. In parallel, we intend to expand and develop further our airport and duty free stores and our own internet-shopping distribution channels. We believe that as we continue to develop our brands globally through carefully planned marketing campaigns, our ability to offer our products to customers both on the internet and in airport and duty free stores at major airports worldwide will increase the access to our brand and generate sales at locations where we do not currently have a strong presence. More importantly, airport and duty free stores and the internet will increase our brand visibility to our existing and potential customers worldwide and will attract them to visit the L'Occitane stores that are closely located to them. We will also continue to experiment with non-traditional distribution strategies such as L'Occitane branded spas and cafés, which will enhance our brand image, raise customer awareness and increase market share.



### **Enhance, protect and maintain the unique identity of the L'Occitane brand and manage our product portfolio for future growth**

We aim to continue to reinforce and promote our L'Occitane brand as a brand which emphasises quality, from raw materials to our finished products, and respect for mankind and the environment. Further, we intend to strengthen the unique association of our brand with our birthplace, Provence, through continued use of natural ingredients sourced in or around the area. We also aim to continue to create distinctive packaging for our products to complement and convey the image of our L'Occitane brand, thereby enhancing and reinforcing our brand identity.

We intend to leverage on our widely recognised brand name to expand in existing markets with growth potential, as well as enter into new markets. We will seek to conduct new product development diligently and in a manner complementary to such expansion, with the principal guiding factor for our research and development efforts being to introduce, in a timely manner, products that address prevailing and expected changes in customer demand in all our markets as well as complementary products to our current portfolio to better service our customers. In addition, we aim to continue to maintain flexibility in our product development, including moving into other product categories where appropriate.

### **Continue to develop new authentic products with superior quality and innovative applications of traditional ingredients, with a particular focus on face care products**

We intend to continue to invest and leverage on our strong research and development capability and apply our expertise and experience in the research and development of natural ingredients for innovative applications to improve our existing product lines as well as create new products.

To this end, we will keep exploring Provence, its traditions and natural resources to develop new authentic products, and continue to maintain the close dialogue between our marketing team, research and development team and our frontline sales staff around the world so that their direct observations on customer behaviour and preference can be immediately integrated in new product development efforts.

We believe that face care is a growing market in all the regions where we operate. We also believe that it is one of the best markets to create brand loyalty. Our face care products have historically enjoyed higher average margins than most of our other products. We will therefore continue to place a particular focus on the face care segment and strive to further build our brand credibility by creating different and innovative products that will prove to be popular with our customers.

### **Strengthen our effective marketing efforts directly to customers by actively building our customer database and enhancing our customer loyalty program**

We intend to continue strengthening our marketing efforts directly to customers. We plan to keep actively building our customer database and enhance our customer loyalty program tailor-made to our customers in our various markets. We also intend to continue to innovate and expand on the forms of marketing directly to customers and promotion of our products, as well as continue to reinforce the image and atmosphere associated with our L'Occitane brand through our store settings and atmosphere. We will also further improve the quality of our service in stores to enhance our customers' shopping experience.



**Develop our portfolio of brands to capture the organic market through the international development of our newly acquired Melvita brand and other potential market opportunities by establishing, in the future, additional brands recognised for their own distinct characteristics**

We intend to enter into other high growth cosmetics markets through natural growth and acquisitions. For example, we believe that the market for organic cosmetics has high growth potential. We have recently acquired Melvita, a leading brand of organic ingredient-based cosmetics and well-being products based in France. With over 25 years of experience in developing, manufacturing and selling organic ingredient based cosmetics and personal care products, Melvita is a leading brand on the French organic cosmetics and personal care market. We have started to develop Melvita internationally and turn it into one of our key brands, as well as leverage of M&A SAS' expertise in research and development to enhance our operations relating to our L'Occitane brand. With our acquisition of Melvita, we intend to transform our business from a single-brand of natural ingredient-based cosmetics and well-being products to a unique group of natural and organic ingredient-based cosmetics and well-being products under a number of brands. Please see the section headed "— Our Products — Our Other Brands — Melvita" for further details.

We also intend to develop our Le Couvent des Minimes brand in distribution channels where our L'Occitane brand is not present and which represent potential business opportunities, including principally perfumery chains and specialty stores, and department stores. By doing so we aim at protecting our L'Occitane brand from competition in distribution channels where it does not operate and increasing our global market share of the natural ingredient-based cosmetics and well-being products market.

Subject to market conditions and opportunities, we plan to acquire existing brands which we consider to be of high quality and to have potential for development and which have a product portfolio that is complementary to ours. Our L'Occitane, Melvita and Le Couvent des Minimes brands are complementary to each other through their distinctive characteristics and target customers. Moving forward, we will make sure to maintain and enhance each of these brands' distinctive and unique identity. We will apply the same principles and growth strategy as those applied successfully by us to the L'Occitane brand to achieve the growth that it enjoyed, suitably adapted to reflect the particular brand's own unique identity.

## **OUR PRODUCTS**

### **Overview**

We design, manufacture and market a wide range of cosmetics and well-being products under the L'Occitane brand based on natural ingredients sourced principally from or near Provence. Today, our L'Occitane brand is our key brand through which we derived the majority of our sales. In line with the high quality products associated with our L'Occitane brand, our L'Occitane brand is placed towards the high end of the natural cosmetics market.

### **L'Occitane products**

We currently manufacture seven broad categories of products under the L'Occitane brand: face care, fragrances, body care, hair care, toiletries, men's grooming and home fragrances. Within each product category, we have different lines of products, many featuring a distinct principal ingredient and addressing a specific need or skin type. We develop and market our products based on these

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principal ingredients. We often choose natural ingredients that our competitors have not previously used as raw materials. We market each of our main lines of products with a story based on the raw materials used as the key ingredient for that product line. The following table shows the different lines of product produced in our main product categories:

	Face care	Fragrances	Body care	Hair care	Toiletries	Men's grooming	Home fragrances
Almond . . . . .			✓		✓		
Almond Apple . .	✓						
Cade . . . . .	✓				✓	✓	
Cherry Blossom . .		✓	✓		✓		✓
Green Tea . . . . .		✓	✓		✓		✓
Honey and Lemon		✓	✓		✓		
Immortelle . . . . .	✓		✓				
Lavender . . . . .		✓	✓	✓	✓		✓
Olive . . . . .	✓		✓	✓	✓		
Red Rice . . . . .	✓						
Rose . . . . .		✓	✓	✓	✓		
Shea Butter . . . . .	✓		✓	✓	✓		
Verbena . . . . .		✓	✓	✓	✓		✓
Shea & Cotton . .	✓						

Our L'Occitane products are targeted at male and female customers looking for natural well-being and who value a certain "art de vivre", with a core target on the 25 to 54 age group. L'Occitane customers generally belong to the middle to high income group.

### **Body care**

Body care is currently the most important product category for L'Occitane in terms of retail sales. L'Occitane currently has five main body care lines. L'Occitane's most important body care line in terms of retail sales is the Shea Butter line.



The principal ingredient in the Shea Butter line is shea butter. Shea butter is derived from fat extracted from the fruit of the shea tree harvested in Burkina Faso pursuant to a fair-trade sustainable development program that we initiated in 1989. Our Shea Butter line of body care products is designed to provide nourishing care and protection for dry skin.

In line with our corporate culture which emphasises respect for mankind and the environment, we have also initiated social programs in Burkina Faso to improve the lives of local women. We believe that our Shea Butter products reflect our strong research and development expertise resulting in high quality products, as well as our goal of fulfilling our social responsibility.

L'Occitane's other main body care lines include Almond designed for firming of the body and softening the skin and Olive designed for moisturising of the skin and stimulating drainage and detoxification.

### **Face care**

L'Occitane currently has six main face care lines. L'Occitane's most important face care line in terms of sales is the anti-ageing Immortelle line.



The principal ingredient in the Immortelle line is an essential oil extracted from the immortelle plant which grows principally in the wild in Corsica, an island off the Southeastern coast of France. In order to preserve the Corsican landscape and ensure our supply of immortelle essential oil, we helped to establish what we believe to be the first organically farmed immortelle field in Corsica in 2003. Our Immortelle line of face care products is designed to achieve anti-ageing effects and to promote an even complexion.

L'Occitane's other main face care lines include Shea & Organic Cotton designed for sensitive skin, Almond Apple designed for the first signs of ageing, Red Rice designed for combination skins, Olive designed for normal and dull skin and Cade designed for men's skincare.

### **Fragrances**

L'Occitane currently has eight main fragrance lines: Rose, Cherry Blossom, Green Tea, Verbena, Lavender, Honey and Lemon Ruban d'Orange and Voyage en Méditerranée. L'Occitane also has fragrances for men, including Eau de L'Occitan and Eau des Baux. Other than Voyage en Méditerranée, each of our fragrance lines also offers a body lotion and/or shower gel in the same fragrance in addition to the eau de toilette.

### **Hair care**

L'Occitane's hair care products based on aromatic scents are developed through aromachology whereby essential oils from lavender, cade or angelica are distilled and blended into different formulas for different hair types. Our other product lines also have hair care products, including our Shea Butter, Lavender, Verbena, Rose and Olive lines.

**Toiletries**

L'Occitane also produces a small range of toiletries, including soap bars, shower gel, bath foam and bath oils.

**Men's grooming**

L'Occitane's principal line of men's grooming products is the Cade line. The principal active ingredient in the Cade line of men's skincare products is an essential oil extracted from the cade plant grown in Vaucluse, Provence. Our Cade line of men's skincare products are designed to have anti-inflammatory properties, to protect the skin against free radicals and to stimulate epidermal renewal.

**Home fragrances**

L'Occitane currently has a small range of fragrance products for the home, including for instance, Lavender Perfumed Candle and Verbena Home Perfume.

