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Groupe
L'OCCITANE
L'OCCITANE INTERNATIONAL S.A.

49, Boulevard Prince Henri L-1724 Luxembourg

R.C.S. Luxembourg: B80359

(Incorporated under the laws of Luxembourg with limited liability)

(Stock code: 973)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2023**

HIGHLIGHTS

- The Group's sales exceeded the €2 billion milestone to reach €2,134.7 million in FY2023. This represented 19.8% growth at reported rates. The strong growth in FY2023 was driven by the outstanding performance of Sol de Janeiro and solid growth of ELEMIS.
- Reported operating profit was €239.1 million, representing a decrease of 23.0% compared to last year. The decrease was mainly due to impairments on two underperforming brands.
- On a management basis, i.e. excluding the exceptional impacts of the impairments, the divestiture in Russia and share of losses of associates, the operating profit in FY2023 was €336.8 million, representing an operating profit margin of 15.8%.
- The Board proposes a final dividend of €0.03129 per share, representing a dividend payout ratio of 40%.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of L’Occitane International S.A. (the “**Company**” or “**L’Occitane**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 March 2023 (“**FY2023**”) together with comparative figures for the year ended 31 March 2022 (“**FY2022**”). The following financial information, including the comparative figures, has been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board and as adopted by the European Union.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 March

	Notes	2023 € '000	2022 € '000	% Change
Net sales	2	2,134,689	1,781,358	19.8
Cost of sales		(416,548)	(317,943)	31.0
Gross profit		1,718,141	1,463,415	17.4
% of net sales		80.5%	82.2%	
Distribution expenses		(784,702)	(698,367)	12.4
Marketing expenses		(367,709)	(280,831)	30.9
Research and development expenses		(22,481)	(18,907)	18.9
General and administrative expenses		(201,498)	(173,001)	16.5
Other operating income	4	4,060	39,124	-89.6
Other operating expenses	5	(90,089)	(7,079)	1,172.6
Share of (loss) from associates and joint ventures accounted for using the equity method	3	(16,590)	(13,640)	21.6
Operating profit	6	239,132	310,714	-23.0
Finance income	7	2,799	1,908	46.7
Finance costs	7	(56,312)	(16,430)	242.7
Foreign currency (losses)		(6,002)	(308)	1,848.7
Profit before income tax		179,617	295,884	-39.3
Income tax expense	8	(61,424)	(53,975)	13.8
Profit for the year		118,193	241,909	-51.1
Attributable to:				
Equity owners of the Company		115,110	242,034	-52.4
Non-controlling interests		3,083	(125)	-2,566.4
Total		118,193	241,909	-51.1
Effective tax rate		34.2%	18.2%	
Earnings per share for profit attributable to the equity owners of the Company during the period (expressed in euros per share)				
Basic		0.078	0.165	-52.5
Diluted		0.078	0.164	-52.5
Number of shares used in earnings per share calculation				
Basic	9	1,471,609,250	1,470,135,821	0.1
Diluted	9	1,473,649,115	1,473,153,053	0.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at	Notes	31 March 2023 € '000	31 March 2022 € '000
ASSETS			
Property, plant and equipment		125,234	128,724
Right-of-use assets		271,656	264,934
Intangible assets		490,188	487,355
Goodwill		893,542	990,489
Deferred income tax assets		84,966	94,005
Investments accounted for using the equity method		66,124	67,239
Other non-current assets		76,636	67,778
Non-current assets		2,008,346	2,100,524
Inventories, net	11	317,197	263,162
Trade receivables, net	12	256,553	199,623
Other current assets		84,740	82,935
Derivatives financial instruments		2,337	1,931
Cash and cash equivalents		147,255	360,899
Current assets		808,082	908,550
TOTAL ASSETS		2,816,428	3,009,074
EQUITY AND LIABILITIES			
Share capital		44,309	44,309
Additional paid-in capital		342,851	342,851
Other reserves		(368,342)	(215,013)
Retained earnings		1,120,146	1,097,881
Capital and reserves attributable to the equity owners of the Company		1,138,964	1,270,028
Non-controlling interests		48,037	44,578
Total equity		1,187,001	1,314,606
Borrowings		324,819	381,319
Lease liabilities		193,309	180,510
Other financial liabilities		338,650	171,865
Other non-current liabilities		22,343	22,952
Deferred income tax liabilities		99,488	96,196
Non-current liabilities		978,609	852,842
Trade payables	13	210,103	209,903
Social and tax liabilities		98,461	104,807
Current income tax liabilities		25,424	39,477
Borrowings		194,040	289,611
Lease liabilities		82,393	93,722
Derivative financial instruments		248	1,208
Provisions		3,683	2,139
Other current liabilities		36,466	100,759
Current liabilities		650,818	841,626
TOTAL EQUITY AND LIABILITIES		2,816,428	3,009,074
NET CURRENT ASSETS		157,264	66,924
TOTAL ASSETS LESS CURRENT LIABILITIES		2,165,610	2,167,448

NOTES

1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and as adopted by the European Union. They are similar, for operations conducted by the Group, to IFRS as adopted by the European Union. IFRS are available on the European Commission's website.

The consolidated financial statements have been prepared under the historical cost basis, as modified by the revaluation of certain financial assets and financial liabilities (including derivative financial instruments) at fair value.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

New and amended standards

The Group has applied the following new and amended standards that are effective for the first time for the Group for the financial period beginning 1 April 2022:

Other new and amended standards

Several amendments became effective for annual reporting periods beginning on or after 1 April 2022, but do not have a material impact on the consolidated financial statements:

- Onerous contracts: the amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.
- Business combinations: the amendment to IFRS 3 confirms that contingent assets should not be recognised at the acquisition date.
- Property, plant and equipment: the amendment to IAS 16, Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.
- Annual Improvements to IFRS Standards 2018–2020:
 - o Financial Instruments: the amendment to IFRS 9 clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
 - o Leases: the amendment to IFRS 16 indicates that the illustration of payments from the lessor relating to leasehold improvements should be removed to prevent any confusion about the treatment of lease incentives. Financial Reporting Standards: the amendment to IFRS 1 allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

2. Net Sales and Segment Information

The Chairman and the CEO primarily review the Group's internal reporting in order to assess performance and allocate resources from a brand perspective. Four operating segments have been identified:

- L'OCCITANE en Provence — the sale of fragrances, skincare, haircare and body and bath ranges from the L'OCCITANE en Provence brand.
- ELEMIS — the sale of skincare products by ELEMIS, a brand for distribution and innovation in the beauty and skincare sectors. Sales are mainly driven through wholesale, e-commerce, department stores, QVC, professional spas and maritime sales ("Wholesale & other" channel).
- Sol de Janeiro — the sale of fragrances, skincare, haircare and bodycare from Sol de Janeiro brand. Sales are mainly driven by consumers through its website ("Retail" and "Online" channels) and through various premium retailers, marketplaces and department stores ("Wholesale & other" channel).
- Other brands — the sale of Erborian, L'OCCITANE au Brésil, Grown Alchemist, LimeLife and Melvita skincare, makeup, floral water, beauty oils and other products. These brands mostly have the same economic characteristics, primarily in terms of type of product, customer, distribution channel ("Retail", "Online" channels and "Wholesale & other" channel), and financial performance, and they do not individually or cumulatively exceed the quantitative criteria defined in IFRS 8.

