L'OCCITANE
EN PROVENCE

L'OCCITANE INTERNATIONAL S.A.

49, Boulevard Prince Henri L-1724 Luxembourg
R.C.S. Luxembourg: B80359
(Incorporated under the laws of Luxembourg with limited liability)
(Stock code: 973)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

HIGHLIGHTS

- Group's net sales were €1,319.4 million, recording growth of 4.6% at constant exchange rates and slight decrease of 0.3% at reported rates.
- Gross margin remained high at 83.3%.
- Operating profit and net profit were €141.0 million and €96.5 million respectively, both decreased as compared to last year. The decrease was partly due to unfavourable foreign currency translation effects and consequences of the tax reform in the US. Despite the unfavourable currencies effect, operating margin was 10.7%.
- In view of the strong net cash position at €297.7 million, the Board recommends an increase in dividend payout ratio to 45% (from 35% last year), with proposed final dividend of €0.0297 per share.

ANNUAL RESULTS

The board of directors (the "Board") of L'Occitane International S.A. (the "Company" or "L'Occitane") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2018 ("FY2018") together with comparative figures for the year ended 31 March 2017 ("FY2017"). The following financial information, including the comparative figures, has been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board as adopted by the European Union ("IFRS").

CONSOLIDATED STATEMENTS OF INCOME

For the year ended 31 March	*Notes*	2018 *€'000*	2017 *€'000*	% *Change*
Net Sales	2	**1,319,366**	**1,323,177**	**-0.3**
Cost of sales		(220,968)	(220,751)	0.1
Gross profit		**1,098,398**	**1,102,426**	**-0.4**
% of net sales		83.3%	83.3%	
Distribution expenses		(639,457)	(621,883)	2.8
Marketing expenses		(179,195)	(170,908)	4.8
Research & development expenses		(17,548)	(15,622)	12.3
General and administrative expenses		(123,048)	(127,862)	-3.8
Share of profit/(losses) from joint venture accounted for using the equity method		150	(27)	655.6
Other gains, net	3	1,687	2,188	-22.9
Operating profit	4	**140,987**	**168,312**	**-16.2**
Finance costs, net	5	(806)	(819)	-1.6
Foreign currency (losses)/gains		(4,222)	1,100	-483.8
Profit before income tax		**135,959**	**168,593**	**-19.4**
Income tax expense	6	(39,453)	(36,239)	8.9
Profit for the year		**96,506**	**132,354**	**-27.1**
Attributable to:				
Equity owners of the Company		96,313	131,910	-27.0
Non-controlling interests		193	444	-56.5
Total		**96,506**	**132,354**	**-27.1**
Effective tax rate		29.0%	21.5%	
Earnings per share for profit attributable to the equity owners of the Company during the period *(expressed in Euros per share)*				
Basic		0.066	0.090	-26.7
Diluted		0.066	0.090	-26.7
Number of shares used in earnings per share calculation				
Basic	7	1,460,682,471	1,462,720,221	-0.1
Diluted	7	1,461,891,614	1,463,878,454	-0.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at	*Notes*	31 March 2018 *€ '000*	31 March 2017 *€ '000*
ASSETS			
Property, plant and equipment, net		175,920	172,357
Goodwill		226,646	138,676
Intangible assets, net		76,556	56,677
Deferred income tax assets		62,882	80,058
Other non-current receivables		40,253	41,449
Non-current assets		**582,257**	**489,217**
Inventories, net	9	156,479	138,096
Trade receivables, net	10	109,401	107,983
Other current assets		68,485	55,162
Derivatives financial instruments		155	153
Cash and cash equivalents		385,712	452,751
Current assets		**720,232**	**754,145**
TOTAL ASSETS		**1,302,489**	**1,243,362**
EQUITY AND LIABILITIES			
Share capital		44,309	44,309
Additional paid-in capital		342,851	342,851
Other reserves		(105,376)	(66,125)
Retained earnings		649,189	598,845
Capital and reserves attributable to the equity owners		**930,973**	**919,880**
Non-controlling interests		7,828	465
Total equity		**938,801**	**920,345**
Borrowings		80,595	70,572
Deferred income tax liabilities		3,473	3,973
Other financial liabilities		13,158	5,603
Other non-current liabilities		31,743	31,405
Non-current liabilities		**128,969**	**111,553**
Trade payables	11	125,455	102,429
Salaries, wages, related social items and other tax liabilities		68,785	64,339
Current income tax liabilities		5,532	9,496
Borrowings		7,434	2,468
Other current liabilities		17,330	18,024
Derivatives financial instruments		493	442
Provisions for other liabilities and charges		9,690	14,266
Current liabilities		**234,719**	**211,464**
TOTAL EQUITY AND LIABILITIES		**1,302,489**	**1,243,362**
NET CURRENT ASSETS		**485,513**	**542,681**
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,067,770**	**1,031,898**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The amended standards and interpretations that are effective for the first time for the Group for the financial year ended 31 March 2018 do not have any material impact on the consolidated financial statements.

2. Net sales and segment information

The management assesses the performance of the two operating segments, which are Sell-out and Sell-in:

- Sell-out comprises the sales of products directly to the end customers. These sales are mainly done in the Group's stores and/or through the Group's websites;

- Sell-in comprises the sales of products to intermediates. These intermediates are mainly distributors, wholesalers, and travel retailers. This segment also comprises sales of products to corporate customers, airline companies and hotels.

From a geographical perspective, the management assesses the performance of different countries.

2.1. Operating segments

FY2018

	Sell-out	**Sell-in**	**Other reconciling items**	**Total**
	€ '000	*€ '000*	*€ '000*	*€ '000*
Net Sales	987,788	331,578	—	1,319,366
In % of total	74.9%	25.1%	—	100.0%
Gross profit	865,080	233,961	(643)	1,098,398
% of net sales	87.6%	70.6%	—	83.3%
Distribution expenses	(534,114)	(55,089)	(50,254)	(639,457)
Marketing expenses	(51,966)	(9,675)	(117,554)	(179,195)
Research & development expenses	—	—	(17,548)	(17,548)
General and administrative expenses	—	—	(123,048)	(123,048)
Share of profit/(losses) from joint operations	—	—	150	150
Other (losses) / gains-net	797	(91)	981	1,687
Operating profit	279,797	169,106	(307,916)	140,987
% of net sales	28.3%	51.0%	n/a	10.7%

FY2017

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

2.2. Geographic areas

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

	FY2018		FY2017	
In thousands of Euros	**Total**	*In % of total*	**Total**	*In % of total*
Japan	218,932	16.6%	238,795	18.0%
United States	172,160	13.0%	171,198	12.9%
China	159,118	12.1%	139,012	10.5%
Hong Kong[(1)]	124,584	9.4%	124,329	9.4%
France	102,177	7.7%	100,478	7.6%
Luxembourg[(2)]	67,301	5.1%	65,907	5.0%
Brazil	60,208	4.6%	56,509	4.3%
United Kingdom	59,837	4.5%	64,816	4.9%
Russia	50,493	3.8%	48,973	3.7%
Taiwan	39,433	3.0%	41,555	3.1%
Other countries	265,123	20.1%	271,605	20.5%
Net sales	1,319,366	100%	1,323,177	100%

(1) Includes sales in Macau and to distributors and travel retail customers in Asia.