**Recognition and awards**

Our L'Occitane products and stores have received numerous awards around the world, including:

- RealSimple.com "Best Facial Cleansers 2009 — Olive Daily Face Cleanser" USA
- Tyrashow.com "Best of Beauty — Almond Shower Oil", 2009 USA
- In Style "Best Beauty Buys — Shea Butter Foot Cream", 2009 USA
- ELLE "Green Stars — Verbena Body Salts", 2009 USA
- Instyle.com "Best Beauty Buys 2009 — Shea Butter Foot Cream" USA
- Trendshealth "Best Healthy Cosmetics Awards 2009, Best Body care award — Almond Delicious Paste" China
- Trendshealth "Best Healthy Cosmetics Awards 2009, Best Hand Care award — Shea Butter Hand Cream" China
- Cosmopolitan "Beauty Awards 2009, The Best Face Mask — Immortelle Very Precious Mask" China
- Instyle & YOKA.COM "Best Beauty Buys 2009, The Best Buy Hand Cream — Shea Butter Hand Cream" China
- Cosmopolitan "Best of the Best Awards 2009, The Best Body Care Brand of the Year Award — L'OCCITANE" Hong Kong
- Cosmopolitan "Best of the Best Awards 2009, The Best Body Exfoliator — Peach Blossom Shower Polishing Nectar" Hong Kong
- Cosmopolitan "Best of the Best Awards 2009, The Best Body Moisturizer — Peach Blossom Peachy Skin Moisture Gel" Hong Kong
- Cosmopolitan "Best of the Best Awards 2009, The Best Hand Care — Olive Organic Hand Cream" Hong Kong
- Fashion & Beauty "Perfect Brand Awards 2009, OL's most favorite hand cream — Bergamot Tea Hand Cream" Hong Kong
- she.com "she critiques 2009, The best body cleansing product — Honey Foaming Jelly" Hong Kong
- Senshukai — 2009 2nd half "Best Cosmetics Award" — best five products for "fragrance & hair care" category and best four products for "body care" category award Japan

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- Biteki monthly cosmetic magazine — 2009 “Best Cosmetics Award”, “daily use item” category — Rose Velvet Hand Cream ranked 1st, Rose Smooth Body Milk ranked 3rd and Shea Hand Cream ranked 5th Japan
- Maquia monthly cosmetic magazine — 2009 “Best Cosmetics Ranking” — Rose Smooth Body Milk ranked 2nd and Shea Soap Milk ranked 4th Japan
- PINKY “2009 Cosme Award” — Cherry Blossom Soft Hand Cream ranked 1st, Rose Smooth Body Milk ranked 3rd Japan
- Bijin Hyakka “2009 This Year’s Must-Buy” — Immortelle Brightening Cleansing Foam, Immortelle Essential Face Water, Immortelle Very Precious Cream, Immortelle Divine Cream Japan
- Metro “2009 Beauty Awards, “Save Face” — Almond Apple Sweet Peel” Philippines
- Metro “2009 Beauty Awards, “Skintelligence” — Shea Butter Ultra Rich Body Cream” Philippines
- Metro “2009 Beauty Awards, “Fingers and Toes” — Lavender Hand Cream” Philippines
- Herworld “Beauty Awards 2008, Hydrating Serum Readers’ Choice — Shea Cotton Ultra Comforting Serum” Malaysia
- Women’s Weekly “Best Beauty Buys 2009, Best Moisturizer — Cherry Blossom Shimmering Lotion” Malaysia
- Harpers Bazaar “Bazaar Beauty Awards, Best Readers’ choice — Almond Delicious Paste” Indonesia
- Cosmopolitan “09 Editor’s Extra Choices — Immortelle Brightening Concentrate” Taiwan
- Cleo Magazine “Beauty Hall of Fame 2009, Best Daily Moisturizer — Olive Moisturizing Face Lotion” Thailand
- Cleo Magazine “Beauty Hall of Fame 2009, Best Soothing Serum — Shea Cotton Ultra Comforting Serum” Thailand
- Cleo Magazine “Beauty Hall of Fame 2009, Best Hair Mask — Olive Healthy Hair Mask” Thailand
- Cleo Magazine “Beauty Hall of Fame 2009, Best Scent of Rose — Rose 4 Reines Bath & Shower Gel” Thailand
- Cleo Magazine “Beauty Hall of Fame 2009, Best Scrub to feel the earth — Almond Delicious Paste” Thailand
- Version Fémina “Prix Vénus du meilleur soin visage 2009 — Crème Précieuse Immortelle” France
- Marie Claire and Fragrance Foundation (best fragrance) “Grand Prix du Parfum France 2009 — Notre Flore — Eau de Parfum Jasmin” France
- Mme Figaro “ Prix Beauté Star 2009 — Ma Crème Nature” France
- Marie Claire and Fragrance Foundation (best fragrance) “Grand Prix du Parfum France 2008 — Notre Flore” France
- Parents Magazine “Grand Prix, les Etoiles de la Beaute 2008 — Red Rice Ultra Matte Face Fluid” France
- Prix Venus Femina 2007 “Best Face Care Award — Almond Apple Velvet Concentrate” France
- Cosmopolitan Magazine Best of the Best Beauty Awards 2007 “Best Body Care Brand of the Year — L’Occitane” Hong Kong

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- Harper's Bazaar Magazine Beauty Awards 2007 "Best Body Lotion — Shea Butter Ultra Rich Body Cream" Indonesia
- Her World Magazine Beauty Awards 2007 "Best Body Cleanser — Grape Shower Oil" Malaysia
- Cosmopolitan Magazine Beauty Awards 2007 "Winner — Multipurpose Dissolver — Immortelle Makeup Remover" Philippines
- Cosmopolitan Magazine Beauty Awards 2007 "Best Body Moisturiser — Shea Butter Hand Cream" PRC
- Harper's Bazaar Magazine Beauty Awards 2007 "Best Hair Treatment — L'Occitane Radiant Shine Mask" Singapore
- Marie Claire Magazine Top 100 Best Selling Beauty Products 2006 "Total Taiwan Body Care Top No. 2 — Shea Butter Hand Cream 150ml" Taiwan
- Cleo Magazine Beauty Hall of Fame Awards 2007 "Best Night Time Moisturisers — Immortelle Very Precious Cream" Thailand
- The Frontiers Magazine 2007 Award — Happy Hands Kit UK
- beautyheaven.com.au the Glosscars 2008 "Best New Body Moisturiser — Honey & Lemon Delightful Cream" and "Best New Body Exfoliant — Honey & Lemon Sweet Sugar Scrub" Australia
- The Westfield's Awards 2007 "Best Shop in a Westfield Mall" and "Best Merchandizing in a Westfield Mall" New Zealand
- Top Shop Wellington Awards 2007 "Best Health & Beauty Store in Wellington" and "Outstanding Customer Service Award in Wellington" New Zealand
- Top Shop Auckland Awards 2007 "Best Health & Beauty Store" and "Overall Top Shop Winner" New Zealand

### **Our other brands**

Besides L'Occitane, which constitutes the core of our business and our number one priority, we have two other brands, Melvita and Le Couvent des Minimes.

Melvita is a leading brand in the organic cosmetics and personal care market in France that we have started to launch internationally in order to capture the growth of the fast growing organic segment within the natural cosmetics market. Le Couvent des Minimes offers a short range of well-being products, based on natural ingredients, mainly distributed in France in multi-brand perfumeries where our L'Occitane and Melvita brands are not present and enables us to better cover the natural cosmetics market.

Although these two brands currently contribute to only a small portion of our revenues, we intend to build them into key complementary brands within our Group.

### **Melvita**

We acquired Melvita through the acquisition of M&A SAS in order to enter the organic cosmetics and personal care market. We acquired the entire issued share capital of M&A SAS, which is now our wholly owned subsidiary, in two stages, in June 2008 and March 2009. Please see the section headed "Our History, Culture and Corporate Structure — Corporate Structure" for further details relating to the acquisition.

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M&A SAS is one of the leading manufacturers of organic ingredient-based cosmetics and personal care products in France. It principally manufactures and sells organic ingredient-based products under the brand “Melvita”. M&A SAS currently also derives a small portion of its revenues from manufacturing products for other well-known branded retailers. M&A SAS has valuable experience and strong research and development capabilities on the use of organic ingredients for beauty products, and develops its products in-house. M&A SAS’ production laboratory received its ECOCERT certification in 2002. M&A SAS also has a large manufacturing plant located in Lagorce, France, with potential for further expansion, where all Melvita products are manufactured. With the acquisition of M&A SAS, we intend to capture the growth of the organic market and develop Melvita into one of our key brands, as well as leverage off M&A SAS’s expertise in research and development to enhance our operations relating to our L’Occitane brand.

Melvita’s product range currently includes face care, body care, sun care, bath and shower products, hair care, and men’s grooming products, as well as a wide range of well-being products such as massage oils and food supplements. Melvita targets women, men and the entire family more generally, with a core target on the 25 to 54 age group, who belong to the middle to high income group, who seek natural well-being and health and are concerned with ecological issues and environmentally sustainable manufacturing practices.

Over 90% of Melvita sales are currently generated in France where Melvita is a leading brand distributed at over 2,000 stores specialized in natural and organic products and in over 600 pharmacies. As of 28 February 2010, Melvita products are also sold in France at four stores operated and managed by M&A SAS, as well as on the internet through the website [www.melvita.com](http://www.melvita.com).

We believe that the organic cosmetics and personal care market is currently in an early stage of development and the growth prospects for such products are significant. We believe that the organic beauty products market will experience a strong growth due to various drivers:

- **Health and wellness.** An ageing global population is driving the health and wellness trend and demand for gentler, less invasive products.
- **Safety concerns.** Growing awareness of potentially harmful impacts of some chemicals used in consumables. This is being driven by coverage in the media and new regulations.
- **Ecological concerns.** Consumer demand for environmentally friendly and ethically produced products is growing in response to increasing awareness of pollution, climate change and corporate social responsibility. Environmental and ethical awareness impacts the entire production and sales chain for cosmetics and personal care, from the sourcing of organic, “green” ingredients to simpler methods of product manufacturing and environmentally-friendly packaging.

Please see the section headed “Industry Overview” for further details.

We have started to launch Melvita internationally by leveraging L’Occitanes worldwide presence and make it a leader in the organic cosmetics and personal care market.



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- **International expansion.** Since we acquired Melvita, we have launched the brand in Croatia, Slovenia, Hong Kong, Germany and Russia. We also plan to introduce the brand in the United Kingdom and United States in 2010, and thereafter intend to expand the distribution of Melvita products to new markets in Europe, and Asia as well as Brazil.

In order to achieve the above mentioned expansion objectives, we have taken the following measures over the last year and a half:

- **Packaging and marketing.** We have recently reworked the packaging of our Melvita products to better suit the international market, such as including multilingual information, as well as to unify the image and style of their packaging with a view to strengthening brand recognition. We have also developed a new packaging and communication platform in order to better communicate the identity of the brand and its uniqueness to the targeted audience.
- **Melvita branded retail stores.** One of our key strategies for developing our Melvita brand is the development of Melvita branded retail stores. Leveraging on our expertise in international retail of our L'Occitane brand, we have developed a retail concept specifically for our Melvita brand with the objective of better displaying Melvita product offerings and enhancing the value of the brand for the customers. Under this new concept developed for our Melvita retail stores, we have already opened one store in Croatia, two stores in Slovenia, one store in Hong Kong, one store in Germany and one store in Russia. We intend to increase the number of these Melvita branded retail stores internationally.
- **Internet and wholesale.** We have recently launched revamped websites for Melvita which contains more information on the background of the brand. The design of the revamped website also conforms to the revised packaging described above with a view to strengthening brand recognition. The new websites offering retail sales were launched in France and the United States. We also intend to increase our wholesale sales to specialty stores specialised in selling organic products as well as to pharmacies.
- **Management and marketing team.** To position ourselves for the international development of the brand, we strengthened the Melvita marketing team, in particular in the area of operational marketing, merchandising and training. In each country in which we are launching the brand, a specific Melvita sales and marketing team has been recruited to lead the launch of the brand.
- **Improvement of plant.** We are planning to redesign our plant in Lagorce, where our Melvita products are manufactured, with the aim of optimising production flows within the plant and complying with future norms to be enforced for the production of cosmetics. Please see the section headed “— Production — Our Manufacturing Facilities” below for further details. We will also use the facility as a communication tool in order to educate customers to environmentally-friendly manufacturing practices, develop our brand image and its awareness as a leader of organic cosmetics and personal care products. In order to do so, we will implement a program to conduct a tour of the plant for customers ending with a visit to a Melvita retail store. We estimate that the overall capital expenditure needed for this project will amount to approximately €15.5 million, which we intend to finance using our proceeds from the Global Offering. Please see the section headed “Future Plans and Use of Proceeds” for further information.