For the fiscal year ended 31 March 2022, LimeLife was presented as a separate operating segment. Considering the increase in the contribution of ELEMIS and Sol de Janeiro, the relative contribution of LimeLife is less relevant and management decided to group LimeLife with other brands in the 'Other brands' operating segment.

2.1. Sales and segment information

31 March 2023

<i>In thousands of euros</i>	L'OCCITANE en Provence	ELEMIS	Sol de Janeiro	Other brands	Total
Net sales	1,421,214	255,945	266,989	190,541	2,134,689
<i>In % of total</i>	66.6%	12.0%	12.5%	8.9%	100.0%
Gross profit	1,201,277	186,730	190,369	139,766	1,718,141
<i>% of net sales</i>	84.5%	73.0%	71.3%	73.4%	80.5%
Distribution expenses	(596,614)	(58,334)	(43,094)	(86,660)	(784,702)
Marketing expenses	(208,184)	(52,959)	(61,529)	(45,037)	(367,709)
Research & development expenses	(15,544)	(2,236)	(1,267)	(3,434)	(22,481)
General and administrative expenses	(144,682)	(21,523)	(18,815)	(16,478)	(201,498)
Share of (loss) from associates and joint ventures	(16,590)	—	—	—	(16,590)
Other operating income	3,211	64	—	785	4,060
Other operating expenses	(14,709)	(39)	—	(75,341)	(90,089)
Operating profit/(loss)	208,165	51,703	65,664	(86,399)	239,132
<i>% of net sales</i>	14.6%	20.2%	24.6%	(45.3%)	11.2%

31 March 2022

<i>In thousands of euros</i>	L'OCCITANE en Provence	ELEMIS	Sol de Janeiro	Other brands	Total
Net sales	1,360,991	226,317	26,081	167,969	1,781,358
<i>In % of total</i>	<i>76.4%</i>	<i>12.7%</i>	<i>1.5%</i>	<i>9.4%</i>	<i>100.0%</i>
Gross profit	1,154,563	167,507	18,176	123,169	1,463,415
<i>% of net sales</i>	<i>84.8%</i>	<i>74.0%</i>	<i>69.7%</i>	<i>73.3%</i>	<i>82.2%</i>
Distribution expenses	(563,867)	(46,575)	(2,224)	(85,701)	(698,367)
Marketing expenses	(194,463)	(48,764)	(8,101)	(29,503)	(280,831)
Research & development expenses	(14,570)	(1,595)	(92)	(2,650)	(18,907)
General and administrative expenses	(131,060)	(18,853)	(7,324)	(15,764)	(173,001)
Share of (loss) from associates and joint ventures	(13,640)	–	–	–	(13,640)
Other operating income	38,990	4	–	130	39,124
Other operating expenses	(6,779)	(206)	–	(94)	(7,079)
Operating profit/(loss)	269,174	51,518	435	(10,413)	310,714
<i>% of net sales</i>	<i>19.8%</i>	<i>22.8%</i>	<i>1.7%</i>	<i>(6.2%)</i>	<i>17.4%</i>

2.2. Performance by geographic area

From a geographical perspective, the management assesses the performance of different geographic areas. Net sales are allocated based on the geographic area of the invoicing subsidiary.

	FY2023 € 'million	FY2022 € 'million	Growth at reported rates %	Growth at constant rates %
APAC	896.2	875.4	2.4	0.5
Americas ⁽¹⁾	695.0	343.3	102.4	82.7
EMEA	543.4	562.6	-3.4	-3.0
Total	2,134.7	1,781.4	19.8	15.2

⁽¹⁾ Excludes sales of the US subsidiary during the Chapter 11 proceedings in FY2022.

3. Share of losses from associates and joint ventures accounted for using the equity method

	FY2023 € '000	FY2022 € '000
L'Occitane, Inc. deconsolidation	–	(8,920)
Good Glamm Group	(9,419)	(5,019)
L'Occitane Middle East	(7,024)	678
CAPSUM	(147)	(379)
Total	(16,590)	(13,640)

4. Other operating income

	FY2023 € '000	FY2022 € '000
Capital gain arising from the change in the percentage interests in associates and joint ventures (Good Glamm Group)	1,700	25,062
Government grants	1,514	1,044
Other items	846	–
Deconsolidation/Reconsolidation of L'Occitane Inc.	–	12,873
Excess of the fair value of acquired net assets over the cost of an acquisition (negative goodwill)	–	145
Total	4,060	39,124

5. Other operating expenses

	FY2023 € '000	FY2022 € '000
Impairment of LimeLife and Melvita goodwills	(75,364)	–
Reclassification to income statement of the charge previously recognised in other comprehensive income (currency translation differences)	(10,805)	–
Capital loss from the sale of L'Occitane Russia before reclassification of currency translation differences	(3,632)	–
Loss on sale of assets	(288)	(590)
Dilution loss arising from the change in the percentage of interests in associates and joint ventures	–	(4,945)
Restructuring expenses	–	(1,448)
Other items	–	(96)
Total	(90,089)	(7,079)

6. Operating profit

Operating profit is arrived at after charging the following:

	FY2023 € '000	FY2022 € '000
Employee benefit expenses	503,168	423,705
Rent and occupancy	115,974	109,546
Raw materials and consumables used	355,994	225,594
Change in inventories of finished goods and work in progress	(61,046)	(23,505)
Advertising costs	305,758	228,104
Auditors' remuneration	2,677	2,531
Professional fees	205,897	158,011
Depreciation, amortisation and impairment *	156,820	177,863
Transportation expenses	106,348	99,673
Other expenses	101,348	87,527
Total cost of sales, distribution expenses, marketing expenses, research and development expenses and general and administrative expenses	1,792,938	1,489,049

* included amortisation of right-of-use assets under IFRS 16

7. Finance costs, net

	FY2023 € '000	FY2022 € '000
Interest on cash and cash equivalents	2,799	1,908
Finance income	2,799	1,908
Change in the fair value of the receivable from the sale of L'Occitane Russia	(35,901)	–
Interest expense	(12,802)	(5,845)
Interest and finance expenses paid/payable for lease liabilities	(7,609)	(8,857)
Other	–	(1,728)
Finance costs	(56,312)	(16,430)
Finance costs, net	(53,513)	(14,522)

8. Income tax expense

	FY2023 € '000	FY2022 € '000
Current income tax	(54,792)	(60,160)
Deferred income tax	(6,632)	6,185
Total income tax expense	(61,424)	(53,975)
Profit before income tax and share of losses from associates and joint ventures accounted for using the equity method	194,507	289,410
Income tax calculated at corporate tax rate (<i>Luxembourg tax rate of 24.94% as at 31 March 2023 and 2022</i>)	(48,510)	(72,179)
Effect of different tax rates in foreign countries	20,105	24,491
Changes in tax rates	1,255	(268)
Effect of unrecognised tax assets	(12,746)	(3,919)
Recognition of previously unrecognised tax assets	366	–
Expenses not deductible for taxation purposes	(20,706)	(945)
Provision for tax risks	30	(142)
Effect of unremitted tax earnings	(1,208)	(916)
Minimum tax payments	(10)	(97)
Income tax expense	(61,424)	(53,975)

9. 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 €115.1 million for FY2023 (€242.0 million for FY2022) and the weighted average number of shares in issue of 1,471,609,250 (basic) and 1,473,649,115 (diluted) for the year ended 31 March 2023 and 1,470,135,821 (basic) and 1,473,153,053 (diluted) for the year ended 31 March 2022.

