L'OCCITANE
EN PROVENCE

L'OCCITANE INTERNATIONAL S.A.

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R.C.S. Luxembourg: B80359
(Incorporated under the laws of Luxembourg with limited liability)
(Stock code: 973)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

HIGHLIGHTS

- Sales momentum strengthened in the second quarter of FY2019 with the launch of the *Immortelle Reset* serum. Group's net sales reached €595.4 million, an increase of 12.4% at constant exchange rates. Like-for-like sales growth was 4.9%.
- The US, Hong Kong and China were the fastest growing markets, with sales growth at constant exchange rates of 65.8%, 18.6% and 14.1%, respectively.
- Same store sales growth accelerated to 2.0%, compared to -0.1% in the same period last year.
- Gross profit margin remained high at 82.4%.
- Operating margin reduced by 1.5 points of net sales, due mainly to currency exchange headwinds, investments and phasing effects.
- As key product launches in most countries occurred in August and September 2018, the related advertising and marketing spending was accounted for in the first half year of FY2019, which further amplified the already seasonal performance of the Group. Net profit ended at €5.6 million.

KEY INTERIM FINANCIAL INFORMATION

The board (the "Board") of directors (the "Directors") of L'Occitane International S.A. (the "Company") is pleased to announce the consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2018 together with comparative figures for the six months ended 30 September 2017. The following financial information, including the comparative figures, has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 September	*Notes*	2018	2017
		€ '000	*€ '000*
Net Sales	**2**	**595,385**	**548,210**
Cost of sales		(104,857)	(94,263)
Gross profit		**490,528**	**453,947**
% of net sales		82.4%	82.8%
Distribution expenses		(327,346)	(296,987)
Marketing expenses		(87,068)	(77,770)
Research & development expenses		(8,387)	(7,682)
General and administrative expenses		(62,456)	(58,601)
Share of profits/losses from joint venture accounted for using the equity method		—	405
Other gains, net	3	541	468
Operating profit	**4**	**5,812**	**13,780**
Finance costs, net	5	(1,687)	(809)
Foreign currency gains / (losses)		(1,536)	(2,980)
Profit before income tax		**2,589**	**9,991**
Income tax expense	6	2,999	736
Profit for the period from continuing operations		**5,588**	**10,727**
Attributable to:			
Equity owners of the Company		6,814	11,077
Non-controlling interests		(1,226)	(350)
Total		**5,588**	**10,727**
Effective tax rate		(115.8%)	(7.4%)
Earnings per share for profit attributable to the equity owners of the Company during the period *(expressed in Euros per share)*			
Basic		0.005	0.008
Diluted		0.005	0.008
Number of shares used in earnings per share calculation			
Basic	7	1,460,682,471	1,461,435,471
Diluted	7	1,462,556,482	1,463,011,450

INTERIM CONSOLIDATED BALANCE SHEETS

As at	*Notes*	30 September 2018 *€ '000*	31 March 2018 *€ '000*
ASSETS			
Property, plant and equipment, net		187,139	175,920
Goodwill		241,091	226,646
Intangible assets, net		77,872	76,556
Deferred income tax assets		73,794	62,882
Other non-current receivables		51,425	40,253
Non-current assets		**631,321**	**582,257**
Inventories, net	9	190,061	156,479
Trade receivables, net	10	108,672	109,401
Other current assets		62,976	68,485
Derivatives financial instruments		1,318	155
Cash and cash equivalents		299,395	385,712
Current assets		**662,422**	**720,232**
TOTAL ASSETS		**1,293,743**	**1,302,489**
EQUITY AND LIABILITIES			
Share capital		44,309	44,309
Additional paid-in capital		342,851	342,851
Other reserves		(107,165)	(105,376)
Retained earnings		612,822	649,189
Capital and reserves attributable to the equity owners		**892,817**	**930,973**
Non-controlling interests		7,322	7,828
Total equity		**900,139**	**938,801**
Borrowings		84,949	80,595
Deferred income tax liabilities		3,870	3,473
Other financial liabilities		13,837	13,158
Other non-current liabilities		32,820	31,743
Non-current liabilities		**135,476**	**128,969**
Trade payables	11	109,078	125,455
Salaries, wages, related social items and other tax liabilities		59,617	68,785
Current income tax liabilities		5,809	5,532
Borrowings		6,612	7,434
Other current liabilities		69,459	17,330
Derivatives financial instruments		435	493
Provisions for other liabilities and charges		7,118	9,690
Current liabilities		**258,128**	**234,719**
TOTAL EQUITY AND LIABILITIES		**1,293,743**	**1,302,489**
NET CURRENT ASSETS		**404,294**	**485,513**
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,035,615**	**1,067,770**

NOTES TO THE KEY INTERIM FINANCIAL STATEMENTS

1. **Basis of preparation**

This condensed consolidated interim financial information ("consolidated interim financial information") for the six-month period ended 30 September 2018 ("period ended 30 September 2018") has been prepared in accordance with IAS 34, 'Interim financial reporting' as issued by the International Accounting Standards Board. The consolidated interim financial information should be read in conjunction with the consolidated annual financial statements for the year ended 31 March 2018, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board as adopted by the European Union.

The accounting policies and methods of computation used in the preparation of this consolidated interim financial information are consistent with those of the consolidated annual financial statements for the year ended 31 March 2018, except as described below:

- Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

- Interpretations and amendments to IFRSs effective for the financial period beginning 1 April 2018 that do not have any material impact on the consolidated financial statements.

A number of new or amended standards became applicable for the current reporting period and the Group had to analyse the impacts of the following standards:

- IFRS 9 Financial Instruments, and

- IFRS 15 Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are disclosed below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

IFRS 9 Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated interim financial information. The new accounting policies are set out below. In accordance with the transitional provisions of IFRS 9 paragraph 7.2.15, comparative figures have not been restated.

Classification and measurement

On 1 April 2018 the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

- For the available-for-sales assets: the Group elected to present in other comprehensive income ("OCI") changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, on 1 April 2018 assets with a fair value of € 11,625,000 were reclassified from available-for-sale financial assets to financial assets at fair value through OCI. Until 31 March 2018, no fair value gains or losses were recognized for the available-for-sale financial assets. Therefore no reclassification was recognized in the reserve as at 1 April 2018.

- The foreign currency forwards in place as at 31 March 2018 were not qualified as cash flow hedges and the change in the fair value of those derivative financial instruments was recorded in the statement of income. Therefore the adoption of IFRS 9 does not result in any change.