### ***Le Couvent des Minimes***

We also sell natural ingredient-based cosmetics and personal care products under the “Le Couvent des Minimes” brand. Created and launched in 2004, Le Couvent des Minimes complements our two other brands, L’Occitane and Melvita, on the natural-based cosmetics and personal care products market. Its main purpose is to answer customers demand for such products in distribution channels where we are not distributed or present with L’Occitane and Melvita, and thus enhance our global market share.

Le Couvent des Minimes produces a range of 50 simple well-being products based on natural ingredients and focusing on body care, hair care, fragrances and bath products. Inspired by the story of a convent located in the southern French village of Mane, Le Couvent des Minimes perpetuates through its product offering the tradition of care practiced in this convent for centuries.

Le Couvent des Minimes body care and bath products include body lotions and creams, hand and foot creams, lip balms, shower gels, exfoliating scrubs, soaps and bath foams. The natural ingredients used in these products include principally honey, shea butter, vegetable oil, verbena, lemon, lavender and acacia. We also use some of these ingredients to produce eaux de toilette and a number of home products including scented candles and home fragrances under the Le Couvent des Minimes brand. Our hair care line includes shampoos, conditioners and fortifying masks based on ingredients such as rosemary, sage, mint and olive oil.

Our Le Couvent des Minimes products are targeted towards men and women consumers in the 25 to 54 age group with medium to high income who prefer to use natural ingredient-based cosmetics and appreciate the tradition, simplicity and natural properties of Le Couvent des Minimes range. Currently, the brand is sold through multi-brand perfumeries principally in France, Belgium and Holland.

Sales from Le Couvent des Minimes accounted for 0.4% and 0.4% of our total revenues for the year ended 31 March 2009 and the nine months ended 31 December 2009, respectively. In the coming years, we intend to develop and grow our Le Couvent des Minimes brand and increase its importance in our brand portfolio. However, we do not expect its sales to be material in terms of our total revenue over the next five years. Please see the section headed “— Business Strategies” above for further details. We firstly intend to strengthen our sales of Le Couvent des Minimes products in countries where the brand is currently distributed through common promotional efforts with retailing partners. We also intend to gradually expand the distribution of its products internationally to countries where it is currently not present, such as countries in Europe, but also in other regions of the world where we can build partnerships with experienced local retailers. We believe that Le Couvent des Minimes fulfils a market need for authentic natural ingredient-based cosmetic products, in particular in distribution channels where L’Occitane and Melvita are not present. Having Le Couvent des Minimes in such channels will help us increase our global market share.

Le Couvent des Minimes products are almost all developed by us and manufactured by third party subcontractors.

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### **New products**

We regularly develop and launch new products for our L'Occitane, Melvita and Le Couvent des Minimes brands to complement our current offering. This includes new product lines as well as new products within existing product lines, where appropriate.

We are planning to launch a Peony range (of make-up and fragrance) and a new men's line, Verdon (face care), for our L'Occitane brand in Spring 2010.

### **PRODUCTION**

#### **Overview**

We employ a vertically integrated business model for our L'Occitane and Melvita products comprising product design and research and development, production, marketing and promotion and, for L'Occitane, principally our own distribution network. Using this operational model, we are able to effectively and promptly tailor our products to cater to trends we identify in the market.

#### **Our manufacturing facilities**

We produce a significant portion of our L'Occitane and Melvita products at our own manufacturing plants in Manosque and Lagorce. For the years ended 31 March 2009 and 2010, we manufactured more than 60% and more than 75% of our L'Occitane products respectively, and almost all of our Melvita products at our own manufacturing plants in Manosque and Lagorce, whilst under 40% and under 25% of our L'Occitane products were manufactured by sub-contractors respectively. We package and conduct quality testing on almost all of our products ourselves at our Manosque and Lagorce plants. During 2009, we have integrated our Lagorce plant. Moving forward, Manosque and Lagorce plants will keep producing respectively L'Occitane and Melvita products. However, as we are looking at drawing synergies, we have decided that all soaps for L'Occitane and Melvita will be produced in Lagorce and candles for both brands will be produced in Manosque.

As at 28 February 2010, we had 41 subcontractors: one in the PRC, one in Burkina Faso, two in Italy and the remaining 37 in France. We subcontract the production of certain formulas and product samples requiring specific expensive and specialised equipment. Given the relatively few formulas and product samples involved, we consider it more cost effective to outsource their production than to invest in the equipment required for their production. We also subcontract for additional production capacity when we need to supplement our own production capacity to meet market demands.

Although we have been working on a regular basis over the Track Record Period with several subcontractors, we have no long-term commitments with any of them. We place orders with them according to our needs after a case-by-case negotiation of the terms and conditions, notably prices and delivery dates. In some cases and depending on our needs and at our discretion, we may ask them to source their own necessary raw materials and components, based on our specifications. Further to their commitments in terms of prices and deliveries, our subcontractors are responsible for the quality and the traceability of the products that they deliver to us. They are also required to follow the Good Manufacturing Practices as defined by the ISO norm 22716. Such obligations of the subcontractors are listed in a "list of specifications" ("*Cahier des charges général sous-traitant*") drafted by us. As at 30 September 2009, a majority of our subcontractors had confirmed in writing their compliance with the "list of specifications". Our subcontractors are independent from us and we have no common directors. We systematically evaluate all our subcontractors at least once every

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three years on different criteria including their level of quality. Each subcontractor is requested to formally agree on technical specifications notably covering the subcontractors' obligations in terms of quality control including his obligation to allow us to perform quality audits. Quality audits are performed by our Quality Department in the following circumstances:

- At the time of engaging a new subcontractor
- At least once every three years for each of our significant subcontractors
- In case of our dissatisfaction at any particular audit
- Once a year for subcontractors which have an annual contract with us

The quality audits follow a pre-defined procedure. The results of the audit are discussed with the subcontractors, corrective actions are agreed and followed-up during the next quality audit.

During the last two years, we have installed additional manufacturing equipment and established two new finishing lines at our own manufacturing plant in Manosque, and invested in two mixer tanks, one of ten tonnes in Manosque and one of three tonnes in Lagorce. We have been operating a new bottles line since February 2010. We also plan to increase the utilisation of our production capacity, notably of our filling and packing equipment, from approximately 60% in the year ended 31 March 2010 to more than 70% in the year ending 31 March 2012, while increasing our machine productivity. This means that we will discontinue the use of some outdated equipment for soap manufacture and jars filling and that our capacity investment would be limited to two new pieces of equipment, namely a tubes filling line and a bottles filling line. Subcontractors will only be used for technology and price reasons or where our internal utilisation targets have been reached. As a result of the foregoing, we may be relying less on subcontractors. Furthermore, we decided in September 2009 that we would in the future measure our penetration rate with our subcontractors to ensure that we do not represent an excessive share of their business.

In order to comply with the standards under ISO norm EN ISO 227216, which are expected to be mandatory in the European Union in 2012, our factories in Manosque and Lagorce need to be completely re-designed, notably to avoid any possible contamination of the products during the manufacturing process. We plan to take this opportunity to also improve our compliance with other regulations that evolved recently, such as the regulation on explosive atmospheres (AtEx) and the environmental regulations (ICPE). We anticipate that the cost of these improvements will be partially offset by the resulting benefits, principally in the form of better flow of raw materials and work-in-progress, resulting in reduced costs related to sub-standard quality and inventories management. Please see the section headed "Regulations" for further details regarding the regulations mentioned above.

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The following diagram shows the principal steps involved in the manufacture of our key L'Occitane products.



There are 14 production lines and 26 filling and packaging lines for our L'Occitane and Melvita products at our Manosque and Lagorce manufacturing plants. We believe that we have adequate production capacity at our Manosque and Lagorce manufacturing plants to support our future growth. The following table sets out the annual production capacity, volume produced per year and utilisation rate for the four years ended 31 March 2010, respectively, for each production line and each filling line.