(2) Sales invoiced by the Company to distributors and travel retail customers in Europe, Middle-East and Americas.

3. Profit / (losses) on sale of assets, net

	FY2018	FY2017
	€ '000	*€ '000*
Net gains / (losses) on sale of assets	432	(30)

4. Operating profit

Operating profit is arrived at after charging the following:

	FY2018	FY2017
	€ '000	*€ '000*
Employee benefit expenses	385,098	379,576
Rent and occupancy	234,954	240,777
Raw materials and consumables used	113,599	98,342
Change in inventories of finished goods and work in progress	(13,822)	2,623
Advertising costs	142,739	134,715
Professional fees	90,638	80,383
Depreciation, amortization and impairment	64,309	66,746
Transportation expenses	51,713	52,400
Auditor's remuneration	1,574	1,677
Other expenses	109,412	99,787
Total cost of sales, distribution expenses, marketing expenses, research and development expenses and general and administrative expenses	1,180,216	1,157,026

5. Finance costs, net

	FY2018	FY2017
	€ '000	*€ '000*
Interest on cash and cash equivalents	2,207	2,222
Finance income	2,207	2,222
Interest expense on:		
- Borrowings	(2,366)	(2,149)
- Finance lease	(97)	(110)
- Unwinding of discount on financial liabilities	(550)	(782)
Finance costs	(3,013)	(3,041)
Finance costs, net	(806)	(819)

6. **Taxation**

The components of income tax expense are as follows:

	FY2018	**FY2017**
	€'000	*€'000*
Current income tax	(28,323)	(42,402)
Deferred income tax	(11,130)	6,163
Total income tax expense	(39,453)	(36,239)

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

Profit before income tax	135,809	168,620
Income tax calculated at corporate tax rate *(Luxembourg tax rate of 26.01% as at 31 March 2018 and 27.08% as at 31 March 2017)*	(35,324)	(45,662)
Effect of different tax rates in foreign countries	5,343	13,842
Changes in tax rates	(5,484)	(881)
Effect of unrecognized tax assets	(1,588)	(630)
Expenses not deductible for taxation purposes	(1,118)	(1,034)
Effect of unremitted tax earnings	(1,246)	(1,529)
Recognition of previously unrecognised tax assets	499	—
Minimum tax payments	(535)	(345)
Income tax expense	(39,453)	(36,239)

The net effect of changes in tax rate mainly concerns the US where the enacted tax rate decreased from 39.5% to 27.7%.

7. **Earnings per share**

The calculation of basic and diluted earnings per share is based on the profit attributable to equity owners of the Company of €96.3 million for FY2018 (€131.9 million for FY2017) and the weighted average number of shares in issue of 1,460,682,471 (basic) and 1,461,891,614 (diluted) for the year ended 31 March 2018 and 1,462,720,221 (basic) and 1,463,878,454 (diluted) for the year ended 31 March 2017.

8. **Dividends**

At the Board meeting held on 11 June 2018, the Board recommended a distribution of gross final dividend of €0.0297 per share for a total amount of €43.4 million or 45.0% of the net profit attributable to the equity owners of the Company.

The amount of the proposed final dividend is based on 1,460,682,471 shares in issue excluding 16,282,420 treasury shares as at 11 June 2018.

9. Inventories, net

Inventories, net consist of the following items:

As at 31 March	2018	2017
	€ '000	*€ '000*
Raw materials and supplies	24,784	22,120
Finished goods and work in progress	140,528	127,856
Inventories, gross	165,312	149,976
Less: allowance	(8,833)	(11,880)
Inventories, net	156,479	138,096

10. Trade receivables, net

Ageing analysis of trade receivables from due date at the respective balance sheet date is as follows:

As at 31 March	2018	2017
	€ '000	*€ '000*
Current and past due within 3 months	108,816	107,585
Past due from 3 to 6 months	449	363
Past due from 6 to 12 months	47	1
Past due over 12 months	89	34
Trade receivables, net	109,401	107,983

The Group's sales to end customers are retail sales and no credit terms are granted to the end customers. For customers in the Sell-in segment, sales are made with credit terms generally from 60 to 90 days.

11. Trade payables

Ageing analysis of trade payables from due date at the respective balance sheet date is as follows:

As at 31 March	2018	2017
	€ '000	*€ '000*
Current and past due within 3 months	123,591	101,406
Past due from 3 to 6 months	1,036	339
Past due from 6 to 12 months	801	7
Past due over 12 months	27	677
Trade payables	125,455	102,429

MANAGEMENT DISCUSSION & ANALYSIS

Summary:

	FY2018 *€ million or %*	**FY2017** *€ million or %*
Net sales	1,319.4	1,323.2
Operating profit	141.0	168.3
Profit for the year	96.5	132.4
Gross profit margin	83.3%	83.3%
Operating profit margin	10.7%	12.7%
Net profit margin	7.3%	10.0%
Net cash inflow from operations	170.3	194.1

Definitions:

Comparable Stores means existing retail stores which have been opened before the start of the previous financial year, including Company owned ecommerce websites and excluding renovated stores.

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

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

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

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

Overall Growth means the total worldwide net sales growth for the financial period(s) presented excluding foreign currency translation effects.

REVENUE ANALYSIS

The Group's net sales reached €1,319.4 million, growing 4.6% at constant exchange rates in FY2018. Due to unfavourable foreign exchange rates, net sales at reported exchange rates reduced slightly by 0.3% over last year. During FY2017, the Company disposed of Le Couvent des Minimes and there was a one-off deal of obsolete L'Occitane au Brésil products in September 2016. In addition, LimeLife by Alcone ("LimeLife"), previously called LimeLight by Alcone, became a subsidiary of the Group in January 2018 and its sales are consolidated since. Excluding Le Couvent des Minimes, the one-off deal and LimeLife, the Group's like-for-like sales growth was healthy at 3.7%.

In FY2018, net sales in Sell-out and Sell-in segments (representing 74.9% and 25.1% of total net sales, respectively) increased by 4.8% and 4.0% respectively, excluding foreign currency translation effects. The Company increased the total number of retail locations from 3,037 as at 31 March 2017 to 3,285 as at 31 March 2018, an increase of 248 or 8.2%. The Company maintained its selective global retail expansion and increased the number of its own retail stores from 1,514 as at 31 March 2017 to 1,555 as at 31 March 2018, representing a net increase of 41 own stores or 2.7%. The net own store openings included 5 in Asia Pacific, 32 in the Americas and 4 in Europe and South Africa. The Group had accelerated the expansion of the emerging brands, with net 45 openings, including 28 L'Occitane au Brésil stores that were reclassified as own retail stores. At the end of March 2018, the emerging brands had a total of 140 own stores (Melvita: 55, L'Occitane au Brésil: 78 and Erborian: 7).

Sales from Comparable Stores, Non-comparable Stores and others and Sell-in segments grew at constant exchange rates by 1.7%, 12.4% and 4.0% respectively. Geographically, China, the US, Brazil and Hong Kong were the key contributing markets to Overall Growth.

