

## First-half 2016 results

### SOLID SALES AND PROFITS IN A VOLATILE CONTEXT CONFIDENCE FOR 2016

- **SALES: 12.89 billion euros, i.e. +4.2% like-for-like,**  
+4.5% at constant exchange rates and +0.6% based on reported figures
- **OPERATING MARGIN: 18.3%, +20 basis points**
- **EARNINGS PER SHARE<sup>(1)</sup>: 3.59 euros**
  - **Sales growth in all Divisions and geographic Zones**
  - **Consumer Products Division acceleration confirmed**
  - **Good resilient growth at L'Oréal Luxe and Active Cosmetics**
  - **Growth accelerates in North America and in the New Markets**

Commenting on the figures, Mr Jean-Paul Agon, Chairman and Chief Executive Officer of L'Oréal, said:

*"At the end of June, the Group is confirming its growth momentum, with an increase in sales across all Divisions and all geographic Zones.*

*As announced, the Consumer Products Division is accelerating and outperforming its market, driven by its conquest initiatives in make-up and haircare.*

*L'Oréal Luxe, in a market that remains solid, is continuing to deliver sustained growth by capitalising on its unique brand portfolio and by maintaining its innovation drive. The Active Cosmetics Division, in a dermocosmetics market that has slowed due to an unfavourable season, is developing its major product ranges and continues to increase its market share. The Professional Products Division is pursuing its initiatives to actively promote all professional beauty segments, in a sector that is gradually improving.*

*As for the geographic Zones, North America is accelerating as expected and robust growth in the New Markets is enabling us to strengthen our positions. Western Europe is being held back by a very difficult market in France.*

*In the first half, e-commerce sales<sup>(2)</sup> rose by +33%, accounting for some 6% of total sales. The Group is at the cutting edge of online beauty, and is accentuating its digital leadership, particularly in make-up, a category that is accelerating strongly, driven worldwide by the "Millennials" generation.*

*Our results are of good quality, with a significant improvement in gross profit and sustained investments in both Research and Innovation and business drivers, supporting the Universalisation of our brands.*

*The outstanding performances of our recent acquisitions, NYX Professional Makeup, Urban Decay and Niely, are making a very positive contribution to the Group's growth. On the other hand, the results of Magic and Clarisonic were below our expectations, and have led us to record a goodwill impairment of 213 million and 234 million euros respectively on June 30, 2016. The impairment is a non-recurring charge and has no impact on the cash situation. The strategic relevance of these two brands remains unchanged.*

*In an environment that is still volatile and uncertain, particularly on the monetary front, L'Oréal's strength, today more than ever, lies in its balanced business model. The first half reinforces our confidence in the Group's ability to outperform its market, and to achieve another year of sales and profit growth in 2016."*

(1) Diluted earnings per share, after non-controlling interests, excluding non-recurring items.

(2) 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.

## A – First-half 2016 sales

**Like-for-like**, i.e. based on a comparable structure and identical exchange rates, sales growth was +4.2%.

**The net impact of changes in the scope of consolidation** was +0.3%.

**Growth at constant exchange rates** was +4.5%.

**Currency fluctuations** had a negative impact of -3.9%. If the exchange rates at June 30, 2016, i.e. €1 = \$1.1102, are extrapolated until December 31, 2016 the impact of currency fluctuations on sales would be approximately -2.9% for the whole of 2016.

**Based on reported figures**, the Group's sales at June 30, 2016 amounted to 12.89 billion euros, up by +0.6%.

### Sales by operational Division and geographic Zone

	2 <sup>nd</sup> quarter 2016			1 <sup>st</sup> half 2016		
	€m	Growth		€m	Growth	
		Like-for-like	Reported		Like-for-like	Reported
<b><u>By operational Division</u></b>						
Professional Products	870.1	1.8%	-2.0%	1,724.4	2.2%	-0.9%
Consumer Products	3,048.9	4.7%	-1.1%	6,154.9	4.3%	-0.1%
L'Oréal Luxe	1,763.9	5.6%	1.8%	3,595.3	5.6%	3.1%
Active Cosmetics	460.7	5.7%	0.3%	1,021.4	5.0%	0.3%
<b>Cosmetics Divisions total</b>	<b>6,143.6</b>	<b>4.6%</b>	<b>-0.3%</b>	<b>12,496.0</b>	<b>4.4%</b>	<b>0.7%</b>
<b><u>By geographic Zone</u></b>						
Western Europe	2,056.9	1.4%	-0.2%	4,184.4	1.7%	0.6%
North America	1,744.1	4.9%	2.3%	3,460.0	4.6%	4.0%
New Markets, of which:	2,342.6	7.4%	-2.3%	4,851.6	6.8%	-1.4%
- Asia, Pacific	1,305.3	4.8%	-0.5%	2,815.8	4.6%	1.0%
- Latin America	454.3	13.3%	-7.3%	863.3	10.8%	-9.1%
- Eastern Europe	383.0	8.1%	-5.8%	773.7	8.9%	-3.7%
- Africa, Middle East	199.9	11.4%	5.2%	398.8	9.7%	5.3%
<b>Cosmetics Divisions total</b>	<b>6,143.6</b>	<b>4.6%</b>	<b>-0.3%</b>	<b>12,496.0</b>	<b>4.4%</b>	<b>0.7%</b>
The Body Shop	198.5	-3.2%	-9.6%	398.6	-0.6%	-3.2%
<b>Group total</b>	<b>6,342.2</b>	<b>4.3%</b>	<b>-0.6%</b>	<b>12,894.6</b>	<b>4.2%</b>	<b>0.6%</b>