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PRODUCTION EQUIPMENT			Production capacity per year				Volume produced per year				Utilisation rate			
Year of commencement of	Main products	Units	Year ended 31 March				Year ended 31 March				Year ended 31 March			
			2007	2008	2009	2010	2007	2008	2009	2010	2007	2008	2009	2010
<i>Manosque Plant</i>														
2000	Emulsion	Tonnes	880	880	1,296	1,296	473	461	531	411	54%	52%	41%	41%
2003	Emulsion	Tonnes	1,320	1,320	1,944	1,944	722	937	1,066	666	55%	71%	55%	45%
2005	Emulsion	Tonnes	2,200	2,200	3,240	3,240	1,329	1,393	1,663	1,143	60%	63%	51%	46%
2007	Emulsion	Tonnes	330	330	330	330	83	135	260	129	25%	41%	79%	51%
2000	Personnel care	Tonnes	3,240	3,240	3,240	3,240	891	1,104	1,452	1,069	28%	34%	45%	43%
2004	Personnel care	Tonnes	3,240	3,240	3,240	3,240	1,029	1,057	909	1,020	32%	33%	28%	41%
2009	Emulsion	Tonnes	0	0	4,320	4,320	0	0	0	1,311	NS	NS	0%	39%
			<b>11,210</b>	<b>11,210</b>	<b>17,610</b>	<b>17,610</b>	<b>4,527</b>	<b>5,087</b>	<b>5,881</b>	<b>5,749</b>	<b>40%</b>	<b>45%</b>	<b>33%</b>	<b>42%</b>
<i>Lagorce Plant</i>														
2003	Personnel care	Tonnes	NS	NS	1,879	1,879	NS	NS	478	345	NS	NS	25%	24%
1998	Personnel care	Tonnes	NS	NS	454	454	NS	NS	54	17	NS	NS	12%	5%
1998	Personnel care	Tonnes	NS	NS	454	454	NS	NS	112	41	NS	NS	25%	12%
2007	Emulsion	Tonnes	NS	NS	583	583	NS	NS	310	179	NS	NS	53%	40%
2009	Emulsion	Tonnes	NS	NS	1,944	1,944	NS	NS	0	55	NS	NS	0%	4%
2001	Emulsion	Tonnes	NS	NS	259	259	NS	NS	82	66	NS	NS	32%	33%
2003	Oil	Tonnes	NS	NS	480	480	NS	NS	8	1	NS	NS	2%	0%
			<b>NS</b>	<b>NS</b>	<b>6,053</b>	<b>6,053</b>	<b>NS</b>	<b>NS</b>	<b>1,044</b>	<b>704</b>	<b>NS</b>	<b>NS</b>	<b>17%</b>	<b>15%</b>
<b>Total Production</b>			<b>11,210</b>	<b>11,210</b>	<b>23,663</b>	<b>23,663</b>	<b>4,527</b>	<b>5,087</b>	<b>6,925</b>	<b>6,453</b>	<b>40%</b>	<b>45%</b>	<b>29%</b>	<b>35%</b>
<b>FILLING AND PACKING EQUIPMENT</b>														
<i>Manosque Plant</i>														
1972 (second hand)	Perfumes	000 Units	3,450	3,450	3,450	3,450	2,481	2,802	2,970	2,530	72%	81%	86%	95%
2009	Bottles	000 Units	2,860	2,860	5,240	5,240	1,743	2,326	4,480	3,870	61%	81%	85%	96%
1999	Bottles	000 Units	3,690	3,690	3,690	3,690	3,562	2,850	1,570	1,596	97%	77%	43%	56%
2003	Bottles	000 Units	3,400	3,400	3,400	3,400	3,309	3,371	2,282	3,660	97%	99%	67%	140%
2008	Bottles	000 Units	0	0	3,100	3,100	0	0	1,281	1,290	NS	NS	41%	54%
2004	Bottles manuel	000 Units	2,580	2,580	2,580	2,580	1,287	2,161	2,580	2,059	50%	84%	100%	104%
2003	Tubes	000 Units	6,400	6,963	6,963	6,963	4,139	4,447	5,500	5,815	65%	64%	79%	109%
2006	Tubes	000 Units	6,560	6,963	6,963	6,963	1,795	1,930	3,375	8,104	27%	28%	48%	151%
2004	jars	000 Units	4,760	4,760	4,760	4,760	3,202	3,522	3,380	1,194	67%	74%	71%	33%
2008	jars	000 Units	4,760	4,760	4,760	4,760	0	0	606	1,543	NS	NS	13%	42%
1983	Soaps*	000 Units	4,400	4,400	4,400	4,400	3,934	4,126	3,310	419	89%	94%	75%	12%
1988 (second hand)	Soaps*	000 Units	7,260	7,260	7,260	7,260	5,183	5,112	6,900	3,583	71%	70%	95%	64%
1989 (second hand)	Soaps*	000 Units	7,590	7,590	7,590	7,590	6,716	7,443	3,316	621	88%	98%	44%	11%
1998 (second hand)	Candles	000 Units	1,760	1,760	1,760	1,760	967	1,745	1,556	896	55%	99%	88%	66%
2006	Candles	000 Units	1,760	1,760	1,760	1,760	897	985	996	923	51%	56%	57%	68%
			<b>61,230</b>	<b>62,196</b>	<b>67,676</b>	<b>67,676</b>	<b>39,215</b>	<b>42,820</b>	<b>44,102</b>	<b>38,103</b>	<b>64%</b>	<b>69%</b>	<b>65%</b>	<b>73%</b>
<i>Lagorce Plant</i>														
1998	Bottles	000 Units	NS	NS	3,280	3,280	NS	NS	623	921	NS	NS	19%	37%
1998	Bottles	000 Units	NS	NS	1,200	1,200	NS	NS	564	3,200	NS	NS	47%	347%
2000	Bottles	000 Units	NS	NS	3,300	3,300	NS	NS	1,393	342	NS	NS	42%	13%
2008	Bottles	000 Units	NS	NS	3,900	3,900	NS	NS	190	3,691	NS	NS	5%	123%
2003	Bottles	000 Units	NS	NS	1,910	1,910	NS	NS	454	235	NS	NS	24%	16%
1998	Tubes	000 Units	NS	NS	6,400	6,400	NS	NS	917	711	NS	NS	14%	14%
2006	Tubes	000 Units	NS	NS	6,400	6,400	NS	NS	248	675	NS	NS	4%	14%
2001	Jars	000 Units	NS	NS	3,930	3,930	NS	NS	976	805	NS	NS	25%	27%
1987	Soaps	000 Units	NS	NS	14,600	14,600	NS	NS	5,175	7,450	NS	NS	35%	66%
1990	Soaps	000 Units	NS	NS	7,200	7,200	NS	NS	1,864	1,496	NS	NS	26%	27%
1999	Soaps	000 Units	NS	NS	12,000	12,000	NS	NS	2,618	3,275	NS	NS	22%	35%
			<b>NS</b>	<b>NS</b>	<b>64,120</b>	<b>64,120</b>	<b>NS</b>	<b>NS</b>	<b>15,022</b>	<b>22,801</b>	<b>NS</b>	<b>NS</b>	<b>23%</b>	<b>46%</b>
<b>Total Filling and Packing</b>			<b>61,230</b>	<b>62,196</b>	<b>131,796</b>	<b>131,796</b>	<b>39,215</b>	<b>42,820</b>	<b>59,124</b>	<b>60,904</b>	<b>64%</b>	<b>69%</b>	<b>45%</b>	<b>60%</b>

## Notes:

- \* The soap manufacturing lines in Manosque ceased production on 4 December 2009.
1. Production capacity is the maximum production/filling capacity of each equipment assuming that there are three eight-hour shifts per day and five days per week.
  2. Volume produced per year is the actual volume of cream/emulsions produced or filled by each equipment during a financial year.
  3. Utilisation rate is calculated by dividing (a) the actual volume produced/number of units filled with (b) the maximum production/filling capacity of each equipment. Utilisation rates for production equipment are calculated excluding tests, trials and ramp-up for new formulas, as well as sanitisation operations involving the whole facilities. Utilisation rates stated above are therefore lower than rates calculated including these principally non-revenue generating production. In calculating utilisation rates, actual volumes produced were used, including therefore units not produced for sale such as pre-launch press kits distributed to the press. Volumes produced during tests are negligible and were not included in calculating, nor would they affect, the utilisation rates stated above materially.

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4. In the past, we would subcontract production either because our target utilisation rate is met or because we did not have the appropriate technology in-house or because our production cost would have been excessive, such as in the case of small sized bottles for the B-to-B market. At the beginning of our financial year ended 31 March 2009, we subcontracted production to increase production in anticipation of stronger sales than what actually happened. Since then, we have reduced our subcontracting during our financial year ended 31 March 2010, and we plan to have no subcontracting at all in our financial year ending 31 March 2011, except where our internal capacity utilisation targets have been reached or for technology and price reasons. Therefore, utilisation rates are expected to increase compared to that stated above.
5. Emulsions are not end-products but are a component of our cosmetics, toiletries and well-being products such as creams, lotions and other end-products. Our own production equipments therefore manufacture almost all of our products.
6. NS = not significant as we had not acquired Melvita yet.

Our production volume during the course of a year is subject to fluctuations caused by seasonal changes in demand for our different products. Please see the section headed “Financial Information” for a discussion of the effect of seasonal changes in demand on our financial performance. Seasonality in the demand for our products means that we may from time to time experience production capacity constraints. In this regard, we have established good relationships with a network of manufacturing subcontractors, which has enabled us to ramp up production capacity to meet fluctuations in demand. We have worked with the majority of our subcontractors for between three to five years. We believe that our own production capacity, increased recently by the addition of new mixer tanks and filling lines, together with the backup production capacity available to us through our subcontractors and our inventory management, will continue to be effective in enabling us to meet seasonal changes in demand.

### **Raw materials**

The major raw materials used in the manufacture of our products are natural and organic ingredients and materials for packaging.

### **Key ingredients**

L'Occitane products are grouped into product lines and marketed according to their key natural ingredients. Our products are developed from the principles of phytotherapy and aromatherapy, and we strive to use high-quality, traceable natural and organic ingredients of plant origin that are sourced from local farming communities and sustainable development programmes. Other than ingredients derived from beehives, such as honey, royal jelly and propolis, we do not use ingredients derived from animals. We also prefer to use plant oils rather than mineral oils in our face care formulas, and we limit the use of silicones, chemical sunscreens and paraben preservatives. We may use synthetic or semi-synthetic ingredients such as emulsifiers, fragrances and preservatives when no reliable and effective natural alternative exists.

Melvita products are grouped into product lines and marketed according to their organic ingredients following the ECOCERT certification.

The following are the key ingredients used in our products.

**Shea butter.** We source most of our shea butter from Burkina Faso pursuant to a sustainable development programme initiated by us in 1989. We have entered into one-year, renewable agreements with farming cooperatives in Burkina Faso to purchase shea butter produced by the local women. Please see the section headed “Our History, Culture and Corporate Structure” for further information on our sustainable development programme and our other contributions in



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Burkina Faso. Purchases of shea butter directly from Burkina Faso represented approximately 68%, 79% and 87% of our total shea butter requirements for each of the three years ended 31 March 2009 respectively. Although we have not experienced any material shortages or delay in delivery of shea butter required for our production, we obtain the remainder of our shea butter requirements from an European-based supplier as a hedge against shortage of supply.

**Immortelle essential oil.** We source our immortelle essential oil from different farmers. The immortelle essential oil which we purchase is delivered to us in a form that is ready for inclusion as an ingredient in our products and does not require further refining or processing by us. We have entered into agreements with our principal immortelle essential oil suppliers, one of which has already committed to sell to us a fixed volume per year of immortelle essential oil at a fixed price for five years commencing 2007. However, we are not obliged to purchase any quantity of immortelle essential oil from these suppliers.

**Perfume bases.** Perfume bases are concentrated perfume and essential oil formulas and are used in all of our body care, skincare, hair care and fragrance products, except some products that are fragrance free, such as our Shea & Organic Cotton line. We currently source our perfume bases from four different suppliers in Provence. Perfume bases are widely available on competitive terms and we believe we could find alternative suppliers in addition to our current suppliers.

**Soap chips.** Soap chips are noodles of soap and are used with additional ingredients as a base for our soap production. We currently source our soap chips from two suppliers in Provence. Soap chips are widely available on competitive terms and we believe we could find alternative suppliers in addition to our current suppliers.

**Other ingredients.** Other ingredients used in our products include red rice, honey, almond and olive oil. These are available from numerous suppliers in Provence and surrounding areas.

Typically, our purchase of raw materials is subject to an average payment term of 2.5 months. Other than for shea butter and immortelle essential oil, we do not enter into long-term supply agreements with our suppliers of ingredients for our products. Our arrangements with our immortelle essential oil suppliers binds them to supply a minimum quantity to us, but does not oblige us to purchase any quantity from them. We have not experienced any shortages or delay in delivery of ingredients required for our production that had a material adverse effect on our operations or performance.

### ***Packaging materials***

We package our products in various sizes and varieties of paper, plastic and wooden boxes, glass jars, aluminum and plastic tubes and bottles, and plastic and fabric wrappers. Our packaging materials consist of two main types: packaging specifically designed for a particular product, such as the containers we use for our Immortelle line, and generic packaging which we use for several product lines by affixing to them labels corresponding to the different product lines. We also use paper shopping bags which we provide to our customers to carry our products sold through retail outlets. We purchase such materials from a variety of suppliers located worldwide. In line with our respect for the environment, we use paper and cardboard that according to our suppliers are made from sustainably managed forests. We strive to limit our use of packaging materials and where available and appropriate (including in terms of cost, design and conformity to the L'Occitane brand image), we will use recycled and recyclable materials.

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Most of our packaging is done at our manufacturing plants in Manosque and Lagorce.

Our five largest suppliers constituted in aggregate less than 20% of our cost of goods sold for each of the three years ended 31 March 2009 and the nine month period ended 31 December 2009.

Typically, our purchase of key ingredients and packaging materials is subject to an average payment term of 2.5 months.

