



L'Occitane International S.A.

49, Boulevard Prince Henri L-1724 Luxembourg
R.C.S. Luxembourg: B80359
(Incorporated under the laws of Luxembourg with limited liability)

L'Occitane Announces FY2018 Interim Results

Net sales grew 2.3% at constant rates (like-for-like basis)
Online sales up 22.6% following successful marketing investments

1. Despite a challenging retail backdrop, encouraging progress was made in key emerging markets, emerging brands and online channels.
2. Net sales were €548.2 million, an improvement of 1.1% at constant rates (up 2.3% on a like-for-like basis).
3. Gross profit margin expanded by 0.6 points to 82.8%.
4. China and Brazil were the fastest-growing countries, with sales growth at constant rates of 22.7% and 13.2% respectively. Meanwhile, sales growth in Hong Kong further stabilised.
5. Web sell-out sales (e.g. T-mall) grew 22.6%, equivalent to 12.9% of total sell-out sales.
6. Emerging brands (Melvita, L'Occitane au Brésil, Erborian) delivered double-digit growth.
7. Continued investment in E-commerce, digital marketing, brand positioning and R&D boosted brand awareness.
8. Net profit fell to €10.7 million due to unfavourable foreign exchange rates, one-off effects and strong seasonality.

FINANCIAL HIGHLIGHTS

For the six months ended 30 September

(in million €, unless otherwise stated)

	2017	2016	Change
Net sales	548.2	551.7	-0.6%
Gross profit	453.9	453.4	+0.1%
<i>Gross margin</i>	82.8%	82.2%	+0.6 pp
Operating profit	13.8	19.4	-28.9%
<i>Operating margin</i>	2.5%	3.5%	-1.0 pp
Profit for the period	10.7	26.4	-59.4%
<i>Net profit margin</i>	2.0%	4.8%	-2.8 pp
Basic EPS (€)	0.008	0.018	-55.6%
Return on capital employed (%)	1.7%	4.5%	-2.8 pp
Return on equity (ROE) (%)	1.3%	3.1%	-1.8 pp
Gearing ratio (%)	7.2%	7.5%	-0.3 pp
Net Cash	167.2	257.3	-35.0%

(20 November 2017, Hong Kong) L'Occitane International S.A. ("L'Occitane" or the "Group"; SEHK stock code: 973), a global, natural ingredient-based cosmetics and well-being products company with origins and true stories from Provence, France and around the world, today announces its interim results for the six months ended 30 September 2017 ("the first half of FY2018").

Due to L'Occitane's strong gifting and holiday image, sales are normally positively skewed towards the third financial quarter (between 1 October and 31 December). This significant seasonality magnified the impact of the lower operating leverage during a time when the retail environment was also challenging. As a result, the Group's financial performance in the first half of FY2018 should not be representative of its annual results for FY2018.

The Group recorded net sales of €548.2 million in the first half of FY2018, an improvement of 1.1% at constant rates and a slight decline of 0.6% at actual rates compared to the same period of last year. On a like-for-like basis (i.e. excluding Le Couvent des Minimes and a one-off deal of L'Occitane au Brésil last year), the Group's net sales improved 2.3% and 0.5% at constant rates and actual rates respectively. The higher sales growth was mostly attributable to the Group's strong performance in emerging markets, including China and Brazil, as well as reasonable growth in the Japan, Hong Kong and France markets.

Gross profit rose 0.1% to €453.9 million in the first half of FY2018, while the gross profit margin increased by 0.6 points to 82.8%. The increase in the gross profit margin was attributed to a reduction in production costs, price increases in some markets, and a reduction of obsolescence. However, this was partly offset by unfavourable foreign exchange rates and a reduction in margin of post-disposal production of Le Couvent des Minimes.

The Group recorded an operating profit of €13.8 million for the first half of FY2018, a decline of 28.9%, while net profit fell 59.4% to €10.7 million. This was mostly due to unfavourable foreign exchange rates, one-off effects and strong seasonality.

Sell-out sales accounted for 72.4% of the Group's total sales in the first half of FY2018, amounting to €397.1 million, an increase of 1.1% at constant exchange rates. The growth in sell-out sales was primarily driven by new stores and newly renovated stores, own E-commerce channels, as well as marketplaces and spa businesses. Under its selective omni-channel expansion strategy, the Group's global own retail store network grew to a total of 1,519 stores during the period.