## PROFESSIONAL PRODUCTS

**At the end of June, the Professional Products Division posted growth of +2.2% like-for-like and -0.9% based on reported figures.**

- The professional products market is continuing to show signs of gradual recovery observed since the end of 2015.  
In geographic terms, sales are resilient in Western Europe, Eastern Europe and the Africa, Middle East Zone. India, Russia and the United Kingdom are the top contributors to growth. In North America, SalonCentric is experiencing a temporary slowdown.
- Hair colour, the number one contributor to growth, is maintaining its momentum driven, on the one hand, by the solid core franchises *Shades Eq* at *Redken*, *SoColor Beauty* at *Matrix*, *Inoa* and *Dia* at *L'Oréal Professionnel* and, on the other hand, the success of the *Blond Studio* and *Hair Touch Up* launches at *L'Oréal Professionnel*. Haircare is continuing to benefit from the resilience of *Redken* and *Matrix*. In professional skincare, *Decléor* is growing strongly in Western Europe.

## CONSUMER PRODUCTS

**In the second quarter, the Division is continuing to accelerate with sales at +4.7% like-for-like after a first quarter at +3.9%. In the first half, the Consumer Products Division recorded growth of +4.3% like-for-like and -0.1% based on reported figures.**

- The Division's sales are growing in all Zones, with strong expansion in North America and the New Markets. In Western Europe, although the situation in France remains very difficult, the Division is benefitting from dynamic trends in the United Kingdom and Spain.
- The Division is successfully implementing its key strategic choices:  
Make-up, driven by the impressive start made in internationalising *NYX Professional Makeup*, the growth of *Maybelline* and *L'Oréal Makeup Designer Paris*, and the very good momentum of *Essie*. Haircare, with the worldwide roll-out of *Ultra Doux*, positioned on the natural products trend, and the launch of *Elvive Extraordinary Clay* in Western Europe.

Skincare is boosted by the success of *Micellar Cleansing Waters* by *Garnier* and the innovative *Age Perfect Golden Age* by *L'Oréal Paris*.

## L'ORÉAL LUXE

**L'Oréal Luxe posted growth of +5.6% like-for-like and +3.1% based on reported figures. The Division is continuing to expand, thanks in particular to dynamic trends in make-up.**

- L'Oréal Luxe is advancing across all Zones, despite growth edging down in Western Europe, affected by the difficulties in Travel Retail and in France. The Division is continuing to deliver good performances in China, Japan, North America and Eastern Europe.
- *Yves Saint Laurent* is continuing its strong expansion, fuelled by the very strong performances in make-up especially in Asia, and in fragrances, by the success of *Black Opium* and the launch of *Mon Paris*.  
*Urban Decay* is at the forefront of the make-up boom with the launch *Vice Lipstick*.  
*Giorgio Armani* is posting double-digit growth thanks to the sharp rise in make-up, with products such as *Lip Maestro* and the men's fragrance *Code Profumo*.  
*Lancôme* is performing well and benefitting from the excellent start made by *Juicy Shaker*, the growing success of « *La vie est belle* » and the launch of *Énergie de Vie*, which targets "Millennials".  
*Kiehl's* is continuing its international expansion.  
L'Oréal Luxe is extending its alternative perfume range through the acquisition of the perfume house *Atelier Cologne*.

## ACTIVE COSMETICS

The Active Cosmetics Division reinforced its position in the second quarter of 2016. At the end of June, sales were up by +5.0% like-for-like and by +0.3% based on reported figures.

- All the Zones are contributing to the Division's good sales performance, except in Western Europe, where the market was held back by an unfavourable season.
- *La Roche-Posay* is maintaining its excellent momentum, supported by its franchises *Cicaplast* with the launch of *Cicaplast Baume B5 SPF50*, and *Toleriane* with the launch of *Toleriane Ultra Nuit*.  
*Vichy* is benefitting from its *Neovadiol* franchise and its spa waters.  
*SkinCeuticals* is posting outstanding performances, particularly in Asia and Eastern Europe, and the success of its *Triple Lipid Restore* launch is continuing.

## Multi-division summary by geographic Zone

### WESTERN EUROPE

At the end of June, the Zone posted growth of +1.7% like-for-like and +0.6% based on reported figures. Business showed mixed momentum, both in terms of the markets and sales figures: performance is good in all markets except France, which remains difficult in all distribution channels. In the highly dynamic make-up category, *NYX Professional Makeup* is making a very promising start. E-commerce sales are continuing to grow very quickly.