Business Segments

The following table provides a breakdown of the net sales year-on-year growth (including and excluding foreign currency translation effects as indicated) by business segment for FY2018:

Year-on-year growth

Year-on-year growth	Growth	Growth	Growth[2]	Contribution to Overall Growth[2]
	€ '000	*%*	*%*	*%*
Sell-out	**(4,723)**	**(0.5)**	**4.8**	**78.4**
Comparable Stores	(22,133)	(3.2)	1.7	19.6
Non-comparable Stores & others [1]	17,410	6.0	12.4	58.9
Sell-in	**912**	**0.3**	**4.0**	**21.6**
Overall Growth	**(3,811)**	**(0.3)**	**4.6**	**100.0**

(1) Others include marketplaces, mail-orders and other service sales.

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

Sell-out

The Sell-out business segment accounted for 74.9% of the Group's total sales and amounted to €987.8 million, a decrease of 0.5% as compared to FY2017 and a 4.8% increase at constant exchange rates. The growth was contributed by both Comparable Stores and Non-comparable Stores & others. There was a net addition of 41 own stores during FY2018, including net additions of 43 stores in Brazil (42 of which were L'Occitane au Brésil stores), 10 stores in Japan (including 7 Melvita stores) and 7 stores in Other Countries. In the US, 11 net stores were closed as planned. China had 5 net closings (including 3 Melvita stores) due to lease end and underperformance. There were 4 and 1 net closings in Taiwan and Russia respectively.

Sell-out segment contributed 78.4% to Overall Growth in FY2018, mainly from Non-comparable Stores & others, which was driven by the marketplace platforms in China and Korea as well as the new stores opened and renovated in these two years. As compared to last year, sales of the Group's Web Sell-out channels (including own E-commerce and marketplaces) grew 19.2% at constant exchange rates, equivalent to 13.7% of the total Sell-out sales. The Group's Same Store Sales Growth for FY2018 further improved to 1.7% as compared to 1.4% for the nine months ended 31 December 2017, mainly driven by strong growth in China together with stabilization of Same Store Sales in Hong Kong, France, the UK, the US, Russia and Other Countries.

Sell-in

The Sell-in business segment accounted for 25.1% of the Group's total sales in FY2018 and amounted to €331.6 million, an increase of 0.3% as compared to FY2017 and a 4.0% increase at constant exchange rates. Sell-in segment contributed 21.6% to Overall Growth. Like-for-like growth was 7.0%. The increase was primarily driven by the dynamic growth in travel retail, B2B, web-partner and distributor channels.

Geographic Areas

The following table presents the net sales growth for FY2018 and contribution to overall sales growth (including and excluding foreign currency translation effects as indicated) by geographic area:

	Net Sales Growth FY2018 compared to FY2017							
	FY2018		**FY2017**		**Growth**	**Growth**	**Growth**(1)	**Contribution to Overall Growth** (1)
	€ '000	*%*	*€ '000*	*%*	*€ '000*	*%*	*%*	*%*
Japan	218,932	16.6	238,795	18.0	(19,862)	(8.3)	0.1	0.2
Hong Kong(2)	124,584	9.4	124,329	9.4	255	0.2	8.3	17.0
China	159,118	12.1	139,012	10.5	20,106	14.5	20.5	46.6
Taiwan	39,433	3.0	41,555	3.1	(2,122)	(5.1)	(3.3)	(2.2)
France	102,177	7.7	100,478	7.6	1,699	1.7	1.7	2.8
United Kingdom	59,837	4.5	64,816	4.9	(4,979)	(7.7)	(3.5)	(3.7)
United States	172,160	13.0	171,198	12.9	962	0.6	8.8	24.6
Brazil	60,208	4.6	56,509	4.3	3,698	6.5	11.3	10.5
Russia	50,493	3.8	48,973	3.7	1,520	3.1	3.6	2.9
Other countries(3)	332,425	25.2	337,513	25.5	(5,088)	(1.5)	0.2	1.4
All countries	**1,319,366**	**100.0**	**1,323,177**	**100.0**	**(3,811)**	**(0.3)**	**4.6**	**100.0**

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

(2) Includes sales in Macau and to distributors and travel retail customers in Asia.

(3) Includes sales from Luxembourg.

The following table provides a breakdown, by geographic area, of the number of own retail stores, their contribution percentage to Overall Growth and the Same Store Sales Growth for FY2018 compared to FY2017:

	Own Retail Stores				% contribution to Overall Growth[1][2]			
	31 Mar 2018	Net openings YTD 31 Mar 2018	31 Mar 2017	Net openings YTD 31 Mar 2017	Non-comparable Stores	Comparable Stores	Total Stores	Same Store Sales Growth[2]
Japan[3]	144	10	134	11	7.2	0.7	7.9	0.3
Hong Kong[4]	34	—	34	(2)	(2.9)	0.8	(2.2)	1.5
China[5]	197	(5)	202	15	3.5	22.9	26.4	15.1
Taiwan[6]	52	(4)	56	1	(0.5)	(1.1)	(1.6)	(2.7)
France[7]	82	2	80	(1)	4.6	(1.8)	2.8	(2.9)
United Kingdom	74	—	74	(1)	(0.9)	0.2	(0.8)	0.2
United States	196	(11)	207	(10)	(8.2)	(4.5)	(12.7)	(2.7)
Brazil[8]	166	43	123	31	6.3	2.7	9.0	4.5
Russia[9]	103	(1)	104	1	0.8	0.2	1.0	0.4
Other countries[10]	507	7	500	6	(0.2)	(0.5)	(0.6)	(0.2)
All countries [11]	**1,555**	**41**	**1,514**	**51**	**9.7**	**19.6**	**29.2**	**1.7**

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

(2) Excludes foreign currency translation effects.

(3) Includes 26 and 33 Melvita stores as at 31 March 2017 and 31 March 2018 respectively.

(4) Includes 2 L'Occitane stores in Macau and 10 Melvita stores in Hong Kong as at 31 March 2017 and 3 L'Occitane stores in Macau and 8 Melvita stores in Hong Kong as at 31 March 2018.

(5) Includes 10 and 7 Melvita stores as at 31 March 2017 and 31 March 2018 respectively.

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

(7) Includes 3 Melvita and 1 Erborian stores as at 31 March 2017 and 31 March 2018.

(8) Includes 36 and 78 L'Occitane au Brésil stores as at 31 March 2017 and 31 March 2018 respectively.

(9) Includes 2 and 5 Erborian stores as at 31 March 2017 and 31 March 2018 respectively.

(10) Include 5 Melvita and 1 Erborian stores as at 31 March 2017 and 4 Melvita and 1 Erborian stores as at 31 March 2018.

(11) Include 54 Melvita, 36 L'Occitane au Brésil and 5 Erborian stores as at 31 March 2017 and 55 Melvita, 78 L'Occitane au Brésil and 7 Erborian stores as at 31 March 2018.

Japan

Japan's net sales for FY2018 were €218.9 million, a decrease of 8.3% as compared to FY2017. In local currency, the growth was 0.1%. The performance was impacted by a sluggish retail market in the second half of the financial year, the closures of two underperforming large stores, and a high base last year. Sell-out sales growth in local currency was 0.1%, with 0.3% Same Store Sales Growth. Japan also ceased the mail order business, which was more than offset by the strong double-digit growth in Web Sell-out channels. Melvita continued double-digit growth, supported by strong Same Store Sales Growth and recent openings. There were 10 net store openings in FY2018, including 7 Melvita stores. Sell-in sales were flat with lower sales in TV and wholesale, compensated by strong developments in web-partners and B2B.