- The interests rate swaps in place as at 31 March 2018 were qualified as cash flow hedges and the change in the fair value was recorded in other comprehensive income. The adoption of IFRS 9 does not result any change.

Impairment of financial assets

The Group was required to revise its impairment methodology under IFRS 9 for each of classes of assets. There is no material impact of the change in impairment methodology on the Group's retained earnings and equity.

IFRS 9 Financial Instruments – Accounting policies applied from 1 April 2018

Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The changes in the fair value of derivatives designated as hedging instrument are recognised as follows:

- The effective portion of changes in the fair value of derivatives designated as hedging instruments has been recognized in the statement of comprehensive income for an amount net of tax;
- The ineffective portion that arises from derivatives designated as hedging instruments is recognized in the interim consolidated statement of income, within "Finance income" / "Finance costs" for interest derivatives and within "Foreign currency gains / (losses)" for currency derivatives.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management have elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Dividends from such investments continue to be recognised in the income statement as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised within "Financial results other than interest" in the condensed consolidated interim income statement.

Derivatives and hedging activities

The interest rate swaps in place as at 31 March 2018 qualified as cash flow hedge under IFRS 9. The group's risk management strategic and hedge documentation are aligned with the requirements of IFRS 9 and these relationships are therefore traded as continuing hedges.

The fair value adjustment is recorded in other comprehensive income.

Impairment

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

IFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted IFRS 15 Revenue from Contracts with Customers which resulted in accounting policies described below. The Group adopted the simplified approach for the comparative period as at 1 April 2018, without restating comparatives and with no impact on the Group's retained earnings. The main impact is related to provision for returned goods.

Provision for returned goods

Considering that the returned goods would not be resalable, the Group previously recognized a provision for returns which was measured on the amount of sales. The provision was recorded in 'Provisions' and was reclassified from 'Provisions' to 'Other current liabilities' for an amount of €844,000 as at 1 April 2018.

IFRS15 - Revenue from Contracts with Customers – Accounting policies applied from 1 April 2018

Retail

The Group operates a chain of retail stores. Revenue from the sales of goods is recognized when a Group sells a product to the customer at the store.

Payment of the transaction price is due immediately when the customer purchases the products. It is not the Group's policy to sell its products to the end retail customer with a right of return. However, in some countries, the entity may retain an insignificant risk of ownership through a retail sales when a refund is offered / return good is accepted if the customer is not satisfied. Revenue in such cases is recognized at the time of the sales provided the entity can reliably estimate future returns and the Group recognizes a liability in "Other current liabilities" for returns against revenue based on previous accumulated experience and other relevant factors.

Loyalty programs

The Group accounts for award credits as a separately identifiable component of the sales transaction(s) in which they are granted. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the components, i.e. the goods sold (revenue) and the award credits granted (deferred revenue). The allocation is made by reference to the relative fair values of the components, i.e. the amounts for which each component could be sold separately.

The fair value of the award credits is estimated by reference to the discount that the customer would obtain when redeeming the award credits for goods. The nominal value of this discount is reduced to take into account:

- any discount that would be offered to customers who have not earned award credits from an initial sale;

- the proportion of award credits that are expected to be forfeited by customers.

The Group recognises revenue in respect of the award credits in the periods, and reflecting the pattern, in which award credits are redeemed. The amount of revenue recognised is based on the number of award credits that have been redeemed relative to the total number expected to be redeemed.

The part of the consideration allocated to goods sold is recorded in Gross sales of products in the income statement and the deferred revenue is recorded in 'Other current liabilities' in the balance sheet.

Wholesale

Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The products are sometimes sold with conditional discounts. Sales are recorded based on the price specified in the sales contracts / invoices, net of the estimated conditional discounts.

No element of financing is deemed present as the sales are made with a credit term of maximum 90 days.

Provision for returned goods

When the customer has a right to return the product within a given period, the Group is obliged to refund the purchase price. A refund liability for the expected refunds to customers is recognized as adjustment to 'Net sales' in 'Other current liabilities'.

2. **Net sales and segment information**

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

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

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

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

2.1 **Operating segments**

For the six months ended 30 September 2018

In thousands of Euros	**Sell-Out**	**Sell-In**	**Other reconciling items**	**Total**
Net Sales	**435,924**	**159,461**	**—**	**595,385**
In %	*73.2%*	*26.8%*	—	*100.0%*
Gross profit	**378,919**	**111,609**	**—**	**490,528**
% of sales	*86.9%*	*70.0%*	—	*82.4%*
Distribution expenses	(269,467)	(28,453)	(29,426)	(327,346)
Marketing expenses	(25,589)	(5,702)	(55,777)	(87,068)
Research & development expenses	—	—	(8,387)	(8,387)
General and administrative expenses	—	—	(62,456)	(62,456)
Other (losses) / gains, net	(240)	(29)	810	541
Operating profit	**83,623**	**77,425**	**(155,236)**	**5,812**
% of sales	*19.2%*	*48.6%*	—	*1.0%*

For the six months ended 30 September 2017

In thousands of Euros	**Sell-Out**	**Sell-In**	**Other reconciling items**	**Total**
Net sales	**397,077**	**151,133**	**—**	**548,210**
In %	*72.4%*	*27.6%*	—	*100.0%*
Gross profit	**349,525**	**104,422**	**—**	**453,947**
% of sales	*88.1%*	*69.1%*	—	*82.8%*
Distribution expenses	(243,672)	(26,684)	(26,631)	(296,987)
Marketing expenses	(23,055)	(4,005)	(50,710)	(77,770)
Research & development expenses	—	—	(7,682)	(7,682)
General and administrative expenses	—	—	(58,601)	(58,601)
Share of profit/losses from joint ventures accounted for using the equity method	—	—	405	405
Other gains / (losses), net	46	(8)	430	468
Operating profit	**82,844**	**73,725**	**(142,789)**	**13,780**
% of sales	*20.9%*	*48.8%*	—	*2.5%*

2.2. **Geographic areas**

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

For the six months ended 30 September	**2018**		**2017**	
In thousands of Euros	*Total*	*In % of total*	*Total*	*In % of total*
United States	100,367	16.9%	62,989	11.5%
Japan	96,164	16.2%	99,448	18.1%
China	67,845	11.4%	60,041	11.0%
Hong Kong [1]	58,436	9.8%	51,147	9.3%
France	45,450	7.6%	44,664	8.1%
Luxembourg - Swiss branch [2]	34,532	5.8%	34,954	6.4%
Brazil	23,869	4.0%	26,703	4.9%
United Kingdom	23,173	3.9%	23,470	4.3%
Russia	18,614	3.1%	18,976	3.5%
Taiwan	14,360	2.4%	15,292	2.8%
Other countries	112,575	18.9%	110,526	20.2%
Net sales	**595,385**	**100%**	**548,210**	**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 the Americas.

