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L'OCCITANE

EN PROVENCE

L'OCCITANE INTERNATIONAL S.A.

49, Boulevard Prince Henri L-1724 Luxembourg

R.C.S. Luxembourg: B80359

(Incorporated under the laws of Luxembourg with limited liability)

(Stock code: 973)

CONTINUING CONNECTED TRANSACTIONS — AGREEMENTS WITH PIERRE HERMÉ

INTRODUCTION

Reference is made to the announcement of the Company dated 26 July 2017 in relation to, among other things, the Sublease Agreement.

The Board is pleased to announce that on 8 December 2017, M&L Distribution (a wholly-owned subsidiary of the Company) as purchaser, and L'Occitane UK (a wholly-owned subsidiary of the Company) as purchaser, entered into the Paris Supply and Distribution Agreement and the London Supply and Distribution Agreement, respectively, with P2S2 as supplier in relation to, among other things, the supply of Pierre Hermé Paris trademarked products to the Group, and distribution at the Paris Flagship Store and the London Flagship Store, respectively.

PARIS SUPPLY AND DISTRIBUTION AGREEMENT

Set out below is a summary of the principal terms of the Paris Supply and Distribution Agreement and the transactions contemplated thereunder.

Date : 8 December 2017

Parties : (1) M&L Distribution, as purchaser; and
(2) P2S2, as supplier

Term : 7 December 2017 to 20 July 2020

- Renewal : M&L Distribution may request to renew the Paris Supply and Distribution Agreement for a period of three years and the parties undertake to enter into negotiations for the renewal at least six months prior to the end of such term.
- Distribution : M&L Distribution shall sell Pierre Hermé Paris trademarked products at the Paris Flagship Store.
- Scope of supply : P2S2 shall supply Pierre Hermé Paris trademarked products consisting of a range of manufactured products (such as macarons, chocolates, pastries, cakes, teas), packaging and other related materials and tools under the Pierre Hermé Paris trademark for sale at the Paris Flagship Store.
- Pricing of products : The products in the amount of up to €8,000,000 per year to be supplied by P2S2 are proprietary Pierre Hermé products that are only available from Pierre Hermé. Accordingly, the prices for the products will be fixed by P2S2, with the price list agreed with the Company in advance on a half year basis. Pierre Hermé has guaranteed that the prices of its products offered to the Group would be no less favorable to the Group than those offered to its other third party customers.
- Expenses : The parties also agreed to reimburse each other for certain expenses relating to the operation of the Paris Flagship Store, including:
- Maximum expenses incurred by M&L Distribution to be reimbursed by P2S2:*
- (i) One-time payment of €3,500,000 for architectural works, furniture and fixtures; and
 - (ii) €35,000 per year for office rental;
- Maximum expenses incurred by P2S2 to be paid by M&L Distribution:*
- (i) €500,000 per year for the supply chain expenses, including logistics and transportation;

- (ii) €2,200,000 per year for P2S2's services for the sale of products;

Maximum expenses incurred by P2S2 or M&L Distribution to be reimbursed by the other as the case may be:

- (i) One-time payment of up to €1,300,000 for pre-opening costs; and
- (ii) €700,000 per year for other costs for cleaning, management, administration, safety and security.

The above maximum expenses were determined based on actual payments made by the respective parties.

Payment terms for product purchases : P2S2 will issue monthly invoices and M&L Distribution undertakes to pay within 30 calendar days of the following month.

The terms of the Paris Supply and Distribution Agreement were determined after arm's length negotiations between the parties.

LONDON SUPPLY AND DISTRIBUTION AGREEMENT

Set out below is a summary of the principal terms of the London Supply and Distribution Agreement and the transactions contemplated thereunder.

Date : 8 December 2017

Parties : (1) L'Occitane UK, as purchaser; and
(2) P2S2, as supplier

Term : 15 December 2017 to 14 December 2020

Renewal : L'Occitane UK may request to renew the London Supply and Distribution Agreement for a period of three years and the parties undertake to enter into negotiations for the renewal at least six months prior to the end of such term.