Hong Kong

Hong Kong's net sales for FY2018 were €124.6 million, an increase of 0.2% as compared to FY2017. At constant exchange rates, the growth was 8.3%, contributing 17.0% to Overall Growth. Sell-out segment growth was -2.9% at constant exchange rates, yet Same Store Sales returned to healthy growth of 1.5%. Hong Kong retail market saw a rebound in the second half of FY2018, with improvements in both local and Chinese tourist customers. The Immortelle Divine Youth Oil campaign succeeded in boosting sales as well as average ticket value. Sell-in sales increased by 15.6% at constant exchange rates, driven by the dynamic travel retail business in the region.

China

China's net sales for FY2018 were €159.1 million, an increase of 14.5% as compared to FY2017. At constant exchange rates, the growth was 20.5%, contributing 46.6% to Overall Growth. Sell-out sales growth was 21.6% at constant exchange rates, with Same Store Sales Growth at 15.1% and marketplace growth at 75.0%. Sales momentum remained strong online and offline throughout the year, thanks to successful marketing campaigns with celebrity Lu Han, who broadened L'Occitane's appeal to a younger demographic. Growth was particularly strong for the Cherry Blossom range, with some of the demand seen in other markets in the region as well as the travel retail channel. At the end of FY2018, there were 197 stores, representing 5 net closings. Sell-in channels also delivered good results, with contribution from B2B, department stores and web-partners.

Taiwan

Taiwan's net sales for FY2018 were €39.4 million, a decrease of 5.1% or 3.3% at constant exchange rates as compared to FY2017. Against the backdrop of a challenging and competitive retail market, the decrease in Sell-out was largely explained by the 4 stores closed in FY2018 and negative Same Store Sales Growth. The drop in Sell-in was from sluggish B2B sales. However, Taiwan remains one of the markets with highest repurchase rates in the Group, and the new product range Aqua Réotier saw encouraging initial results in the last month of FY2018. Meanwhile, the interface between e-commerce platform and CRM was improved in the second half of FY2018, paving the way to even better omni-channel experiences for our valuable VIP customers in Taiwan.

France

France's net sales for FY2018 were €102.2 million, an increase of 1.7% as compared to FY2017, contributing 2.8% to Overall Growth. On a like-for-like basis (excluding Le Couvent des Minimes), growth was 4.6%. The growth was driven by both Sell-out and Sell-in and by all brands. Retail picked up in the second half, helped by a recovery in tourist sales, good results of the new Aqua Réotier product launch as well as encouraging performances of the new and refurbished stores, such as La Vallée Village and Forum des Halles. We are also delighted with the opening of the flagship concept store on Champs-Élysées in Paris, which generated enormous publicity and uplifted the brand image. Sell-in sales grew by 5.4% (like-for-like), mainly driven by wholesale, web-partners and B2B.

United Kingdom

United Kingdom's net sales for FY2018 were €59.8 million, a decrease of 7.7% as compared to FY2017. At constant exchange rates, the growth was -3.5%. Sell-out sales dropped by 0.9%. Retail sales were affected by sluggish market, coupled with closures of some underperforming stores and loss of sales during renovations. Yet, Same Store Sales Growth was 0.2%, thanks to healthy growth in E-commerce. The flagship store on Regent Street in London also created excitement with unique in-store features and experiences. Sell-in sales reduced by 12.1%, due mainly to TV channel which had a high base last year. B2B and web-partners recorded a double-digit growth.

United States

United States' net sales for FY2018 were €172.2 million, an increase of 0.6% as compared to FY2017. At constant exchange rates, the growth was 8.8%, posting a contribution of 24.6% to Overall Growth. Like-for-like growth (excluding LimeLife) was -4.1%. Sell-out sales, excluding LimeLife, of the year ended at -4.9% at constant exchange rates compared to FY2017, which was largely explained by the planned closure of 11 non-performing stores under the store rationalization program. Though market was tough in the first half, retail sales saw growth and positive Same Store Sales Growth in the second half of FY2018, thanks to the successful campaigns such as co-branding Shea Collection with Rifle Paper Co., and the Friends & Family and "Refer a Friend" programs. Sell-in channels posted an increase of 1.2%, with encouraging growth in web-partners and TV channels.

Brazil

Brazil's net sales for FY2018 were €60.2 million, an increase of 6.5% as compared to FY2017. At constant exchange rates, the growth was 11.3%, contributing 10.5% to Overall Growth. Although the market remained challenging with a complex political environment, the Group achieved robust growth contributed by both Sell-out and Sell-in segments, thanks to the double-digit growth of L'Occitane au Brésil. Sell-out grew 12.2% at constant exchange rates, contributed by healthy 4.5% Same Store Sales Growth and the stores opened during this year and last year. E-commerce maintained a solid trend with mid-double-digit growth. Sell-in grew 7.1%, mainly from distributors of L'Occitane au Brésil. L'Occitane au Brésil achieved strong growth in Same Store Sales, E-commerce and distribution. There were 43 net openings in FY2018, including 28 L'Occitane au Brésil stores which were reclassified from temporary kiosks to own retail stores in view of their good sales performance. At the end of FY2018, the 166 own retail stores in Brazil consisted of 88 L'Occitane en Provence and 78 L'Occitane au Brésil stores.

Russia

Russia's net sales for FY2018 were €50.5 million, an increase of 3.1% as compared to FY2017. At constant exchange rates, the growth was 3.6%, contributing 2.9% to Overall Growth. Retail market remained tough with aggressive competition and a highly promotional environment. Sell-out grew 1.4% with slightly positive Same Store Sales Growth, achieved by dynamic E-commerce growth. Yet Sell-in remained solid with 13.0% growth, with contribution mainly from B2B, wholesale and web-partners. The encouraging development of Erborian also helped to grow in the flattish market. At the end of FY2018, there were 103 own retail stores, including 5 Erborian stores.

Other countries

Other countries' (including Luxembourg) net sales for FY2018 were €332.4 million, an increase of 0.2% at constant exchange rates, contributing 1.4% to Overall Growth. On a like-for-like basis (excluding Le Couvent des Minimes and the one-off deal concerning L'Occitane au Brésil), the growth was 1.9%. The Sell-out segment grew by 0.5% with almost flat Same Store Sales Growth. Australia, Malaysia and Mexico delivered decent growth. Sell-in (like-for-like) grew 4.7%, mainly contributed by distributors, B2B and travel retail in Europe and America.

PROFITABILITY ANALYSIS

COST OF SALES AND GROSS PROFIT

Cost of sales increased by 0.1%, or €0.2 million, to €221.0 million in FY2018. The gross profit margin remained the same at 83.3%, reflecting the following factors:

- reduction in production and freight costs for 0.6 points;
- favourable price and product mix effect for 0.3 points; and
- reduction in obsolescence and others for 0.3 points.

The rise in gross profit margin was offset by unfavourable foreign exchange ("FX") effects for 0.7 points, unfavourable brand mix for 0.2 points, increase in use of Mini Products and Pouches ("MPPs") & boxes for 0.2 points and a reclassification from General and Administrative Expenses for 0.1 points.