10. Dividends

At the Board meeting held on 26 June 2023, the Board recommended a distribution of gross final dividend of €0.03129 per share for a total amount of €46.0 million or 40.0% of the net profit attributable to the equity owners of the Company.

The amount of the proposed final dividend is based on 1,471,609,250 shares in issue excluding 5,355,641 treasury shares as at 31 March 2023.

11. Inventories, net**As at 31 March**

	2023 € '000	2022 € '000
Raw materials and supplies	55,104	37,480
Finished goods and work in progress	285,379	249,304
	<hr/>	<hr/>
Inventories, gross	340,483	286,784
Less: allowance	(23,286)	(23,622)
	<hr/>	<hr/>
Inventories, net	317,197	263,162
	<hr/>	<hr/>

12. Trade receivables, net

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

As at 31 March

	2023 € '000	2022 € '000
Current and past due within 3 months	235,152	190,650
Past due from 3 to 6 months	14,718	6,528
Past due from 6 to 12 months	3,129	1,612
Past due over 12 months	3,554	832
	<hr/>	<hr/>
Trade receivables, net	256,553	199,623
	<hr/>	<hr/>

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

13. Trade payables

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

As at 31 March

	2023 € '000	2022 € '000
Current and past due within 3 months	208,063	204,349
Past due from 3 to 6 months	812	1,272
Past due from 6 to 12 months	32	1,093
Past due over 12 months	1,196	3,189
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Trade payables	210,103	209,903
	<hr/>	<hr/>

MANAGEMENT DISCUSSION & ANALYSIS

Summary:

	FY2023 Management⁽¹⁾ € million or %	FY2023 Reported € million or %	FY2022 Management⁽²⁾ € million or %	FY2022 Reported⁽³⁾ € million or %
Net sales	2,134.7	2,134.7	1,810.0	1,781.4
Operating profit	336.8	239.1	308.2	310.7
Profit for the year	n/a	118.2	n/a	241.9
Gross profit margin	80.5%	80.5%	82.8%	82.2%
Operating profit margin	15.8%	11.2%	17.0%	17.4%
Net profit margin	n/a	5.5%	n/a	13.6%

⁽¹⁾ Management FY2023 — reported results excluding exceptional items, including the impacts of the Group's divestiture of its business in Russia, namely the other operating loss of €14.4 million, arising from a capital loss at the time of divestiture in June 2022. Other one-off items, namely the impairment for the Melvita and LimeLife brands and share of losses in joint ventures and associates (Good Glamm Group and CAPSUM) were also excluded for proper comparison. The management considers these costs to be accounting adjustments and material one-off items that should be excluded when comparing to the management results of the same period last year.

⁽²⁾ Management FY2022 — assuming L'Occitane, Inc. remained part of the Group and its results in April to August 2021 were consolidated into the Group's results, and the net effects of deconsolidation and reconsolidation were then removed. One-off items — impairment for 86 Champs café, change in valuation and share of loss of Good Glamm Group and CAPSUM were also excluded for proper comparison. The management believes that this management version provides a truer view of the operational performance in FY2022.

⁽³⁾ Reported FY2022 — sales and operating expenses of L'Occitane, Inc. in April to August 2021 were not consolidated but instead treated as an associate under the equity method, due to the Chapter 11 proceedings.

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.

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

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

REVENUE ANALYSIS

The Group's net sales exceeded €2 billion milestone in FY2023, amounting to €2,134.7 million. As compared to the reported net sales of €1,781.4 million in FY2022, the sales growth was 19.8% at reported rates. In order to provide a proper comparison, the revenue analysis from here on excludes the deconsolidation impact of the US subsidiary during the Chapter 11 proceedings in FY2022. Excluding such impact, the net sales in FY2022 amounted to €1,810.0 million. As such, the Group's net sales growth in FY2023 was 17.9% at reported rates or 13.4% at constant rates.

Despite the challenging market conditions in China for most of the year and the divestiture of its Russian business, the Group delivered strong double-digit sales growth. The growth was contributed by the Group's newer brands, ELEMIS and Sol de Janeiro, as well as the improvement in the core L'OCCITANE en Provence brand in FY2023 Q4 thanks to the dynamic travel retail channel and the early positive signs in China following the lifting of COVID-19 restrictions. On a like-for-like basis, i.e. excluding Russia due to the Group's divestiture in June 2022, the newly consolidated brands Sol de Janeiro and Grown Alchemist, the deconsolidation of the US subsidiary last year and at constant rates, sales growth was 3.7% in FY2023, slower than the 5.9% in the first half of FY2023. However, there was a significant improvement in FY2023 Q4, which posted 8.4% growth as compared to -1.7% in FY2023 Q3.

The Company's total number of retail locations decreased from 3,068 as at 31 March 2022 to 2,774 as at 31 March 2023, a decrease of 294 or 9.6%. The number of own retail stores decreased from 1,490 as at 31 March 2022 to 1,362 as at 31 March 2023, representing a net decrease of 128 or 8.6%. The decrease was mainly related to the divestment from Russia. At the end of March 2023, the breakdown of the 1,362 own stores by brand and change over last year were as follows: L'OCCITANE en Provence (1,236; -118), L'OCCITANE au Brésil (65; nil), Melvita (35; -4), Erborian (2; -12) and ELEMIS (24; +6).

Performance by Brand

The following table presents the net sales and net sales growth by brand for the periods indicated, including sales of L'Occitane, Inc. from April to August 2021 in FY2022:

	FY2023	FY2022	Growth at	Growth at
	€ 'million	€ 'million	reported	constant
			rates	rates
			%	%
L'OCCITANE en Provence	1,421.2	1,389.2	2.3	-0.5
ELEMIS	255.9	226.3	13.1	8.9
Sol de Janeiro ⁽¹⁾	267.0	26.1	n/a	n/a
Others ⁽²⁾	190.5	168.4	13.1	7.3
Total	2,134.7	1,810.0	17.9	13.4

⁽¹⁾ Sol de Janeiro's quarterly sales in FY2023 are restated as follows: Q1 €42.6 million (+€1.8 million), Q2 €56.0 million (+€2.1 million), Q3 €68.3 million (+€4.1 million), due to a reclassification of sales in the marketplace channel to properly record the sell-out sales value.

⁽²⁾ Others include the brands LimeLife, Melvita, Erborian, L'OCCITANE au Brésil and Grown Alchemist.

All key brands ended the year strongly in the final quarter of FY2023 following a difficult FY2023 Q3. In FY2023, L'OCCITANE en Provence recorded a slight sales decline of 0.5% at constant rates, mainly due to the difficult market situation in China for most of the year and the divestiture of Russia. However, the brand returned to a growth of 0.8% in FY2023 Q4, thanks to the solid growth in the travel retail channel and early signs of recovery in China following the lifting of COVID-19 restrictions. Excluding the China and Russia markets, the brand posted solid sales growth of 6.8% and 9.9% in FY2023 and in FY2023 Q4, respectively.