### NORTH AMERICA

L'Oréal recorded growth of +4.6% like-for-like and +4.0% based on reported figures. The Consumer Products Division is outperforming the market with strong increases for *NYX Professional Makeup*, *Maybelline* and *Garnier*, whose *Whole Blends (Ultra Doux)* launch is making a good start. Despite difficulties at *Clarisonic*, L'Oréal Luxe is posting good performances, driven by the quality of its brand portfolio: *Urban Decay*, *Yves Saint Laurent* and *Kiehl's* are invigorating their respective categories.

### NEW MARKETS

- **Asia, Pacific:** L'Oréal's growth amounted to +4.6% like-for-like and +1.0% based on reported figures. Thanks to growth, which remains strong, particularly in China, L'Oréal Luxe is maintaining its momentum, supported by the good performances of the *Yves Saint Laurent* and *Giorgio Armani* brands. The Consumer Products Division is being driven by the launch of *Ultra Doux* in China and India, and by the roll-out of the *Garnier* brand in Southern Asia. Growth is being fuelled by the vitality of Southern Asia; Northern Asia however is still being held back by a less dynamic market, particularly in Hong Kong, and by the difficulties of the *Magic* brand in China. The Active Cosmetics Division is growing strongly thanks to the expansion of *La Roche-Posay*.
- **Latin America:** The Zone recorded double-digit growth at +10.8% like-for-like and -9.1% based on reported figures. Growth was double-digit in Spanish-speaking America, boosted by good performances from all the Consumer Products Division brands, especially *Maybelline*, *L'Oréal Paris* and *Vogue*. Brazil is overcoming the effects of the IPI fiscal reform in 2015, and is returning to growth with accelerating sales for the *Niely* and *La Roche-Posay* brands.
- **Eastern Europe:** The Zone posted growth of +8.9% like-for-like and -3.7% based on reported figures. The Professional Products and L'Oréal Luxe Divisions are continuing to record strong growth, while the Consumer Products Division is continuing to grow, particularly in Russia, but is slowing in Turkey. Overall, these three Divisions are gaining market share across the whole Zone. Russia, Ukraine and Kazakhstan are the growth drivers. Business is also sustained in Poland, the Czech Republic and Hungary.

- **Africa, Middle East:** Growth amounted to +9.7% like-for-like and +5.3% based on reported figures. In a slowing market, the Middle East is posting solid growth, driven by Egypt, Pakistan and to a lesser extent the Gulf states. All the Divisions are winning market share. Meanwhile in South Africa, the launch of *Ultimate Blends (Ultra Doux)* by Garnier has led to promising initial results.

## THE BODY SHOP

At the end of June 2016, The Body Shop recorded sales growth of -0.6% like-for-like and -3.2% based on reported figures. Expansion is continuing in the main markets, such as the United Kingdom, Australia and Canada, while the economic slowdown in Hong Kong and Saudi Arabia is having an impact on business. At June 30, 2016, the brand is available in 3,047 sales outlets.

## **B – Important events during the period 04/01/16 to 06/30/16**

- On April 18, 2016, L'Oréal announced the appointment of Mr Alexis Perakis-Valat as President Consumer Products Division, to replace Mr Marc Menesguen who is to retire at the start of 2017. Mr Jochen Zaumseil will replace Mr Perakis-Valat as Executive Vice-President Asia, Pacific Zone. Mr Vianney Derville will replace Mr Zaumseil as Executive Vice-President Western Europe Zone. The appointments are effective from September 1, 2016.
- On April 20, 2016, the Annual General Meeting of L'Oréal shareholders appointed two new Directors: Mrs Béatrice Guillaume-Grabisch and Mrs Eileen Naughton; and renewed the tenure as Director of Mr Jean-Pierre Meyers, Mr Jean-Victor Meyers and Mr Bernard Kasriel.
- On April 20, 2016, the Board of Directors' meeting, held at the close of the Annual General Meeting, decided, pursuant to the authorisation voted by the Annual General Meeting on the same day, on the cancellation of 3,202,500 shares acquired within the scope of the share buyback programme decided by the Board of Directors on February 11, 2016. The shares were cancelled on June 30, 2016. The share capital of L'Oréal as of June 30, 2016, amounted to 112,182,708 euros, divided into 560,913,540 shares with a par value of 0.2 euro each.
- On June 30, 2016, L'Oréal announced the signing of an agreement to acquire *Atelier Cologne*, which specialises in niche perfumery and is sold in selected retailers. This brand will complement the L'Oréal Luxe brand portfolio. This acquisition was completed on July 25, 2016.

## **C – Events that have occurred since 06/30/16**

- On July 13, 2016, L'Oréal made a firm offer to the Rivadis group for the acquisition of Société des Thermes de Saint-Gervais-les-Bains and the licence of the *Saint-Gervais Mont Blanc* brand. *Saint-Gervais Mont Blanc* products, with Mont Blanc spa water, cover a wide range of face and body care and protection needs.
- On July 22, 2016, L'Oréal announced the signing of a definitive agreement to acquire *IT Cosmetics*, one of the fastest growing prestige beauty brands in the United States.