DISTRIBUTION EXPENSES

Distribution expenses increased by 2.8%, or €17.6 million to €639.5 million in FY2018. As a percentage to net sales, distribution expenses increased by 1.5 points to 48.5%. The higher cost percentage is attributable to a combination of:

- lower leverage under tough retail environment on rental and personnel costs for 1.1 points;
- one-off pre-opening costs for flagship stores for 0.4 points;
- unfavourable brand mix for 0.1 points;

- investment in Asia central warehouse for 0.1 points; and
- reclassification from General and Administrative Expenses and rounding for 0.2 points.

This deterioration was partly offset by:

- favourable channel mix for 0.4 points, driven by higher growth in Web channels and healthy growth in Sell-in channels.

MARKETING EXPENSES

Marketing expenses increased by 4.8%, or €8.3 million, to €179.2 million in FY2018. As a percentage of net sales, marketing expenses increased by 0.7 points to 13.6% of net sales. The increase was attributable to:

- investment in celebrities, influencers and advertising in key countries for 1.1 points;
- unfavourable FX effects for 0.1 points; and
- reclassification from General and Administrative Expenses for another 0.1 points.

This was partly offset by leverage effects mainly from higher sales of emerging brands for 0.3 points, together with favourable brand and channel mix for another 0.3 points.

RESEARCH & DEVELOPMENT EXPENSES

Research and development ("R&D") expenses increased by 12.3%, or €1.9 million, to €17.5 million in FY2018, due mainly to increased investments dedicated to new projects for the L'Occitane en Provence brand and unfavourable exchange rates. These additional investments represented 0.1 points of net sales, causing R&D expenses to reach 1.4% of net sales.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses decreased by 3.8%, or €4.8 million, to €123.0 million in FY2018. As a percentage of net sales, general and administrative expenses decreased by 0.4 points to 9.3%. The improvement was due mainly to the following items:

- a reclassification of certain IT expenses to other expense categories for 0.4 points;
- a leaner organization structure with higher leverage for a total of 0.3 points; and
- favourable brand mix for 0.1 points.

This was partly offset by higher IT investment for 0.3 points and unfavourable foreign currency effect for 0.1 points.

OTHER GAINS AND LOSSES

Other gains were €1.6 million in FY2018, being tax credits on research expenditures plus net gains on stores closures. In FY2017, net other gains were €2.2 million, which included profits from disposal of the brand Le Couvent des Minimes.

OPERATING PROFIT

Operating profit decreased by 16.2%, or €27.3 million, to €141.0 million in FY2018, and the operating profit margin decreased by 2.0 points of net sales to 10.7%. The decrease in the operating profit margin is explained by:

- unfavourable FX effects for 1.1 points;
- lower leverage from softer retail sales for 0.6 points;
- strengthening investments in celebrities, influencers and advertising in key countries for new product launches and during festive seasons for a total of 1.3 points;
- one-off pre-opening costs for new flagship stores for 0.4 points; and
- investments in infrastructure including IT and Asia central warehouse for a total of 0.4 points.

This was partly offset by the following:

- higher efficiency in production, freight costs and administrative leverage for 0.9 points;
- favourable channel mix for 0.6 points, driven by the development of Web and Sell-in channels; and
- beneficial price & product mix for 0.3 points.

FINANCE COSTS, NET

Net finance costs were €0.8 million in FY2018, same as in FY2017.

For FY2018, the net finance costs consisted of €0.2 million interest expenses on borrowings netting off interest income on cash balances, and €0.6 million non-cash accrual.

FOREIGN CURRENCY GAINS/LOSSES

Net foreign currency losses amounted to €4.2 million in FY2018 (FY2017: net gains of €1.1 million) and were composed of €3.1 million realized losses and €1.1 million unrealized losses.

The realized losses were due largely to intercompany trade and current accounts settlements during the year, notably in Chinese yuan, Hong Kong dollar, Russian ruble and Korean won, partly offset by the gains from Japanese yen, Swiss franc and Australian dollar. The unrealized losses resulted from year-end conversion of foreign currency bank and intercompany financing balances into euro, at relatively stronger euro rates against various foreign currencies at the end of March 2018 as compared to those rates at the end of March 2017. This led to unrealized foreign exchange losses on these foreign currency balances at Group level, largely related to US dollar, Australian dollar, Swiss franc and Japanese yen, being netted off by unrealized gains in Hong Kong dollar, Brazilian real and Chinese yuan.

INCOME TAX EXPENSE

The effective tax rate increased from 21.5% in FY2017 to 29.0% in FY2018, an increase of 7.5 percentage points due to:

- The one-time effect of changes in tax rates, essentially explained by the tax reform in the US, which resulted in a depreciation of the deferred tax assets in the US, for 4.1 points;

- Unfavourable exchange rates effect impacting the deferred tax assets related to the intercompany margin elimination in the inventories, for 2.5 points; and

- Other effects for 0.9 points.

PROFIT FOR THE YEAR

For the aforementioned reasons, profit for FY2018 was €96.5 million, reduced by 27.1% or €35.8 million as compared to FY2017. Basic and diluted earnings per share in FY2018 were €0.066 (FY2017: €0.090), and decreased by 26.7%. The numbers of basic and diluted shares used in the calculations of earnings per share in FY2018 were 1,460,682,471 and 1,461,891,614 respectively (FY2017: basic 1,462,720,221 and diluted 1,463,878,454).

BALANCE SHEET AND CASH-FLOW REVIEW

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2018, the Group had cash and cash equivalents of €385.7 million as compared to €452.8 million as at 31 March 2017. As at 31 March 2018, the aggregate amount of undrawn borrowing facilities was €332.4 million. As at 31 March 2018, total borrowings, including finance lease liabilities, current accounts with non-controlling interests and related parties and bank overdrafts, amounted to €88.0 million, as compared to €73.0 million as at 31 March 2017. The increase was due to higher drawing of revolving banking facilities.

SUMMARIZED CASH-FLOW STATEMENT

For the year ended 31 March	2018	2017
	€'000	*€'000*
Profit before tax, adjusted for non-cash items	202,111	233,246
Changes in working capital	1,926	635
Income tax paid	(33,703)	(39,753)
Net cash inflow from operating activities	170,334	194,128
Net cash (outflow) from investing activities	(202,728)	(52,045)
(Negative) / Positive free cash flow	(32,394)	142,083
Net cash (outflow) from financing activities	(35,104)	(110,466)
Effect of exchange rate changes	459	(3,684)
Net (decrease) increase in cash, cash equivalents and bank overdrafts	(67,039)	27,933

Negative free cash flow generated for the year was €32.4 million, due mainly to net cash outflow from investing activities, which increased from €52.0 million last year to €202.7 million this year. The sharp increase was explained by the shares acquisition in LimeLife, the investments in flagship stores, factory production lines and various IT projects. In FY2018, net cash outflow from financing activities amounted to €35.1 million, €75.4 million lower than in FY2017. The decrease was explained partly by the increase in borrowing in FY2018, by the payments to purchase shares back from non-controlling shareholders of Taiwan subsidiary as well as net repayment of borrowings in FY2017.