After growing 13.1% in the first half of FY2023, ELEMIS's growth slowed down to 8.9% for the full year. This was mainly due to a strategic decision taken in the second half of FY2023 in its largest market, the UK, to reduce sales to certain promotion-driven web partners to prioritise an omni-channel model that is adapted to post-pandemic consumer trends and enhance brand equity. This resulted in a sales decline for the brand in FY2023 Q3. While this initiative continued into FY2023 Q4, the brand returned to a strong growth of 18.1% in FY2023 Q4. This was mainly driven by the US' strong growth of 34.0% in FY2023, thanks to its outstanding e-commerce and cruise ship businesses, as well as the 29.2% growth in APAC with the brand's development in the region.

Sol de Janeiro exceeded management expectations and more than doubled its sales in FY2023, growing by 135.2% in local currency to become the Group's second largest brand with €267.0 million in sales. The brand continued to build upon its popularity through iconic bestsellers and highly anticipated new launches, such as the *Bum Bum Body Firmeza Oil* and the *Rio Radiance* fragrance mist.

Other brands together also showed an improvement, posting 7.3% growth at constant rates for FY2023. Erborian and L'OCCITANE au Brésil performed particularly well with 33.4% and 41.2% growth respectively at constant rates in FY2023.

Performance by Region

The following table presents the net sales, net sales growth and same store sales growth by region for the periods indicated:

	FY2023 € 'million	FY2022 € 'million	Growth at reported rates %	Growth at constant rates %	Same store sales growth %
APAC	896.2	875.4	2.4	0.5	-4.3
Americas ⁽¹⁾	695.0	385.3	80.4	62.8	8.1
EMEA	543.4	549.3	-1.1	-0.7	1.0
Total	2,134.7	1,810.0	17.9	13.4	-0.5

⁽¹⁾ Includes sales of the US subsidiary during the Chapter 11 proceedings in FY2022.

The Group's regional sales mix remains quite balanced, with APAC continuing to be the largest region, accounting for 42.0% of net sales. The Americas was the second largest region at 32.6% of net sales while EMEA accounted for the remaining 25.5% of sales. In terms of single markets, the US was the largest market and accounted for 27.2% of the Group's net sales, mainly due to the strong contribution from Sol de Janeiro and that six of the Group's eight brands have presence in the US. The second largest market was China at 14.0% of the Group's net sales, followed by Japan at 8.5%.

The Americas was the fastest-growing region with 62.8% growth at constant rates in FY2023. The growth was mainly driven by the accelerated growth of Sol de Janeiro and the solid performance of ELEMIS in the US. L'OCCITANE en Provence showed a low single-digit percent growth in the Americas. APAC returned to a slight growth of 0.5% at constant rates in FY2023 after showing a sales decline in FY2023 Q3, thanks to the travel retail sales in the region and improved conditions in China, which saw the sales decline narrow to high-single digit percent in FY2023 Q4. Excluding China, APAC grew by 8.0% at constant rates and same store sales growth was 1.4% in FY2023. EMEA saw a slight decrease of 0.7% at constant rates in FY2023, mainly due to the divestiture of Russia. Excluding Russia, EMEA grew 10.2% at constant rates.

Performance by Channel

The following table presents the net sales and net sales growth by channel for the periods indicated:

	FY2023 € 'million	FY2022 € 'million	Growth at reported rates %	Growth at constant rates %
Retail	761.5	760.2	0.2	-2.0
Online channels	657.6	601.5	9.3	4.8
Wholesale & others	715.6	448.3	59.6	50.9
Total	2,134.7	1,810.0	17.9	13.4

Wholesale & others led the growth with 50.9% at constant rates in FY2023, with dynamic growth in wholesale chains, international distribution and travel retail. This channel accounted for 33.5% of the Group's net sales, a significant increase from 24.8% in FY2022, mainly due to the addition of the newer brands such as ELEMIS and Sol de Janeiro, which has a higher wholesale sales mix compared to L'OCCITANE en Provence.

Online channels posted a growth of 4.8% at constant rates in FY2023, mainly driven by the strong performance of Sol de Janeiro. Excluding Sol de Janeiro, online channels declined by a high single-digit percent, in line with expectations due to the return of traffic to brick-and-mortar channels and the poor performance of LimeLife. Retail sales saw a decrease of 2.0%, mainly affected by the divestiture of Russia and the store closures in China during the COVID-19 outbreaks. Excluding the Russia and China markets, retail sales grew by 7.2% at constant rates in FY2023.

PROFITABILITY ANALYSIS

COST OF SALES AND GROSS PROFIT

The reported cost of sales increased by 31.0%, or €98.6 million, to €416.6 million in FY2023. The gross profit margin decreased by 1.7 points to 80.5% as compared to FY2022. The decrease is attributable to the following factors:

- Unfavourable brand mix coming mainly from the inclusion of Sol de Janeiro brand, which has a higher wholesale mix for 1.3 points;
- Production costs increase, especially on raw materials and packaging for 0.8 points;
- Unfavourable channel mix from higher sell-in proportion for 0.7 points; and
- Obsolescence costs increase, unfavourable products mix and others for 0.4 points.

The decrease in gross profit margin was partly offset by:

- Positive effect from the US deconsolidation last year during the Chapter 11 proceedings for 0.6 points;
- Positive foreign currency exchange ("FX") impact for 0.3 points;
- Price increase for 0.3 points; and
- One-off items, mainly the accelerated depreciation performed last year on a production line for 0.3 points.

DISTRIBUTION EXPENSES

The reported distribution expenses increased by 12.4%, or €86.3 million, to €784.7 million in FY2023. As a percentage to net sales, distribution expenses decreased by 2.4 points to 36.8%. This improvement is attributable to a combination of:

- Favourable brand mix, mainly from the inclusion of Sol de Janeiro and an increase in share of Erborian as both brands have a low ratio of distribution expenses for 3.3 points;
- One-off impairment on 86 Champs café last year for 0.9 points;
- More efficient retail network as a result of network rationalisation, fewer renovations and leverage of fixed costs on higher sales for 0.7 points; and
- Favourable channel mix and FX impact for 0.6 points.

This improvement was partly offset by:

- Salary increases, inflation on warehousing and freight costs, increase in travel and entertainment (“T&E”) costs after a 2-year travel ban and a rise of commission rate to sell-in partners mainly due to more livestreaming activities for 1.7 points;
- Negative effect from last year US deconsolidation for 0.7 points;
- One-off COVID-19 subsidies from governments and rent concessions last year for 0.5 points; and
- Unfavourable impact of the Russia exit and others for 0.2 points.

MARKETING EXPENSES

The reported marketing expenses increased by 30.9%, or €86.9 million, to €367.7 million in FY2023. As a percentage of net sales, marketing expenses increased by 1.4 points to 17.2%. The increase is attributable to:

- Brand mix for 1.0 points, mainly driven by Sol de Janeiro and Erborian which have a higher marketing ratio;
- Strategic investments behind L'OCCITANE en Provence, mainly in the US and Korea through influencers and digital media, an acceleration plan for Erborian in France with TV campaigns, investments for Melvita in France for the launches of *Source de Roses* and *Nectar de Lumière*, and a significant increase in influencers in the US for ELEMIS for 0.4 points;
- Russia deconsolidation, US deconsolidation last year and others for 0.4 points; and
- Staffing in marketing organisation for L'OCCITANE en Provence and ELEMIS for 0.2 points.

