

## FIRST QUARTER 2017 SALES

### STRONG SALES GROWTH AT +7.5%

### VERY DIFFERENTIATED PERFORMANCES BY DIVISION IN A TEMPORARILY ATYPICAL MARKET

### VERY STRONG ORGANIC GROWTH FOR L'ORÉAL LUXE AT +12.2%<sup>1</sup>

- **Sales: 7.04 billion euros**
  - +7.5% based on reported figures
  - +5.1% at constant exchange rates
  - +4.2% like-for-like<sup>1</sup>

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

*"The cosmetics market has unexpectedly proven extremely atypical in the first weeks of the year, with very strong consumption of luxury products, especially in Asia, and, on the contrary, a very slow start for consumption in the mass-market and the professional market. The market seems to have become steadier and is returning to a more usual profile.*

*In this context, the Group delivered a good first quarter, up by +7.5% based on reported figures and +4.2% like-for-like. Performance levels are consequently very differentiated across the Divisions, with outstanding growth for L'Oréal Luxe, a satisfactory start for Active Cosmetics, moderate growth for Consumer Products despite market share gains, and a slight drop for Professional Products.*

*Across the geographic Zones, sales in Western Europe are continuing to hold up well, despite a disappointing market in France, thanks to outstanding growth rates in the United Kingdom, Germany and Spain. North America is continuing to prove dynamic. Lastly, the New Markets delivered a solid performance, particularly in Eastern Europe and Asia; Brazil remains difficult and the Middle East is affected by the downturn of the markets.*

*The Group is continuing its acceleration in digital, both in marketing and in e-commerce<sup>2</sup>, which posted +27% growth during the quarter and accounted for 6.8% of total sales.*

*Finally, the acquisition of CeraVe complements the Active Cosmetics brand portfolio in the strongly expanding segment of accessible dermocosmetics, and will amplify this Division's growth potential.*

*In an environment that remains volatile, our well-balanced business model is now more than ever an asset. We are confident in our ability to achieve another year of sales and profit growth in 2017."*

<sup>1</sup> Like-for-like: based on a comparable structure and constant exchange rates.

<sup>2</sup> 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.

## First quarter 2017 sales

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

**The net impact of changes in consolidation** was +0.9%.

**Growth at constant exchange rates** was +5.1%.

**Currency fluctuations** had a positive impact of +2.4%. If end of March exchange rates (€1 at \$1.068) are extrapolated up to 31 December, the impact of currency fluctuations would be +2.4% for the whole of 2017.

**Based on reported figures**, the Group's sales at 31 March 2017 amounted to 7.04 billion euros, an increase of +7.5%.

### Sales by operational Division and geographic Zone

€ million	Quarterly sales		Growth	
	1 <sup>st</sup> quarter 2016	1 <sup>st</sup> quarter 2017	Like-for-like	Reported
<b><u>By operational Division</u></b>				
Professional Products	854.3	858.2	-1.8%	0.5%
Consumer Products	3,106.0	3,229.2	1.4%	4.0%
L'Oréal Luxe	1,831.4	2,157.1	12.2%	17.8%
Active Cosmetics	560.7	603.2	2.8%	7.6%
<b>Operational Divisions total</b>	<b>6,352.4</b>	<b>6,847.8</b>	<b>4.2%</b>	<b>7.8%</b>
<b><u>By geographic Zone</u></b>				
Western Europe <sup>3</sup>	2,102.9	2,136.6	2.8%	1.6%
North America	1,715.9	1,917.0	3.8%	11.7%
New Markets, of which:	2,533.5	2,794.2	5.6%	10.3%
- Asia, Pacific <sup>3</sup>	1,535.0	1,671.4	7.1%	8.9%
- Latin America	409.0	474.7	4.6%	16.1%
- Eastern Europe	390.6	481.5	12.7%	23.2%
- Africa, Middle East	198.9	166.5	-18.8%	-16.3%
<b>Operational Divisions total</b>	<b>6,352.4</b>	<b>6,847.8</b>	<b>4.2%</b>	<b>7.8%</b>
The Body Shop	200.1	197.2	2.3%	-1.4%
<b>Group total</b>	<b>6,552.4</b>	<b>7,045.0</b>	<b>4.2%</b>	<b>7.5%</b>

<sup>3</sup> 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

**At the end of March, the Professional Products Division posted -1.8% like-for-like and +0.5% based on reported figures.**

The Division's sales have contracted slightly, with sharp contrasts in performances across the geographic Zones. Western Europe has been severely affected by the difficulties of the French market. The United States remain difficult, while Eastern Europe and Latin America are continuing to grow.