- Distribution : L'Occitane UK shall sell Pierre Hermé Paris trademarked products at the London Flagship Store.
- Scope of supply : P2S2 shall supply Pierre Hermé Paris trademarked products consisting of a range of manufactured products (such as macarons, chocolates, cakes, teas), packaging and other related materials and tools under the Pierre Hermé Paris trademark for sale at the London Flagship Store.
- Pricing of products : The products in the amount of up to €500,000 per year to be supplied by P2S2 are proprietary Pierre Hermé products that are only available from Pierre Hermé. Accordingly, the prices for the products will be fixed by P2S2, with the price list agreed with the Company in advance on a half year basis. Pierre Hermé has guaranteed that the prices of its products offered to the Group would be no less favorable to the Group than those offered to its other third party customers.
- Ongoing technical support : P2S2 shall provide continued training to the staff selected by L'Occitane UK for a lump sum of €25,000 net (plus VAT, if any) for the first contractual year and a lump sum of €10,000 for each of the following contractual years.
- Payment terms for product purchases : P2S2 will issue monthly invoices and L'Occitane UK undertakes to pay within 30 calendar days of the following month.

The terms of the London Supply and Distribution Agreement were determined after arm's length negotiations between the parties.

Proposed Annual Caps

The table below sets out the Proposed Annual Caps in relation to the Supply and Distribution Agreements, which were determined after taking into account the expected transaction amounts and the fees payable thereunder.

Year ending 31 March	Proposed annual caps			
	2018	2019	2020	2021
Paris Supply and Distribution Agreement	€7,945,000	€11,435,000	€11,435,000	€3,811,667
London Supply and Distribution Agreement	€160,000	€524,000	€512,000	€358,000
Sublease Agreement	€1,152,667	€1,729,000	€1,729,000	€521,068
Aggregate Proposed Annual Caps	€9,257,667	€13,688,000	€13,676,000	€4,690,735

REASONS FOR AND BENEFITS OF THE SUPPLY AND DISTRIBUTION AGREEMENTS

Mr. Pierre Hermé was recognised as the “World’s Best Pastry Chef” by The World’s 50 Best Restaurants in 2016 and “Pierre Hermé” is recognised across the world as a premier brand of chocolate, macarons and other delicacies. As part of the Company’s vision for its flagship stores to create a unique shopping experience, the Company believes that it is in its best interests to offer a crossover product mix of its own L’Occitane products as well as Pierre Hermé delicacies.

DIRECTORS’ VIEWS ON THE SUPPLY AND DISTRIBUTION AGREEMENTS

The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Supply and Distribution Agreements: (1) were entered into in the ordinary and usual course of the Company’s business; (2) are on normal commercial terms; and (3) are on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole. Further, the Directors (including the independent non-executive Directors) are of the view that the Proposed Annual Caps are on normal commercial terms, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Mr. Geiger is the ultimate beneficial owner of LOG, which indirectly holds approximately 40% of Pierre Hermé, which in turn wholly-owns P2S2. Mr. Geiger is therefore considered to have a material interest in each of the Supply and Distribution

Agreements and has abstained from voting on the Board resolutions approving the Supply and Distribution Agreements and the transactions contemplated thereunder. Save as disclosed above, none of the Directors have a material interest in the transactions contemplated under the Supply and Distribution Agreements.

GENERAL INFORMATION

The Company is a global, natural and organic ingredient-based cosmetics and well-being products enterprise with inspiration from Provence, which designs, manufactures and markets a wide range of cosmetics and well-being products based on natural and organic ingredients sourced principally from or near Provence.

M&L Distribution is a company incorporated in France and a wholly-owned subsidiary of the Company. M&L Distribution is principally engaged in distribution.

L'Occitane UK is a company incorporated in England and Wales and a wholly-owned subsidiary of the Company. L'Occitane UK is principally engaged in distribution.

P2S2 is a company incorporated in France and is a wholly-owned subsidiary of Pierre Hermé. It is principally engaged in the production and distribution of chocolate, macarons and other delicacies in France.