INVESTING ACTIVITIES

Net cash used in investing activities was €202.7 million in FY2018, as compared to €52.0 million in FY2017, representing an increase of €150.7 million. The investing activities for FY2018 primarily related to:

- further acquisition of businesses and financial assets, essentially LimeLife for a total of €109.8 million;

- the additions of leasehold improvements, other tangible assets, key moneys and changes in deposits related to stores for €62.1 million;

- the additions of machinery and equipment, enhancing production lines for new products, building a new factory in Brazil and improvements in warehouse and offices at subsidiaries for a total of €16.4 million; and

- the additions in information technology software, licenses and equipment for €14.0 million, including computer hardware and servers upgrade in factories, server centres, offices and stores in various countries.

FINANCING ACTIVITIES

Net cash used in financing activities in FY2018 was €35.1 million (FY2017: €110.5 million — which was affected by acquisition of Taiwan minority shareholding for €36.6 million and net repayment of borrowing for €14.4 million). Net cash used during the year mainly reflected the following:

- payment of final dividend during the year for €46.3 million;
- purchase of treasury shares for a total of €4.4 million; and
- net borrowing of €16.8 million for cash needed at subsidiary level.

INVENTORIES

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

	FY2018	**FY2017**
Average inventory turnover days[1]	243	227

(1) Average inventory turnover days equals average inventory divided by cost of sales and multiplied by 365. Average inventory equals the average of net inventory at the beginning and end of a given period.

Inventory value increased by 13.3%, or €18.4 million, to €156.5 million as at 31 March 2018. Inventory turnover increased by 16 days as a result of:

- product pipeline for the Asia central warehouse for 7 days;
- inclusion of LimeLife for 6 days;
- increase in inventory in some subsidiaries for 6 days, namely Brazil, Japan and China;
- increase in raw materials at the factories for 3 days; and
- reduction in inventory allowance for 2 days.

The increase in inventory turnover was partly alleviated by favorable foreign exchange impact of 8 days.

TRADE RECEIVABLES

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

	FY2018	**FY2017**
Turnover days of trade receivables[1]	30	28

(1) Turnover days of trade receivable equals to average trade receivables divided by net sales and multiplied by 365. Average trade receivables equals to the average of net trade receivables at the beginning and end of a given period.

Turnover days of trade receivables increased by 2 days to 30 days for FY2018 as compared to FY2017. The increase was mainly due to higher receivables in both Sell-in and Sell-out accounts.

TRADE PAYABLES

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

	FY2018	FY2017
Turnover days of trade payables(1)	188	161

(1) Turnover days of trade payables equals to the average trade payables divided by cost of sales and multiplied by 365. Average trade payables equals to the average of trade payables at the beginning and end of a given period.

The increase in turnover days of trade payables was due mainly to an increase in trade payables at the factory, in China, France and the US.

BALANCE SHEET RATIOS

Return on capital employed in FY2018 was 15.1%, reduced by 9.5 points as compared to FY2017, as a result of a decrease in net operating profit after tax by 27.0% accompanied by an increase of 18.6% in capital employed under higher working capital and non-current assets. The capital and reserves attributable to the equity owners increased by €11.2 million from 31 March 2017 to 31 March 2018. The increase was affected by a significant foreign exchange reserve provision for year-end conversions at relatively stronger euro compared to last year. Return on equity ratio was then affected and decreased to 10.3% in FY2018.

The Group remained in high net cash position with healthy liquidity and capital adequacy ratio. The gearing ratio increased slightly to 6.8%, due mainly to an increase in net borrowing for the financing needs at subsidiary level.

		FY2018	FY2017
Profitability			
Net operating profit after tax (NOPAT)(1)	€'000	97,078	132,997
Capital employed(2)	€'000	641,118	540,634
Return on capital employed (ROCE)(3)		15.1%	24.6%
Return on equity (ROE)(4)		10.3%	14.3%
Liquidity			
Current ratio (times)(5)		3.1	3.6
Quick ratio (times)(6)		2.4	2.9
Capital adequacy			
Gearing ratio(7)		6.8%	5.9%
Debt to equity ratio(8)		Net cash position	Net cash position

(1) (Operating profit + foreign currency net gains or losses) x (1 - effective tax rate)

(2) Non-current assets - (deferred tax liabilities + other non-current liabilities) + working capital*

* excluded current financial liabilities to show only working capital relating to operations

(3) NOPAT / capital employed

(4) Net profit attributable to equity owners of the Company / shareholders' equity at year end excluding minority interest

(5) Current assets / current liabilities

(6) (Current assets - inventories) / current liabilities

(7) Total debt / total assets

(8) Net debt / (total assets - total liabilities)

FOREIGN EXCHANGE RISK MANAGEMENT

The Company enters into forward exchange contracts to hedge anticipated transactions, as well as receivables and payables not denominated in its presentation currency, the Euro, for periods consistent with its identified exposures. As at 31 March 2018, the Company had foreign exchange derivatives net liabilities of €0.3 million in the form of forward exchange contracts (in accordance with fair market valuation requirements under IFRS). The notional principal amounts of outstanding forward exchange derivatives as at 31 March 2018 were primarily sale of Japanese yen for an equivalent of €22.8 million, Chinese yuan for €16.1 million, Great British pound for €4.8 million, Thai baht for €2.4 million and US dollar for €2.3 million.

DIVIDENDS

At the Board meeting held on 12 June 2017, the Board recommended a gross dividend distribution of €0.0316 per share for a total amount of €46.2 million or 35.0% of the net profit attributable to the equity owners of the Company. The amount of the final dividend was based on 1,462,720,221 shares in issue as at 12 June 2017 excluding 14,244,670 treasury shares. The shareholders of the Company (the "Shareholders") approved this dividend at a meeting held on 27 September 2017. The dividend was duly paid on 19 October 2017.

The Group remained healthy in generating operating cashflow and was able to self-finance almost fully the significant acquisition of LimeLife from it. In view of the solid cash position, the Board is pleased to recommend an increase of distribution ratio from 35% to 45% of the net profit attributable to the equity owners of the Company, with a gross final dividend of €0.0297 per share (the "Final Dividend"). The total amount of the dividend is €43.4 million.

The Final Dividend is based on 1,460,682,471 shares in issue as at 11 June 2018 excluding 16,282,420 treasury shares.

EVENTS SUBSEQUENT TO THE END OF FINANCIAL YEAR

There are no events subsequent to the end of financial year required to be reported.

STRATEGIC REVIEW

In FY2018, the Group remained focused on executing its strategies to achieve long-term growth, namely by re-enchanting audiences to the roots of its core brand, providing an extraordinary customer experience — both offline and online, as well as by driving operational efficiency. This three-pronged approach has helped the Group deliver healthy growth and better position itself to become the top group of natural brands in the affordable premium segment.

Despite ongoing foreign exchange headwinds and challenging retail environments in key markets, FY2018 was a solid financial year. The Group performed strongly in emerging markets while its online channels continued to make steady progress.

Seamless and enchanting omni-channel customer experiences

The Group recognises the importance of building long-term relationships with its customers across online and offline channels, in ways that are both seamless and complementary. Although the role of physical storefronts remains integral for customers to familiarise themselves with products and brands, the shift to online retail has become an irreversible trend.

