

2017 ANNUAL RESULTS

GROWTH ACCELERATION: +5.5%¹ IN 4TH QUARTER
SALES EXCEEDING €10 BN IN THE NEW MARKETS
RECORD OPERATING MARGIN: 18%

- **Sales: 26.02 billion euros**
 - +4.8% like-for-like¹
 - +2.0% at constant exchange rates
 - +0.7% based on reported figures²
- **Operating profit: 4.68 billion euros, representing 18.0% of sales**
- **Earnings per share³: 6.65 euros, an increase of +3.0%**
- **Net profit after non-controlling interests: 3.58 billion euros, an increase of +15.3%**
- **Net cash flow⁴: 3.97 billion euros, an increase of +19.6%**
- **Dividend⁵: +7.6% at 3.55 euros**

The Board of Directors of L'Oréal met on 8 February 2018, under the chairmanship of Jean-Paul Agon and in the presence of the Statutory Auditors. The Board closed the consolidated financial statements and the financial statements for 2017.

Commenting on the annual results, Jean-Paul Agon, Chairman and CEO of L'Oréal, said:

"In a beauty market that pursued its steady growth in 2017, L'Oréal had a good year with sustained sales growth momentum, and robust profits. As announced, the second half accelerated compared with the first, particularly in the fourth quarter with +5.5% like-for-like growth.

All the Divisions recorded sales growth, especially L'Oréal Luxe which is delivering spectacular growth, particularly in Asia. The Active Cosmetics Division achieved more than 2 billion euros of sales for the first time. Growth in the Consumer Products Division is being slowed by the continuing difficulties of the American and French markets, while sales in the Professional Products Division improved at the end of the year. Today more than ever, L'Oréal can rely on its unique portfolio of powerful and complementary brands, eight of which now have sales above one billion euros.

As for the geographic Zones, the New Markets exceeded more than 10 billion euros of sales for the first time ever, thanks especially to the dynamism of the Asia Pacific Zone. Performance in Western Europe remained solid.

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¹ Like-for-like sales growth: based on a comparable scope of consolidation and identical exchange rates. See details on page 4.

² In the fourth quarter of 2016 and in the full-year 2016, reported Group sales included the sales of The Body Shop in amounts of 321.3 million euros and 920.8 million euros respectively.

³ Diluted earnings per share, based on net profit, excluding non-recurring items, after non-controlling interests, from continuing operations.

⁴ Net cash flow = Gross cash flow + changes in working capital - capital expenditure.

⁵ Proposed at the Annual General Meeting of 17 April 2018.

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2017 was especially notable for the accentuation of our digital edge and the strengthening of our positions in two strategic channels. Firstly in e-commerce⁶, where our sales accelerated to reach 2 billion euros, an increase of +33.6%. Secondly in Travel Retail, a channel with strong potential, in which L'Oréal celebrated 40 years of presence by strengthening its number one position.

In terms of results, as announced, operating margin has reached the record level of 18% of sales, while increasing research expenses and business drivers. There were improvements in all our operating parameters; the quality of the results is also reflected in the record cash flow.

And finally, in 2017, L'Oréal was recognised for its leadership in corporate social responsibility with, for the second year running, the best score awarded by the CDP⁷, three "A"s, and L'Oréal has been ranked number 1 in all sectors by Vigeo Eiris. L'Oréal has also obtained first place in the world ranking by Equileap for gender equality.

As for 2018, in a market that should remain dynamic and contrasted, L'Oréal more than ever before has the best advantages in terms of innovation, brand power, digital prowess, and the quality of its teams all over the world, to win market share and strengthen its Beauty leadership. We are therefore confident that, this year once again, we will outperform the market and achieve significant growth in like-for-like¹ sales and an increase in profitability."

The Board of Directors will propose to the Annual General Meeting of 17 April 2018 the renewal of the tenure as Director of Mr. Jean-Paul Agon and Mrs. Belén Garijo for a term of four years.

Mr. Xavier Fontanet did not wish to renew his tenure as Director, which expires at the end of the 2018 Annual General Meeting. The Board has expressed its deep gratitude to Mr. Fontanet for his active participation in the work of the Board and of the Committees over the last 16 years.

The Board will propose to the Annual General Meeting the candidacy as a new independent director of Mr. Axel Dumas, Chief Executive Officer of Hermès.

Furthermore, the Board of Directors at its meeting on 8 February 2018 noted the resignation of Mr. Charles-Henri Filippi, as a result of his appointment at Lazard as Managing Director, effective from March 2018, in view of the nature of the business relationships existing between Lazard and L'Oréal. Mr. Filippi's tenure as director ended on 8 February 2018.

The Board wished to warmly thank Mr. Filippi for his contribution to the work of the Board and of the three Committees of which he has been Member or Chairman (Audit Committee, Appointments & Governance Committee, and Human Resources & Remuneration Committee).

The Board will propose to the Annual General Meeting the candidacy as a new independent director of Mr. Patrice Caine, Chairman and Chief Executive Officer of the Thales Group.

As the appointments and renewals presented have an impact on the composition of the Committees, the composition is set out in detail in the table hereafter, subject to the approval of the resolutions relating to the renewals of tenure and appointments at the Annual General Meeting of Shareholders on 17 April 2018.

⁶ Sales achieved on our brands' own websites + estimated sales achieved by our brands corresponding to sales through our retailers' websites (non-audited data); like-for-like growth.

⁷ CDP is an independent international organisation which assesses companies' environmental performance.