This increase was partly offset by a favourable channel mix and a decrease in promotional tools inventory for 0.6 points.

RESEARCH & DEVELOPMENT EXPENSES

The reported research and development (“R&D”) expenses increased by 18.9%, or €3.6 million, to €22.5 million in FY2023. As a percentage to net sales, R&D expenses remained at 1.1%.

GENERAL AND ADMINISTRATIVE EXPENSES

The reported general and administrative expenses increased by 16.5%, or €28.5 million, to €201.5 million in FY2023. As a percentage of net sales, general and administrative expenses decreased by 0.3 point to 9.4%. The decrease is attributable to:

- Favourable brand mix and higher sales leverage for 0.7 points;
- Decrease in long-term incentives as some major plans ended this year and were accrued last year for 0.5 points; and
- One-off items last year, mostly Sol de Janeiro’s acquisition costs, for 0.2 points.

This improvement was partly offset by:

- Russia exit, US deconsolidation, inflation on fees, increase of T&E costs and others for 0.6 points; and
- IT investments on digital and clienteling projects, reinforcement of the IT infrastructure and security, and reinforcement of the IT organisation for 0.5 points.

SHARE OF (LOSSES) FROM ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

Details of the €16.6 million net losses from associates and joint ventures accounted for using the equity in FY2023 are shown below:

- Loss of €9.4 million by Good Glamm Group (previously known as MyGlamm);
- Loss of €7.0 million by L'Occitane Middle East; and
- Loss of €0.2 million by CAPSUM.

OTHER OPERATING INCOME

Details of the €4.1 million other operating incomes in FY2023 are shown below:

- Capital gain of €1.7 million arising from the change in percentage of interests in Good Glamm Group which is accounted as an associate using the equity method;
- Government grants on research and development for €1.5 million; and
- Others for €0.9 million.

OTHER OPERATING EXPENSES

Details of the €90.1 million other operating expenses in FY2023 are shown below:

- Impairment loss on LimeLife goodwill for €52.5 million;
- Impairment loss on Melvita goodwill for €22.8 million;
- Impacts arising from the deconsolidation of L'Occitane Russia for €14.4 million — consisting of a capital loss of €3.6 million and a reclassification of currency translation differences previously recognised in equity for €10.8 million; and
- Loss on sale of assets for €0.3 million.

OPERATING PROFIT

Reported operating profit decreased by 23.0%, or €71.6 million, to €239.1 million. The reported operating profit margin dropped by 6.2 points of net sales to 11.2%.

The decrease in operating profit margin is explained by a combination of:

- Impairment losses on LimeLife and Melvita, partially compensated by the impairment on 86 Champs café last year for 2.6 points;
- Inflation in costs, namely of salaries, raw materials and packaging, freight, fees and T&E for 2.5 points;
- Divestiture of the Group's business in Russia for 1.2 points;
- Increase in most of the brands' marketing investments and in various IT projects for 1.2 points;
- Increase in the valuation of the investment in Good Glamm Group last year for 1.0 point;
- Increase in the share of losses from associates and joint ventures, mainly coming from L'Occitane Middle East and Good Glamm Group for 0.6 points;

- Unfavourable channel mix, obsolescence costs increase, products mix and others for 0.5 points; and
- Deconsolidation last year of the US subsidiary for 0.4 points.

This decrease was partly offset by the following:

- Brand mix for 1.5 points mainly driven by the new brands;
- Efficiencies on the retail network, lower incentives and price increase for 1.1 points;
- Leverage of fixed costs on higher sales for 0.6 points; and
- Favourable FX impact for 0.6 points.

The following table presents the Group's management operating profit and the reconciliation to reported operating profit for FY2023 and FY2022.

	FY2023		FY2022	
Reported Net sales	2,134.7		1,781.4	
Net Sales	2,134.7		1,810.0	
Cost of sales	(416.5)	-19.5%	(311.6)	-17.2%
Gross profit	1,718.1	80.5%	1,498.4	82.8%
Distribution expenses	(784.7)	-36.8%	(702.9)	-38.8%
Marketing expenses	(367.7)	-17.2%	(286.1)	-15.8%
Research & development expenses	(22.5)	-1.1%	(18.9)	-1.0%
General and administrative expenses	(201.5)	-9.4%	(182.9)	-10.1%
Share of (loss)/profit from joint venture accounted for using the equity method	(7.0)	-0.3%	0.7	0.0%
Other operating income/(expenses)	2.1	0.1%	(0.0)	0.0%
Management operating profit⁽¹⁾	336.8	15.8%	308.2	17.0%
Chapter 11: net effects of deconsolidation/ reconsolidation	—		3.3	
Russia divestiture	(14.4)		—	
Impairment loss of LimeLife & Melvita brands	(75.4)		—	
Good Glamm Group & CAPSUM's valuation and share of (loss)/profit	(7.9)		14.7	
Impairment of 86 Champs café	—		(15.5)	
Reported operating profit	239.1	11.2%	310.7	17.4%

⁽¹⁾ Management FY2023 — reported results excluding exceptional items, including the impacts of the Group's divestiture of its business in Russia, namely the other operating loss of €14.4 million, arising from a capital loss at the time of divestiture in June 2022. Other one-off items, namely the impairment for the Melvita and LimeLife brands and share of losses in joint ventures and associates (Good Glamm Group and CAPSUM) were also excluded for proper comparison. The management considers these costs to be accounting adjustments and material one-off items that should be excluded when comparing to the management results of the same period last year.

Management FY2022 — assuming L'Occitane, Inc. remained part of the Group and its results in April to August 2021 were consolidated into the Group's results, and the net effects of deconsolidation and reconsolidation were then removed. One-off items — impairment for 86 Champs café, change in valuation and share of loss of Good Glamm Group and Capsum were also excluded for proper comparison. The management believes that this management version provides a truer view of the operational performance in FY2022.

FINANCE COSTS, NET

Net finance costs were €53.5 million in FY2023, which consisted of interest incomes on cash and cash equivalents of €2.8 million and the following expense items:

- Change in the fair value of the receivable from the sale of L'Occitane Russia for €35.9 million;
- IFRS 16 lease liabilities related interests and finance expenses of €7.6 million; and
- Interest expenses related to bank borrowings, revolving facilities and external financing of €12.8 million.

As compared to FY2022, net finance costs increased by €39 million, which was explained by the change in fair value of the receivable from the sale of L'Occitane Russia, higher net interest expenses partially offset by lower IFRS 16 related interest expenses.

FOREIGN CURRENCY GAINS/LOSSES

Net foreign currency losses amounted to €6 million in FY2023 (FY2022: net losses of €0.3 million) and were comprised of €2.4 million realised gains, €7.8 million unrealised losses and €0.5 million losses related to IFRS 16.

INCOME TAX EXPENSE

The effective tax rate increased from 18.2% in FY2022 to 34.2% in FY2023, an increase of 16 points. This increase is due primarily to the following unfavourable factors:

- Non-deductible impairment losses on LimeLife and Melvita goodwill for 10.3 points;
- Non-deductible impacts related to the deconsolidation of the Group's business in Russia for 5.8 points; and
- Impact on deferred tax assets as a result of lower inventories in some countries for 3.5 points.

And partly offset by the following favourable effects:

- Favourable country mix effect for 1.3 points; and
- Favourable changes in tax rates, essentially in the US for 1.6 points.