The Group continued to re-orient its physical store network to deliver a more unforgettable shopping experience to its customers. One of the key aspects of this strategy is the 'Sunshine Concept', which aims to bring Provence, the essence of the land that inspired L'Occitane, into its stores. Retaining the use of the Group's signature yellow, the Sunshine Concept incorporates modernity and simpler navigation into its storefronts. Having received precious feedback and learning points from its first pilot stores for the Sunshine Concept in key markets, the Group is continuing to adapt and evolve the concept for future renovations.

During the year, the Group also launched several high-profile flagship stores in key cities to create further excitement around its core L'Occitane en Provence brand. The most high profile of these — 86 Champs, named after its address on the Avenue des Champs-Élysées in Paris — was opened in the Group's home market of France. It is a one-of-a-kind concept store in partnership with famous French pastry chef, Pierre Hermé. A second flagship store was opened on Regent Street in London, which offers exclusive services including engraving, gift-wrapping and personalised messages, as well as a hand and arm massage bar. A third flagship store was opened at the Yorkdale Shopping Centre in Toronto, which provides an immersive digital experience and connected shopping model to customers, and was listed as one of the finalists at the coveted *2018 World Retail Awards*.

While these flagship stores share a common thread in expressing the brand identity of L'Occitane en Provence, each of them deliver unique elements and experiences that captivate customers.

The Group's store network expansion remained selective during FY2018, during which it opened a net 41 stores to reach a total of 1,555 own stores. The openings were primarily for emerging brands in selected markets, namely L'Occitane au Brésil, Melvita in Japan, and Erborian in Russia. In additon to the flagship stores, the Group also opened new stores for L'Occitane en Provence at handpicked locations in Japan, Australia and Europe, and rationalised its store network in the United States to adapt to changing consumer behaviour. At the same time, the Group upgraded its store network with 153 renovations, to deliver a refreshed layout that incorporates more digital features and in-store technology, driving more return traffic.

In line with its aim to create fluid on- and offline customer journeys, the Group launched a new e-commerce website during FY2018 that is streamlined, mobile-friendly and incorporates features such as a special beauty advice section, an automatic replenishment subscription service and a 'Click-and-Collect' function in some markets (where customers collect their online purchases in-store) that has increased conversion rates.

Expanding brand appeal with strategic and hero products

The Group stayed on track to focus its resources on fewer, but larger scale, product launches in FY2018, which were synchronised across all countries and sales channels. These strategic products — which included the re-launch of Immortelle Divine Youth Oil and the brand new Aqua Réotier range — greatly improved the Group's visibility and reputation in the face care product category and was highly effective in trading up existing customers, and also attracting new ones, particularly younger customers.

Looking forward, the Group will continue to focus on these hero or iconic products, while balancing this with timeless bestsellers and novelty launches that not only generate sales, but also traffic and loyalty.

Innovative marketing — co-brandings and celebrity campaigns

Innovative co-branding and brand ambassador campaigns also underpinned the Group's success in driving brand recognition and popularity in key markets.

This success was seen particularly in China where the Group saw strong results from high-profile brand ambassador campaigns with local celebrity Lu Han, whose endorsement sustained robust on- and offline sales throughout the year. The Group also saw the benefits of this campaign flow through to other markets within the Greater China region. The success of this campaign highlighted the Group's understanding of the new generation of online savvy consumers in emerging markets.

Another successful initiative was the Group's collaboration with the lifestyle brand, Rifle Paper Co. on the packaging of certain products with beautiful hand-painted designs that highlight the botanical origins of its products. This limited-edition product range received widespread attention in many markets including the United States, where it was one of the key driving factors of the positive Same Store Sales Growth seen in the final quarter of FY2018. The L'Occi Truck, inspired by the vintage French Citroën H Van and the Group's signature yellow, also hit the roads of North America as a mobile interactive station to test-and-play products. Both of these initiatives pointed to the Group's ability to tap into customer demand even in competitive and challenging retail markets.

The Group continued to scale up its collaboration with beauty bloggers and vloggers to target a new generation of consumers, as well as its use of social media platforms including WeChat in China, Line in Japan and Kakao Talk in South Korea.

Multi-brand strategy delivered encouraging results

The performances of the Group's emerging brands, Melvita, L'Occitane au Brésil, and Erborian, strengthened considerably in FY2018, with each recording double-digit growth. This growth was seen primarily in Japan, France and Brazil, where there is strong demand for superior quality products at reasonable price points.

The acquisition of LimeLife was a major move for the Group during FY2018 to launch its foray into the colour cosmetics space. The brand achieved exceptional growth, with sales growing more than three-fold in the past calendar year. LimeLife has now expanded beyond its home market in the United States, launching in Canada in March 2018 and in the United Kingdom in June 2018, under the same direct sales model that is both scalable and controllable. The brand is leading the Group's exploration into new product streams and remains profitable.

The Group is continuing to explore other potential investments and M&A opportunities, in line with its multi-brand strategy, to grow the contribution from its non-core brands.

Increasing operational efficiency and agility

The Group further optimised its management structure and operations in FY2018 to control costs and increase efficiency. It opened an Asian Central Distribution Centre in Singapore, which has allowed better product allocation to regional markets, more agile distribution to distributors and subsidiaries, the maintenance of almost 100% maritime transport, as well as other services such as kitting, quality control and labeling. The Group plans to launch a similar Central Distribution Centre in Europe in the coming financial year.

Meanwhile, construction of the Group's Brazilian factory is well underway. It is expected to bring benefits not only in terms of production efficiency for the L'Occitane au Brésil brand, but also considerable tax advantages when it begins operations during the next financial year.

The Group also continued to implement a controlled pricing and discount strategy to safeguard and strengthen its brand integrity, proposition and profitability, while seeking new ways to achieve operational excellence.

Continued dedication to social & environmental responsibility

The Group takes seriously its role within the natural environment and society. L'Occitane is committed to being respectful of the natural heritage of the lands from which it is inspired, and to exude positive influence on the people around it — including its suppliers and employees.

The Group is proud of its philanthropic commitments in promoting fair trade and craftsmanship, protecting biodiversity, reducing the use of plastic, and fighting against preventable blindness. Through the L'Occitane Foundation, the Group has worked in partnership with NGOs and agencies including UNICEF, Orbis, USAID, RONGEAD, and Global Shea Alliance (GSA). The Group also continues to work towards achieving Objective 2020, a goal to switch its operations to 100% renewable energy. All of the Group's production sites and own stores in France now run completely on renewable energy, and it is currently exploring ways to move its main subsidiaries away from CO2-emitting energy, starting with its stores in the United States and the United Kingdom.

For more information on the Group's social responsibility and environmental sustainability, please refer to its annual 'Environmental, Social and Governance' report.

OUTLOOK

Looking ahead to FY2019, the Group will continue to boost its appeal through innovative storefronts that highlight its true stories and origins, creative marketing initiatives, and new products. The brand new Aqua Réotier range and a promising new hero product due to launch in September 2018 are expected to further boost the Group's profile and reputation in face care.

To focus on strengthening customer engagement and unifying the omni-channel experiences that it offers, the Group is investing in more powerful and agile online platforms with capabilities such as predictive intelligence and order management. It is also working tirelessly to deep-dive into its treasure trove of customer insights through centralised data management and the synchronisation of existing channels. This will be key for increasing customer profitability, starting from recruitment to lasting loyalty. The Group also recently revamped its loyalty program and piloted it in Spain. Apart from earning points for purchases, best customers are rewarded with exclusive experiences and surprises, which are intended to evoke an emotional connection with the brand, strengthening proximity and engagement. A related initiative has also been introduced in Asia, where the Group is progressively rolling out a revamped CRM interface for VIP customers that will allow loyalty points earned in-store to be used online.