Projected composition of Committees at the end of the Annual General Meeting of Shareholders of 17 April 2018*

	Independence	Expiry Date of Current Tenure	Board Committees		
			Strategy & Sustainable Development	Audit	HR & Remuneration
Mr. Jean-Paul Agon*		2022	Ch		
Mrs. Françoise Bettencourt Meyers		2021	●		
Mr. Paul Bulcke		2021	●		●
Mr. Jean-Pierre Meyers		2020	●		●
Mrs. Ana Sofia Amaral**	Employee Dir.	2022			●
Mrs. Sophie Bellon	■	2019		●	Ch
Mr. Patrice Caine*	■	2022			●
Mr. Axel Dumas*	■	2022		●	
Mrs. Belén Garjo*	■	2022			●
Mrs. Béatrice Guillaume-Grabisch		2020		●	
Mr. Bernard Kasriel	■	2020	●		
Mr. Georges Liarokapis***	Employee Dir.	2022		●	
Mr. Jean-Victor Meyers		2020		●	
Mrs. Virginie Morgon	■	2021		Ch	
Mrs. Eileen Naughton	■	2020			●

■ Independence within the meaning of the criteria of the AFEP-MEDEF Code as assessed by the Board of Directors
Ch Committee Chairman/Chairwoman ● Committee Member

* Subject to approval of the resolutions relating to the renewals of tenure and appointments of directors at the Annual General Meeting of Shareholders of 17 April 2018.

** The tenure as employee director of Mrs. Ana Sofia Amaral expires on 17 April 2018. It is the responsibility of the Instance Européenne de Dialogue Social (European Works Council) to renew the tenure of Mrs. Amaral or to designate another employee director for a new term of four years.

***The tenure as employee director of Mr. Georges Liarokapis expires on 17 April 2018. It is the responsibility of the CFE-CGC, the most representative trade union organisation at L'Oréal in France, to renew the tenure of Mr. Liarokapis or to designate another employee director for a new term of four years.

2017 Sales

Like-for-like, i.e. based on a comparable scope of consolidation and constant exchange rates, the sales trend of the L'Oréal Group was +4.8%.

The net impact of changes in the scope of consolidation amounted to -2.8%:

- +0.9% from acquisitions,
- -3.7% from the sale of The Body Shop.

Currency fluctuations had a negative impact of -1.3%.

Growth at constant exchange rates was +2.0%.

Based on reported figures, the Group's sales, at 31 December 2017, amounted to 26.02 billion euros, an increase of +0.7%.

Sales by Operational Division and Geographic Zone

The finalisation, on 7 September 2017, of the disposal of The Body Shop leads to account for the businesses sold, for 2017, in accordance with the IFRS 5 accounting rule on discontinued operations.

	4 th quarter 2017			At 31 December 2017		
	€m	Growth Like-for-like	Reported	€m	Growth Like-for-like	Reported
<u>By Operational Division</u>						
Professional Products	831.8	+2.0%	-4.0%	3,350.4	+0.2%	-1.4%
Consumer Products	2,910.7	+3.0%	-2.3%	12,118.7	+2.2%	+1.0%
L'Oréal Luxe	2,298.9	+9.8%	+4.1%	8,471.7	+10.5%	+10.6%
Active Cosmetics	472.3	+8.4%	+14.2%	2,082.9	+5.8%	+11.9%
Cosmetics Divisions total	6,513.8	+5.5%	+0.7%	26,023.7	+4.8%	+4.4%
<u>By Geographic Zone</u>						
Western Europe ⁸	2,048.8	+1.9%	+1.1%	8,125.3	+2.6%	+1.5%
North America	1,761.4	-0.8%	-6.5%	7,350.5	+1.7%	+3.5%
New Markets, of which:	2,703.6	+13.2%	+5.7%	10,547.8	+8.9%	+7.5%
- Asia Pacific ⁸	1,595.1	+18.8%	+10.3%	6,151.8	+12.3%	+9.2%
- Latin America	488.5	+7.2%	-1.0%	1,952.9	+5.6%	+6.2%
- Eastern Europe	449.8	+8.0%	+5.0%	1,750.8	+8.6%	+11.4%
- Africa, Middle East	170.2	-1.1%	-10.2%	692.4	-7.1%	-9.4%
Cosmetics Divisions total	6,513.8	+5.5%	+0.7%	26,023.7	+4.8%	+4.4%
Group total	6,513.8	+5.5%	-4.1%	26,023.7	+4.8%	+0.7%

In the fourth quarter of 2016 and in the full-year 2016, reported Group sales included the sales of The Body Shop in amounts of 321.3 million euros and 920.8 million euros respectively.

⁸ As of 1 July 2016, the Asian Travel Retail business of the Consumer Products Division, previously recorded under the Western Europe Zone, was transferred to the Asia Pacific Zone. All figures for earlier periods have been restated to allow for this change.

PROFESSIONAL PRODUCTS

The Professional Products Division ended the year at +0.2% like-for-like and -1.4% reported.

After declining in the first half, the Division's sales increased in the second half, reflecting a significant recovery in the United States and the Asia Pacific Zone. Eastern Europe and Latin America are maintaining their momentum.

Shades EQ, the core hair colour franchise at *Redken*, is growing strongly. In haircare, the revamping of the *Série Expert* ranges by *L'Oréal Professionnel* is energising the category, while on the trend of naturalness, *Aura Botanica* by *Kérastase* and *Biologie R.A.W.* are continuing to prove highly successful.

CONSUMER PRODUCTS

The Consumer Products Division recorded fourth quarter growth of +3.0% like-for-like, and ended the year at +2.2% like-for-like and +1.0% reported.