### **MARKETS AND DISTRIBUTION**

#### **Our markets**

Our L'Occitane products are currently sold in over 80 countries through over 1,500 retail locations which sell exclusively L'Occitane products and are decorated with a standardised L'Occitane design, of which as at 28 February 2010, 753 were our Own L'Occitane Stores. Please see "Property Valuation and Details of Leased Properties of the Group" in Appendix IV to this prospectus for details of where these stores are located.

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The table below shows the number of our own Retail Stores (which are managed and operated by us), as well as stores and store corners which are operated and managed by our third party distributors and duty free store operators, as at 31 March 2007, 2008 and 2009, 31 December 2009 and 28 February 2010.

	31 March			31 December	28 February
	2007	2008	2009	2009	2010
<b>Number of stores and store corners selling exclusively L'Occitane products</b>					
Own L'Occitane Stores (stores operated and managed by us)	448	539	673	749	753
Operated and managed by third party distributors or duty free store operators	398	506	584	746	764
	846	1,045	1,257	1,495	1,517
Of which, by geography:					
Europe <sup>1</sup>	349	445	554	671	677
Asia-Pacific	243	327	393	463	470
Americas	254	273	310	361	370
	846	1,045	1,257	1,495	1,517
<b>Number of stores selling exclusively Melvita products</b>					
Stores operated and managed by us	—	—	4	5	5
Operated and managed by third party distributors	—	—	—	3	3
	—	—	4	8	8
<b>Number of stores selling exclusively Oliviers &amp; Co. products<sup>2</sup></b>					
Stores operated and managed by us	11	10	10	9	5
	11	10	10	9	5
<b>Total number of stores and store corners</b>					
Retail Stores (operated and managed by us)	459	549	687	763	763
Operated and managed by third party distributors or duty free store operators	398	506	584	749	767
<b>Total</b>	857	1,055	1,271	1,512	1,530

Notes:

1. Including Middle East and Africa
2. In March 2010, we discontinued the operations of the remaining five stores in the United States where we had previously acted as third party retailer of a range of olive oils and foodstuff products under a supplier's brand, Oliviers & Co. Please see the section headed "Financial Information" in this prospectus for further information relating to our distribution of Oliviers & Co. products in the past.

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The table below shows a breakdown of our sales revenue based on the invoicing subsidiary of origin of our sales for the three years ended 31 March 2009 and the nine month period ended 31 December 2009.

Region	Year ended 31 March						Nine month period ended 31	
	2007		2008		2009		December 2009	
	Sales (€'000)	Percentage of total sales	Sales (€'000)	Percentage of total sales	Sales (€'000)	Percentage of total sales	Sales (€'000)	Percentage of total sales
Japan	50,403	15.0	78,676	19.0	127,470	23.8	107,190	23.2
Hong Kong	24,360	7.3	35,552	8.6	43,312	8.1	36,190	7.8
Taiwan	25,254	7.5	24,758	6.0	24,163	4.5	19,526	4.2
France	46,313	13.8	53,781	13.0	77,136	14.4	61,592	13.3
United Kingdom	21,479	6.4	26,406	6.4	26,004	4.8	24,621	5.3
United States	89,046	26.6	89,928	21.7	90,872	16.9	70,580	15.3
Brazil	11,118	3.3	14,332	3.5	19,282	3.6	19,994	4.3
Other countries	66,976	20.0	91,532	22.1	129,096	24.0	123,001	26.6

Our five largest customers constituted in aggregate less than 10% of our total sales for each of the three years ended 31 March 2009 and the nine month period ended 31 December 2009.

### Our distribution channels

We sell our L'Occitane products through distribution channels which we group into three principal business segments.

**Sell-Out Segment.** Our Sell-out Segment comprises sales of our products directly by us to end customers. These sales are made mainly through our Own L'Occitane Stores but also include sales through spas, mail-order and our own internet-shopping websites.

**Sell-In Segment.** Our Sell-In Segment comprises sales of our products to resellers, including retail locations not managed and operated by us such as distributors, wholesalers, department stores, home-shopping television networks and airport and duty free stores.

**B-to-B Segment.** Our B-to-B Segment comprises sales of our products to intermediaries, such as hotels and airlines that provide these products as free amenities to their customers.

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The following table sets out the sales derived from each business segment for the three years ended 31 March 2009.

Business segment	Year ended 31 March			Nine months ended 31 December
	2007	2008	2009	2009
	('000 Euros (% of total))			
Sell-Out Segment . . . . .	238,834 (71.3%)	293,158 (70.6%)	384,406 (71.5%)	339,935 (73.5%)
Sell-In Segment. . . . .	85,726 (25.6%)	105,797 (25.5%)	132,561 (24.7%)	107,087 (23.1%)
B-to-B Segment. . . . .	10,389 (3.1%)	16,010 (3.9%)	20,368 (3.8%)	15,672 (3.4%)
<b>TOTAL. . . . .</b>	<b>334,949</b> <b>(100%)</b>	<b>414,965</b> <b>(100%)</b>	<b>537,335</b> <b>(100%)</b>	<b>462,694</b> <b>(100%)</b>

### Description of Sell-Out Segment

#### *Our own L'Occitane boutiques and department store counters*

Our L'Occitane products are principally sold by us directly to end customers through our Own L'Occitane Stores operated by us. We lease all the premises for our own boutiques from third parties and do not own any of the properties at which our own boutiques are located. All our boutiques worldwide conform to a standard L'Occitane décor.

We also sell our products directly to end customers through department store corners we operate. We typically enter into agreements with the relevant department store owners, pursuant to which we would be granted a right to sell our products at a defined space within that department store. In Japan, 32 of our 70 Own L'Occitane Stores, as at 28 February 2010, are department store corners. In the department stores in which we are present in Japan, we are a leader in market share for cosmetics. For the 11-month period ended 30 November 2009, in the department stores in which we are present our market share of those stores considered in aggregate, by sales value, was 7.6%. Our competitors in these stores include both domestic brands such as Shiseido, Kanebo and Rumiko, and foreign brands such as Chanel, Lancôme, Christian Dior and MAC.

As at 28 February 2010, we operated 753 Own L'Occitane Stores in 27 countries. For the year ended 31 March 2009, approximately 71.5% of our net sales were generated from our Sell-Out Segment.

We adopt a systematic, profitability driven expansion policy. Our principal consideration when assessing a proposed new store is the store's expected contribution to our profits. We assess each potential new store on the basis of various factors, including expected period to achieve investment pay-back and expected return on investment. For each proposed new store, each of these criteria

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must meet our specified thresholds before we would decide to establish that store. We would not normally establish a new store merely to gain market share. Based on this systematic approach of opening new stores, we have successfully expanded our Own L'Occitane Stores network from 448 Own L'Occitane Stores as at 31 March 2007 to 753 Own L'Occitane Stores as at 28 February 2010. We set out below the geographical distribution of our Own L'Occitane Stores for each region:

	31 March			31 December	28 February
	2007	2008	2009	2009	2010
<b>ASIA/PACIFIC</b>					
Japan . . . . .	47	56	67	70	70
Hong Kong . . . . .	11	14	14	17	16
Taiwan . . . . .	41	44	47	48	50
China . . . . .	21	31	38	45	46
Singapore . . . . .	5	6	6	8	8
Korea . . . . .	6	11	18	23	24
Macau . . . . .	—	1	1	1	1
Australia . . . . .	16	22	27	28	28
Thailand . . . . .	—	—	23	25	25
India . . . . .	—	—	—	1	2
<b>Subtotal . . . . .</b>	<b>147</b>	<b>185</b>	<b>241</b>	<b>266</b>	<b>270</b>
<b>AMERICAS</b>					
USA . . . . .	155	163	166	169	168
Brazil . . . . .	23	26	30	33	33
Mexico . . . . .	4	8	16	19	19
Canada . . . . .	—	—	—	12	12
<b>Subtotal . . . . .</b>	<b>182</b>	<b>197</b>	<b>212</b>	<b>233</b>	<b>232</b>

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	31 March			31 December	28 February
	2007	2008	2009	2009	2010
EUROPE					
France . . . . .	51	54	58	60	60
Spain . . . . .	10	10	15	17	17
Germany . . . . .	5	9	15	22	22
Belgium . . . . .	5	8	10	11	11
UK . . . . .	24	30	36	42	42
Russia . . . . .	—	17	37	41	42
Switzerland . . . . .	5	6	9	10	10
Italy . . . . .	2	3	8	10	10
Slovakia . . . . .	2	2	2	2	2
Hungary . . . . .	2	3	6	7	7
Czech Republic . . . . .	5	7	8	8	8
Austria . . . . .	8	8	9	9	9
Poland . . . . .	0	0	7	11	11
<b>Subtotal</b> . . . . .	<b>119</b>	<b>157</b>	<b>220</b>	<b>250</b>	<b>251</b>
<b>TOTAL</b> . . . . .	<b>448</b>	<b>539</b>	<b>673</b>	<b>749</b>	<b>753</b>

During the three years ended 31 March 2009 and the nine months ended 31 December 2009, we closed an aggregate of 31 Own L'Occitane Stores. Of these, 14 were closed as their performance did not meet our pre-defined investment return target, nine were closed as the lease for the premises was terminated or expired, four were closed as their lease was sold to a third party, three were sold as a move to a concession but continued to sell L'Occitane products and one was closed as the shopping mall in which it was located closed down.

During the same period we relocated 27 Own L'Occitane Stores, which means the closing of the original location and the opening of a new store in a location close to the original one (in the same mall or in the same street). In most cases the new location allows a better customer traffic and higher sales than the previous one.

### ***Internet-shopping websites and mail order***

Our products are available for purchase through our websites in Australia, Austria, Belgium, Canada, Colombia, the Czech Republic, France, Germany, Hong Kong, Hungary, Israel, Japan, Korea, Poland, New Zealand, Russia, Slovakia, Spain, Sweden, Switzerland, Taiwan, Turkey, the United Kingdom and the United States. Products are sold at the same retail price as that offered at physical sales outlets in the same country.

We also sell our products through mail order in the US, UK and Japan at the same prices as offered at physical sale outlets in the same country. Catalogues are mailed to our existing customers two or three times per year or to new customers in response to specific requests via our website or by telephone.



### ***Spas and cafés***

We currently supply a small portion of our L'Occitane products to spas operated by us as well as by third parties. These spas use and sell our L'Occitane brand of products, and we believe that such channels of distribution will increase our brand exposure and help strengthen our brand recognition. As at 31 December 2009, there were 14 L'Occitane spas worldwide that were operated by us — two in Hong Kong, three in Taiwan, two in Brazil, one in France, one in Korea, two in Russia, one in Czech Republic, one in the UK and one in Poland — at which L'Occitane products were exclusively used for treatments and sold. We also sell a small portion of our products to spas owned and operated by third parties where they would use and sell L'Occitane products. As at 31 December 2009, there were 14 third party spas which used and sold our L'Occitane products — three in France, seven in Brazil, three in Vietnam and one in Indonesia. We generally do not stipulate that these spas must be decorated to a L'Occitane décor since the majority of these third party spas are located within hotels and they would prefer their spa's design to be in line with that of the hotel. However, we would typically require that L'Occitane posters and product leaflets be prominently displayed at these spas. We currently do not require all of these third party spas to use and sell exclusively L'Occitane products. Our products are sold to such third party spas on a wholesale price basis as part of our Sell-Out Segment, and we do not charge them a royalty for the use of our products.