## D – First-half 2016 results

The half-year consolidated accounts have undergone a limited examination by the Statutory Auditors.

### 1) Operating profitability at 18.3% of sales

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

<i>In € million</i>	06/30/15	As % of sales	12/31/15	As % of sales	06/30/16	As % of sales	Change H1-2016 vs. H1-2015
<b>Sales</b>	<b>12,818.9</b>	<b>100.0%</b>	<b>25,257.4</b>	<b>100.0%</b>	<b>12,894.6</b>	<b>100.0%</b>	<b>+0.6%</b>
<i>Cost of sales</i>	-3,630.3	28.3%	-7,277.4	28.8%	-3,561.2	27.6%	
<b>Gross profit</b>	<b>9,188.6</b>	<b>71.7%</b>	<b>17,980.0</b>	<b>71.2%</b>	<b>9,333.4</b>	<b>72.4%</b>	<b>+1.6%</b>
<i>R&amp;D expenses</i>	-379.7	3.0%	-794.1	3.1%	-414.2	3.2%	
<i>Advertising and promotion expenses</i>	-3,753.3	29.3%	-7,359.6	29.1%	-3,790.9	29.4%	
<i>Selling, general and administrative expenses</i>	-2,732.6	21.3%	-5,438.6	21.5%	-2,764.7	21.4%	
<b>Operating profit</b>	<b>2,323.0</b>	<b>18.1%</b>	<b>4,387.7</b>	<b>17.4%</b>	<b>2,363.6</b>	<b>18.3%</b>	<b>+1.7%</b>

**Gross profit**, at 9,333 million euros, has come out at 72.4% of sales, representing an improvement of 70 basis points compared with the first half of 2015.

**Research and Development expenses**, at 414 million euros, have risen by +9.1%, representing 3.2% of sales.

**Advertising and promotion expenses** have come out at 29.4% of sales, a level slightly above the first half of 2015.

**Selling, general and administrative expenses** are at a slightly higher level, by 10 basis points, compared with the first half of 2015.

Overall, **operating profit**, at 2,364 million euros, increased by 20 basis points and amounted to 18.3% of sales.

### 2) Operating profit by operational Division

	06/30/15		12/31/15		06/30/16	
	€m	% of sales	€m	% of sales	€m	% of sales
<b><u>By operational Division</u></b>						
Professional Products	332.0	19.1%	678.5	20.0%	338.2	19.6%
Consumer Products	1,313.1	21.3%	2,385.8	20.1%	1,306.8	21.2%
L'Oréal Luxe	716.0	20.5%	1,497.5	20.7%	767.3	21.3%
Active Cosmetics	280.2	27.5%	414.7	22.8%	283.3	27.7%
<b>Total Divisions before non-allocated</b>	<b>2,641.3</b>	<b>21.3%</b>	<b>4,976.4</b>	<b>20.5%</b>	<b>2,695.5</b>	<b>21.6%</b>
<i>Non-allocated<sup>(1)</sup></i>	-311.1	-2.5%	-643.6	-2.6%	-309.8	-2.5%
<b>Total Divisions after non-allocated</b>	<b>2,330.2</b>	<b>18.8%</b>	<b>4,332.8</b>	<b>17.8%</b>	<b>2,385.7</b>	<b>19.1%</b>
The Body Shop	-7.2	-1.8%	+54.8	5.7%	-22.2	-5.6%
<b>Group</b>	<b>2,323.0</b>	<b>18.1%</b>	<b>4,387.7</b>	<b>17.4%</b>	<b>2,363.6</b>	<b>18.3%</b>

(1) Non-allocated expenses = Central Group expenses, fundamental research expenses, stock options and free grant of shares expenses and miscellaneous items. As a % of total Division sales.



The profitability of the **Professional Products Division** has improved by 50 basis points, from 19.1% to 19.6%.

The **Consumer Products Division's** profitability slipped from 21.3% to 21.2%.

**L'Oréal Luxe** was the Division with the strongest profitability improvement, with an increase of 80 basis points to 21.3%.

The **Active Cosmetics Division**, with a profitability of 27.7%, achieved an improvement of 20 basis points.

As for **The Body Shop**, the first half is never significant in profitability terms. The negative figure in the first half reflects difficulties in certain major markets, such as Hong Kong and Saudi Arabia, along with the investment efforts made to reaccelerate the brand.