Make-up growth is continuing: *NYX Professional Makeup* is growing fast and extending its global expansion; *L'Oréal Paris* is holding up well, with *Lash Paradise* mascara proving particularly successful, and ended the year at number two in the United States, just behind the market leader *Maybelline New York*. The good momentum in skincare continued, both at *L'Oréal Paris* with the global roll-out of clay masks, and at *Garnier* with the ongoing *Micellar Cleansing Waters* saga. Hair colour is growing, driven by the impetus of *Magic Retouch* and *Colorista* by *L'Oréal Paris*.

The Division is growing in Western Europe, where it is winning market share, and in Eastern Europe and Spanish-speaking America. Its acceleration in Asia continued in the fourth quarter, thanks to China. Growth in North America slowed in a difficult market.

Lastly, e-commerce is continuing to act as a growth catalyst, driven by China where it already accounts for more than one-third of sales.

L'ORÉAL LUXE

L'Oréal Luxe posted growth of +10.5% like-for-like and +10.6% reported. The Division is outperforming its market and confirming its success in make-up and facial skincare.

Lancôme had a very good year with double-digit growth, fuelled by make-up successes with *Monsieur Big* mascara, *L'Absolu Rouge* and *Teint Idole Ultra*, and by the acceleration of the *Génifique* skincare range. *La Vie est Belle* has confirmed its European number one position, despite stiffer competition. *Yves Saint Laurent* is breaking more records thanks to its successes in fragrances, with the good start of new men's fragrance *Y*, and in make-up with the achievements of its *Tatouage Couture* lip products. *Giorgio Armani* and *Kiehl's* both exceeded the one billion euro mark in sales. The rapid growth of *IT Cosmetics* is continuing.

L'Oréal Luxe is posting double-digit growth in Asia Pacific, with particularly good figures in China and in Travel Retail. Western Europe is performing well. E-commerce growth is also very strong.

ACTIVE COSMETICS

With growth of +5.8% like-for-like and +11.9% reported, 2017 was a historic year for the Active Cosmetics Division, which saw its sales break the 2 billion euro barrier, while further increasing its leadership of the dermocosmetics market worldwide.

La Roche-Posay, the world number one dermocosmetics brand, is maintaining its strong growth momentum, thanks in particular to its franchises *Effaclar*, *Lipikar* and *Cicaplast*.

Vichy performed well in the fourth quarter, especially in Western Europe and Asia, thanks to *Minéral 89*, and its anti-ageing launch *Neovadiol Rose Platinum*.

For the eighth year running, *SkinCeuticals* posted double-digit growth and confirmed the success of *H.A. Intensifier*.

The strong acceleration in e-commerce is continuing.

The Division's global expansion continues: thanks to the successful integration of *CeraVe*, which is growing strongly in the American market, and the good momentum of *SkinCeuticals* and *La Roche-Posay*, the United States is the largest contributor to growth and has become the Division's number one country.

Multi-division summary by Geographic Zone

WESTERN EUROPE

In 2017, Western Europe posted growth of +2.6% like-for-like and +1.5% reported. Growth was particularly robust in Great Britain, Spain and Germany, fuelled by the make-up and skincare categories. Sales in France continued to be held back by a slightly contracting market. The two main Divisions, Consumer Products and L'Oréal Luxe, outperformed their respective markets, and the Active Cosmetics Division's growth accelerated in the second part of the year.

NORTH AMERICA

The Zone posted growth of +1.7% like-for-like and +3.5% reported. The American market is continuing to grow, but is facing a slowdown in some historical distribution channels. Performance in make-up is being further increased by the brands *NYX Professional Makeup* and *L'Oréal Paris*, but haircare is proving less dynamic. The L'Oréal Luxe Division has slowed, against a background of inventory reductions. *Yves Saint Laurent* and *IT Cosmetics* however have continued to record double-digit growth. In the fourth quarter, the Professional Products Division saw sales increase, thanks particularly to its partner brands. The Active Cosmetics Division performed well last year, bolstered by the recent acquisition of *CeraVe* and by the emblematic *SkinCeuticals* and *La Roche-Posay* brands.

NEW MARKETS

Asia Pacific: this Zone recorded growth of +12.3% like-for-like and +9.2% reported. In Northern Asia, Chinese consumers are driving growth, particularly for the L'Oréal Luxe Division in China and Hong Kong. China's strong growth is continuing, fuelled by very good e-commerce results across all Divisions. In Southern Asia, India is very dynamic. Thailand and Malaysia are also growing very strongly.

Latin America: the Zone posted growth of +5.6% like-for-like and +6.2% reported. Mexico and Argentina recorded double-digit growth, while the economic environment remains difficult in Brazil. The L'Oréal Luxe and Active Cosmetics Divisions have achieved double-digit growth, thanks respectively to the *Lancôme* and *La Roche-Posay* brands. The Consumer Products Division is growing in the make-up category, reflecting the expansion of the *NYX Professional Makeup* brand and the continuing growth of *Maybelline New York*.

Eastern Europe: the Zone posted growth of +8.6% like-for-like and +11.4% reported. Turkey and Central Europe were the growth drivers, and sales in Russia were satisfactory. All the Divisions made market share gains. In this Zone, e-commerce now accounts for more than 5% of sales.

Africa, Middle East: this Zone is at -7.1% like-for-like and -9.4% reported, with a clear improvement in the second half. Despite substantial declines in markets, the situation is stabilising in the Gulf states. Egypt's growth was dynamic.