We also operate two cafés which share premises with two of our stores in Tokyo. We believe that these help increase customer traffic through our stores.

### ***Distribution of Melvita and Oliviers & Co. products***

We had five Melvita stores and nine Oliviers & Co. stores as of 31 December 2009, where we sell our Melvita and Oliviers & Co. products. As at 28 February 2010, in addition to our five own Melvita stores, there were three Melvita stores operated by our distributors — one in Croatia and two in Slovenia. We had entered into transition and assets purchase agreements with Oliviers & Co. S.A. Under these agreements, four of our stores selling Oliviers & Co. products were transferred to Oliviers & Co. S.A. as at 1 February 2010, while the remaining five stores have stopped selling Oliviers & Co. products in March 2010. We are currently considering changing these stores into Melvita stores or distributors.

## **Description of Sell-In Segment**

### ***Third party distributors***

A small portion of our products are also sold to end customers by third party distributors who operate their own L'Occitane boutiques and department store corners that are required to conform to a standard L'Occitane décor specified by us. These third party distributors comprise two broad types:

- **Exclusive distributors.** In countries where we do not have a subsidiary or where we consider that we could benefit from the local expertise and market knowledge of a local partner in a particular location, our products are sold to a local distributor who in turn sells our products to end customers. We typically grant these distributors an exclusive right to retail our products in their respective country(ies) for a period of approximately five years (although there are variations depending upon specific circumstances of each case), at the expiry of which they are not renewed automatically but only upon mutual agreement. The boutiques

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operated by these distributors are established and operated at the distributor's own cost, and proceeds from retail sales are retained by these distributors, most of whom are free to set the retail price at which they would want to sell our L'Occitane products and we do not charge our distributors royalty or other similar fees for the use of our brand name. Ownership of the products passes to our distributors and we recognise revenue upon shipment of our products to these retailers. We grant to most of our distributors a credit term of 60 days. We set minimum thresholds in terms of annual purchase or turnover objectives (which apply contractually to most of our distributors). We control our distributors' marketing plans and the number of stores to be opened in each exclusive trading area. Typically, failure of the distributors to achieve such minimum thresholds can potentially lead to termination or non-renewal of their distribution contracts. Further, we retain the right to approve new store locations for all of our distributors. During the Track Record Period, we have not terminated the distributorship contracts of any of our third party distributors as a result solely of their failure to meet such minimum thresholds, although we have in the past decided not to renew a very small number of distribution contracts in cases which we considered that the overall performance of our third party distributors were not satisfactory or if we considered that the distributor did not demonstrate further potential to develop our brand. These cases of non-renewal involved our minor markets representing an immaterial portion of our sales only. Third party distributors are also required to spend an agreed percentage of their annual turnover on advertising and promotion in their exclusive trading area. These distributors are required to submit periodical reports to us on compliance with relevant terms of their distribution agreements, including achieving turnover objectives. Our distributors are responsible for ensuring that they comply with applicable local laws and regulations and we do not monitor them in this regard. We generally agree with our third party distributors to replace products delivered to them which are found to be defective. During the Track Record Period, the total value of products which we replaced was insignificant.

As at each of 31 March 2007, 2008 and 2009 and 31 December 2009, we had 60, 55, 50 and 50 exclusive distributors. As of 28 February 2010, our L'Occitane products are sold through exclusive distributors in the following places:

Europe. . . . .	Albania	Macedonia
	Bosnia	Netherlands
	Bulgaria	Norway
	Croatia	Portugal
	Cyprus	Romania
	Estonia	Serbia
	Finland	Slovenia
	Greece	Sweden
	Iceland	Ukraine
	Ireland	
	Latvia	
	Lithuania	

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Americas . . . . .	Argentina	El Salvador
	Chile	Guatemala
	Colombia	Guyana
	Costa Rica	Panama
	Ecuador	Paraguay
		Peru
		Venezuela
Asia. . . . .	Indonesia	Pakistan
	Kazakhstan	Turkey
	Malaysia	Philippines
	New Zealand	Vietnam
Africa/Middle East . . . . .	Azerbaijan	Oman
	Bahrain	Qatar
	Israel	Saudi Arabia
	Kuwait	Senegal
	Lebanon	South Africa
	Morocco	United Arab Emirates
Others . . . . .	Guadeloupe	Réunion
	Madagascar	Saint Barthelemy
	Martinique	Saint Martin
	Mauritius	Tahiti
	New Caledonia	

- French distribution network.** In France, the cost of establishing and operating retail shops is much higher than in most of our other markets. At locations where we believe we would not be able to achieve our target minimum profit margins, but which independent distributors may nevertheless find acceptable, we sell our products to these distributors (whom we refer to as “concessionaires”) who in turn sell our products to end customers. We typically grant these distributors an exclusive right to retail our products in a pre-agreed geographical zone for a period of approximately five years, under a L’Occitane shop sign. The boutiques operated by these distributors are established and operated at the distributor’s own cost, and proceeds from retail sales are retained by these distributors in the same way that our exclusive distributors retain their proceeds from retail sales. We receive income from the sale of our products to these distributors. We grant to most of our distributors a credit term of 60 days. We would typically agree on performance targets that these distributors are required to achieve which gives us a degree of control over their operations. Typically, failure by our French distributors to achieve these performance targets will give us the right to termination. We have decided not to renew a very small number of concessionaires in cases where we considered that the overall performance was not satisfactory during the Track Record Period. The distributors are free to set the retail price at which they would want to sell our L’Occitane products. The distributors are expected to spend a percentage of their annual target as agreed between L’Occitane and the distributor on advertising and promotion in their exclusive trading area. The distributors are obliged to pay invoices issued by L’Occitane promptly. We generally

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agree with these distributors to replace products delivered to them which are found to be defective. During the Track Record Period, the total value of products which we replaced was insignificant.

As at each of 31 March 2007, 2008 and 2009 and 28 February 2010, we had 54, 59, 66 and 67 "concessionaires" under our French distribution network.

Sales from this sub-segment within our Sell-In Segment during each of the three years ended 31 March 2009 and the nine months ended 31 December 2009 were approximately €25.2 million, €33.3 million, €31.0 million and €22.7 million, representing approximately 7.5%, 8.0%, 5.8% and 4.9% of our total sales, respectively.

### ***Wholesale to multi-brand distributors***

We sell a small portion of our products on a wholesale basis to third party multi-brand distributors, including department stores, pharmacies and chain stores which specialise in cosmetics. We currently make such wholesale sales in almost all countries in which we have a subsidiary.

Sales from this sub-segment within our Sell-In Segment during each of the three years ended 31 March 2009 and the nine months ended 31 December 2009 were approximately €30.0 million, €38.8 million, €57.4 million and €46.7 million, representing approximately 9.0%, 9.3%, 10.7% and 10.1% of our total sales, respectively.

### ***Television shopping operators***

We sell a small portion of our products on a wholesale basis to television operators who host television shopping channels. Television sales are available in the United States, Japan and the United Kingdom.

Sales from this sub-segment within our Sell-In Segment during each of the three years ended 31 March 2009 and the nine months ended 31 December 2009 were approximately €5.5 million, €6.8 million, €9.6 million and €8.4 million, representing approximately 1.7%, 1.6%, 1.8% and 1.8% of our total sales, respectively.

### ***Airport and duty free stores***

Airport and duty free stores encompass principally wholesale sale to duty free stores at airports for their retail sale to end customers. This also includes, to a lesser extent, wholesale sale to airlines for their in-flight sale to passengers.

Sales from this sub-segment within our Sell-In Segment during each of the three years ended 31 March 2009 and the nine months ended 31 December 2009 were approximately €13.9 million, €22.7 million, €29.0 million and €25.8 million, representing approximately 4.1%, 5.5%, 5.4% and 5.6% of our total sales, respectively.

### **Description of B-to-B Segment**

B-to-B sales are wholesale sales to businesses, including principally international hotels and airlines, which in turn make available our products to their customers on a complimentary basis.

### LOGISTICS AND INVENTORY MANAGEMENT

#### Inventory

Our inventory comprises raw materials, semi-finished products such as mixed and unbottled formulas, finished products and packaging materials. We store our inventory in our warehouses at our site in Manosque and Lagorce. As at 28 February 2010, the total gross floor area comprising warehousing facilities maintained by us at Manosque and Lagorce was approximately 31,984 square metres. We also maintain our own warehousing facilities at properties rented by us in Austria, Brazil, Czech Republic, Taiwan, the United Kingdom and the United States. At other countries or regions where our L'Occitane products are sold through our Own L'Occitane Stores, we store our inventory of finished products at third party warehousing facility providers. We determine whether to maintain our own warehousing facilities or to use warehousing facilities provided by third parties principally on the bases of cost, sophistication of systems provided by professional third party warehousing providers and amount of management time saved. For each of the three years ended 31 March 2009 and the nine months ended 31 December 2009, our total expenses on warehousing facilities for L'Occitane products were approximately €12.2 million, €15.5 million, €20.8 million and €17.7 million respectively. Our warehouses in Manosque are temperature controlled in order to ensure the inventory is kept at its optimum temperature to preserve quality and shelf life. We currently plan to build a new central warehouse which will serve all of our L'Occitane, Melvita and Le Couvent des Minimes inventory in one rationalised common facility. As our current warehousing capacity is relatively limited, this is expected to assist in ensuring that we are able to deliver sufficient quantities of products to our customers to meet expected sales growth.

Third party distributors to whom we sell our L'Occitane products on a wholesale basis as part of our Sell-In Segment, that is our exclusive distributors in countries other than France and our "concessionaires" under our French distribution network, are responsible for their own warehousing of our products.

Our products generally have an average shelf life of approximately three years. A batch code is printed on each product which specifies its month of production, and products that are approaching their expiry date are closely monitored by us and will be sold at semi-annual discount sales. Any such products which are not sold are usually either offered to our staff or are destroyed. Our overall inventory levels are adjusted based on seasonal changes in demand, our sales and marketing plans (including the timing of any new product launches) as well as our warehousing and logistics resources. We collect sales information from our retail management system which enables us to monitor sales performance by product, and production volumes are adjusted accordingly.

We strive to maintain a safety inventory level for our finished goods of at least one month's production volume at our warehousing facilities. Our safety inventory levels will vary according to season and regional requirements communicated by our various sales offices.

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We have established computerised retail management, warehouse management and enterprise resource planning systems which assist us in our inventory planning and management. We operate an extranet through which our wholesale customers and third party retailers can directly place orders for our products. For further information, please see the section headed “— Information Technology”.

### **Transportation**

We transport all our finished goods to our Own L’Occitane Stores, as well as to our wholesale and airport and duty free store customers, by different third party logistics companies. Products sold through our own internet-shopping websites, mail order and home shopping television networks are delivered to end customers by postal or courier services.

In Asia, we maintain warehouse facilities normally operated by third party logistics companies where our finished goods are stored to delivery to our Own L’Occitane Stores, customers who made purchases through our own internet-shopping websites and mail order, our wholesale distributors and airport and duty free store customers.