### 3) Net profit

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

<i>In € million</i>	06/30/15	12/31/15	06/30/16	Change H1-2016 vs. H1-2015
<b>Operating profit</b>	<b>2,323.0</b>	<b>4,387.7</b>	<b>2,363.6</b>	<b>+1.7%</b>
<i>Financial revenues and expenses excluding dividends received</i>	-9.8	-13.8	1.8	
Sanofi dividends	336.9	336.9	346.5	
Profit before tax and associates excluding non-recurring items	2,650.1	4,710.8	2,711.9	<b>+2.3%</b>
<i>Income tax excluding non-recurring items</i>	-692.1	-1,219.7	-684.1	
<i>Net profit excluding non-recurring items of equity consolidated companies</i>	-	-	-0.1	
<i>Non-controlling interests</i>	-0.6	-1.3	-2.4	
<b>Net profit excluding non-recurring items, after non-controlling interests<sup>(1)</sup></b>	<b>1,957.3</b>	<b>3,489.8</b>	<b>2,025.4</b>	<b>+3.5%</b>
<b>Net EPS<sup>(2)</sup> (€)</b>	<b>3.47</b>	<b>6.18</b>	<b>3.59</b>	<b>+3.4%</b>
Net profit after non-controlling interests	1,882.6	3,297.4	1,479.5	
Diluted earnings per share after non-controlling interests (€)	3.34	5.84	2.62	
<b>Diluted average number of shares</b>	<b>564,094,688</b>	<b>564,891,388</b>	<b>564,258,226</b>	

(1) Net profit excluding non-recurring items after non-controlling interests does not include capital gains and losses on disposals of long-term assets, impairment of assets, restructuring costs, as well as competition litigation and tax effects.

(2) Diluted earnings per share, after non-controlling interests, excluding non-recurring items.

**Overall finance costs** were close to zero.

**Sanofi dividends** amounted to 346 million euros.

**Income tax excluding non-recurring items** amounted to 684 million euros, i.e. a tax rate of 25.2%, slightly below that of the first half of 2015, which was 26.1%.

**Net profit excluding non-recurring items, after non-controlling interests**, amounted to 2,025 million euros, up by +3.5% compared with June 30, 2015. The non-recurring items consist primarily of the goodwill impairment for the *Clarisonic* and *Magic* brands, with respective amounts of 234 million and 213 million euros. The recent performances of these two brands have been below expectations, resulting in these accounting entries which have no impact on the cash situation. The strategic relevance of these two brands remains unchanged.

**Net EPS**, at 3.59 euros, has risen by +3.4% compared with the first half of 2015.

**Net profit after non-controlling interests** amounted to 1,479 million euros.

## 4) Operating cash flow and balance sheet

**Gross cash flow** amounted to 2,467 million euros, up by +4.1% compared with the first half of 2015.

The **change in working capital** amounted to 545 million euros. As is the case in the first half every year, it increased markedly, particularly because of the impact of the seasonality of part of our business on trade receivables.

**Investments**, at 596 million euros, represented 4.6% of sales.

**Operating cash flow**, at 1,325 million euros, was up by +27.2%.

After payment of the dividend and share buybacks, the **residual cash flow** has come out at -923 million euros.

At June 30, 2016, **net debt** amounted to 344 million euros, compared with a debt of 1,394 million at June 30, 2015 and net cash of 618 million euros at December 31, 2015.

**Shareholders' equity** amounted to 22 billion euros.

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*"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](http://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 a free translation into English of the First-half 2016 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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## E – Appendices

### 1. L'OREAL GROUP SALES 2015/2016 (€ millions)

	2015	2016
<u>First quarter:</u>		
Cosmetics Divisions	6,243.9	6,352.4
The Body Shop	192.4	200.1
<b>First quarter total</b>	<b>6,436.3</b>	<b>6,552.4</b>
<u>Second quarter:</u>		
Cosmetics Divisions	6,163.1	6,143.6
The Body Shop	219.5	198.5
<b>Second quarter total</b>	<b>6,382.6</b>	<b>6,342.2</b>
<u>First half:</u>		
Cosmetics Divisions	12,407.0	12,496.0
The Body Shop	411.9	398.6
<b>First half total</b>	<b>12,818.9</b>	<b>12,894.6</b>
<u>Third quarter:</u>		
Cosmetics Divisions	5,725.1	
The Body Shop	212.5	
<b>Third quarter total</b>	<b>5,937.5</b>	
<u>Nine months:</u>		
Cosmetics Divisions	18,132.1	
The Body Shop	624.3	
<b>Nine months total</b>	<b>18,756.4</b>	
<u>Fourth quarter:</u>		
Cosmetics Divisions	6,158.1	
The Body Shop	342.9	
<b>Fourth quarter total</b>	<b>6,501.0</b>	
<u>Full year</u>		
Cosmetics Divisions	24,290.2	
The Body Shop	967.2	
<b>Full year total</b>	<b>25,257.4</b>	