Important events during the period 1/10/17 to 31/12/17

- On 9 October 2017, the OECD (Organisation for Economic Co-operation and Development) announced that it had accepted two new methods, developed by L'Oréal's Research laboratories, which can be used in place of animal testing to assess skin allergy and eye irritation.
- On 20 October 2017, L'Oréal announced a strategic partnership with STATION F, the world's largest start-up campus, to support the development of early stage digital beauty start-ups.
- On 20 November 2017, at the 5th edition of the "*Palmarès de la féminisation des instances dirigeantes*" organised by Ethics & Boards, L'Oréal's commitment to both gender equality and professional equality was recognised, and L'Oréal received the Award for Gender Equality at Top Management Level.
- On 21 November 2017, at the CDP⁷ Europe Awards in Brussels, L'Oréal obtained for the second year running the best possible score, an "A" rating, in each of the three fields of combating climate change, sustainable water stewardship and protecting forests.

2017 Results

Audited financial statements, certification in progress.

Operating profitability at 18.0% of sales

Consolidated profit and loss accounts: from sales to operating profit.

The finalisation, on 7 September 2017, of the disposal of The Body Shop leads to account for the businesses sold, for 2017, in accordance with the IFRS 5 accounting rule on discontinued operations. See the compared consolidated profit and loss accounts in the appendix.

	2016		2017	
	€m Reported ²	% sales	€m	% sales
Sales	25,837.1	100.0%	26,023.7	100.0%
<i>Cost of sales</i>	<i>-7,341.7</i>	<i>28.4%</i>	<i>-7,359.2</i>	<i>28.3%</i>
Gross profit	18,495.4	71.6%	18,664.5	71.7%
<i>R&D expenses</i>	<i>-849.8</i>	<i>3.3%</i>	<i>-877.1</i>	<i>3.4%</i>
<i>Advertising and promotion expenses</i>	<i>-7,498.7</i>	<i>29.0%</i>	<i>-7,650.6</i>	<i>29.4%</i>
<i>Selling, general and administrative expenses</i>	<i>-5,607.0</i>	<i>21.7%</i>	<i>-5,460.5</i>	<i>21.0%</i>
Operating profit	4,539.9	17.6%	4,676.3	18.0%

Gross profit, at 18,664 million euros, came out at 71.7% of sales, compared with 71.6% in 2016, that is an increase of 10 basis points.

Research and Development expenses, at 3.4% of sales, have increased slightly in relative value.

As announced, **Advertising and promotion expenses** increased to 29.4% of sales, representing an increase of 40 basis points.

Selling, general and administrative expenses, at 21.0% of sales, have reduced by 70 basis points, mainly due to the impact of the sale of The Body Shop.

Overall, **operating profit**, at 4,676 million euros, has grown by 3.0%, and amounts to 18.0% of sales, representing an increase of 40 basis points. Excluding exchange rates, operating profit grew by +4.4%.

RESULTS

Operating profit by Operational Division

The finalisation, on 7 September 2017, of the disposal of The Body Shop leads to account for the businesses sold, for 2017, in accordance with the IFRS 5 accounting rule on discontinued operations. See the compared consolidated profit and loss accounts in the appendix.

	2016		2017	
	€m Reported ²	% sales	€m	% sales
By Operational Division				
Professional Products	688.6	20.3%	669.4	20.0%
Consumer Products	2,417.1	20.2%	2,419.0	20.0%
L'Oréal Luxe	1,622.8	21.2%	1,855.8	21.9%
Active Cosmetics	431.5	23.2%	471.2	22.6%
Cosmetics Divisions total	5,160.0	20.7%	5,415.4	20.8%
<i>Non-allocated⁹</i>	<i>-653.9</i>	<i>-2.6%</i>	<i>-739.1</i>	<i>-2.8%</i>
The Body Shop	33.8	3.7%	-	-
Group	4,539.9	17.6%	4,676.3	18.0%

After a difficult 2017, the profitability of the **Professional Products Division** came out at 20.0%.

The profitability of the **Consumer Products Division** came out at 20.0%, representing a slight decrease of 20 basis points compared with 2016.

The profitability of **L'Oréal Luxe**, at 21.9%, strongly increased in 2017, which is an increase of 70 basis points.

At **Active Cosmetics Division**, profitability came out at 22.6%.

Non-allocated expenses increased by 2.8% of sales, mainly due to the increase in digital costs.

Profitability by Geographic Zone

The finalisation, on 7 September 2017, of the disposal of The Body Shop leads to account for the businesses sold, for 2017, in accordance with the IFRS 5 accounting rule on discontinued operations. See the compared consolidated profit and loss accounts in the appendix.

Operating profit	2016		2017	
	€m	% sales	€m	% sales
Western Europe ¹⁰	1,831.5	22.9%	1,860.4	22.9%
North America	1,392.3	19.6%	1,411.3	19.2%
New Markets ¹⁰	1,936.2	19.7%	2,143.6	20.3%
Geographic Zones total¹¹	5,160.0	20.7%	5,415.4	20.8%

Profitability in **Western Europe** at 22.9%, is at an identical level to that of 2016.

In **North America**, profitability came out at 19.2%, slightly lower than 2016.

And in the **New Markets**, profitability strongly increased and exceeded, for the first time, 20% of sales.

⁹ Non-allocated = Central Group expenses, fundamental research expenses, stock options and free grant of shares expenses and miscellaneous items. As a % of cosmetics sales.

¹⁰ As of 1 July 2016, the Asian Travel Retail business of the Consumer Products Division, previously recorded under the Western Europe Zone, was transferred to the Asia Pacific Zone. All figures for earlier periods have been restated to allow for this change.

¹¹ Before non-allocated.

Net profit

Consolidated profit and loss accounts: from operating profit to net profit excluding non-recurring items.

