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# L'OCCITANE

EN PROVENCE

## L'OCCITANE INTERNATIONAL S.A.

*49, Boulevard Prince Henri L-1724 Luxembourg*

*R.C.S. Luxembourg: B80359*

*(Incorporated under the laws of Luxembourg with limited liability)*

*(Stock code: 973)*

### **PROFIT WARNING AND UNAUDITED TRADING UPDATE FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

#### **PROFIT WARNING**

This announcement is made by L'Occitane International S.A. (the "Company") and its subsidiaries (the "Group") pursuant to the provision of inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) and Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The board of directors (the "Board") of the Company wishes to inform the shareholders of the Company (the "Shareholders") and potential investors that, based on its preliminary review of the draft unaudited consolidated financial statements of the Group for the six months ended 30 September 2015, the Group is expected to record a decrease in net profit by 40% to 50% as compared to the same period last year.

The Board considers that the expected decrease in the Group's net profit was primarily attributable to softer sales growth at constant rates under challenging global market conditions, which resulted in deleveraging of the fixed costs. In addition, the increased marketing expenses, mostly in digital marketing areas, also affected the Group's margins during the six months ended 30 September 2015.

The favourable foreign exchange rates on average during the six months ended 30 September 2015 saw the Group's gross profit improved while operating profit maintained. This was however offset by mostly unrealized foreign exchange losses which were due to the rise of the euro against all major currencies in September 2015 resulting in the depreciation of intercompany balances.

Due to seasonality, the first half of each financial year has historically had a smaller impact than the second half on the Group's whole year sales, operating profit and net profit. The Board expects that such seasonal trend will continue this year despite the volatile operating environment towards the second half of the financial year.

The Company has yet to finalise the unaudited interim results of the Group for the six months ended 30 September 2015. The information contained in this announcement is a preliminary assessment made by the Board with reference to information currently available and is not based on any figures or information which have been audited or reviewed by the Company's auditor. Further details of the Group's performance will be disclosed during its interim results announcement for the six months ended 30 September 2015 which is expected to be published on 16 November 2015.

**Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

## UNAUDITED TRADING UPDATE FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

The Company presents the unaudited 2015/2016 (“FY 2016”) trading update of the Group for the six months ended 30 September 2015.

### Highlights

- Group’s net sales were €546.7 million, recording an increase of 12.5% for the first six months of FY2016. Local currency growth was 5.8%
- China was the fastest growing country with 20.4% growth in local currency, followed by France, Japan and Russia
- France delivered a sales growth of 11.1% in local currency with Same Store Sales Growth at 6.4%
- Japan posted a sales growth of 8.2% at constant exchange rates with Same Store Sales Growth at 6.9%
- The E-commerce channels continued to outperform with a 20.6% growth at constant exchange rates during the first six months of FY2016
- Overall Same Store Sales Growth was 1.6%
- 57 net stores opened as compared to 38 net stores opened during the same period last year, excluding acquisition

### Business Segments

The following tables provide a breakdown of the net sales and year-on-year growth (including and excluding foreign currency translation effects as indicated) by business segment for the six months ended 30 September 2015:

|              | Sales and % of total sales |              |                   |              |
|--------------|----------------------------|--------------|-------------------|--------------|
|              | 30 September 2015          |              | 30 September 2014 |              |
|              | € '000                     | %            | € '000            | %            |
| Sell-out     | 398,180                    | 72.8         | 353,716           | 72.8         |
| Sell-in      | 148,519                    | 27.2         | 132,159           | 27.2         |
| <b>Total</b> | <b>546,699</b>             | <b>100.0</b> | <b>485,874</b>    | <b>100.0</b> |

|   | Year-on-year growth |             |                       |                               |
|---|---------------------|-------------|-----------------------|-------------------------------|
|   | € '000              | %           | %                     | % Contribution to             |
|   | Growth              | Growth      | Growth <sup>(2)</sup> | Overall Growth <sup>(2)</sup> |
| <b>Sell-out</b>                               | <b>44,464</b>       | <b>12.6</b> | <b>5.9</b>            | <b>74.4</b>                   |
| Comparable Stores                             | 22,370              | 8.2         | 1.6                   | 15.8                          |
| Non-comparable Stores & others <sup>(1)</sup> | 22,094              | 26.9        | 20.0                  | 58.6                          |
| <b>Sell-in</b>                                | <b>16,361</b>       | <b>12.4</b> | <b>5.4</b>            | <b>25.6</b>                   |
| <b>Overall Growth</b>                         | <b>60,825</b>       | <b>12.5</b> | <b>5.8</b>            | <b>100.0</b>                  |

<sup>(1)</sup> Includes mail-order and other sales.