## 2. COMPARED CONSOLIDATED INCOME STATEMENTS

€ millions	1 <sup>st</sup> half 2016	1 <sup>st</sup> half 2015	2015
<b>Net sales</b>	<b>12,894.6</b>	<b>12,818.9</b>	<b>25,257.4</b>
Cost of sales	-3,561.2	-3,630.3	-7,277.4
<b>Gross profit</b>	<b>9,333.4</b>	<b>9,188.6</b>	<b>17,980.0</b>
Research and development	-414.2	-379.7	-794.1
Advertising and promotion	-3,790.9	-3,753.3	-7,359.6
Selling, general and administrative expenses	-2,764.7	-2,732.6	-5,438.6
<b>Operating profit</b>	<b>2,363.6</b>	<b>2,323.0</b>	<b>4,387.7</b>
Other income and expenses	-522.5	-47.9	-193.4
<b>Operational profit</b>	<b>1,841.1</b>	<b>2,275.1</b>	<b>4,194.3</b>
Finance costs on gross debt	-6.5	-13.6	-23.7
Finance income on cash and cash equivalents	22.0	27.6	55.6
<b>Finance costs, net</b>	<b>15.5</b>	<b>14.0</b>	<b>31.9</b>
Other financial income (expenses)	-13.7	-23.8	-45.7
Sanofi dividends	346.5	336.9	336.9
<b>Profit before tax and associates</b>	<b>2,189.4</b>	<b>2,602.2</b>	<b>4,517.4</b>
Income tax	-707.6	-721.7	-1,222.9
Share of profit in associates	-	2.7	4.0
<b>Net profit</b>	<b>1,481.8</b>	<b>1,883.2</b>	<b>3,298.5</b>
Attributable to:			
• owners of the company	1,479.5	1,882.6	3,297.4
• non-controlling interests	2.3	0.6	1.1
Earnings per share attributable to owners of the company ( <i>euros</i> )	2.65	3.39	5.92
Diluted earnings per share attributable to owners of the company ( <i>euros</i> )	2.62	3.34	5.84
Earnings per share attributable to owners of the company, excluding non-recurring items ( <i>euros</i> )	3.62	3.52	6.26
Diluted earnings per share attributable to owners of the company, excluding non-recurring items ( <i>euros</i> )	3.59	3.47	6.18

### 3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ millions	1 <sup>st</sup> half 2016	1 <sup>st</sup> half 2015	2015
<b>Consolidated net profit for the period</b>	<b>1,481.8</b>	<b>1,883.2</b>	<b>3,298.5</b>
<i>Financial assets available-for-sale</i>	-435.1	1,487.3	347.6
<i>Cash flow hedges</i>	-96.8	-80.0	60.1
<i>Cumulative translation adjustments</i>	-188.7	507.8	373.7
<i>Income tax on items that may be reclassified to profit or loss <sup>(1)</sup></i>	50.3	-35.7	-28.9
<b>Items that may be reclassified to profit or loss</b>	<b>-670.3</b>	<b>1,879.4</b>	<b>752.5</b>
<i>Actuarial gains and losses</i>	-514.1	345.7	598.1
<i>Income tax on items that may not be reclassified to profit or loss <sup>(1)</sup></i>	164.1	-119.4	-205.3
<b>Items that may not be reclassified to profit or loss</b>	<b>-350.0</b>	<b>226.3</b>	<b>392.8</b>
<b>Other comprehensive income</b>	<b>-1,020.3</b>	<b>2,105.7</b>	<b>1,145.3</b>
<b>Consolidated comprehensive income</b>	<b>461.5</b>	<b>3,988.9</b>	<b>4,443.8</b>
Attributable to:			
• <b>owners of the company</b>	<b>458.7</b>	<b>3,988.7</b>	<b>4,443.1</b>
• non-controlling interests	2.8	0.2	0.7

(1) The tax effect is as follows:

€ millions	1 <sup>st</sup> half 2016	1 <sup>st</sup> half 2015	2015
<i>Financial assets available-for-sale</i>	18.0	-61.5	-14.4
<i>Cash flow hedges</i>	32.3	25.8	-14.4
<b>Items that may be reclassified to profit or loss</b>	<b>50.3</b>	<b>-35.7</b>	<b>-28.9</b>
<i>Actuarial gains and losses</i>	164.1	-119.4	-205.3
<b>Items that may not be reclassified to profit or loss</b>	<b>164.1</b>	<b>-119.4</b>	<b>-205.3</b>
<b>TOTAL</b>	<b>214.4</b>	<b>-155.1</b>	<b>-234.1</b>

## 4. COMPARED CONSOLIDATED BALANCE SHEETS

### ASSETS

€ millions	06.30.2016	06.30.2015	12.31.2015
<b>Non-current assets</b>	<b>23,788.6</b>	<b>25,642.9</b>	<b>24,457.6</b>
Goodwill	7,721.8	8,180.6	8,151.5
Other intangible assets	2,819.9	2,901.9	2,942.9
Property, plant and equipment	3,484.4	3,283.8	3,403.5
Non-current financial assets	9,024.5	10,535.1	9,410.9
Investments in associates	0.9	-	1.0
Deferred tax assets	737.1	741.5	547.9
<b>Current assets</b>	<b>9,609.6</b>	<b>9,725.5</b>	<b>9,253.7</b>
Inventories	2,640.1	2,446.9	2,440.7
Trade accounts receivable	4,091.0	3,980.4	3,627.7
Other current assets	1,447.9	1,410.8	1,486.9
Current tax assets	89.5	122.3	298.6
Cash and cash equivalents	1,341.1	1,765.1	1,399.8
<b>TOTAL</b>	<b>33,398.2</b>	<b>35,368.4</b>	<b>33,711.3</b>

