

[For Immediate Release]



L'Occitane International S.A.

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(Incorporated under the laws of Luxembourg with limited liability)

L'Occitane Announces FY2019 Interim Results

Net sales grew 12.4% at constant rates

Strategic advertising and marketing to support second half performance

1. Solid sales growth in key markets and growing presence in face care supported by launch of *Immortelle Reset* serum (one of the Group's most successful product launches to date).
2. Net sales were €595.4 million, an improvement of 12.4% at constant rates. Like-for-like sales growth was 4.9%.
3. Same store sales growth accelerated to 2.0%, compared to -0.1% in the same period last year.
4. U.S., 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.
5. Gross profit margin remained high at 82.4%.
6. Emerging brands (Melvita, L'OCCITANE au Brésil, Erborian, LimeLife) continued to grow well.
7. Operating profit was €5.8 million, and net profit ended at €5.6 million. This was due mainly to higher marketing investments expected to sustain sales momentum in the second half, set-up costs for LimeLife's international business, and unfavourable foreign exchange rates.

FINANCIAL HIGHLIGHTS

For the six months ended 30 September (million €, unless otherwise stated)	2018	2017	Change
Net sales	595.4	548.2	+8.6%
Gross profit	490.5	453.9	+8.1%
<i>Gross profit margin</i>	82.4%	82.8%	-0.4 pp
Operating profit	5.8	13.8	-57.8%
<i>Operating profit margin</i>	1.0%	2.5%	-1.5 pp
Profit for the period	5.6	10.7	-47.9%
<i>Net profit margin</i>	0.9%	2.0%	-1.1 pp
Basic EPS (€)	0.005	0.008	-37.5%
Return on capital employed (%)	1.3%	1.7%	-0.4 pp
Return on equity (%)	0.8%	1.3%	-0.5 pp
Gearing ratio (%)	7.1%	7.2%	-0.1 pp
Net cash	164.4	167.2	-1.7%

(26 November 2018, Hong Kong) L'Occitane International S.A. ("L'Occitane" or the "Group"; SEHK stock code: 973), an international group that manufactures and retails beauty and well-being products that are rich in natural and organic ingredients, today announces its interim results for the six months ended 30 September 2018 ("the first half of FY2019").

Despite significant economic and political headwinds, the Group achieved solid sales growth and 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 strengthening the foothold of its emerging brands. However, as the Group's key product launch occurred in August and September in most countries, the related advertising and marketing spending was accounted for in the first half of FY2019, with the expectation that momentum will continue into the second half of FY2019. This further amplified the already seasonal performance of the Group. As a result, the Group's financial performance in the first half of FY2019 should not be representative of its annual results for FY2019.

Net sales reached €595.4 million in the first half of FY2019, an improvement of 12.4% at constant rates compared to the same period last year. On a like-for-like basis (excluding LimeLife¹ and Le Couvent des Minimes), the Group's net sales improved 4.9%. The sales growth was driven by continuous CRM efforts and successful launches during the period, including the hero product *Immortelle Reset* serum.

Gross profit rose 8.1% to €490.5 million in the first half of FY2019, while the gross profit margin fell slightly to 82.4%. The lower gross profit margin was due to an unfavourable foreign exchange impact and an unfavourable brand mix, which were partly offset by production efficiency gains, lower freight charges, price increases in certain markets, and a higher percentage share of revenue from the face care segment.

The Group recorded an operating profit of €5.8 million during the period, while net profit fell to €5.6 million. This was mostly due to higher investments in advertising and marketing events, in particular related to a major product launch that is expected to drive the Group's performance in the second half, set-up costs for expanding LimeLife's business outside of the U.S., and unfavourable foreign exchange rates. Yet, the Group saw improvements in certain factors, including better channel mix, lower pre-opening expenses for the flagship stores last year, and price increase.