3. **Gains / (Losses) on sale of assets, net**

30 September	**2018**	**2017**
	€ '000	*€ '000*
Net (losses) on sale of assets	(271)	(238)

4. **Depreciation, amortization and impairment**

Operating profit is arrived at after charging the following:

30 September	**2018**	**2017**
	€ '000	*€ '000*
Depreciation, amortization and impairment	30,717	30,586

5. **Finance costs, net**

30 September	**2018**	**2017**
	€ '000	*€ '000*
Interest on cash and cash equivalents	589	739
Finance income	**589**	**739**
Interest expense	(2,101)	(1,118)
Unwinding of discount of financial liabilities	(175)	(430)
Finance costs	**(2,276)**	**(1,548)**
Finance costs, net	**(1,687)**	**(809)**

6. **Taxation**

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

30 September	**2018**	**2017**
	€ '000	*€ '000*
Profit before income tax and excluding results of joint ventures	2,589	9,586
Income tax calculated at corporate tax rate *(Luxembourg tax rate of 26.01% as at 30 September 2018 and 27.08% as at 30 September 2017)*	(673)	(2,596)
Effect of different tax rates in foreign countries	8,031	6,067
Effect of unrecognized tax assets	(2,259)	(1,465)
Expenses not deductible for taxation purposes	(2,234)	(1,242)
Effect of unremitted tax earnings	134	(28)
Income tax credit	**2,999**	**736**

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 €6.8 million for the six months ended 30 September 2018 (as compared to €11.1 million for the six months ended 30 September 2017) and the weighted average number of shares in issue of 1,460,682,471 (basic) and 1,462,556,482 (diluted) for the period ended 30 September 2018 and 1,461,435,471 (basic) and 1,463,011,450 (diluted) for the period ended 30 September 2017.

8. **Dividends**

In line with its policy to declare and pay only a final dividend each year, the Board has recommended that no distribution would be made from the profits of the six months ended 30 September 2018.

9. **Inventories, net**

Inventories, net consist of the following items:

	30 Sep 2018 € '000	31 Mar 2018 € '000	30 Sep 2017 € '000
Raw materials and supplies	28,293	24,784	22,406
Finished goods and work in progress	171,709	140,528	145,265
Inventories, gross	200,002	165,312	167,671
Less: allowance	(9,941)	(8,833)	(10,911)
Inventories, net	**190,061**	**156,479**	**156,760**

10. **Trade receivables, net**

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

	30 Sep 2018 € '000	31 Mar 2018 € '000	30 Sep 2017 € '000
Current and past due within 3 months	108,494	109,338	98,749
Past due from 3 to 6 months	846	641	648
Past due from 6 to 12 months	211	155	296
Past due over 12 months	391	374	375
Allowance for doubtful accounts	(1,270)	(1,107)	(1,054)
Trade receivables, net	**108,672**	**109,401**	**99,014**

The Group considers that there is no recoverability risk on the net receivables after allowance for doubtful accounts.

11. **Trade payables**

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

	30 Sep 2018 € '000	31 Mar 2018 € '000	30 Sep 2017 € '000
Current and past due within 3 months	107,937	123,591	103,307
Past due from 3 to 6 months	469	1,036	993
Past due from 6 to 12 months	172	801	22
Past due over 12 months	500	27	95
Trade payables	**109,078**	**125,455**	**104,417**

MANAGEMENT DISCUSSION & ANALYSIS

Summary:

For the six months ended 30 September	**2018**	**2017**
Net sales (€'M)	595.4	548.2
Operating profit (€'M)	5.8	13.8
Profit for the period (€'M)	5.6	10.7
Gross profit margin (% to sales)	82.4%	82.8%
Operating profit margin (% to sales)	1.0%	2.5%
Net profit margin (% to sales)	0.9%	2.0%

Definitions:

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

Non-comparable Stores & others means 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.

SEASONALITY OF OPERATIONS

The Group is subject to seasonal variances in sales, which are significantly higher in our third financial quarter (between 1 October and 31 December) in anticipation of and during the Christmas holiday season. For the six months ended 30 September 2017, the level of sales represented 41.6% of the annual level of sales in the year ended 31 March 2018 ("FY2018") and the level of operating profit represented 9.8% of the annual operating profit in the year ended 31 March 2018. Yet these ratios are not representative of the annual results for the year ending 31 March 2019 ("FY2019").

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

REVENUE ANALYSIS

The Group's net sales at reported rates were €595.4 million, increased by 8.6% over the same period last year. At constant exchange rates, sales growth was 12.4%. On a like-for-like basis (i.e. excluding LimeLife and Le Couvent des Minimes), the Group's sales grew by 4.9% at constant rates.

The Group's total number of retail locations where its products are sold reduced from 3,285 as at 31 March 2018 to 3,275 as at 30 September 2018, a decrease of 10 locations or 0.3%. The reduction was from closings of non-performing stores by distributors and franchisees. The Group maintained its selective global retail expansion strategy and kept the number of its own retail stores at 1,555 as at 30 September 2018, same as at 31 March 2018.

Geographically, the US, Hong Kong, China, Brazil and Russia 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 the six months ended 30 September 2018:

	Year-on-year growth			
	Growth *€ '000*	*Growth* *%*	*Growth*(2) *%*	*Contribution to Overall Growth*(2) *%*
Sell-out	**38,847**	**9.8**	**13.9**	**81.3**
Comparable Stores	(5,208)	(1.8)	2.0	8.7
Non-comparable Stores & others (1)	44,056	43.3	48.6	72.6
Sell-in	**8,328**	**5.5**	**8.4**	**18.7**
Overall Growth	**47,175**	**8.6**	**12.4**	**100.0**

(1) Others include marketplaces, spas, cafés and LimeLife sales.

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

Sell-out

During the first half of FY2019, Sell-out sales accounted for 73.2% of the net sales and amounted to €435.9 million, an increase of 9.8% at reported rates as compared to same period last year. At constant rates, the growth was 13.9%. This growth was primarily contributed by Non-comparable Stores and other sales, including new stores and stores renovated in last year and this year, marketplaces, spas, cafés and LimeLife. The growth was 48.6% at constant exchange rates, mainly contributed by LimeLife and marketplaces. As compared to same period last year, sales of the Group's Web Sell-out channels (including own e-commerce and marketplaces) grew by 8.7% at constant exchange rates, now equivalent to 12.4% of the total Sell-out sales. The Group's same store sales for the six months ended 30 September 2018 improved to 2.0%, from 0.6% in the first quarter of FY2019, and contributed 8.7% to overall growth. Improvements were seen in Japan, the US, Brazil, Russia and other countries.