Shipments to third party distributors in Asia are made directly from our manufacturing plants in Manosque and Lagorce to the relevant country at the distributors’ cost. Shipments to the US, UK, Brazil and Europe, where we have our own distribution centres, are made regularly from our manufacturing plants in Manosque and Lagorce to the relevant regional distribution centres according to our stock management policy.

## **SALES AND MARKETING**

### **Marketing directly to customers and promotion**

Our principal form of advertising is marketing directly to new and existing customers at our own boutiques. We operate approximately 15 marketing events at our own boutiques each year, which typically involve the launch of a new product. We spend approximately 10% of our annual sales revenue on our global marketing and promotional efforts.

We carefully manage our marketing campaigns and conduct frequent introduction of new products. We introduced approximately 115 products during the year ended 31 March 2009. Because we conduct a majority of our sales through our Own L’Occitane Stores, we can effectively deliver our marketing messages through controlled, frequent renewal of our own window displays and new product launches. Launching marketing campaigns in our Own L’Occitane Stores eliminates the need to compete for advertising space or pay a premium for such space in special periods of the year. We also conduct seasonal promotional activities. These typically take the form of in-store sales promotions, such as themed packages of our products, for example as Christmas gift sets. Our controlled, regular launch of new products, together with our frequent renewal of window displays, are designed to make shopping for cosmetics and well-being products a seasonal, pleasurable shopping experience, thereby encouraging new and repeated visits to our Own L’Occitane Stores. Making the majority of our sales through our Own L’Occitane Stores also allows us to discontinue products which prove to be less successful, as we control the inventory level maintained at Own L’Occitane Stores. This gives us a competitive edge in optimising our product mix.

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We also provide sample products to our customers as a form of product promotion. We provide those sample products through our Retail Stores, direct mail, as attachments to magazines and through internet request.

We have also launched advertising campaigns on television and in print media such as newspapers and magazines.

### **Customer loyalty program**

We study the needs of our existing customers through our global retail management system and strive to bring to them high quality products that serve their needs. For example, in Asia, we operate a customer loyalty programme whereby customers who spend beyond a pre-defined spending threshold receive a membership card. Membership gives customers an incentive to revisit our stores as points accrued based on actual spending can be used as credit for purchases of our products. In our other key markets, we maintain an extensive database of our existing customers who have joined our mailing lists. Based on the information supplied by our loyalty membership and mailing list customers, we tailor our marketing to address their needs and preferences. We conduct marketing directly to customers and promotions targeting our loyalty membership and mailing list customers.

We believe that our direct, tailored marketing to loyalty membership customers and mailing list customers is a key instrument that helps us to build a loyal customer base.

### **RESEARCH AND DEVELOPMENT**

We have a dedicated research and development team responsible for developing and improving the range and quality of our products. Our product development process focuses on improving and developing our existing product lines, as well as identifying new products and product lines.

As of 31 December 2009, our research and development team is comprised of 53 professional staff, the majority of whom are educated in biology, chemistry or biochemistry. Our director of research and development, Bernard Chevilliat, has over 20 years of experience in research and development of formulas based on natural and organic ingredients. We cooperate with certain universities, principally the Université de Provence and the Faculté de Médecine de Marseille, whereby from time to time we cooperate with their research laboratories in the development and improvement of formulas and in investigating applications of natural ingredients.

We develop our products and formulas according to the principles of phytotherapy and aromatherapy, and never test our products or the ingredients they contain on animals. We use active ingredients at an ideal concentration for optimal effectiveness. We believe that one of the key elements of making an effective product is the proportions of the key ingredients used. Therefore, disclosing ingredients on labels does not compromise our ownership of our know-how or technology, as proportions used are not disclosed.

Our research and development efforts are market driven, and our sales representatives from all markets maintain a close dialogue with our research and development team. This enables our research and development team to respond quickly to changes in consumer demand and product trends identified by our sales representatives and develop products that best cater to consumer demand and needs. Also, sales representatives can be regularly educated about new formulas and products developed by our research and development team so that they have a better

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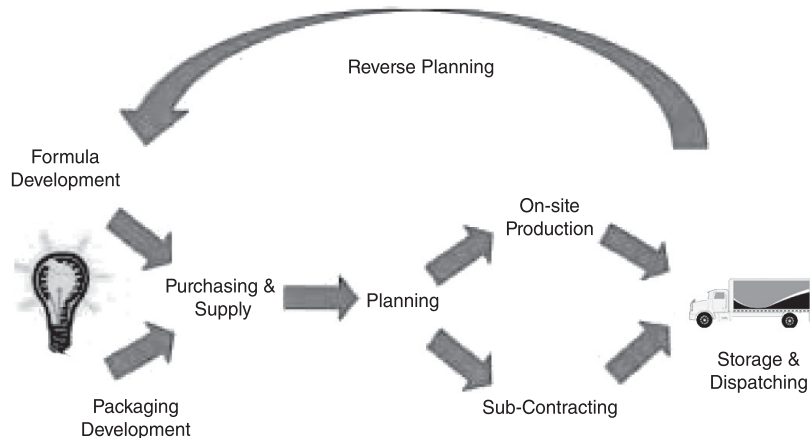
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understanding of our products and thereby enabling them to more effectively market our products directly to end customers. Our marketing, packaging and research and development teams meet approximately every four weeks on average.

Our dedication to research and development has enabled us to launch for our L'Occitane brand for example 87 completely new products which were never sold before in the year ended 31 March 2009.

The following diagram illustrates our product development cycle:



## QUALITY CONTROL

### Research and development phase

Before launching, we do not conduct any tests of our products on animals. We test our products on volunteers prior to the launch of a new product. The principal tests which we conduct on our products are:

- **Ocular in-vitro test.** This tests for the presence of irritants and involves bringing the product in contact with cornea cells containing a colouring agent. The absence of a potential irritant is indicated by the stability of the cornea cells, which is evidenced by the non-release of the colouring agent.
- **Patch test.** This tests for any occurrence of irritation. The product is tested on around 20 volunteers by applying an occlusive patch to the forearm for 48 hours. Then the patch is removed, after which time a dermatologist ensures that no irritation occurs within the first 30 minutes.
- **In-use test.** This tests for skin tolerance and effectiveness of the product, and the occurrence of adverse reactions. This test involves actual use of the product by around 20 volunteers over a three- to four-week period under the monitor of a dermatologist and/or ophthalmologist to confirm that the product is well tolerated in actual use.



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- **RIPT.** Repeated Insult Patch Testing is a study of the product to confirm compatibility with the skin and the absence of allergenic effects of the product after repeated use. This generally involves applying a total of ten patches of the product to new skin sites of 50 volunteers for 24 hours every other day. Each site is then examined for erythema and edema. After a two-week rest following the final application, a patch is applied for 24 hours and the results compared with the results of the earlier ten patches. The results are analysed by a dermatologist.
- **Phototoxicity.** This test is used on eaux de toilette for the evaluation of any phototoxic potential by cytotoxicity comparison with and without UVA.
- **Challenge test.** This tests for the anti-microbial efficiency of the preservative.

Our tests are handled by third-party test agencies which specifically provide this service. We are not involved in the recruitment of volunteers by these agencies.

### Production phase

During the production phase, our quality control master plan provides, among other things, that:

- all raw materials are tested for their physical, chemical and biological characteristics prior to being used in production
- similar tests are run at different steps and at the end of the production process
- hygiene procedures, auto-controlling procedures, staff training and audits are put in place

We visit our main suppliers of shea butter, lavender oil and immortelle essential oil at least once a year in order to inspect the crops and harvest. We conduct quality control of our other key ingredients suppliers by visiting them every two years.

### INFORMATION TECHNOLOGY

We utilise various computer systems to complement our business and assist us in managing inventories, sales orders, e-commerce, supply chain and financial reporting:

- **Retail management system.** This system covers store sales, promotions, CRM activities, store inventories and replenishment.
- **Enterprise Resource planning.** This system controls purchasing, supply chain management, planning, manufacturing, subcontracting as well as general and analytical accounting ledgers.
- **Warehouse management system.** This system provides detailed inventory management functions, controls the order preparation process and covers transportation and delivery.
- **E-commerce.** We have a central web platform which implements our e-commerce operations in 24 countries, both for our subsidiaries and our third party distributors. This platform also implements institutional websites for certain of our subsidiaries and third party distributors. This is run centrally and the hosting of the platform is outsourced in France. It is strongly

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integrated with our retail management system to allow coherent multi-channel customer relationship management (**CRM**) between our retail and web customers. The development, maintenance and hosting of our Japanese e-commerce website is outsourced locally.

- **Extranet.** We have also developed an extranet for our subsidiaries and distributors to access merchandising, marketing and training materials and to place orders directly with us.
- **Operational and financial reporting.** This system allows access to operational reporting on matters including sales performance, supply chain and CRM. It also implements budget realisation, financial reporting and statutory financial consolidation functions.

In addition, we are in the process of implementing worldwide SAP as our ERP (Enterprise Resource Planning) to support, in an efficient and integrated way, our supply chain and financial processes. We started to work on this in September 2008 and selected SAP software to support this business improvement project in April 2009. The general design phase commenced recently and is targeted to launch in 2010, covering our Company and our wholly-owned subsidiary in the United Kingdom. Thereafter we have a roll out scheduled for our main distribution subsidiaries (Japan, Hong Kong, US and Continental Western Europe) as well as for our manufacturing plants (in Manosque and Lagorce) in 2011 and 2012. We have eight persons experienced in the various business processes who are fully dedicated to this project. The estimated overall expenses relating to the SAP project amounts to approximately €12 million over a period of 36 months for the first roll out phase, that includes the headquarters, production, central distribution and the main distribution subsidiaries. We plan to fund the estimated overall expenses of €12 million through our internal resources and/or from bank borrowings, as necessary. Our total cash outflow is expected to be approximately €3.8 million, €3.5 million, €4.2 million and €0.7 million for the years ended 31 March 2010, 2011, 2012 and 2013 respectively, for the period of 36 months starting in June 2009.

After the roll-out of the project described above, depending on its successful and timely implementation and not earlier than 2013, we estimate that we will be able to expand the new system to a larger number of our distribution subsidiaries. The related scope, timing and possible investment amounts will be defined at a later stage.

### INTELLECTUAL PROPERTY

Our most valuable intellectual property is the L'Occitane brand. We have registered this trademark in more than 100 countries, in some cases in several alphabets or characters such as in Latin, Cyrillic, Chinese and Arabic characters. The design of the packaging of our products is an important element of the enhancement of our brand image. Therefore, where possible and economically reasonable, we have registered figurative trademarks in order to protect our original labels and design patents in respect of some of our packaging.

We have registered patents over the "Immortelle", "Cade", "Olive", "Almond" and "Apple" formulas and we have applied for a patent over the "Red Rice" formula.