PROFIT FOR THE YEAR

For the aforementioned reasons, net profit for FY2023 was €118.2 million, a decrease of 51.1% or €123.7 million as compared to FY2022 (€241.9 million). Basic and diluted earnings per share in FY2023 were €0.078 and €0.078 respectively (FY2022: basic €0.165 and diluted €0.164), a decrease of 52.5%. The numbers of basic and diluted shares used in the calculations of earnings per share in FY2023 were 1,471,609,250 and 1,473,649,115 respectively (FY2022: basic 1,470,135,821 and diluted 1,473,153,053).

BALANCE SHEET AND CASH-FLOW REVIEW

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2023, the Group had cash and cash equivalents of €147.3 million as compared to €360.9 million as at 31 March 2022. The decrease was mainly explained by the repayment of borrowing facilities for €151 million. As at 31 March 2023, total borrowings, including term loans, revolving facilities, bank borrowings, amounted to €518.9 million. As at 31 March 2023, the aggregate amount of undrawn borrowing facilities was €461.5 million.

SUMMARISED CASH-FLOW STATEMENT

For the year ended 31 March	2023 € '000	2022 € '000
Profit before tax, adjusted for non-cash items	491,008	475,361
Changes in working capital	(121,190)	(98,815)
Income tax paid	(69,610)	(50,523)
Net cash inflow from operating activities	300,208	326,023
Net cash outflow for capital expenditures	(46,335)	(37,998)
Free cash flow⁽¹⁾	253,873	288,025
Net cash (outflow) from investment in new ventures and financial assets	(35,725)	(327,801)
Net cash (outflow) from financing activities	(436,795)	(17,339)
Effect of exchange rate changes	5,003	(3,202)
Net (decrease) in cash, cash equivalents and bank balances	(213,644)	(60,317)

⁽¹⁾ Free cash flow generated for FY2023 was €253.9 million, as compared to €288.0 million in FY2022. The decrease was due to higher working capital required for accelerated sales growth, higher tax paid due to an increased tax rate in some countries and strong profits in certain brands, and investments in store network.

CAPITAL EXPENDITURES

Net cash used in capital expenditures was €46.3 million in FY2023, as compared to €38.0 million in FY2022, representing an increase of €8.3 million. The increase was mainly in retail stores related capital expenditures. The capital expenditures for FY2023 were primarily related to:

- Leasehold improvements and other tangible assets, related to new and refurbished stores of L'OCCITANE en Provence for €19.3 million;
- Investments in various IT equipment and software for €14.8 million; and
- Replacement of machinery and equipment of the factory, office and warehousing facilities for a total of €12.2 million.

INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND FINANCIAL ASSETS

Net cash outflow from investment in subsidiaries, associates and financial assets was €35.7 million in FY2023, as compared to €327.8 million in last year. The outflow this year was mainly for the acquisition of the new brand Grown Alchemist for €3.5 million and the increase of interest in L'Occitane Middle East for €13.4 million. In FY2022, the main outflow was related to the acquisition of Sol de Janeiro for €322.3 million.

FINANCING ACTIVITIES

Financing activities in FY2023 ended with a net cash outflow of €436.8 million (FY2022: outflow of €17.3 million). Net cash outflow during the year mainly reflected the following:

- Net bank borrowing repayment for €151.9 million;
- Principal components of lease payments of €113.7 million under IFRS 16;

- Payment of dividend for €97.2 million; and
- Transactions with ELEMIS non-controlling interests for €76.6 million;

This was partly offset by the following cash inflow:

- Net settlement of share options for €2.7 million.

INVENTORIES

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

	FY2023	FY2022
Average inventory turnover days ⁽¹⁾	<u>255</u>	<u>265</u>

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

Inventory net value was €317.2 million, as at 31 March 2023, an increase of 20.5%, or €54.0 million as compared to 31 March 2022. The increase in inventory net value was due mainly to L'OCCITANE en Provence and the outstanding expansion of Sol de Janeiro.

Average inventory turnover, however, decreased by 10 days in FY2023, as a result of the growth in sales and thus increase in cost of sales as compared to last year. The decrease in inventory turnover days by 10 days was attributable to the following:

- Decrease in finished goods and MPPs of comparable brands for -24 days;

which was partly offset by:

- Unfavourable FX impact for +7 days;
- Increase in raw materials and work in progress for +3 days; and
- Increase in inventory provision for +4 days.

TRADE RECEIVABLES

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

	FY2023	FY2022
Turnover days of trade receivables ⁽¹⁾	<u>40</u>	<u>34</u>

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

Turnover days of trade receivables increased by 6 days to 40 days for FY2023 as compared to FY2022. The increase was a net result of higher sell-in sales from ELEMIS and Sol de Janeiro partly offset by lower turnover days from sell-out channels.

TRADE PAYABLES

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

	FY2023	FY2022
Turnover days of trade payables ⁽¹⁾	182	213

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

The reduction of 31 days was mainly explained by the increase in cost of sales by 31%. Excluding Sol de Janeiro, the decrease was 19 days for trade payables and 21 days for the accrued expenses. FX reduced the turnover days by 3 days. On the other hand, Sol de Janeiro's rapid expansion drove an increase in turnover days by 12 days.

BALANCE SHEET RATIOS

Return on capital employed in FY2023 was 8.4%, a decrease of 4.4 points as compared to FY2022, as a result of a decrease in net operating profit after tax by 40.0% accompanied by a decrease of 8.0% in capital employed. The decrease in net operating profit after tax was mainly due to one off impairments and deconsolidation of L'Occitane Russia.

The capital and reserves attributable to the equity owners decreased by €131.1 million in FY2023, being a net result of comprehensive income for the year, dividend distribution, decrease in other reserves from the revalorisation of puts and deconsolidation of L'Occitane Russia.

The Group's gearing ratio decreased from 34.0% in FY2022 to 28.2% in FY2023. If the impacts of IFRS 16 were excluded, gearing ratio in FY2023 would be 20.4%.

	Reported FY2023	FY2022
Profitability		
EBITDA ⁽¹⁾	465,973	488,269
Net operating profit after tax (NOPAT) ⁽²⁾	153,406	253,782
Capital employed ⁽³⁾	1,834,307	1,975,448
Return on capital employed (ROCE) ⁽⁴⁾	8.4%	12.8%
Return on equity (ROE) ⁽⁵⁾	10.1%	19.1%
Liquidity		
Current ratio (times) ⁽⁶⁾	1.2	1.1
Quick ratio (times) ⁽⁷⁾	0.8	0.8
Capital adequacy		
Gearing ratio ⁽⁸⁾	28.2%	34.0%
Debt to equity ratio ⁽⁹⁾	54.5%	50.3%

⁽¹⁾ Earnings before interest, taxes, depreciation, amortisation and impairment

⁽²⁾ (Operating profit + foreign currency net gains or losses) x (1 – effective tax rate)

⁽³⁾ Non-current assets – (deferred tax liabilities + other financial liabilities + other non-current liabilities) + working capital

⁽⁴⁾ NOPAT/capital employed

⁽⁵⁾ Net profit attributable to equity owners of the Company/shareholders' equity at year end excluding minority interest

⁽⁶⁾ Current assets/current liabilities

⁽⁷⁾ (Current assets – inventories)/current liabilities

⁽⁸⁾ Total debt/total assets

⁽⁹⁾ Net debt/(total assets – total liabilities)

FOREIGN EXCHANGE RISK MANAGEMENT

The Company enters into forward exchange contracts and currency options to hedge forecast transactions, as well as receivables and payables not denominated in its presentation currency, the Euro, for periods consistent with its identified exposures. As at 31 March 2023, the Company had foreign exchange derivatives net assets of €2.1 million in the form of forward exchange contracts (in accordance with fair market valuation requirements under IFRS). The notional principal amounts of outstanding forward exchange derivatives as at 31 March 2023 were primarily sale of Chinese yuan for an equivalent amount of €63.1 million, Hong Kong dollar for €26.4 million, US dollar for €18.0 million, Japanese yen for €11.1 million, Mexican peso for €6.8 million, Korean won for €4.9 million, Great British pound for €3.5 million, and Thai baht for €2.6 million.