There was no change in the number of own stores for the six months ended 30 September 2018. The number of stores in Asia Pacific, however, increased by 7 during the period, with 7 openings in Japan, 3 openings in Korea, 1 opening each in Australia and India and partly offset by the 3 closings in China and 1 closing each in Taiwan and Thailand. In Americas, there were net closings of 6 stores, with 6 closings in the US under the store rationalization plan, 2 closings in Brazil and offset by 2 openings in Mexico. There was net closing of 1 store in Europe & Africa, including 3 net openings in Spain and 4 net closings in other European countries and South Africa. The Group continued to upgrade its retail network with 88 stores refurbished or relocated during the six months ended 30 September 2018, as compared to 97 stores in the same period last year.

Sell-in

Sell-in sales accounted for 26.8% of the Group's total sales and amounted to €159.5 million, posted an increase of 8.4% at constant exchange rates as compared to last year. The increase was primarily driven by the dynamic growth in travel retail, web partners and B2B of L'Occitane en Provence brand. Erborian and L'Occitane au Brésil brands also expanded in sell-in channel.

Geographic Areas

The following table presents our net sales growth for the six months ended 30 September 2018 and contribution to net sales growth (including and excluding foreign currency translation effects as indicated) by geographic area:

Sales and % of total sales

	30 Sep 2018 € '000	%	**30 Sep 2017** € '000	%	**Growth** € '000	**Growth** %	**Growth[1]** %	**Contribution to Overall Growth [1]** %
Japan	96,164	16.2	99,448	18.1	(3,284)	(3.3)	(0.5)	(0.7)
Hong Kong[2]	58,436	9.8	51,147	9.3	7,289	14.3	18.6	14.0
China	67,845	11.4	60,041	11.0	7,804	13.0	14.1	12.4
Taiwan	14,360	2.4	15,292	2.8	(932)	(6.1)	(2.7)	(0.6)
France	45,450	7.6	44,664	8.1	786	1.8	1.8	1.2
United Kingdom	23,173	3.9	23,470	4.3	(297)	(1.3)	(0.7)	(0.2)
United States [3]	100,367	16.9	62,989	11.5	37,378	59.3	65.8	60.9
Brazil	23,869	4.0	26,703	4.9	(2,834)	(10.6)	9.7	3.8
Russia	18,614	3.1	18,976	3.5	(362)	(1.9)	11.8	3.3
Other countries [4]	147,107	24.7	145,480	26.5	1,627	1.1	2.8	6.0
All countries	**595,385**	**100.0**	**548,210**	**100.0**	**47,175**	**8.6**	**12.4**	**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) Growth in the US excluding LimeLife and the impact of foreign currency translation was 0.9%.

(4) 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 Same Store Sales Growth for the six months ended 30 September 2018 compared to the six months ended 30 September 2017:

	Own Retail Stores				**% contribution to Overall Growth[1] [2]**			
	30 Sep 2018	**Net openings YTD 30 Sep 2018**	**30 Sep 2017**	**Net openings YTD 30 Sep 2017**	**Non-comparable Stores**	**Comparable Stores**	**Total Stores**	**Same Store Sales Growth % [2]**
Japan[3]	151	7	141	7	2.0	1.2	3.2	1.3
Hong Kong[4]	34	—	35	1	0.0	0.8	0.8	5.4
China[5]	194	(3)	197	(5)	0.3	4.6	5.0	7.6
Taiwan	51	(1)	54	(2)	(0.1)	(0.3)	(0.5)	(3.0)
France[6]	82	—	82	2	4.0	(1.2)	2.8	(4.6)
United Kingdom	74	—	76	2	(0.4)	(0.2)	(0.6)	(0.8)
United States	190	(6)	205	(2)	(1.1)	1.9	0.9	3.3
Brazil[7]	164	(2)	122	(1)	1.2	1.8	3.0	6.4
Russia[8]	104	1	103	(1)	0.8	0.7	1.5	4.2
Other countries[9]	511	4	504	4	1.9	(0.6)	1.3	(0.6)
All countries [10]	**1,555**	**—**	**1,519**	**5**	**8.6**	**8.7**	**17.4**	**2.0**

(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 30 and 34 Melvita stores as at 30 September 2017 and 30 September 2018 respectively.

(4) Includes 3 L'Occitane stores in Macau and 10 Melvita stores in Hong Kong as at 30 September 2017 and 3 L'Occitane stores in Macau and 8 Melvita stores in Hong Kong as at 30 September 2018.

(5) Includes 7 and 5 Melvita stores as at 30 September 2017 and 30 September 2018 respectively.

(6) Includes 3 Melvita and 1 Erborian stores as at 30 September 2017 and 4 Melvita and 1 Erborian stores as at 30 September 2018.

(7) Includes 35 and 75 L'Occitane au Brésil stores as at 30 September 2017 and 30 September 2018 respectively.

(8) Includes 3 and 8 Erborian stores as at 30 September 2017 and 30 September 2018 respectively.

(9) Include 2 Melvita and 1 Erborian stores as at 30 September 2017 and 5 Melvita and 2 Erborian stores as at 30 September 2018.

(10) Include 52 Melvita, 35 L'Occitane au Brésil and 5 Erborian stores as at 30 September 2017 and 56 Melvita, 75 L'Occitane au Brésil and 11 Erborian stores as at 30 September 2018.

Japan

Japan's net sales for the six months ended 30 September 2018 were €96.2 million, a decrease of 3.3% as compared to the same period last year. At constant exchange rates, the growth was -0.5%. Same Store Sales Growth was 1.3%. After a slow start in the first quarter of FY2019, Japan picked up in the second quarter despite the typhoon and earthquake hits. Apart from the phasing effect of moving a window promotion, the positive second quarter was also supported by successful product launches, including the new Verbena cooling items which were well received by the market under extremely hot weather, as well as the new hero product — *Immortelle Reset* serum which posted a good start in September 2018. Total sales growth, however, was affected by the discontinuation of TV shopping channel QVC and new arrangements for the cafés. Melvita continued to grow at a fast pace with double-digit Same Store Sales Growth. At the end of September 2018, Japan had 34 Melvita stores.