### EQUITY & LIABILITIES

€ millions	06.30.2016	06.30.2015	12.31.2015
<b>Equity</b>	<b>21,983.0</b>	<b>22,916.1</b>	<b>23,617.0</b>
Share capital	112.2	112.2	112.6
Additional paid-in capital	2,743.6	2,496.5	2,654.4
Other reserves	13,891.1	12,789.9	12,873.4
Other comprehensive income	3,685.8	5,343.9	4,517.5
Cumulative translation adjustments	202.7	525.9	391.9
Treasury stock	-133.7	-237.1	-233.3
Net profit attributable to owners of the company	1,479.5	1,882.6	3,297.4
<b>Equity attributable to owners of the company</b>	<b>21,981.2</b>	<b>22,913.9</b>	<b>23,613.9</b>
Non-controlling interests	1.8	2.2	3.1
<b>Non-current liabilities</b>	<b>2,356.1</b>	<b>2,366.0</b>	<b>1,920.6</b>
Provisions for employee retirement obligations and related benefits	1,254.9	1,106.8	807.2
Provisions for liabilities and charges	233.8	233.5	195.9
Deferred tax liabilities	835.1	954.5	876.8
Non-current borrowings and debt	32.3	71.2	40.8
<b>Current liabilities</b>	<b>9,059.1</b>	<b>10,086.3</b>	<b>8,173.7</b>
Trade accounts payable	3,961.9	3,688.1	3,929.0
Provisions for liabilities and charges	774.1	737.1	754.6
Other current liabilities	2,500.2	2,413.1	2,597.3
Income tax	170.2	159.8	151.9
Current borrowings and debt	1,652.7	3,088.2	741.0
<b>TOTAL</b>	<b>33,398.2</b>	<b>35,368.4</b>	<b>33,711.3</b>

## 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
<b>At 12.31.2014</b>	<b>554,241,878</b>	<b>112.3</b>	<b>2,316.8</b>	<b>14,683.5</b>	<b>3,745.9</b>	<b>-683.0</b>	<b>17.8</b>	<b>20,193.3</b>	<b>3.6</b>	<b>20,196.9</b>
Consolidated net profit for the period				3,297.4				3,297.4	1.1	3,298.5
Financial assets available-for-sale					333.2			333.2		333.2
Cash flow hedges					45.6			45.6		45.6
Cumulative translation adjustments							374.1	374.1	-0.4	373.7
<b>Other comprehensive income that may be reclassified to profit and loss</b>					<b>378.8</b>			<b>374.1</b>	<b>-0.4</b>	<b>752.5</b>
Actuarial gains and losses					392.8			392.8		392.8
<b>Other comprehensive income that may not be reclassified to profit and loss</b>					<b>392.8</b>			<b>392.8</b>	<b>-</b>	<b>392.8</b>
<b>Consolidated comprehensive income</b>				<b>3,297.4</b>	<b>771.6</b>		<b>374.1</b>	<b>4,443.1</b>	<b>0.7</b>	<b>4,443.8</b>
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	-
<b>At 12.31.2015</b>	<b>559,988,178</b>	<b>112.6</b>	<b>2,654.4</b>	<b>16,170.8</b>	<b>4,517.5</b>	<b>-233.3</b>	<b>391.9</b>	<b>23,613.9</b>	<b>3.1</b>	<b>23,617.0</b>
Consolidated net profit for the period				1,479.5				1,479.5	2.3	1,481.8
Financial assets available-for-sale					-417.1			-417.1		-417.1
Cash flow hedges					-64.5			-64.5		-64.5
Cumulative translation adjustments							-189.2	-189.2	0.5	-188.7
<b>Other comprehensive income that may be reclassified to profit and loss</b>					<b>-481.6</b>			<b>-189.2</b>	<b>-670.8</b>	<b>0.5</b>
Actuarial gains and losses					-350.0			-350.0		-350.0
<b>Other comprehensive income that may not be reclassified to profit and loss</b>					<b>-350.0</b>			<b>-350.0</b>	<b>-</b>	<b>-350.0</b>
<b>Consolidated comprehensive income</b>				<b>1,479.5</b>	<b>-831.6</b>		<b>-189.2</b>	<b>458.7</b>	<b>2.8</b>	<b>461.5</b>
Capital increase	1,132,692	0.2	89.2					89.3		89.3
Cancellation of Treasury stock	-3,202,500	-0.6		-498.9		499.5		-		-
Dividends paid (not paid on Treasury stock)				-1,741.9				-1,741.9	-3.3	-1,745.2
Share-based payment				61.2				61.2		61.2
Net changes in Treasury stock	1,237,285			-99.2		-399.9		-499.1		-499.1
Purchase commitments for non-controlling interests								-	0.1	0.1
Changes in scope of consolidation				-1.1				-1.1	-0.9	-2.0
Other movements				0.2				0.2		0.2
<b>At 06.30.2016</b>	<b>559,155,655</b>	<b>112.2</b>	<b>2,743.6</b>	<b>15,370.6</b>	<b>3,685.8</b>	<b>-133.7</b>	<b>202.7</b>	<b>21,981.2</b>	<b>1.8</b>	<b>21,983.0</b>