<sup>(2)</sup> Excludes the impact of foreign currency translation effects.

### Geographic Areas

The following table presents the net sales and net sales growth for the six months ended 30 September 2015 and contribution to overall sales growth (including and excluding foreign currency translation effects as indicated) by geographic area:

|                                | Sales and % of total sales |              |                   |              | Growth        | Growth      | Growth <sup>(1)</sup> | Contribution to Overall Growth <sup>(1)</sup> |
|--------------------------------|----------------------------|--------------|-------------------|--------------|---------------|-------------|-----------------------|---|
|                                | 30 September 2015          |              | 30 September 2014 |              |               |             |                       |   |
|                                | € '000                     | %            | € '000            | %            |               |             |                       |   |
| Japan                          | 90,113                     | 16.5         | 81,024            | 16.7         | 9,089         | 11.2        | 8.2                   | 23.7  |
| Hong Kong <sup>(2)</sup>       | 58,103                     | 10.6         | 54,505            | 11.2         | 3,598         | 6.6         | (12.0)                | (23.4)  |
| China                          | 51,438                     | 9.4          | 35,673            | 7.3          | 15,765        | 44.2        | 20.4                  | 26.0  |
| Taiwan                         | 16,658                     | 3.0          | 14,747            | 3.0          | 1,911         | 13.0        | (1.3)                 | (0.7)   |
| France                         | 45,005                     | 8.2          | 40,506            | 8.3          | 4,499         | 11.1        | 11.1                  | 16.0  |
| United Kingdom                 | 31,648                     | 5.8          | 27,016            | 5.6          | 4,632         | 17.1        | 4.9                   | 4.7   |
| United States                  | 72,277                     | 13.2         | 59,056            | 12.2         | 13,220        | 22.4        | 0.6                   | 1.3   |
| Brazil                         | 19,539                     | 3.6          | 22,050            | 4.5          | (2,511)       | (11.4)      | 5.6                   | 4.4   |
| Russia                         | 17,969                     | 3.3          | 22,006            | 4.5          | (4,037)       | (18.3)      | 8.1                   | 6.4   |
| Other countries <sup>(3)</sup> | 143,950                    | 26.3         | 129,291           | 26.6         | 14,659        | 11.3        | 9.0                   | 41.6  |
| <b>All countries</b>           | <b>546,699</b>             | <b>100.0</b> | <b>485,874</b>    | <b>100.0</b> | <b>60,825</b> | <b>12.5</b> | <b>5.8</b>            | <b>100.0</b>                                  |

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

<sup>(2)</sup> Includes sales in Macau.

<sup>(3)</sup> 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 2015 compared to the six months ended 30 September 2014:

|                                | Own Retail Stores    |           |                      |           | % contribution to Overall Growth <sup>(1) (2)</sup> |                   |              | Same Store Sales Growth % <sup>(2)</sup> |
|--------------------------------|----------------------|-----------|----------------------|-----------|---|-------------------|--------------|--|
|                                | Net openings YTD Sep |           | Net openings YTD Sep |           | Non-comparable Stores                               | Comparable Stores | Total Stores |  |
|                                | 30 Sep 2015          | 2015      | 30 Sep 2014          | 2014      |   |                   |              |  |
| Japan <sup>(3)</sup>           | 117                  | 6         | 108                  | 2         | 9.4   | 12.9              | 22.4         | 6.9                                      |
| Hong Kong <sup>(4)</sup>       | 38                   | 2         | 35                   | 3         | (3.7)   | (8.2)             | (12.0)       | (16.2)                                   |
| China <sup>(5)</sup>           | 180                  | 19        | 145                  | 9         | 11.3  | 2.3               | 13.6         | 2.5                                      |
| Taiwan                         | 55                   | —         | 55                   | 1         | (0.7)   | (2.0)             | (2.8)        | (6.2)                                    |
| France <sup>(6)</sup>          | 81                   | —         | 80                   | 5         | 2.8   | 4.6               | 7.4          | 6.4                                      |
| United Kingdom                 | 75                   | 2         | 72                   | 4         | 2.0   | 1.2               | 3.2          | 2.4                                      |
| United States                  | 216                  | 2         | 208                  | 11        | 5.0   | (2.8)             | 2.2          | (1.8)                                    |
| Brazil                         | 88                   | 7         | 80                   | 2         | 2.4   | 2.4               | 4.8          | 5.1                                      |
| Russia <sup>(7)</sup>          | 106                  | (1)       | 111                  | 1         | 1.0   | 3.3               | 4.3          | 7.0                                      |
| Other countries <sup>(8)</sup> | 485                  | 20        | 446                  | 7         | 15.9  | 2.2               | 18.0         | 0.9                                      |
| <b>All countries</b>           | <b>1,441</b>         | <b>57</b> | <b>1,340</b>         | <b>45</b> | <b>45.3</b>   | <b>15.8</b>       | <b>61.2</b>  | <b>1.6</b>                               |