Hong Kong

Hong Kong's net sales for the six months ended 30 September 2018 were €58.4 million, an increase of 14.3% as compared to the same period last year. At constant exchange rates, the growth was 18.6%. The growth was driven mainly by the dynamic travel retail sales in the region, in particular in Korea. The retail market was dynamic in the first quarter of FY2019 but slowed down in the second quarter, as a result of more cautious spending from mainland Chinese tourists and the super typhoon attack in September 2018. Yet the successful launch of *Immortelle Reset* serum helped recruit new face care customers and increased face care product linked sales.

China

China's net sales for the six months ended 30 September 2018 were €67.8 million, an increase of 13.0% as compared to the same period last year. At constant exchange rates, the growth was 14.1%. The encouraging growth was contributed by all channels. Despite a high base, retail remained very strong with Same Store Sales Growth at 7.6%. The good momentum was supported by the *Immortelle Reset* serum launch in combination with brand ambassadors Liu Shishi and Lu Han. Although Tmall became much more competitive, we continued to grow at a healthy double-digit after an amazing triple-digit spike in the same period last year. The launch with JD.com also boosted sales in another digital channel — the web partners. B2B once again posted good growth.

Taiwan

Taiwan's net sales for the six months ended 30 September 2018 were €14.4 million, a decrease of 6.1% as compared to the same period last year. At constant exchange rates, the decrease was 2.7%. Same Store Sales Growth was -3.0%. Retail in Taiwan remained sluggish and was further worsened by the typhoons and poor weather during the second quarter of FY2019.

France

France's net sales for the six months ended 30 September 2018 were €45.5 million, an increase of 1.8% as compared to the same period last year. The premium beauty market was flattish with intense competitive discounting. Retail and e-commerce traffic remained sluggish, with exception in touristic and outlet stores. Same Store Sales Growth was -4.6%. Nonetheless, the launch of *Immortelle Reset* serum in September 2018 helped boost up the average ticket value as well as Same Store Sales Growth. Erborian also performed well through further expansion into independent pharmacies. All in all, the overall growth was mainly contributed by the new stores opened, marketplaces and web partners.

United Kingdom

The United Kingdom's net sales for the six months ended 30 September 2018 were €23.2 million, a decrease of 1.3% as compared to the same period last year. At constant exchange rates, the growth was -0.7%. Retail sales saw significant improvements in the second quarter and caught up from the slow start in the first quarter of FY2019. The Verbena campaign was successful in drawing traffic and *Immortelle Reset* serum campaign boosted the average ticket value. E-commerce online conversion also improved with the help of on-site optimization. LimeLife kickstarted during the period. Overall sales were slightly negative as a result of having 2 stores less and phasing of QVC.

United States

The United States' net sales for the six months ended 30 September 2018 were €100.4 million, an increase of 59.3% as compared to the same period last year. At constant exchange rates, the growth was 65.8%. LimeLife contributed most part of the growth in the US. Excluding LimeLife, sales growth was still healthy at 0.9%, although we were trading with 15 stores less than the same period last year. L'Occitane en Provence sell-out sales were positive with Same Store Sales Growth at 3.3%, which further improved from 2.7% in the first quarter of FY2019. The satisfying performance was contributed by a few factors, such as the successful launch of *Immortelle Reset* serum, additional sales from pop-up stores and the effective digital and CRM programmes. For sell-in channels, sales lost from the exit of a wholesale chain were largely compensated by the rapid expansion with a web partner, namely Amazon. LimeLife continued to grow rapidly at mid-double-digit.

Brazil

Brazil's net sales for the six months ended 30 September 2018 were €23.9 million, a decrease of 10.6% as compared to the same period last year. The decrease was due to weak Brazilian Real. At constant exchange rates, the growth was 9.7%. L'Occitane au Brésil continued to drive the growth in Brazil, with double-digit growth in same store, retail, e-commerce and distribution channels. The encouraging growth across all main channels was attributable to the well accepted new product launches together with the marketing efforts online and offline. L'Occitane en Provence also managed to achieve healthy overall growth in local currency. Face care saw increase in percentage share, thanks to the good results of the new range — *Aqua Réotier*.

Russia

Russia's net sales for the six months ended 30 September 2018 were €18.6 million, a decrease of 1.9% as compared to the same period last year. The decrease was due to weaker Russian Ruble against Euro. At constant rates, the growth was 11.8%. The market remains tough, yet we managed to accelerate sales growth, with encouraging Same Store Sales Growth at 4.2%. Successful launch of *Immortelle Reset* serum was one of the key contributors. In addition, Sell-in channels also performed very well with double digit growth, particularly in wholesale and B2B. Erborian continued to grow strongly and there were 8 shops in Russia at the end of September 2018.

Other countries

Other countries' net sales for the six months ended 30 September 2018 were €147.1 million, an increase of 1.1%. At constant exchange rates, the growth was 2.8%. Sell-out segment recorded a growth of 2.9% at constant rates. Same Store Sales Growth was -0.6%. In general, the retail sentiment was sluggish in Europe, but dynamic in Asia Pacific. Australia, Canada and Malaysia posted double-digit growth. During the six months ended 30 September 2018, the number of own stores in other countries increased from 507 to 511. Sell-in segment posted a growth of 2.6% at constant rates. The increase was due mainly to dynamic sales in wholesale and B2B channels.

PROFITABILITY ANALYSIS

Cost of sales and gross profit

Cost of sales increased by 11.2%, or €10.6 million to €104.9 million for the six months ended 30 September 2018 as compared to the same period last year. The gross profit margin slightly decreased by 0.4 points to 82.4% for the period ended 30 September 2018, mainly due to the following factors:

- unfavourable foreign exchange (FX) impact for 0.4 points;
- unfavourable brand mix for 0.4 points as emerging brands increased in percentage share, partly offset by the first contribution of LimeLife outside of the United States for 0.2 points; and
- reclassification of production-related IT costs to cost of sales for 0.1 points.

The gross profit margin deterioration was largely offset by continuous improvement in production efficiency and lower freight charges for 0.4 points, as well as price increase in certain key countries and overall higher percentage share of face care segment for a total of 0.1 points, mitigated by rounding differences and others for -0.2 points.