The finalisation, on 7 September 2017, of the disposal of The Body Shop leads to account for the businesses sold, for 2017, in accordance with the IFRS 5 accounting rule on discontinued operations. See the compared consolidated profit and loss accounts in the appendix.

€m	2016 Reported ²	2017	Growth
Operating profit	4,539.9	4,676.3	+3.0%
<i>Financial revenues and expenses excluding dividends received</i>	-19.3	-22.9	
<i>Sanofi dividends</i>	346.5	350.0	
Profit before tax excluding non-recurring items	4,867.1	5,003.3	+2.8%
<i>Income tax excluding non-recurring items</i>	-1,216.8	-1,250.5	
<i>Net profit excluding non-recurring items of equity consolidated companies</i>	-0.1	-0.1	
<i>Non-controlling interests</i>	-3.0	-3.9	
Net profit excluding non-recurring items after non-controlling interests¹²	3,647.2	3,748.7¹³	+2.8%
EPS¹⁴ (€)	6.46	6.65	+3.0%
Net profit after non-controlling interests	3,105.8	3,581.4	+15.3%
Diluted EPS after non-controlling interests (€)	5.50	6.36	
Diluted average number of shares	564,509,135	563,528,502	

Finance expenses came out at 23 million euros.

Sanofi dividends amounted to 350 million euros.

Income tax excluding non-recurring items amounted to 1,250 million euros. This represents a tax rate of 25.0%.

Net profit excluding non-recurring items after non-controlling interests from continuing operations amounted to 3,749 million euros, an increase of +2.8% and +4.1% at constant exchange rates.

Earnings per Share, at 6.65 euros, is up by +3.0%, and +4.3% at constant exchange rates.

Non-recurring items after non-controlling interests amounted to -167 million euros net of tax, mainly due to the disposal of The Body Shop, to the impact of the reimbursement of taxes on dividends, and to the positive impact of the American tax reform on differed tax liabilities.

Net profit came out at 3,581 million euros, strongly increasing by 15.3%.

Cash flow statement, Balance sheet and Cash position

Gross cash flow amounted to 4,972 million euros, an increase of 5.4%.

The **working capital requirement** decreased by 261 million euros.

Investments amounted to 1,263 million euros, representing 4.9% of sales.

The **net cash flow⁴** came out at 3,969 million euros, a strong increase of +19.6%.

The **balance sheet** remains particularly solid with shareholders' equity amounting to 24.8 billion euros, and **net cash** at 1,872 million euros at 31 December 2017.

¹² Non-recurring items include impairment of assets, net profit of discontinued operations, restructuring costs and tax effects of non-recurring items.

¹³ Net profit, excluding non-recurring items after non-controlling interests, from continuing operations.

¹⁴ Diluted earnings per share, based on net profit, excluding non-recurring items, after non-controlling interests.

Proposed dividend at the Annual General Meeting of 17 April 2018

The Board of Directors has decided to propose to the Shareholders' Annual General Meeting of 17 April 2018 a dividend of 3.55 euros per share, an increase of +7.6% compared with the dividend paid in 2017. The dividend will be paid on 27 April 2018 (ex-dividend date 25 April 2018 at 0:00 a.m., Paris time).

Share capital

As of 31 December 2017, the capital of the company is formed by **560,519,088** shares, each with one voting right.

"This news release does not constitute an offer to sell, or a solicitation of an offer to buy L'Oréal shares. If you wish to obtain more comprehensive information about L'Oréal, please refer to the public documents registered in France with the Autorité des Marchés Financiers, also available in English on our Internet site www.loreal-finance.com.

This news release may contain some forward-looking statements. Although the Company considers that these statements are based on reasonable hypotheses at the date of publication of this release, they are by their nature subject to risks and uncertainties which could cause actual results to differ materially from those indicated or projected in these statements."

This is a free translation into English of the 2017 Annual Results news release issued in the French language and is provided solely for the convenience of English speaking readers. In case of discrepancy, the French version prevails.

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Appendices

Appendix 1: L'Oréal Group sales 2016/2017 (€ millions)

	2016 ¹⁵	2017 ¹⁶
<u>First quarter:</u>		
Operational Divisions	6,352.4	6,847.8
The Body Shop	200.1	197.2
First quarter total	6,552.4	7,045.0
<u>Second quarter:</u>		
Operational Divisions	6,143.6	6,564.2
The Body Shop	198.5	
Second quarter total	6,342.2	6,564.2
<u>First half:</u>		
Operational Divisions	12,496.0	13,411.9
The Body Shop	398.6	
First half total	12,894.6	13,411.9
<u>Third quarter:</u>		
Operational Divisions	5,952.2	6,097.9
The Body Shop	200.9	
Third quarter total	6,153.2	6,097.9
<u>Nine months:</u>		
Operational Divisions	18,448.2	19,509.9
The Body Shop	599.5	
Nine months total	19,047.8	19,509.9
<u>Fourth quarter:</u>		
Operational Divisions	6,468.1	6,513.8
The Body Shop	321.3	
Fourth quarter total	6,789.3	6,513.8
<u>Full year:</u>		
Operational Divisions	24,916.3	26,023.7
The Body Shop	920.8	
Full year total	25,837.1	26,023.7

¹⁵ In the third quarter of 2016 and at 30 September 2016, reported Group sales included The Body Shop sales in respective amounts of 200.9 million euros and 599.5 million euros.

¹⁶ In the first quarter 2017, reported Group sales included The Body Shop sales, which amounted to 197.2 million euros.