The Group's Web Sell-out channels (including own E-commerce and marketplaces) grew particularly strongly during the first half of FY2018, increasing by 22.6% at constant rates and was equivalent to 12.9% of total Sell-out sales. The growth was driven particularly by T-mall in China, which was supported by a highly successful brand ambassador campaign.

Sell-in sales accounted for 27.6% of the Group's total sales in the first half of FY2018, amounting to €151.1 million, an increase of 1.0% at constant exchange rates (and up 5.4% on a like-for-like basis). This growth was primarily driven by dynamic growth in travel retail, distribution, B2B, and web-partner channels for the L'Occitane en Provence brand.

China and Brazil were the fastest-growing markets at constant rates during the first half of FY2018, with sales growing 22.7% and 13.2% respectively (18.2% and 18.8% at actual rates). The momentum in China was supported by strong same store sales growth, the recovery of the local retail market, as well as a very successful brand ambassador campaign featuring Chinese artist, Lu Han, which continued to draw traffic both online and offline. Sales in Brazil was driven by the continued growth of the L'Occitane en Provence and the L'Occitane au Brésil brands.

Sales in Hong Kong stabilised further during the first half of FY2018, supported by the stronger Asian travel retail market, growing 2.6% and 0.4% at constant and actual rates respectively. Meanwhile, although sales in Japan – the Group's largest market – were impacted by poor weather and weaker-than-expected marketing windows during the summer season, Melvita continued to perform well in Japan with mid-double-digit growth.

The development of the Group's emerging brands remained on track and contributed more to overall growth. Melvita and Erborian delivered double-digit growth, while L'Occitane au Brésil maintained strong mid-double-digit growth excluding a one-off deal from last year.

During the first half of FY2018, the Group remained focused on its multiple strategies to achieve long-term growth, including boosting brand appeal, enchanting more customers by providing exceptional experiences – both offline and online, as well as improving operational efficiency. This included showcasing selected 'hero products' across all distribution formats, such as the re-launch of the popular 'Divine Youth Oil' to further strengthen the Group's skincare expertise image.

The Group continued to roll-out its omni-channel strategy centred around the 'Sunshine Concept' in order to refresh and modernise the look and navigation of its stores. Elements of this concept were adopted within the new e-commerce website that debuted in late August, as part of the Group's efforts to create a seamless and unified brand experience. The Group is also set to unveil two new flagship stores on Regent Street in London and on the Avenue des Champs-Élysées in Paris, with the latter being a one-of-a-kind concept store in partnership with famous French pastry chef, Pierre Hermé.

On the marketing front, the Group will continue to invest in new brand ambassadors and other marketing initiatives in order to build on the Group's recent success in increasing online and offline sales in emerging markets. It recently re-signed Lu Han for 2018 to promote the Group's body care products in China, and it will soon bring on board a new female brand ambassador to promote its face care products in its three main Greater China markets: Mainland China, Hong Kong, and Taiwan, as well as within its travel retail channels.

The Group's balance sheet remained healthy during the period under review, with its net cash position amounting to €167.2 million as at 30 September 2017.

Mr. Reinold Geiger, Chairman and Chief Executive Officer of L'Occitane, said, "We will continue to push forward our omni-channel sales strategy, as well as our digital marketing and brand building efforts in order to boost our sales performance as we head into the historically more active second half of the year."

"In particular, we are pleased about the strong initial reaction to our product re-launches and newly revamped shop fronts and online platforms, which is allowing us to better reach, communicate and delight consumers seeking products made from quality, natural and sustainable ingredients. We are confident that this will enable us to continue delivering sustainable value to our shareholders and stakeholders."

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About L'Occitane International S.A.

L'Occitane International S.A. (the "Company") is a world's leading natural ingredient-based cosmetics and well-being products company with origins and true stories from Provence, France and around the world. A global leader in the premium beauty market, L'Occitane produces and retails best quality products, produced with cutting-edge technology under four brands, including L'Occitane en Provence, Melvita, Erborian and L'Occitane au Brésil. Its products are rich in natural ingredients of traceable origins, while also respecting the environment.

Media Contact

Think Alliance Group

Mr. Matthew Schultz / Henry Chow

Tel: (852) 3978 5321 / 3978 5323

Email: loccitane@think-alliance.com

Analyst Contact

L'Occitane International S.A.

Ms. Janis Lai

Investor Relations Manager

Tel: (852) 2899 4106

Email: Janis.LAI@loccitane.com