Distribution expenses

Distribution expenses increased by 10.2%, or €30.4 million, to €327.3 million for the period ended 30 September 2018 as compared to the same period last year. As a percentage of net sales, the distribution expenses increased by 0.8 points to 55.0% of net sales for the period ended 30 September 2018. This increase was attributable to a combination of:

- deleverage under tough retail environment in some countries such as Japan, the UK, and France, in particular from rent and personnel costs for 1.1 points;

- brand mix effect for 0.5 points explained by the higher ratio of distribution expenses to sales of LimeLife USA, mainly from commissions;
- set-up of LimeLife's distribution structures outside of the United States for 0.3 points; and
- reclassification of distribution-related IT expenses from administrative expenses for 0.1 points.

The operating pressure was partly offset by:

- favourable channel mix for 0.7 points, as a result of higher share of e-commerce, marketplace and Sell-in channels;
- one-off pre-opening costs for flagship stores last year for 0.4 points; and
- favourable foreign exchange impact and others for 0.1 points.

Marketing expenses

Marketing expenses increased by 12.0%, or €9.3 million, to €87.1 million for the period ended 30 September 2018 as compared to the same period last year. The marketing expenses as a percentage of net sales increased by 0.4 points, to 14.6% of net sales for the six months ended 30 September 2018. This increase was attributable to:

- higher investment in advertising, marketing events and promotion tools for a total 0.9 points, in particular brand ambassadors and the advertising campaigns on TMall and JD.com in China, new product launches for *Aqua Réotier* and *Immortelle Reset* serum and advertising with Amazon in the US. Such investments were partly offset by reduction in traditional promotion tools. It should be noted that as the key launches in most countries occurred in August and September 2018, the related advertising spending was accounted for in the first half of FY2019, while the return of such investments is expected to continue in the second half of FY2019. The higher investment in advertising and marketing events can be therefore partly considered as phasing;
- set-up of LimeLife's structures outside of the United States for 0.1 points;
- unfavourable FX effects for 0.1 points; and
- reclassification and others for another 0.1 points.

The increase in spending was partly offset by favourable brand mix for 0.8 points explained by the lower than average level of marketing spending for LimeLife USA.

Research & development expenses

Research and development ("R&D") expenses increased by 9.2%, or €0.7 million, to €8.4 million for the period ended 30 September 2018 compared to the same period last year. The R&D expenses as a percentage of net sales remained at 1.4% for the period ended 30 September 2018.

General and administrative expenses

General and administrative expenses increased by 6.6%, or €3.9 million, to €62.5 million compared to the same period last year. As a percentage of net sales, general and administrative expenses decreased by 0.2 points to 10.5% for the period ended 30 September 2018. This improvement was attributable to a combination of:

- leverage with higher sales for 0.5 points;
- reclassification of certain IT costs to cost of sales, distribution and marketing expenses for 0.4 points; and
- favourable brand mix effect for 0.3 points due to the lower than average level of administrative expenses for LimeLife USA.

This was partly offset by IT investments for 0.2 points and unfavourable exchange rates impact for another 0.1 points.

In addition, the set-up of LimeLife's structures and distribution outside of the United States impacted for a negative 0.7 points.

Operating profit

Operating profit decreased by 57.8%, or €8.0 million, to €5.8 million for the period ended 30 September 2018 and the operating profit margin decreased by 1.5 points to 1.0% of net sales. The decrease in operating profit margin is explained by a combination of:

- higher investment in advertising and marketing events for 0.9 points, in particular for brand ambassadors and in marketplaces in China, as well as for major product launches that is expected to drive the Group's performance in the second half of FY2019, partly considered as phasing;
- set-up of LimeLife international and non-US distribution structures for 0.9 points;
- FX and others for 0.7 points;
- lower leverage for a net 0.2 points mainly from soft retail sales, despite higher leverage on sell-in and emerging brands, partly offset by efficiency gains; and
- increase in IT investments for 0.2 points.

This was partly offset by:

- favourable channel mix for 0.7 points;
- one-off pre-opening expenses for flagship stores last year for 0.4 points;
- favourable brand mix for 0.2 points reflecting the higher than average profitability of LimeLife USA during the first half-year; and
- price increase for 0.1 points.

Finance costs, net

Net finance costs were €1.7 million for the period ended 30 September 2018, €0.9 million higher than same period last year. The key reasons were lower interest income as a result of lower cash level and lower market interest rates. The lower cash level was mainly due to payment for the acquisition of LimeLife in the previous financial year.

Foreign currency gains/losses

Net foreign currency losses amounted to €1.5 million for the six months ended 30 September 2018, as compared to net currency losses of €3.0 million for the same period last year. €0.9 million of the losses this year were realised upon drawings and settlements of syndicated loans together with the realised losses on trade settlements denominated in Chinese yuan, US dollar and Canadian dollar. The unrealised losses amounted to €0.6 million, came mainly from conversion of balance sheet trade related items denominated in Chinese yuan, Brazilian real and South African rand.

Income tax expense

Income tax resulted in a tax credit of €3.0 million for the period ended 30 September 2018, as compared to a tax credit of €0.7 million for the same period last year, representing an effective income tax rate of -115.8% for the period ended 30 September 2018. The increase in income tax credit this year is mainly due to a country mix effect, with a higher share of profits in countries with lower tax rates.

Profit for the period

In addition to the aforementioned reasons, marketing expenses phasing and seasonality factor also played a vital role in the decrease in net profit. Net profit for the six months ended 30 September 2018 decreased by 47.9% or €5.1 million to €5.6 million, as compared to the same period last year. For the period ended 30 September 2018, the basic and diluted earnings per share are €0.005, both decreased by 37.5%.

BALANCE SHEET REVIEW

Liquidity and capital resources

As at 30 September 2018, the Group had cash and cash equivalents of €299.4 million, as compared to €303.2 million as at 30 September 2017 and €385.7 million as at 31 March 2018.

As at 30 September 2018, the aggregate amount of undrawn borrowing facilities was €326.9 million; and the total borrowings, including finance lease liabilities, current accounts with minority shareholders and bank overdrafts, amounted to €91.6 million, as compared to €88.0 million as at 31 March 2018.

The financings were mainly arranged with commercial banks and based on Euribor or Libor rates plus a margin. No financings were arranged with fixed interest rates.

Investing activities

Net cash used in investing activities was €55.9 million for the six months ended 30 September 2018, as compared to €176.8 million same period last year, representing a decrease of €120.9 million. The decrease was mainly related to the investment in LimeLife last year. Among the €55.9 million spent on investing activities, €45.0 million were for capital expenditures and €10.9 million were for financial investments.