LISTING RULES IMPLICATIONS

P2S2 is a wholly-owned subsidiary of Pierre Hermé, which is indirectly owned as to 40% by LOG, the controlling shareholder of the Company. Therefore, P2S2 is an associate of LOG and a connected person of the Company pursuant to the Listing Rules. Accordingly the transactions contemplated under the Supply and Distribution Agreements, which are of a continuing nature, constitute continuing connected transactions of the Company under the Listing Rules.

Pursuant to the Listing Rules, the Company aggregated the transactions contemplated under the Sublease Agreement and the Supply and Distribution Agreements for the purpose of determining the compliance obligations of the Company (including calculation of the percentage ratios).

Since each of the applicable percentage ratios (other than the profits ratio) calculated with reference to the aggregated Proposed Annual Caps under the Sublease Agreement and the Supply and Distribution Agreements is more than 0.1% but less than 5%, the continuing connected transactions contemplated under the Sublease Agreement and the Supply and Distribution Agreements are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	L’Occitane International S.A., a company incorporated in Luxembourg with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00973)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Leased Premises”	certain commercial space on the ground floor and basement of a building located at 82-88 Avenue des Champs-Élysées, Paris, France, with an aggregate floor area of approximately 739 square meters
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“L’Occitane UK”	L’Occitane Limited, a company incorporated in England and Wales and a wholly-owned subsidiary of the Company
“LOG”	L’Occitane Groupe S.A., a company incorporated under the laws of Luxembourg with limited liability and the controlling shareholder of the Company
“London Flagship Store”	the Company’s flagship store in London on Regent Street

“London Supply and Distribution Agreement”	the supply and distribution agreement entered into between the L’Occitane UK and P2S2 on 8 December 2017 in relation to, among other things, the supply of Pierre Hermé Paris trademarked products to L’Occitane UK for distribution at the London Flagship Store
“M&L Distribution”	M&L Distribution (France) S.à.r.l., a company incorporated in France and a wholly-owned subsidiary of the Company
“P2S2”	Pâtisseries Paris Saint-Sulpice P2S2, a company incorporated in France and wholly-owned by Pierre Hermé
“Paris Flagship Store”	the Company’s flagship store in Paris at the Leased Premises
“Paris Supply and Distribution Agreement”	the supply and distribution agreement entered into between the M&L Distribution and P2S2 on 8 December 2017 in relation to, among other things, the supply of Pierre Hermé Paris trademarked products to M&L Distribution for distribution at the Paris Flagship Store
“Pierre Hermé”	PHP Invest SAS, a company incorporated in France and an associate of LOG or, as the context may require, the “Pierre Hermé Paris” brand
“Proposed Annual Caps”	the proposed maximum annual monetary value of the transactions under each of the Supply and Distribution Agreements
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sublease Agreement”	the sublease agreement entered into between M&L Distribution and P2S2 on 26 July 2017 in respect of the sublease of the an area of approximately 287 square meters within the Leased Premises for a term from 1 August 2017 to 20 July 2020, details of which were disclosed in the Company’s announcement dated 26 July 2017
“Supply and Distribution Agreements”	together, the London Supply and Distribution Agreement and the Paris Supply and Distribution Agreement

“€” or “Euro”

Euro, the single currency of participating members of the European Union

By order of the Board of
L’Occitane International S.A.
Reinold Geiger
Chairman

Luxembourg, 11 December 2017

As at the date of this announcement, the executive Directors are Mr. Reinold Geiger (Chairman and Chief Executive Officer), Mr. André Hoffmann (Vice-Chairman & Managing Director Asia-Pacific), Mr. Domenico Trizio (Group Managing Director), Mr. Thomas Levilion (Group Deputy General Manager, Finance and Administration) and Mr. Karl Guénard (Joint Company Secretary), the non-executive Director is Mr. Martial Lopez and the independent non-executive Directors are Mrs. Valérie Bernis, Mr. Charles Mark Broadley, Mr. Pierre Milet and Mr. Jackson Chik Sum Ng.