*L'Oréal Professionnel*, *Redken* and *Matrix* are gradually rolling out their new "bonders"<sup>4</sup> salon service. In haircare, *Kérastase* is launching *Aura Botanica*, and *Matrix* is internationalising *Biologie R.A.W.*, and both these ranges cater for the growing trend of naturalness. In skincare, *Decleor* is maintaining its momentum.

## CONSUMER PRODUCTS

**In the first quarter, the Consumer Products Division recorded growth of +1.4% like-for-like, and +4.0% based on reported figures.**

Against the backdrop of a less dynamic than expected market in the first weeks of the year, the Division is winning market share in most regions of the world, thanks to its successful launches. This outperformance is particularly striking in Western Europe and North America.

Make-up is continuing to grow, thanks to a very good range of innovations, including *False Lash Superstar X-Fiber* mascara by *L'Oréal Paris*, the *Master Camo* colour correcting palette by *Maybelline* and *Total Control Drop* foundation by *NYX Professional Makeup*. *Colorista*, the hair colour for Millennials<sup>5</sup> by *L'Oréal Paris* is already a major success. In haircare, the roll-out of *Ultra Doux* by *Garnier* is continuing, and the launch of *Botanicals Fresh Care* by *L'Oréal Paris* is extending the Division's offering in the expanding naturalness segment.

## L'ORÉAL LUXE

**In a dynamic selective market, L'Oréal Luxe made an outstanding start to the year, driven by make-up, with growth of +12.2% like-for-like and +17.8% based on reported figures.**

This success is driven by: *Yves Saint Laurent*, thanks to its make-up, particularly with the launch of *Volupté Tint-in-Balm* in the lip segment, and to the success of its fragrance *Mon Paris* with American and Asian customers; *Lancôme*, with its star foundation *Teint Idole Ultra*, its lipstick *L'Absolu Rouge* and its emblematic skincare line *Génifique*; *Giorgio Armani*, with the recent launches of *Lip Magnet* and the *Power Fabric* foundation. *Urban Decay* and *Kiehl's* are posting double-digit growth. The two brands acquired in 2016 – *IT Cosmetics* in make-up and skincare, and *Atelier Cologne* in fragrances – are also expanding very quickly.

Sales have made a good start in the Asia, Pacific Zone, particularly in China. Western Europe had a very good quarter, driven by the United Kingdom and Spain. L'Oréal Luxe delivered a solid performance at the start of the year in North America and in the Travel Retail channel. In the Middle East, the Division is proving resilient to the market slowdown. L'Oréal Luxe is continuing to perform well in e-commerce.

## ACTIVE COSMETICS

**At the end of March, the Active Cosmetics Division continued to grow, at +7.6% based on reported figures and +2.8% like-for-like.**

*La Roche-Posay* remains dynamic, driven by the renewal of its *Lipikar* range and the success of its *Effaclar* and *Toleriane* lines. *SkinCeuticals* has made an excellent start to the year, with double-digit growth in Europe, Asia and the Americas, boosted by the success of its new launch *H.A. Intensifier*.

North America has recorded particularly strong double-digit growth at the end of March, with strong momentum for all brands, and is strengthening its presence with the acquisition of *CeraVe*, finalised in early March.

<sup>4</sup> A formula that protects keratin bonds inside the hair fibre.

<sup>5</sup> Generation born between 1980 and 2000.

## Multi-division summary by geographic Zone

### WESTERN EUROPE

First-quarter growth amounted to +2.8% like-for-like and +1.6% based on reported figures. Growth is particularly strong in the United Kingdom, Spain and Germany, but sales in France are still being held back by a market that remains difficult. The Consumer Products and L'Oréal Luxe Divisions are significantly outperforming their respective markets.

### NORTH AMERICA

The Zone reported growth of +3.8% like-for-like and +11.7% based on reported figures. The strategic acquisition of *CeraVe* strengthens the brand portfolio and the positions of the Active Cosmetics Division. L'Oréal Luxe gained share within a changing retail environment driven by *IT Cosmetics*, *Urban Decay* and *Yves Saint Laurent*. The Consumer Products Division continues to capture growth and gain shares with a particularly strong development of the *NYX Professional Makeup*, *Garnier*, and *Carol's Daughter* brands.