The capital expenditures during the period were primarily related to:

- addition of key money, leasehold improvements and other tangible assets relating to stores for €22.4 million;
- work-in-progress and purchases of machinery and equipment for the factories in Brazil and Manosque and office setup cost of the incubator for €13.0 million;
- investments in various information technology projects for stores, CRM, websites redesign and hardware equipment for €8.0 million; and
- other capital expenditures for €1.7 million.

Financing activities

Financing activities resulted in a net outflow of €1.9 million for the six months ended 30 September 2018. During the same period last year, it was a net cash inflow of €14.8 million. The net outflow this year was due mainly to higher repayment of borrowings during the period. The net inflow last year was mainly explained by the increase in cash needs at subsidiary level.

Inventories

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

For the period ended 30 September	2018	2017
Average Inventory turnover days[1]	302	285

[1] Average inventory turnover days equals average inventory divided by cost of sales and multiplied by 182.5. Average inventory equals the average of net inventory at the beginning and end of a given period.

Inventory net value was €190.1 million as at 30 September 2018, an increase of €33.3 million or 21.2% as compared to €156.8 million as at 30 September 2017. The increase in inventory turnover days by 17 days was due to:

- inclusion of LimeLife's finished goods for 21 days;
- reduction in inventory allowances mainly at the factory for 6 days; and
- unfavourable foreign exchange impact and rounding for 3 days.

This was offset partly by:

- lower level of raw materials, Mini Products and Pouches ("MPPs") and boxes for 6 days; and
- lower level of finished goods at the factory, in Hong Kong, the US and other countries for 7 days.

Trade receivables

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

For the period ended 30 September	2018	2017
Turnover days of trade receivables[1]	33	34

[1] Turnover days of trade receivables equals average trade receivables divided by net sales and multiplied by 182.5. Average trade receivables equals the average of net trade receivables at the beginning and end of a given period.

The slight decrease in turnover days of trade receivables by 1 day for the period ended 30 September 2018 was mainly attributed to the foreign currency impact.

Trade payables

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

For the period ended 30 September	2018	2017
Turnover days of trade payables[1]	204	200

[1] Turnover days of trade payables equals average trade payables divided by cost of sales and multiplied by 182.5. Average trade payables equals the average of trade payables at the beginning and end of a given period.

The increase in turnover day of trade payables for the period ended 30 September 2018 was due to consolidation of LimeLife. Excluding LimeLife, the turnover day of trade payables indeed decreased to 194, with lower level of accrued expenses.

BALANCE SHEET RATIOS

The Group's profitability ratios for the six months ended 30 September 2018 deteriorated as compared to the same period last year. Return on capital employed for the six months ended 30 September 2018 decreased to 1.3% as compared to 1.7% for the same period last year. The decrease was mainly explained by a decrease in net profit as well as a slight increase in capital employed for the period. The Group's liquidity and capital adequacy ratios remained healthy as a result of high net cash position.

For the period ended	30 September 2018 *€ '000*	31 March 2018 *€ '000*	30 September 2017 *€ '000*
Profitability			
Net operating profit after tax (NOPAT)[1]	9,229	97,078	11,596
Capital employed[2]	735,721	641,118	695,483
Return on capital employed (ROCE)[3]	1.3%	15.1%	1.7%
Return on equity (ROE)[4]	0.8%	10.3%	1.3%
Liquidity			
Current ratio (times)[5]	2.6	3.1	2.5
Quick ratio (times)[6]	1.8	2.4	1.8
Capital adequacy			
Gearing ratio[7]	7.1%	6.8%	7.2%
Debt to equity ratio[8]	net cash position	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 financial liabilities + other non-current liabilities) + working capital. Note that working capital excludes financial liabilities such as dividends and acquisition payment.

[3] NOPAT / capital employed

[4] Net profit attributable to equity owners of the Company / shareholders' equity at period 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 Group enters into forward foreign exchange contracts to hedge anticipated transactions, as well as receivables and payables not denominated in our presentation currency, the Euro, for periods consistent with our identified exposures. As at 30 September 2018, the Group had foreign exchange derivatives net assets of €0.9 million in the form of foreign exchange forward contracts and interest rate derivatives (in accordance with fair market valuation requirements under IFRS). The notional principal amount of the outstanding sales forward exchange derivatives were €104.9 million.

DIVIDENDS

At the Board meeting held on 11 June 2018, the Board recommended a distribution of a gross final dividend of €0.0297 per share for an aggregated sum of €43.4 million or 45.0% of the net profit attributable to the equity owners of the Company. The amount of the final dividend was based on 1,460,682,471 shares in issue as at 26 September 2018 excluding 16,282,420 treasury shares. The shareholders of the Company approved the final dividend at the annual general meeting held on 26 September 2018. The dividend was paid on 19 October 2018.

In line with its policy to declare and pay only a final dividend each year, the Board has recommended that no distribution would be made from the profits of the six months ended 30 September 2018.

POST BALANCE SHEET EVENTS

There are no post balance sheet events that require to be reported.

Strategic Review

In the six months ended 30 September 2018 (the "first half of FY2019"), the Group introduced a new strategy named "Pulse" to clearly define its objectives to pursue sustainable growth, enhance profitability and build trust. The strategy is anchored by five pillars: empowering teams; executing fundamentals especially in a retail context; adopting an omni-channel, mobile and digital approach; engaging customers; and strengthening brand commitments. This will spearhead the Group's future performance. In the shorter term, the Group has already taken actions to promote management empowerment and accountability, such as by implementing a new incentive system, and to clarify its commitments toward sustainability.

With a renewed sense of focus, the Group achieved solid sales growth despite significant economic and political headwinds. It also made progress in a number of important areas, in particular, growing its presence in face care, improving Same Store Sales Growth in key markets and in strengthening the foothold of its emerging brands.

However, the Group's profitability in the first half of FY2019 was impacted by seasonality. The production schedule and use of working capital reflects the Group's historical sales pattern that is normally positively skewed towards the holiday season, which falls within its third financial quarter (between 1 October and 31 December). In addition, significant marketing investments were made in the first half leading up to its major product launch in August and September, with the expectation that momentum will sustain into the second half. As a result, the Group's performance in the first half of FY2019 should not be representative of its annual results.

Face care image boosted by successful hero product launch

The Group continued to enact its 'hero product' strategy to efficiently recruit new customers and elevate brand image. This strategy involves undertaking fewer, but larger scale, product launches synchronised across countries and sales channels.