Appendix 2: Compared consolidated income statements

€ millions				REMINDER * 2016 Published data	
	2017	2016 ⁽¹⁾	2015 ⁽¹⁾	2016	2015
Net sales	26,023.7	24,916.3	24,290.2	25,837.1	25,257.4
Cost of sales	-7,359.2	-7,068.6	-6,994.2	-7,341.7	-7,277.4
Gross profit	18,664.5	17,847.7	17,295.9	18,495.4	17,980.0
Research and development	-877.1	-841.2	-787.4	-849.8	-794.1
Advertising and promotion	-7,650.6	-7,264.4	-7,132.8	-7,498.7	-7,359.6
Selling, general and administrative expenses	-5,460.5	-5,236.0	-5,042.9	-5,607.0	-5,438.6
Operating profit	4,676.3	4,506.1	4,332.9	4,539.9	4,387.7
Other income and expenses	-276.3	-541.3	-188.5	-543.8	-193.4
Operational profit	4,400.0	3,964.8	4,144.4	3,996.1	4,194.3
Finance costs on gross debt	-35.5	-27.4	-20.3	-32.6	-23.7
Finance income on cash and cash equivalents	38.5	39.0	59.4	39.1	55.6
Finance costs, net	3.1	11.6	39.1	6.5	31.9
Other financial income (expenses)	-26.0	-25.8	-43.3	-25.8	-45.7
Sanofi dividends	350.0	346.5	336.9	346.5	336.9
Profit before tax and associates	4,727.0	4,297.1	4,477.2	4,323.4	4,517.4
Income tax	-901.3	-1,213.7	-1,229.4	-1,214.6	-1,222.9
Share of profit in associates	-0.1	-0.1	4.0	-0.1	4.0
Net profit from continuing operations	3,825.6	3,083.4	3,251.8	3,108.7	3,298.5
Net profit from discontinued operations	-240.1	25.3	46.8	-	-
Net profit	3,585.5	3,108.7	3,298.5	3,108.7	3,298.5
Attributable to:					
♦ owners of the company	3,581.4	3,105.8	3,297.4	3,105.8	3,297.4
♦ non-controlling interests	4.1	2.9	1.1	2.9	1.1
Earnings per share attributable to owners of the company (euros)	6.40	5.55	5.92	5.55	5.92
Diluted earnings per share attributable to owners of the company (euros)	6.36	5.50	5.84	5.50	5.84
Earnings per share of continuing operations attributable to owners of the company (euros)	6.83	5.51	5.83	5.55	5.92
Diluted earnings per share of continuing operations attributable to owners of the company (euros)	6.78	5.46	5.75	5.50	5.84
Earnings per share of continuing operations attributable to owners of the company, excluding non-recurring items (euros)	6.70	6.47	6.17	6.52	6.26
Diluted earnings per share of continuing operations attributable to owners of the company, excluding non-recurring items (euros)	6.65	6.41	6.08	6.46	6.18

(1) The consolidated income statements for 2016 and 2015 are presented to reflect the impacts of IFRS 5 regarding discontinued operations, restating The Body Shop activity on a single line "Net profit from discontinued operations".

* For consistency with the financial information provided outside of the financial statements, we believed it useful to show the Group's financial performance when The Body Shop was an integral part of its continuing operations.

Appendix 3: Consolidated statements of comprehensive income

€ millions	2017**	2016*	2015*
Consolidated net profit for the period	3,585.5	3,108.7	3,298.5
<i>Financial assets available-for-sale</i>	-597.1	-201.0	347.6
<i>Cash flow hedges</i>	88.9	-124.0	60.1
<i>Cumulative translation adjustments</i>	-824.8	19.6	373.7
<i>Income tax on items that may be reclassified to profit or loss ^{(1) (2)}</i>	4.5	86.3	-28.9
Items that may be reclassified to profit or loss	-1,328.5	-219.1	752.5
<i>Actuarial gains and losses</i>	280.0	-1.3	598.1
<i>Income tax on items that may not be reclassified to profit or loss ^{(1) (2)}</i>	-107.9	-39.3	-205.3
Items that may not be reclassified to profit or loss	172.1	-40.6	392.8
Other comprehensive income	-1,156.5	-259.7	1,145.3
Consolidated comprehensive income	2,428.9	2,849.0	4,443.8
Attributable to:			
♦ owners of the company	2,424.8	2,845.6	4,443.1
♦ non-controlling interests	4.1	3.4	0.7

* 2016 and 2015 as published including The Body Shop.

** Including The Body Shop for eight months in 2017.

(1) The tax effect is as follows:

€ millions	2017	2016	2015
<i>Financial assets available-for-sale</i>	37.3	41.7	-14.4
<i>Cash flow hedges</i>	-32.8	44.6	-14.4
Items that may be reclassified to profit or loss	4.5	86.3	-28.9
<i>Actuarial gains and losses</i>	-107.9	-39.3	-205.3
Items that may not be reclassified to profit or loss	-107.9	-39.3	-205.3
TOTAL	-103.4	47.0	-234.1

(2) Including in 2017, respectively €20.4 million and -€21.5 million arising on the remeasurement of deferred tax in France further to the planned change in the tax rate by 2022 and the deferred tax in the United States further to the change in the tax rate at 1 January 2018.