### NEW MARKETS

**Asia, Pacific:** the Zone is growing by +7.1% like-for-like and +8.9% based on reported figures. In Northern Asia, Hong Kong has returned to dynamic growth, thanks to L'Oréal Luxe whose strong growth is spreading to all the Northern countries, with the performances of the *Lancôme*, *Yves Saint Laurent* and *Giorgio Armani* brands. In Southern Asia, growth remains dynamic, driven by Australia, Thailand and Indonesia, where the Consumer Products Division is posting good results thanks to the *Garnier* and *NYX Professional Makeup* brands.

**Latin America:** the Zone reported growth of +4.6% like-for-like and +16.1% based on reported figures. Mexico, Argentina and Uruguay reported double-digit growth, driven by the strong performance of the Consumer Products Division make-up brands *NYX Professional Makeup*, *Maybelline*, *Vogue* and *L'Oréal Paris*. *SkinCeuticals*, *Vichy* and *La Roche-Posay* all contributed to the growth of Active Cosmetics. In Brazil, the market remains challenging.

**Eastern Europe:** the Zone reported growth of +12.7% like-for-like and +23.2% in reported figures. Growth was positive in all countries in this Zone, with strong growth in Russia, Poland and Turkey. All the Divisions are contributing to growth, particularly L'Oréal Luxe thanks to *Urban Decay* and *Yves Saint Laurent* make-up. The Consumer Products Division is winning market share in make-up and hair colour, thanks to *Magic Retouch* by *L'Oréal Paris*. Lastly, the Professional Products Division is growing with *Smart Bond* by *L'Oréal Professionnel* and the continuing dynamism of *Matrix*.

**Africa, Middle East:** sales are down at -18.8% like-for-like and -16.3% based on reported figures. The market in Saudi Arabia is slowing, creating distributors' inventory adjustments. Growth is continuing in Pakistan and Egypt.

### THE BODY SHOP

The Body Shop recorded growth of +2.3% like-for-like and -1.4% based on reported figures. The United Kingdom, Canada and Indonesia grew robustly and Hong Kong showed signs of recovery. Saudi Arabia remains challenging. Skincare continues to grow strongly, boosted by the launch of an innovative range of *Peel* skin cleansers and the success of *Recipes of Nature* masks.

## Important events during the period 1/1/17 to 31/3/17

- On 10 January, L'Oréal announced the signing of a definitive agreement with Valeant to acquire the brands *CeraVe*, *AcneFree* and *Ambi*. The acquisition of these brands completes and strengthens the Active Cosmetics Division's positions in the United States, enabling it to meet growing demand for active skincare products at accessible prices. The acquisition was finalised on 6 March 2017.
- In its news release of 9 February, the Group states that it has decided to explore all strategic options regarding The Body Shop's ownership in order to give it the best opportunities and full ability to continue its development. No decision has been taken so far.
- Between 13 February and 15 March, L'Oréal bought back 2,846,604 of its shares in order to cancel them, in accordance with the authorisation voted by the Annual General Meeting of 20 April 2016, and with the decision of the Board of Directors on 9 February 2017.

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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 is a free translation into English of the First quarter 2017 sales 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.*

### **Contacts at L'ORÉAL** (Switchboard: +33 1 47 56 70 00)

#### **Individual shareholders and market authorities**

Mr Jean Régis CAROF  
Tel: +33 1 47 56 83 02  
[jean-regis.carof@loreal.com](mailto:jean-regis.carof@loreal.com)

#### **Financial analysts and Institutional investors**

Mrs Françoise LAUVIN  
Tel: +33 1 47 56 86 82  
[francoise.lauvin@loreal.com](mailto:francoise.lauvin@loreal.com)

#### **Journalists**

Mrs Stephanie CARSON-PARKER  
Tel: +33 1 47 56 76 71  
[stephanie.carsonparker@loreal.com](mailto:stephanie.carsonparker@loreal.com)

For more information, please contact your bank, broker or financial institution (I.S.I.N. code: FR0000120321), and consult your usual newspapers, the Internet site for shareholders and investors, [www.loreal-finance.com](http://www.loreal-finance.com) or the L'Oréal Finance app, alternatively, call +33 1 40 14 80 50.

## Appendix

L'Oréal Group sales 2016/2017 (€ million)

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

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