DIVIDENDS

At the Board meeting held on 27 June 2022, the Board recommended a gross dividend distribution of €0.06585 per share for a total amount of €96.8 million or 40.0% of the net profit attributable to the equity owners of the Company. The amount of the final dividend was based on 1,470,135,821 shares in issue as at 27 June 2022 excluding 6,829,070 treasury shares. The shareholders of the Company (the “**Shareholders**”) approved this dividend at a meeting held on 28 September 2022. The dividend was duly paid on 22 October 2022.

Despite the significant decrease of the net profit, the Board proposes to maintain the payout ratio at 40% as in FY2022 and recommends a final dividend of €0.03129 per share (the “**Final Dividend**”).

EVENTS SUBSEQUENT TO THE END OF FINANCIAL YEAR

On 11 May 2023, the Company purchased 35% of Group Fourteen Holdings Pty. Ltd. (holding company of Grown Alchemist’s activity) for a total consideration of €10,061,000. The Company’s percentage of interests after this transaction is 67.0%.

On 31 May 2023, the Company took part in the last fund raising of Good Glamm Group (accounted for using equity method) for €9,427,000 and increased its percentage of interests to 15.93%.

STRATEGIC REVIEW

In FY2023, the Group maintained strong growth momentum with sales growing 13.4% at constant rates and exceeding the €2 billion mark — a robust result when juxtaposed against a uniquely challenging macroeconomic backdrop, including surging global inflation, widespread recession fears and a sharp COVID-19-related consumer pullback in China, one of its largest markets. The Group’s resilience within the global premium beauty sector was also reflected in its healthy operating profit margin of 15.8%, excluding accounting adjustments related to one-off impairments on the underperforming brands, Melvita and LimeLife, the divestiture in Russia and the share of losses of associates.

The Group’s ability to continue delivering for Shareholders in the face of strong external headwinds was attributed to the successful implementation of its targeted investments and long-term growth strategies, which are also enabling its transformation into a competitive multi-brand, generationally appealing and geographically-balanced organisation.

As its operating environment gradually normalises and channels such as travel retail and China rebound, the Group is well-positioned to unlock new sustainable growth and profitability opportunities.

Global nimbleness and targeted investments protect core brand profitability

Through its commitment to formulating trust and a sharp focus on key categories in face care, body care and hair care, the Group's core brand L'OCCITANE en Provence captured new premiumisation trends and strengthened its standing as one of the leading brands in the premium body care category.

Throughout FY2023, the core brand's ageless credentials, continuous ability to surprise and recruit, and wide geographic footprint insulated its top-line performance against the slowdown in China, its most important growth market, during most of the year despite signs of some returning momentum in the final quarter. Its sales performance was further facilitated by its dynamic travel retail channels and an energetic revival of brick-and-mortar channels in most major markets. Excluding the negative impact of the COVID-19-related economic downturn in China and the divestiture in Russia, sales grew by 6.8% in FY2023.

The core brand continued to deliver sound profitability, recording an operating profit margin of 14.6% in FY2023, backed by its global agility and ability to quickly re-direct resources that enabled it to deftly adjust the timing and intensity of its marketing investments and tap new growth opportunities.

Omni-channel strategy delivers a more balanced channel mix

As markets around the world reopened, the Group's retail channel in key markets recovered as customers sought to rediscover the sensory pleasure of its products and natural and organic ingredients in person. Despite much more selective store openings in recent years, retail sales grew by 7.2% at constant rates, excluding the Russia and China markets.

At the same time, the Group's effective omni-channel strategy contributed to a more balanced channel mix. Dynamic growth in travel retail, and in the newer brands which have a higher wholesale sales mix, contributed to a marked 50.9% sales increase in the wholesale & others channel in FY2023. The addition of digitally-centric and digitally-native brands ELEMIS and Sol de Janeiro to the Group's portfolio also contributed to its overall online growth of 4.8% despite the return to offline channels.

Having already installed convenient online and offline touchpoints for all of its brands and across all regions, right-sized its brick-and-mortar network and invested in deepening the experiential and discovery features of its retail stores, the Group is continuing to refine the customer journey, upgrade its CRM capabilities and motivate employees to maximise customer lifetime value.

Multi-brand model offers home to entrepreneurial brands

In recent years, accelerated M&A activity has seen the Group expand its portfolio of leading premium beauty brands, making it more geographically balanced and appealing to Millennial and Generation Z consumers. As a result, the Group's brand mix is much more diversified, as ELEMIS and Sol de Janeiro have grown to account for nearly a quarter of the Group's sales in aggregate.

As part of its multi-brand strategy, the Group has long offered a home to creative entrepreneurial beauty businesses by enabling the founders of its new brands to operate their brands autonomously while retaining a stake — an approach that is proving to be highly successful. With the Group's support, its new brands are truly flourishing, penetrating its existing markets and pursuing new growth opportunities, while maintaining strong growth and profitability.

New synergies are also being created by leveraging the Group's multi-brand proposition, such as forming a global travel retail unit. At the Tax Free World Association (TFWA) World Exhibition & Conference in Cannes in October 2022 and the TFWA Asia Pacific Exhibition & Conference in Singapore in May 2023, the Group showcased its full travel retail offer to important global travel retail partners. The Group's brands ELEMIS, Grown Alchemist, Erborian and Sol de Janeiro were featured alongside L'OCCITANE en Provence and Melvita. The Group is set to broaden its travel retail exposure significantly with the first travel retail counters for Sol de Janeiro and Grown Alchemist opening in recent months, focusing on locations complementary to their domestic success.

The other brands together showed respectable growth of 7.3% at constant rates for FY2023. Erborian and L'OCCITANE au Brésil performed particularly well with 33.4% and 41.2% growth, respectively. On the other hand, the Group decided to take impairments on the goodwill of underperforming brands, LimeLife and Melvita. Both these brands have recently appointed new management to lead branding and distribution model revamps in order to drive sustainable growth and aim to break even. The Group remains convinced of the long-term potential of Melvita's niche positioning and will continue to work pragmatically with LimeLife's founders to seek the best way forward.

ELEMIS resets channel strategy in key markets to enhance long-term brand equity

ELEMIS continued to pursue a global digital-first expansion strategy together with a prestige wholesale network, while operating a highly selective network of 24 owned stores in strategic markets. In FY2023, ELEMIS grew 8.9% at constant rates, slower than the 13.1% growth in the first half of the year. This was largely driven by its strategic decision to reduce sales to certain promotion-driven web partners in the UK in order to adapt to post-pandemic consumer trends and to enhance brand equity. Although sales declined in the UK as a result of this conscious adjustment in channel strategy, ELEMIS continues to show strong momentum and customer engagement, as evident by its ranking as the no. 1 skincare brand in earned media value in its largest markets, the UK and the US.