Appendix 4: Compared consolidated balance sheets

ASSETS

€ millions	31.12.2017	31.12.2016 ⁽¹⁾	31.12.2015 ⁽¹⁾
Non-current assets	24,320.1	25,584.6	24,457.6
Goodwill	8,872.3	8,792.5	8,151.5
Other intangible assets	2,579.1	3,179.4	2,942.9
Property, plant and equipment	3,571.1	3,756.9	3,403.5
Non-current financial assets	8,766.2	9,306.5	9,410.9
Investments in associates	1.1	1.0	1.0
Deferred tax assets	530.3	548.3	547.9
Current assets	11,019.0	10,045.6	9,253.7
Inventories	2,494.6	2,698.6	2,440.7
Trade accounts receivable	3,923.4	3,941.8	3,627.7
Other current assets	1,393.8	1,420.4	1,486.9
Current tax assets	160.6	238.8	298.6
Cash and cash equivalents	3,046.6	1,746.0	1,399.8
TOTAL	35,339.1	35,630.2	33,711.3

(1) 2016 and 2015 balance sheets as published including The Body Shop.

EQUITY & LIABILITIES

€ millions	31.12.2017	31.12.2016 ⁽¹⁾	31.12.2015 ⁽¹⁾
Equity	24,818.5	24,504.0	23,617.0
Share capital	112.1	112.4	112.6
Additional paid-in capital	2,935.3	2,817.3	2,654.4
Other reserves	14,752.2	13,951.6	12,873.4
Other comprehensive income	3,904.7	4,237.6	4,517.5
Cumulative translation adjustments	-413.5	410.9	391.9
Treasury stock	-56.5	-133.6	-233.3
Net profit attributable to owners of the company	3,581.4	3,105.8	3,297.4
Equity attributable to owners of the company	24,815.7	24,501.9	23,613.9
Non-controlling interests	2.8	2.1	3.1
Non-current liabilities	1,347.2	1,918.9	1,920.6
Provisions for employee retirement obligations and related benefits	301.9	711.8	807.2
Provisions for liabilities and charges	434.9	333.3	195.9
Deferred tax liabilities	597.0	842.9	876.8
Non-current borrowings and debt	13.4	30.9	40.8
Current liabilities	9,173.4	9,207.3	8,173.7
Trade accounts payable	4,140.8	4,135.3	3,929.0
Provisions for liabilities and charges	889.2	810.7	754.6
Other current liabilities	2,823.9	2,854.4	2,597.3
Income tax	158.5	173.2	151.9
Current borrowings and debt	1,161.0	1,233.7	741.0
TOTAL	35,339.1	35,630.2	33,711.3

(1) 2016 and 2015 balance sheets as published including The Body Shop.

Appendix 5: Consolidated statements of changes in equity

€ millions	Common shares outstanding	Share capital	Additional paid-in capital	Retained earnings and net profit	Other comprehensive income	Treasury stock	Cumulative translation adjustments	Equity attributable to owners of the company	Non-controlling interests	Total equity
At 31.12.14	554,241,878	112.3	2,316.8	14,683.5	3,745.9	-683.0	17.8	20,193.3	3.6	20,196.9
Consolidated net profit for the period				3,297.4				3,297.4	1.1	3,298.5
<i>Financial assets available-for-sale</i>					333.2			333.2		333.2
<i>Cash flow hedges</i>					45.6			45.6		45.6
<i>Cumulative translation adjustments</i>							374.1	374.1	-0.4	373.7
Other comprehensive income that may be reclassified to profit and loss					378.8		374.1	752.9	-0.4	752.5
<i>Actuarial gains and losses</i>					392.8			392.8		392.8
Other comprehensive income that may not be reclassified to profit and loss					392.8			392.8	-	392.8
Consolidated comprehensive income				3,297.4	771.6		374.1	4,443.1	0.7	4,443.8
Capital increase	4,657,959	0.9	337.6					338.5		338.5
Cancellation of Treasury stock		-0.6		-362.8		363.4		-		-
Dividends paid (not paid on Treasury stock)				-1,511.4				-1,511.4	-2.6	-1,514.0
Share-based payment				117.6				117.6		117.6
Net changes in Treasury stock	1,088,341			-77.1		86.3		9.2		9.2
Purchase commitments for non-controlling interests				23.5				23.5	1.5	25.0
Changes in scope of consolidation								-		-
Other movements				0.1				0.1	-0.1	-
At 31.12.2015	559,988,178	112.6	2,654.4	16,170.8	4,517.5	-233.3	391.9	23,613.9	3.1	23,617.0
Consolidated net profit for the period				3,105.8				3,105.8	2.9	3,108.7
<i>Financial assets available-for-sale</i>					-159.3			-159.3		-159.3
<i>Cash flow hedges</i>					-79.3			-79.3	-0.1	-79.4
<i>Cumulative translation adjustments</i>							19.0	19.0	0.6	19.6
Other comprehensive income that may be reclassified to profit and loss					-238.6		19.0	-219.6	0.5	-219.1
<i>Actuarial gains and losses</i>					-40.6			-40.6		-40.6
Other comprehensive income that may not be reclassified to profit and loss					-40.6			-40.6	-	-40.6
Consolidated comprehensive income				3,105.8	-279.2		19.0	2,845.6	3.4	2,849.0
Capital increase	2,074,893	0.4	162.8					163.2		163.2
Cancellation of Treasury stock		-0.6		-498.9		499.5		-		-
Dividends paid (not paid on Treasury stock)				-1,741.9				-1,741.9	-3.4	-1,745.2
Share-based payment				120.4				120.4		120.4
Net changes in Treasury stock	-1,964,675			-99.3		-399.8		-499.1		-499.1
Purchase commitments for non-controlling interests								-	-0.1	-0.1
Changes in scope of consolidation				-0.8				-0.8	-0.9	-1.7
Other movements				1.2	-0.7			0.6	-0.1	0.5
At 31.12.2016	560,098,396	112.4	2,817.3	17,057.3	4,237.6	-133.6	410.9	24,501.9	2.1	24,504.0