In the first half of FY2019, the Group launched the *Aqua Réotier* moisturising range and the highly anticipated hero product, *Immortelle Reset* serum. Both greatly strengthened the association between L'OCCITANE en Provence and face care, while also increasing the face care segment's share within the Group's overall product mix. In particular, the launch of award-winning *Immortelle Reset* serum was one of the Group's most successful product launches to date. Not only did it become one of the bestsellers globally in two months, it was also the first time a face care product became bestselling in terms of volume. This hero product also delivered on its objective to recruit and bridge.

The Group will continue to balance its hero product launches with novelty product launches, as well as with its timeless bestsellers, to maximise sales, traffic and loyalty.

Marketing focused on content creation and engagement

The Group's performance in specific key markets was bolstered by marketing initiatives to create content and engage customers, including brand ambassador campaigns, as well as innovative and creative digital activities.

Combining the use of aspirational Chinese celebrities, Lu Han and Liu Shishi, and a 360-degree marketing campaign across Greater China and the region's travel retail channels, the Group gained prominent brand exposure and relevance with its target audience. This coordinated effort supported the strong growth of 18.6% and 14.1% in Hong Kong and China, respectively.

Meanwhile, Japan returned to positive Same Store Sales Growth during the first half of FY2019 from successful product launches. The Group sought to continue this momentum with the recent “Balloon Journey” campaign in October that showcased L’Occitane’s true stories and the natural ingredients. This expanded brand awareness, while also driving traffic and engagement.

The Group also continued to work closely with beauty bloggers and vloggers to target new consumers, as well as with social media platforms including WeChat in China, Kakao Talk in South Korea and Line in Japan, with whom it recently launched a new line of Line Stickers.

Delivering memorable omni-channel customer experiences

The Group continued to invest in its omni-channel distribution which aims to provide a seamless experience for customers to discover the Group’s products and brands, making the path-to-purchase fun, memorable and convenient.

During the first half of FY2019, the Group unveiled unique retail concepts for L’OCCITANE en Provence in key cities. These included:

- 555 5th Avenue in New York, an immersive destination incorporating eye-catching art installations, VR elements, and technologically advanced interactive skincare consultation areas;
- a newly-renovated flagship store in Tokyo’s Shibuya district, which features a Pierre Hermé café; and
- *A Journey in Every Sense* pop-up café in Singapore, in collaboration with pastry chef, Janice Wong.

The Group also expanded its presence on Chinese online marketplaces, opening an official store on JD.com, one of the country’s biggest e-commerce sites. During the first half of FY2019, the Group’s Web Sell-out sales grew by 8.7%, equivalent to 12.4% of total Sell-out sales during the period.

Leveraging the unique identities of each brand

All of the Group’s emerging brands — Melvita, Erborian, L’OCCITANE au Brésil and LimeLife by Alcone (“LimeLife”) continued to grow well during the first half of FY2019, particularly in markets such as Japan, France, Brazil and the US.

Melvita maintained strong Same Store Sales Growth during the period, supported by the focus on signature face care products, *Argan Oil* beauty oil and *Pulpe de Rose* serum, allowing the Group to fully leverage on the brand’s high level of repurchases.

Erborian’s Korean roots and French flair continued to prove its appeal in western countries. The brand continued double-digit sales growth, and expanded its presence to 8 shops in Russia.

Meanwhile, L’OCCITANE au Brésil helped drive overall sales growth for the Group in Brazil during the first half of FY2019, supported by the launch of a flagship store in São Paulo. This flagship store introduced a new visual brand identity for the brand, focused around the ‘Casa Brasileira’ concept, which is inspired by the Brazilian approach to creating cosy, simple and hospitable homes.

The exciting potential of combining online sales with peer to peer marketing, and the continued strong growth in the United States gave the Group confidence to press on with Limelife’s international expansion, entering Canada, the United Kingdom, and France in the first half of FY2019. In the coming months, the Group plans to expand LimeLife into other European countries such as Spain and Italy, as well as Brazil.

The Group will also continue 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.

Building an agile and efficient organisation

The Group continued to make targeted investments and monitor efficiency closely, in order to become an even more agile and profitable organisation. A key element was to foster an entrepreneurial culture, by empowering teams to make decisions based on their local expertise. In relation to this, the Group rolled out a new incentive plan that is much more connected to growth and profitability.

In order to emulate the efficiencies achieved in the Asia-Pacific region following the opening of the Asian Central Distribution Centre in Singapore last year, the Group is set to open a similar distribution centre in Europe in the second half of FY2019. It is also set to commence operations at its new factory in Brazil for the L’OCCITANE au Brésil brand in the second half of FY2019, which will deliver better production efficiency and tax advantages in that market.

A sustainable business is a smart business

Sustainability has been at the heart of the Group's business for more than 40 years, created from a deep passion and respect for nature. Today, the Group's commitments run further with its new CSR platform that set ambitious goals for plastic use, biodiversity, fair trade, craftsmanship, sight and women empowerment.

L'Occitane is proud to share these commitments and believe they resonate strongly with today's socially-conscious consumers. In this year's holiday product collaboration with Castelbajac Paris, the products carry strong messages that celebrate the Group's commitments to further strengthen its brand identity.

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

Outlook

Looking forward to the second half of FY2019 and beyond, the Group will continue its "Pulse" strategy centered on trust, sustainable growth, and profitability. The successful launch of *Immortelle Reset* serum provided invaluable experience for the rollout of future product launches as part of the hero product strategy, including potential extensions to this franchise.

Given the strong seasonality of the Group's operations, the coming holiday season will be essential to its full-year financial performance. In order to position itself most advantageously for this, the Group will leverage on the popularity of its new hero product, and launch meaningful campaigns that remind consumers L'Occitane is more than just a brand.

Despite the ongoing risks posed by the macroeconomic environment, the Group is confident its focus and discipline to execute fundamentals, prioritise an omni-channel approach, and empower teams will safeguard its sustainable growth and profitability, as well as its ability to deliver value to 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 ("Audit Committee") comprising of three non-executive Directors, two of whom are independent non-executive Directors. The Audit Committee 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 of the Group for the six months ended 30 September 2018.

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 the six months ended 30 September 2018 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. Silvain Desjonquères ("Mr. 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 ("Mr. 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"), 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.

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. Having made specific enquiry of all Directors, they have confirmed that they have complied with the Model Code during the six months ended 30 September 2018.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

GENERAL INFORMATION

The interim consolidated financial statements of the Group for the six months ended 30 September 2018 have been reviewed by the Audit Committee.

PUBLICATION OF INTERIM REPORT

The interim 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 interim report will be dispatched to the shareholders of the Company 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.

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

Hong Kong, 26 November 2018

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

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.