Sell-out sales accounted for 73.2% of the Group's net sales in the first half of FY2019, amounting to €435.9 million, an increase of 13.9% at constant exchange rates. The growth was primarily driven by Non-comparable Stores and other sales, including new stores and stores renovated last year and this year, marketplaces, spas, cafés and LimeLife. Web Sell-out channels (including own e-commerce and marketplaces) grew 8.7% at constant exchange rates, equivalent to 12.4% of total Sell-out sales. Same store sales growth accelerated to 2.0%, compared to a 0.1% decline in the same period last year.

Sell-in sales accounted for 26.8% of the Group's net sales in the first half of FY2019, amounting to €159.5 million, an increase of 8.4% at constant exchange rates. This growth was primarily driven by the dynamic growth in travel retail, web partners and B2B sales of the L'OCCITANE en Provence brand. Erborian and L'OCCITANE au Brésil brands also expanded their sell-in channels.

The U.S., Hong Kong and China were the fastest growing markets during the period, with sales growth at constant exchange rates of 65.8%, 18.6% and 14.1%, respectively. Sales growth in the U.S. was driven by LimeLife and the continued momentum of the Group's core L'OCCITANE en Provence brand, despite having 15 fewer stores than the same period last year.

Sales growth in Hong Kong was mainly driven by the successful launch of the *Immortelle Reset* serum, and the dynamic travel retail market in the region. However, the growth rate slowed in the second quarter of FY2019 compared to the first quarter of FY2019 as a result of more cautious spending from Mainland Chinese tourists and the typhoon in September. Meanwhile, growth in China was also supported by the *Immortelle Reset* serum launch, brand ambassador campaigns featuring Liu Shishi and Lu Han, as well as the launch of an official store on JD.com.

¹ LimeLife by Alcone ('LimeLife') became a subsidiary of the Group in January 2018 and its sales have been consolidated since.

The Group's emerging brands, Melvita, Erborian, L'OCCITANE au Brésil and LimeLife continued to grow well during the first half of FY2019, particularly in markets such as Japan, France, Brazil and the U.S. LimeLife pressed on with its international expansion, entering Canada, the U.K. and France.

During the first half of FY2019, the Group introduced a new strategy named "Pulse" 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. In line with this strategy, the Group has taken steps to foster an entrepreneurial culture, such as through a new incentive plan connected to growth and profitability.

The Group continued to push forward its hero product strategy, which involves undertaking fewer, but larger scale, product launches synchronised across countries and sales channels. The launch of the award-winning *Immortelle Reset* was one of the Group's most successful product launches to date, becoming one of its bestsellers globally in two months and the first bestselling face care product in terms of volume.

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. In the first half of FY2019, the Group unveiled unique retail concepts for L'OCCITANE en Provence in key cities including New York, Tokyo, and Singapore.

Marketing initiatives to create content and drive customer engagement underpinned the momentum in key markets, such as China and Japan, as well as the region's travel retail channels, and should continue to drive its growth in the second half of FY2019.

The Group's balance sheet remained healthy during the period under review, with its net cash position amounting to €164.4 million as at 30 September 2018.

Mr. Reinold Geiger, Chairman and Chief Executive Officer of L'Occitane, said, "The introduction of the 'Pulse' strategy is a significant step in clearly defining our objectives of building trust, pursuing sustainable growth and enhancing profitability. It will guide our plans and actions, and underpin our future performance.

Looking to the second half, we trust our recent marketing and advertising efforts will continue to bear fruit. We have also placed greater emphasis on communicating our commitments toward sustainability, which we believe is an integral part of our brand. With our collective focus and drive, we are confident to deliver long-term value to shareholders."

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About L'Occitane International S.A.

L'Occitane International S.A. is an international group that manufactures and retails beauty and well-being products that are rich in natural and organic ingredients. A global leader in the premium beauty market, the Group has more than 3,000 retail outlets, including over 1,500 owned stores, and is present in 90 countries. Through its five brands – L'OCCITANE en Provence, Melvita, Erborian, L'OCCITANE au Brésil and LimeLife by Alcone – the Group offers new and extraordinary beauty experiences, using high quality products that respect nature, the environment and the people who surround it.

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