## CHANGES IN FIRST-HALF 2015

€ 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
<b>At 01.01.2015</b>	<b>554,241,878</b>	<b>112.3</b>	<b>2,316.8</b>	<b>14,683.5</b>	<b>3,745.9</b>	<b>-683.0</b>	<b>17.8</b>	<b>20,193.3</b>	<b>3.6</b>	<b>20,196.9</b>
Consolidated net profit for the period				1,882.6				1,882.6	0.6	1,883.2
<i>Financial assets available-for-sale</i>					1,425.8			1,425.8		1,425.8
<i>Cash flow hedges</i>					-54.1			-54.1	-0.1	-54.2
<i>Cumulative translation adjustments</i>							508.1	508.1	-0.3	507.8
<b>Other comprehensive income that may be reclassified to profit and loss</b>					<b>1,371.7</b>		<b>508.1</b>	<b>1,879.8</b>	<b>-0.4</b>	<b>1,879.4</b>
<i>Actuarial gains and losses</i>					226.3			226.3		226.3
<b>Other comprehensive income that may not be reclassified to profit and loss</b>					<b>226.3</b>			<b>226.3</b>		<b>226.3</b>
<b>Consolidated comprehensive income</b>				<b>1,882.6</b>	<b>1,598.0</b>		<b>508.1</b>	<b>3,988.8</b>	<b>0.2</b>	<b>3,988.9</b>
Capital increase	2,533,663	0.5	179.7					180.2		180.2
Cancellation of Treasury stock		-0.6		-362.8		363.4		-	-	-
Dividends paid (not paid on Treasury stock)				-1,511.4				-1,511.4	-2.7	-1,514.1
Share-based payment				58.5				58.5		58.5
Net changes in Treasury stock	1,021,865			-77.3		82.5		5.2		5.2
Purchase commitments for non-controlling interests				-0.9				-0.9	1.1	0.2
Changes in scope of consolidation								-		-
Other movements				0.3				0.3		0.3
<b>AT 06.30.2015</b>	<b>557,797,406</b>	<b>112.2</b>	<b>2,496.5</b>	<b>14,672.5</b>	<b>5,343.9</b>	<b>-237.1</b>	<b>525.9</b>	<b>22,913.9</b>	<b>2.2</b>	<b>22,916.1</b>



## 6. COMPARED CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>€ millions</i>	1 <sup>st</sup> half 2016	1 <sup>st</sup> half 2015	2015
<b>Cash flows from operating activities</b>			
Net profit attributable to owners of the company	1,479.5	1,882.6	3,297.4
Non-controlling interests	2.3	0.6	1.1
Elimination of expenses and income with no impact on cash flows:			
• depreciation, amortisation and provisions	888.2	410.2	933.8
• changes in deferred taxes	35.2	20.6	53.4
• share-based payment (including free shares)	61.2	58.5	117.6
• capital gains and losses on disposals of assets	1.3	0.2	0.2
Share of profit in associates net of dividends received	-	-2.7	-4.0
<b>Gross cash flow</b>	<b>2,467.7</b>	<b>2,370.0</b>	<b>4,399.5</b>
Changes in working capital	-545.6	-815.9	-196.4
<b>Net cash provided by operating activities (A)</b>	<b>1,922.1</b>	<b>1,554.1</b>	<b>4,203.1</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment and intangible assets	-596.7	-512.0	-1,172.1
Disposals of property, plant and equipment and intangible assets	6.3	5.7	6.5
Changes in other financial assets (including investments in non-consolidated companies)	-21.8	13.2	-35.2
Effect of changes in the scope of consolidation	-20.7	-412.8	-435.3
<b>Net cash (used in) from investing activities (B)</b>	<b>-632.9</b>	<b>-905.9</b>	<b>-1,636.1</b>
<b>Cash flows from financing activities</b>			
Dividends paid	-1,796.6	-1,535.0	-1,534.8
Capital increase of the parent company	89.4	180.2	338.6
Disposal (acquisition) of Treasury stock	-499.1	5.2	9.2
Purchase of non-controlling interests	-6.4	-	-
Issuance (repayment) of short-term loans	897.5	553.7	-1,832.4
Issuance of long-term borrowings	0.6	-	1.1
Repayment of long-term borrowings	-4.2	-5.9	-5.8
<b>Net cash (used in) from financing activities (C)</b>	<b>-1,318.8</b>	<b>-801.8</b>	<b>-3,024.1</b>
Net effect of changes in exchange rates and fair value (D)	-29.1	1.7	-60.1
<b>Change in cash and cash equivalents (A+B+C+D)</b>	<b>-58.7</b>	<b>-151.9</b>	<b>-517.2</b>
<b>Cash and cash equivalents at beginning of the year (E)</b>	<b>1,399.8</b>	<b>1,917.0</b>	<b>1,917.0</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)</b>	<b>1,341.1</b>	<b>1,765.1</b>	<b>1,399.8</b>