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

<sup>(2)</sup> Excludes foreign currency translation effects.

<sup>(3)</sup> Includes 11 and 17 Melvita stores as at 30 September 2014 and 30 September 2015 respectively.

<sup>(4)</sup> Includes 3 L'Occitane stores in Macau and 10 Melvita stores in Hong Kong as at 30 September 2014 and 30 September 2015.

<sup>(5)</sup> Includes 8 Melvita stores as at 30 September 2015.

<sup>(6)</sup> Includes 4 Melvita stores as at 30 September 2014 and 5 Melvita and 1 Erborian stores as at 30 September 2015.

<sup>(7)</sup> Includes 4 Melvita stores as at 30 September 2014.

<sup>(8)</sup> Includes 7 L'Occitane stores from the acquisition of distributor in Norway and 7 Melvita stores as at 30 September 2014 and 8 Melvita and 1 Erborian stores as at 30 September 2015.

The Group's net sales for the first six months of FY2016 were €546.7 million, an increase of 12.5% as compared to the same period last year. At constant exchange rates, the Group delivered sales growth of 5.8%. The uncertainties of the economic environment continued to impact the sales performance of the Group, while net favorable foreign currency effects contributed 6.7% of the growth.

During the first six months of FY2016, Sell-out sales accounted for 72.8% of net sales and amounted to €398.2 million, an increase of 12.6% (5.9% at constant exchange rates) as compared to the same period last year. This growth was mainly contributed by Non-comparable Stores and others. The Same Store Sales Growth for the first six months of FY2016 was 1.6%. The Group's E-commerce channels continued to outperform with a 20.6% growth at constant exchange rates during the first six months of FY2016 as compared to the same period last year.

Sell-in sales accounted for 27.2% of the Group's total sales and amounted to €148.5 million, an increase of 12.4% (5.4% at constant exchange rates) as compared to the same period last year, with a strong contribution from B2B, wholesale and distribution channels.

In terms of geographical areas, China, France, Japan and Russia were among countries with highest sales growth at constant exchange rates. During the first half of FY2016, China had the highest sales growth of the Group at 20.4% in local currency, mainly contributed by the non-comparable new stores opened last year and in the first half of this year. Sales in T-mall also contributed to the sell-out growth in China.

France posted a sales growth of 11.1%, with Same Store Sales Growth at 6.4%. The growth was mainly driven by a combination of factors including new local customer recruitment programs, successful product launches during summer, increase in tourist traffic and accelerated growth of the emerging brands.

Sales growth in Japan was 8.2%, thanks to strong Same Store Sales Growth at 6.9%. The strong same store sales performance during the period was mainly contributed by successful product launches and marketing campaigns. During the second quarter of FY2016, both sales growth and Same Store Sales Growth percentages outperformed those achieved in the first quarter of the financial year.

In Hong Kong, the retail operation remained impacted by the weak market sentiment and a drop in mainland Chinese tourists. During the second quarter of FY2016, Hong Kong travel retail sell-through was sluggish due to the lagging effects of MERS in Korea and a drastic drop in traffic in Hong Kong and Macau.

The Group maintained its selective global retail expansion during the six months ended 30 September 2015 with 57 net stores opened, as compared to 38 net stores opened (excluding the 7 stores acquired from a distributor in Norway) during the same period last year. The Group also continued upgrading its retail network with 64 stores renovated or relocated during the first six months of FY2016.

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

Hong Kong, 27 October 2015

*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 (Managing Director Asia-Pacific), Mr. Thomas Levilion (Group Deputy General Manager, Finance and Administration), Mr. Domenico Trizio (Chief Operating Officer), Mr. Karl Guénard (Joint Company Secretary) and Mr. Nicolas Veto (Group Human Resources Executive VP), 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.*