ELEMIS's sales decline in the UK was more than offset by the strong growth of 34.0% in the US, led by its outstanding e-commerce and cruise ship businesses, as well as international rollouts. Much of these rollouts were in the APAC region where the brand's UK origins and incredible formulas seeded year-on-year growth of 29.2%.

Despite a challenging operational environment in China in FY2023, it remains one of the most promising growth markets for ELEMIS. Following the completion of the exclusivity period with its retail partner, ELEMIS commenced direct e-commerce through its Tmall flagship store. Already during a peak campaign period, ELEMIS's hero *Pro-Collagen Marine Cream* ranked second in Tmall's face cream category. As the China market re-opens, the brand is planning a powerful marketing push on social and digital channels leveraging its global bestsellers.

Although ELEMIS was impacted by the sales decline in the UK and the macroeconomic context in China, its lean and agile structure enabled it to secure a solid operating profit margin of 20.2%.

Sol de Janeiro rises to become Group's second-largest brand

Powered by an authentic Brazilian philosophy of self-love and joy, Sol de Janeiro experienced incredible success in FY2023. In less than two years since the acquisition, it has grown to become the Group's second-largest brand with sales growth of 135.2% and an impressive operating profit margin of 24.6%.

This performance was marked by several notable achievements. Building on the global success of the *Brazilian Bum Bum Cream* hero product, the brand launched a second hero body care product *Beija Flor Elasti-Cream* which drove solid growth in all channels, especially chain wholesale, distribution and marketplace. Its following reached new heights with its perfume mist category, led by fan favourites such as the *Brazilian Crush Cheirosa 62* perfume mist and new launches such as the *Rio Radiance* fragrance mist.

Each of these achievements propelled Sol de Janeiro's popularity further, solidifying its leading position in Sephora North America. The brand plans to leverage this position to support its launch in China and Southeast Asia via Sephora in the new fiscal year.

Sustainability performance recognised by EcoVadis Gold medal

In FY2023, the Group unveiled its new corporate mission: *With empowerment we positively impact people and regenerate nature*. The mission acts as a guiding light to steer the actions of the entire organisation with a collective focus on the triple bottom-line — people, the planet, and profitability.

The Group prioritises to provide ongoing training and development opportunities for its employees and promotes well-being at the workplace. In 2022, the Group was Great Place To Work certified in 16 countries. It rolled out an inclusive parental leave policy globally and became a real living wage employer in the UK — a first step in its goal to become a real living wage employer worldwide by 2025. The Group also achieved gender parity in its executive committee. In protecting the planet, the Group announced its ambitious Climate Strategy in April 2023, laying down a roadmap towards achieving science-based net-zero by 2050. It made substantial progress in reducing its scope 1 carbon emissions by 42%, ahead of schedule to reach its 46% reduction target by FY2031.

The Group's overall sustainability performance was recognised by EcoVadis' Gold medal, placing it in the top 5% of assessed companies. After celebrating ELEMIS's B Corp certification in January 2023, the Group is also well on track to become B Corp certified in 2023.

OUTLOOK

The Group is cautiously optimistic about its performance in FY2024. Although the macroeconomic environment remains uncertain, the Group expects to achieve double-digit sales growth and healthy profitability, supported by the gradual return of international travel, especially in the APAC region, a rebound in China, and the continued expansion of its new brands. It will take full advantage of this recovery by stepping up marketing investments significantly in key markets such as China, the US and Japan, which is expected to create a positive halo effect in these markets and also in the travel retail channel.

The Group is also preparing to launch its two newest brands, Sol de Janeiro and Grown Alchemist, in APAC as part of its ongoing evolution into a multi-brand and geographically balanced Group. It will continue to harness and advance the inherent strengths of each of its brands to deliver sustainable growth and profitability to its Shareholders and its stakeholders.

AUDIT COMMITTEE

As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the Company has an Audit Committee comprising of three non-executive Directors, two of whom are independent non-executive Directors. The Audit Committee together with an external auditor has reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal controls and financial reporting matters including the review of the consolidated results and the consolidated financial statements of the Group for FY2023. This annual results announcement is based on the Group's audited consolidated financial statements for the year ended 31 March 2023.

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' return.

The Company has complied with all of the applicable code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules throughout FY2023 save as disclosed below:

Code provision C.6.3 of the CG Code provides that the company secretary should report to the Chairman and/or the Chief Executive Officer.

Mr. Karl Guénard ("**Mr. Guénard**"), company secretary of the Company, is based in Luxembourg. Mr. Guénard had previously reported to Mr. Thomas Levilion ("**Mr. Levilion**"), the former Chief Financial Officer of the Group and executive Director. After the re-designation of Mr. Levilion from an executive Director to a non-executive Director with effect from 1 July 2022, Mr. Guénard now reports to Mr. Reinold Geiger, the Chairman of the Group and the Company complied with the code provision C.6.3 of the CG Code.

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 to the Listing Rules as the code of conduct for dealing in the securities of the Company by the Directors. Having made specific enquiry of all Directors, they have confirmed that they have complied with the Model Code during FY2023.

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

During FY2023, the Company transferred out of treasury a total of 1,473,429 shares held in treasury pursuant to the employees' free share and share option plans of the Company. The Company held 5,355,641 shares in treasury on 31 March 2023. Save as disclosed above, neither the Company nor its subsidiaries have purchased, redeemed or sold any of the Company's listed securities during FY2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 22 September 2023 to Wednesday, 27 September 2023, both days inclusive, during which period no share transfers can be registered. The record date to determine which Shareholders will be eligible to attend and vote at the forthcoming annual general meeting of the Company (the “**AGM**”) will be Wednesday, 27 September 2023. All transfers accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 21 September 2023.

Subject to the Shareholders approving the recommended Final Dividend, at the AGM, the Final Dividend will be payable on Friday, 20 October 2023 to Shareholders whose names appear on the register of members on Tuesday, 10 October 2023. To determine eligibility for the Final Dividend, the register of members of the Company will be closed from Thursday, 5 October 2023 to Tuesday, 10 October 2023, both days inclusive, during which period no shares can be registered. In order to be entitled to receive the Final Dividend, all transfers accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 4 October 2023.

PUBLICATION OF FINAL RESULTS AND FY2023 ANNUAL REPORT

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

ANNUAL GENERAL MEETING

The AGM will be held on 27 September 2023. A notice convening the AGM will be published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (group.loccitane.com) and will be dispatched to the Shareholders in due course.

BOARD OF DIRECTORS

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

Executive Directors

Reinold Geiger (*Chairman*)

André Hoffmann (*Vice-Chairman and Chief Executive Officer*)

Karl Guénard (*Company Secretary*)

Séan Harrington (*Chief Executive Officer of ELEMIS*)

Non-executive Director

Thomas Levilion

Independent Non-executive Directors

Christèle Hiss Holliger

Charles Mark Broadley

Betty Liu

Jackson Chik Sum Ng

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

Luxembourg, 26 June 2023

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.