Meanwhile, the Group will continue to invest in the development of its emerging brands as part of its multi-brand strategy. Much of this focus will be dedicated to the international expansion of LimeLife to capture the fast growth of 'social commerce', as well as the colour cosmetics segment. The Group is also fostering its other emerging brands, in particular Melvita in Japan, Erborian in the United States and Russia, as well as L'Occitane au Brésil. For example, Melvita recently introduced new store layouts, giving the brand a more modern look while providing customers with a richer experience. The Group also recently launched a new dedicated TMall store for the brand, to build brand awareness in a much more efficient manner in the China market. L'Occitane au Brésil recently debuted three product lines in the strategic hair care category.

With its new corporate structure, the Group is operating with an even better alignment of interests between management and stakeholders. Under the leadership of the Group Managing Director, the Group is set to leverage on his entrepreneurial spirit and digital expertise to fulfil ambitious growth targets while protecting profitability.

These well-defined objectives, combined with the Group's commitment to focus resources on key markets and products, will continue to support its ability to deliver profitable growth and lasting value to its shareholders.

AUDIT COMMITTEE

As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company has an Audit Committee comprising of three non-executive Directors, two of whom are independent non-executive Directors. The Audit Committee together with external auditor has reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal controls and financial reporting matters including the review of the consolidated results and the consolidated financial statements of the Group for FY2018. This annual results announcement is based on the Group's audited consolidated financial statements for the year ended 31 March 2018 which have been agreed with the auditor of the Company.

CORPORATE GOVERNANCE

The Board reviews its corporate governance practices regularly in order to meet the rising expectations of Shareholders, to comply with increasingly stringent regulatory requirements and to fulfil its commitment to excellence in corporate governance. The Board is committed to maintaining a high standard of corporate governance practices and business ethics in the firm belief that they are essential for maintaining shareholders' returns.

The Company has complied with all of the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") set out in Appendix 14 to the Listing Rules throughout FY2018 save as disclosed below:

Code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The role of the Chief Executive Officer ("CEO") of the Group has been assumed by Mr. Reinold Geiger ("Mr. Geiger"), the Chairman of the Board. This deviation is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a CEO and it provides the Group with strong and consistent leadership. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises highly experienced individuals. There are four independent non-executive Directors in the Board. All of them possess adequate independence and therefore the Board considers the Company has achieved balance and provided sufficient protection of its interests. Moreover, Mr. Geiger is not a member of any of the committees (Audit Committee, Nomination Committee and Remuneration Committee) and each committee is composed of a majority of independent non-executive Directors. Nevertheless, the Board will regularly review the management structure to ensure that it meets the business development requirements of the Group.

Furthermore, Mr. Geiger is supported by the Group Managing Director, Mr. Sylvain Desjonquères (appointed on 25 April 2018). Mr. Geiger is responsible to the Board and focuses on Group strategies and Board issues, ensuring a cohesive working relationship between members of the Board and management. Mr. André Hoffmann, Vice-Chairman of the Board, works closely with Mr. Geiger on all important Board issues. Mr. Hoffmann and Mr. Desjonquères have full executive responsibilities in the business directions and operational efficiency of the business units under their respective responsibilities and are accountable to Mr. Geiger.

Code provision F.1.3 of the CG Code provides that the company secretary should report to the Chairman and CEO.

Mr. Karl Guénard ("Mr. Guénard"), joint company secretary of the Company, is based in Luxembourg and reports to Mr. Thomas Levilion ("Mr. Levilion"), an Executive Director and the Group's Deputy General Manager whose primary responsibility is to oversee the Group's finance functions worldwide. The Company believes this is appropriate because both Mr. Guénard and Mr. Levilion work closely together on a day-to-day basis including dealing with matters relating to corporate governance and other Board-related matters. Ms. Ming Wai Mok ("Ms. Mok"), another joint company secretary of the Company, is based in Hong Kong. Ms. Mok works in coordination with Mr. Guénard in the discharge of all company secretarial duties.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct for dealing in the Securities of the Company by the Directors of the Company. Having made specific enquiry of all Directors, they have confirmed that they have complied with the Model Code during FY2018.

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

During FY2018, the Company repurchased a total of 2,583,250 shares on the Hong Kong Stock Exchange with an aggregate amount of HK$39,453,723. The shares repurchased in June 2017 and in November 2017 were transferred to treasury on 27 September 2017 and 29 March 2018 respectively.

Details of shares repurchased during FY2018 are set out as follows:

Month of repurchases	Number of shares repurchased	Price paid per share Highest (HK$)	Price paid per share Lowest (HK$)	Aggregate consideration paid (HK$)
June 2017	1,284,750	16.14	15.62	20,365,960.68
November 2017	1,298,500	15.00	14.54	19,087,762.35

A total of 545,500 shares held in treasury were transferred out of treasury during the year pursuant to the employees' share option schemes of the Company.

The Company held 16,282,420 shares in treasury on 31 March 2018.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during FY2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 20 September 2018 to Wednesday, 26 September 2018, both days inclusive, during which period no share transfers can be registered. The record date to determine which Shareholders will be eligible to attend and vote at the forthcoming annual general meeting of the Company (the "AGM") will be Wednesday, 26 September 2018 (the "AGM Record Date"). All transfers accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 19 September 2018.

Subject to the Shareholders approving the recommended Final Dividend, if any, at the AGM, such Final Dividend will be payable on Friday, 19 October 2018 to Shareholders whose names appear on the register of members on Tuesday, 9 October 2018 (the "Dividend Record Date"). To determine eligibility for the Final Dividend, the register of members of the Company will be closed from Wednesday, 3 October 2018 to Tuesday, 9 October 2018, both days inclusive, during which period no shares can be registered. In order to be entitled to receive the Final Dividend, all transfers accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 2 October 2018.

PUBLICATION OF FINAL RESULTS AND FY2018 ANNUAL REPORT

The final results announcement of the Company is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (group.loccitane.com). The annual report will be dispatched to the Shareholders and will be available on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (group.loccitane.com) in due course.

ANNUAL GENERAL MEETING

The AGM will be held on 26 September 2018. A notice convening the AGM will be published, on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (group.loccitane.com) and will be dispatched to the Shareholders.

BOARD OF DIRECTORS

As at the date of this announcement, the Directors of the Company are:

Executive Directors
Reinold Geiger *(Chairman and Chief Executive Officer)*
André Hoffmann *(Vice Chairman)*
Thomas Levilion (*Group Deputy General Manager, Finance and Administration)*
Karl Guénard *(Joint Company Secretary)*

Non-executive Director
Martial Lopez

Independent Non-executive Directors
Valérie Bernis
Charles Mark Broadley
Pierre Milet
Jackson Chik Sum Ng

By Order of the Board
L'Occitane International S.A.
Reinold Geiger
Chairman

Luxembourg, 11 June 2018

Disclaimer

The financial information and certain other information presented in a number of tables have been rounded to the nearest whole number or the nearest decimal. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.