We further protect our intellectual property through confidentiality agreements which we are increasingly including in our employment contracts and in our agreements with sub-contractors and other business partners to whom our formulas, designs or business information may be made available. We also regularly monitor the market for infringement of our L'Occitane brand, and will vigorously pursue and defend our rights against third parties whom we believe have infringed upon

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our intellectual property rights. For example, we noticed that a third party in the US has been selling cosmetics whose packaging and is deceptively similar to those of our L'Occitane products. We therefore commenced legal proceedings in the US and obtained a settlement agreement leading to withdrawal of the products from the US market. We also monitor the trademark registers of many countries and oppose any application that is similar to the L'Occitane trademark. Due to repeated infringements against our intellectual property rights in China, we started to pursue Chinese companies in the past, even filing lawsuits, whenever legally and commercially reasonable. In the future, we will intensify our fight against illicit copying of our brand and/or our products.

So far, we have not experienced any material difficulties in protecting or infringement of our intellectual property rights due to the lack of proprietary rights protection in a particular jurisdiction.

We have never had any material action brought against us by any third party claiming we have infringed any third party intellectual property rights. However, from time to time we may be involved in minor disputes relating to intellectual property rights belonging to or asserted by third parties. Currently we are involved in the following two minor claims brought against us by third parties for alleged infringement of their trademarks.

We previously used the words "*jardin biologique*", which is a generic descriptive phrase meaning "biological garden" in French, on our ECOCERT — certified organic products with ingredients such as olives and tomatoes. A third party claiming to be the registered owner of the trademark "*jardin biologique*" recently commenced legal proceedings against us for unauthorised use of their mark. The claim amount is €50,000 only, and we have already discontinued the sale of those products.

Also, we launched a new Immortelle product "*Immortelle Crème Divine*" in September 2009. In French, "*divine*" is a generic descriptive adjective with a similar meaning to the English word "divine", and is often used to mean "godly". A third party claiming to be the registered owner of the trademark "DIVINE" recently commenced legal proceedings against us for unauthorised use of their mark in France only. The claimant did not make a claim for a specific sum, but sought an interdiction of the commercialisation (similar to a cease and desist order) in France of any product with the name "Divine", although they were not successful in obtaining an injunction against us. In the event of any future claims forbidding us from using the word "Divine" in our products, we believe that using another word in the name of that product will not affect our sale of that product in any materially adverse way given that the product is very new to the market and there would not be a significant or material marketing goodwill attached to that particular name yet, and in any event our products are marketed for their principal ingredients, and the word "*divine*" was not included nor intended to indicate the ingredients of that product. Further, we have filed a claim against the registered owner of the trademark "DIVINE" to seek to have their registration of that mark for its use in relation to cosmetic products removed, on the basis that they do not, to our knowledge, use that trademark for cosmetic products.

We therefore believe that these claims are immaterial and will not materially affect our results of operation.

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### ENVIRONMENTAL PROTECTION

We have a deep respect for the environment and we commonly use paper and cardboard that according to our suppliers are made from sustainably managed forests. We strive to limit our use of packaging materials and where available and appropriate we will use recycled and recyclable materials.

Our manufacturing process produces a minimal amount of waste products since we purchase our raw materials in a form ready to be combined in our products without further processing.

Our facilities in France are subject to the ICPE regulation (Installations Classées pour la Protection de l'Environnement) pursuant to the European directive 1996/61/CE and the PPRI regulation (Plan de Prévention du Risque Inondation) (together, the *Regulations*) which are implemented to manage the risks of flooding. The cost of complying with these regulations over the Track Record Period was approximately €0.4 million per year. As the obligations under the Regulations have been reinforced, the cost of compliance will be increased to €0.6 million per year.

We are not in any material breach of any specific environmental regulations applicable to our business.

### EMPLOYEES

As at 31 December 2009 we employed 4,682 full-time employees.

As at 31 December 2009, our employees by function was as follows:

Management and Administration . . . . .	429
Sales and Marketing . . . . .	940
Research and Development. . . . .	53
Production . . . . .	429
Frontline sales staff . . . . .	<u>2,831</u>
Total . . . . .	<u><u>4,682</u></u>

Some of our employees are members of various local trade unions. We believe we maintain good relationships with these trade unions through effective, regular communication. We have not experienced any material labour disputes or strikes.

We provide training to our frontline sales staff locally and tailored to each country. This training includes sales and customer service techniques, operational skills, orientation into our Company and our products, and specific face care and make-up workshops. We provide additional training for each new product launch. Our shop managers are provided with specific training linked to their management role. We also hold motivational events for our local management, including visits to our manufacturing plant at Manosque.

The key aim of our various training programmes is to familiarise our employees with our business and philosophy so as to create an involved community within our Company and enable them to become dedicated and loyal ambassadors of our L'Occitane and other brands.

### PROPERTY INTERESTS

The only properties owned by our Group are certain properties which are used as our manufacturing plants and warehouses, are located in Manosque and Lagorce. The Group's manufacturing plant and warehouses situated in Manosque are deemed to be owned properties under both accounting and property valuation perspectives, although part of the manufacturing plant and warehouses may be held under a finance lease from a third party bank. As of 28 February 2010, the Group also leased the property at which its manufacturing facilities for Melvita are situated in Lagorce, France (the **Melvita Lease**). On 30 March 2010, which is after the property valuation date of 28 February 2010, we acquired the Group's manufacturing facilities situated in Lagorce, France (the **Melvita Property**). Also on 30 March 2010, we signed a finance lease agreement in connection with (i) the acquisition of the existing land and building of Melvita for an amount of €4,934,000 and (ii) the extension and restructuring of the plant for an amount of €9,066,000. The lease term of the finance lease is 15 years. The Melvita Property is deemed to be an owned property under both accounting and property valuation perspectives, although it is held under a finance lease from a third party bank.

We lease the premises at which we operate our Retail Stores from third parties. As at 28 February 2010, these comprised 753 Own L'Occitane Stores in 27 countries, five stores at which we sell our Melvita products, five stores at which we previously distributed "Oliviers & Co" products and one own spa each in Hong Kong, Taiwan, France and Brazil. We also lease 78 properties in 24 countries which we use as office premises, warehousing facilities and staff quarters. The terms of our leases range from a minimum of one year to no time limitation. The majority of such leases prohibit our alienation or assignment thereof without the prior written consent of the landlord.

The average monthly rent paid by the retail outlets in Hong Kong on Hong Kong Island/in Kowloon and elsewhere outside Hong Kong Island (being the aggregate rent paid on a yearly basis divided by 12), including outlets that are situated on streets and inside shopping malls, was approximately HKD1,531,000, HKD2,255,000, HKD2,647,000 and HKD3,218,000 for the three years ended 31 March 2009 and the nine months ended 31 December 2009 respectively. The average monthly rent paid by the retail outlets in mainland China (being the aggregate rent paid on a yearly basis divided by 12), including outlets that are situated on streets and inside shopping malls, was approximately RMB920,000, RMB1,661,000, RMB2,411,000 and RMB3,212,000 for the three years ended 31 March 2009 and the nine months ended 31 December 2009 respectively.

Please see the section headed "Exemptions from the Hong Kong Companies Ordinance and Waivers from the Listing Rules" in this prospectus in relation to a waiver we obtained from strict compliance with the Listing Rules and certificate of exemption from the requirements of the Hong Kong Companies Ordinance regarding property valuation.

The Joint Sponsors and our Directors are of the opinion that, as of 28 February 2010, none of the leased properties (other than the Melvita Property) is individually material to our Group in terms of total net sales and total rent and occupancy expenses.

The Company confirms that, save for the Melvita Property, there were no further acquisitions or disposals of the properties since 28 February 2010.

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Set out below is a summary of the property interests of the Group as at 31 December 2009:

	<b>Properties of the Group which have been valued (being properties in group I to V in the valuation report set out in Appendix IV)</b>	<b>Properties of the Group which have not been valued (being other leases of the Group including retail, office and warehouse)</b>
Book value of assets attributable to these properties <sup>(1)</sup> .	€12,926,000	0
Percentage of total assets represented by these properties . . . . .	2.7%	0%

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<sup>(1)</sup> This does not include leasehold improvements.

We lease the premises at which we operate our Retail Stores from third parties. As set out in note 7.4 to the Accountant's Report, as at 31 December 2009, the net book value of leasehold improvements related to the stores was €29,070,000, representing 6.1% of total assets.

As at 28 February 2010, the total number of properties of the Group which have been valued (being properties in group I to V in the valuation report set out in Appendix IV) was 39 and the properties of the Group which have not been valued (being other leases of the Group including retail, office and warehouse) was 810.

### COMPETITION

Please see the section headed "Industry Overview — Competition" for the state of competition in our industry

### INSURANCE

We maintain a range of insurance cover in relation to our business that are customary for our industry, including without limitation property damage and business interruption insurance, product liability insurance and carriage of goods insurance.

We have not made any material claims on any insurance policy maintained by us during the period beginning 1 April 2006 to the Latest Practicable Date.

### LEGAL AND REGULATORY MATTERS

#### Regulatory compliance

After due and careful enquiry, we are of the opinion that all members of our Group have obtained and currently maintain all necessary permits and licenses which are material to our Group's production and sales activities actually being conducted. The main permits required for our production are a fork lift truck driving license, an electricity permit and health and safety permits. Every year we organise training for new employees if they do not already have the required qualifications and we also provide refresher courses for our existing staff.

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Further, there were no findings notified to us by any regulating authority in the jurisdictions in which we operate of any material non-compliance with any rule, regulation or law to which our business is subject, or any irregularities as a result of periodic visits and audits, during the Track Record Period.

### **Litigation**

We are not involved in any material litigation.

We are occasionally involved in routine litigation matters that are common for our industry, such as minor employment disputes and contractual disagreements with our suppliers and/or service providers, none of which we believe has been material. Further, during the Track Record Period, no member of the Group has been sanctioned by any relevant authority for not having obtained or, to its knowledge, investigated as to whether it has obtained, all necessary permits and licences required for its respective production and sales activities as conducted.

In the year ended 31 March 2007, Posada Sanchez, a Spanish limited company, initiated legal action before the courts of Madrid against our Company and L'Occitane SA, our wholly owned subsidiary, on the basis of wrongful termination of a concession agreement and of an exclusive wholesale agreement, with a claim for damages in the amount of approximately €1,500,000. Even though we are of the opinion that the non-renewal of the wholesale agreement was in accordance with the notice periods and that the concession agreement was consequently rightly terminated, the competent court in Spain made a judgement obliging us to pay an amount of €296,206. This amount has been settled by us. Nevertheless, we filed an appeal against the aforementioned judgement. On 1 December 2009, the Court of Appeal has increased the compensation to the plaintiff to €329,000. Although we still disagree with the decision of the court, we decided not to file an appeal against this decision before the Spanish Supreme Court. In addition, a former business partner in Kuwait in charge of the importation of L'Occitane products filed a lawsuit against us and claimed an amount of €350,000. This importer lost the legal case in the first instance but filed for an appeal. The legal proceedings are still pending. Our Directors do not expect that the claimant will succeed nor do they expect that the outcome of these proceedings will have a material adverse effect on our consolidated financial position, income statements or cash flow.

Please see the section headed “— Intellectual Property” for details relating to two minor disputes relating to intellectual property rights belonging to or asserted by third parties.

Please also see Note 30.1 to the Accountant's Report set out in Appendix I to this prospectus for details relating to other minor legal proceedings which we are currently involved in.