€ millions	Common shares outstanding	Share capital	Additional paid-in capital	Retained earnings and net profit	Other comprehensive income	Treasury stock	Cumulative translation adjustments	Equity attributable to owners of the company	Non-controlling interests	Total equity
At 31.12.2016	560,098,396	112.4	2,817.3	17,057.3	4,237.6	-133.6	410.9	24,501.9	2.1	24,504.0
Consolidated net profit for the period				3,581.4				3,581.4	4.1	3,585.5
Financial assets available-for-sale					-559.7			-559.7		-559.7
Cash flow hedges					55.5			55.5	0.4	55.9
Cumulative translation adjustments							-824.5	-824.5	-0.3	-824.8
Other comprehensive income that may be reclassified to profit and loss					-504.2		-824.5	-1,328.7	0.1	-1,328.6
Actuarial gains and losses					172.1			172.1		172.1
Other comprehensive income that may not be reclassified to profit and loss					172.1			172.1	-	172.1
Consolidated comprehensive income				3,581.4	-332.2		-824.5	2,424.8	4.1	2,428.9
Capital increase	1,509,951	0.3	118.0					118.3		118.3
Cancellation of Treasury stock		-0.6		-498.6		499.2		-		-
Dividends paid (not paid on Treasury stock)				-1,857.7				-1,857.7	-3.5	-1,861.2
Share-based payment				128.8				128.8		128.8
Net changes in Treasury stock	-1,860,384			-77.2		-422.0		-499.2		-499.2
Changes in scope of consolidation				-1.3				-1.3		-1.3
Other movements				1.0	-0.7			0.3		0.3
AT 31.12.2017	559,747,963	112.1	2,935.3	18,333.7	3,904.7	-56.5	-413.5	24,815.7	2.8	24,818.5

Appendix 6: Compared consolidated statements of cash flows

€ millions	2017	2016 ⁽¹⁾	2015 ⁽¹⁾	REMINDER * 2016 Published data	
				2016	2015
Cash flows from operating activities					
Net profit attributable to owners of the company	3,581.4	3,105.8	3,297.4	3,105.8	3,297.4
Non-controlling interests	4.1	2.9	1.1	2.9	1.1
Elimination of expenses and income with no impact on cash flows:					
♦ depreciation, amortisation and provisions	1,218.5	1,382.3	908.2	1,424.5	933.8
♦ changes in deferred taxes	-194.8	86.5	71.6	79.8	53.4
♦ share-based payment (including free shares)	126.7	120.4	117.6	120.4	117.6
♦ capital gains and losses on disposals of assets	-3.9	-16.2	0.2	-16.2	0.2
Net profit from discontinued operations	240.1	-25.3	-46.8	-	-
Share of profit in associates net of dividends received	0.1	0.1	-4.0	0.1	-4.0
Gross cash flow	4,972.2	4,656.4	4,345.4	4,717.3	4,399.5
Changes in working capital	261.1	4.3	-217.5	-12.7	-196.4
Net cash provided by discontinued operations activities	-36.7	43.9	75.2	-	-
Net cash provided by operating activities (A)	5,196.6	4,704.7	4,203.1	4,704.6	4,203.1
Cash flows from investing activities					
Purchases of property, plant and equipment and intangible assets	-1,263.5	-1,334.9	-1,132.1	-1,386.5	-1,172.1
Disposals of property, plant and equipment and intangible assets	8.2	34.2	6.5	34.2	6.5
Changes in other financial assets (including investments in non-consolidated companies)	-70.7	-42.9	-35.2	-42.9	-35.2
Effect of changes in the scope of consolidation	-166.5	-1,209.0	-375.8	-1,209.3	-435.3
Net cash (used in) from investing activities from discontinued operations	-24.4	-51.8	-99.5	-	-
Net cash (used in) from investing activities (B)	-1,516.9	-2,604.5	-1,636.1	-2,604.5	-1,636.1
Cash flows from financing activities					
Dividends paid	-1,870.7	-1,832.9	-1,534.8	-1,832.9	-1,534.8
Capital increase of the parent company	118.3	163.2	338.6	163.2	338.6
Disposal (acquisition) of Treasury stock	-499.2	-499.1	9.2	-499.1	9.2
Purchase of non-controlling interests	-2.0	-	-	-6.1	-
Issuance (repayment) of short-term loans	-86.6	446.0	-1,840.2	449.8	-1,832.4
Issuance of long-term borrowings	-	1.8	1.1	1.8	1.1
Repayment of long-term borrowings	-7.0	-16.4	-4.6	-17.5	-5.8
Net cash (used in) from financing activities from discontinued operations	71.5	-3.5	6.5	-	-
Net cash (used in) from financing activities (C)	-2,275.7	-1,740.8	-3,024.1	-1,740.8	-3,024.1
Net effect of changes in exchange rates and fair value (D)	-65.3	-13.1	-60.1	-13.1	-60.1
Change in cash and cash equivalents (A+B+C+D)	1,338.7	346.2	-517.2	346.2	-517.2
Cash and cash equivalents at beginning of the year (E)	1,746.0	1,399.8	1,917.0	1,399.8	1,917.0
Net effect of changes in cash and cash equivalents of discontinued operations (F)	-38.1	-	-	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+B+C+D+E+F)	3,046.6	1,746.0	1,399.8	1,746.0	1,399.8

(1) The consolidated statements of cash flows for 2016 and 2015 are presented to reflect the impacts of IFRS 5 regarding discontinued operations.

* For consistency with the financial information provided outside of the financial statements, we believed it useful to show the Group's financial performance when The Body Shop was an integral part of its continuing operations.