

FIRST-HALF 2018 RESULTS

STRONG PACE OF GROWTH CONTINUES: +6.6%¹ COMBINED WITH QUALITY RESULTS

- **Sales: 13.39 billion euros**
 - +6.6% like-for-like¹
 - +7.0% at constant exchange rates
 - -0.2% based on reported figures
- **Double-digit growth at L'Oréal Luxe and Active Cosmetics**
- **Very strong growth of the New Markets and gradual improvement of North America**
- **Further improvement in profitability: +30 basis points**

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

"In a beauty market which remains dynamic and is becoming more premium, L'Oréal is continuing to achieve strong growth. In lively markets, the L'Oréal Luxe and Active Cosmetics Divisions have both recorded double-digit growth, driven by the power of their brand portfolios and the quality of their innovations. The Consumer Products Division, especially with a robust performance at L'Oréal Paris, has recorded moderate growth, held back by an environment that is very difficult in some markets. The Professional Products Division, meanwhile, has posted a slight increase in sales.

Across the geographic Zones, the New Markets accelerated once again, especially in Asia. North America is gradually improving, while Western Europe is affected by persistent difficulties in France, and by the slowdown in the United Kingdom.

The Group's digital lead is continuing, particularly in e-commerce², which posted +36.4% growth in the first half and represents 9.5% of sales. L'Oréal also reaffirms its leadership in Travel Retail, which grew by +27.3%¹.

The Group has delivered quality results paving the way for the future. The strong growth in gross profit indeed enables the Group at the same time to increase profitability, support investments in Research and Innovation, and raise the business drivers to further develop our brands. Net earnings per share has increased by +5.3%³ and by +10.7% at constant exchange rates.

The good sales growth and the quality of the first-half results reinforce our confidence in our ability to once again outperform the cosmetics market in 2018, and to achieve significant like-for-like¹ sales growth and an increase in our profitability."

¹ Like-for-like: based on a comparable structure and identical exchange rates.

² Sales achieved on our brands' websites + estimated sales achieved by our brands corresponding to sales through our retailers' websites (non-audited data); like-for-like growth.

³ Diluted net profit per share of continuing operations, excluding non-recurring items, after non-controlling interests.

First-half 2018 sales

Like-for-like, i.e. based on a comparable structure and identical exchange rates, sales growth of the L'Oréal group was +6.6%.

The net impact of changes in the scope of consolidation was +0.4%.

Currency fluctuations had a negative impact of -7.2%. If the exchange rates at 30 June 2018, i.e. €1 = \$1.164, are extrapolated until 31 December 2018, the impact of currency fluctuations on sales would be approximately -4.3% for the whole of 2018.

Based on reported figures, the Group's sales at 30 June 2018 amounted to 13.39 billion euros, i.e. -0.2%.

Sales by operational Division and geographic Zone

	2 nd quarter 2018			1 st half 2018		
	€m	Growth		€m	Growth	
		Like-for-like	Reported		Like-for-like	Reported
By operational Division						
Professional Products	834.2	+1.4%	-5.3%	1,631.5	+1.6%	-6.2%
Consumer Products	3,066.4	+2.3%	-3.0%	6,136.8	+2.5%	-4.0%
L'Oréal Luxe	2,138.9	+13.0%	+7.4%	4,391.4	+13.5%	+5.9%
Active Cosmetics	572.6	+12.9%	+7.7%	1,231.0	+11.4%	+8.5%
Group total	6,612.1	+6.3%	+0.7%	13,390.7	+6.6%	-0.2%
By geographic Zone						
Western Europe	2,009.3	-2.0%	-2.8%	4,134.1	-0.8%	-1.6%
North America	1,828.7	+3.5%	-4.1%	3,564.4	+3.0%	-6.8%
New Markets, of which:	2,774.1	+15.4%	+7.1%	5,692.2	+15.2%	+5.7%
- Asia, Pacific	1,709.6	+22.9%	+16.8%	3,548.1	+22.0%	+13.2%
- Latin America	456.1	+1.0%	-10.6%	882.7	+0.6%	-10.4%
- Eastern Europe	421.9	+9.7%	-1.2%	899.4	+8.1%	-1.0%
- Africa, Middle East ⁴	186.5	+6.8%	-1.2%	362.1	+12.2%	+1.9%
Group total	6,612.1	+6.3%	+0.7%	13,390.7	+6.6%	-0.2%

⁴ The application of the IFRS 15 accounting rule from 1 January 2018 has resulted in the restatement of sales with distributors when they operate as agents and not on their own behalf. The impact of this restatement amounted to 11.6 million euros on the sales of the Africa, Middle East Zone in the 2nd quarter and the 1st half of 2018. The effect of this new accounting method on the profit and loss account and the balance sheet is not material.

PROFESSIONAL PRODUCTS

At the end of June, the Professional Products Division posted +1.6% like-for-like growth and -6.2% based on reported figures.

All the geographic Zones are growing, except for Western Europe, still impacted by the sluggishness of some markets. The United States and the Asia Pacific Zone continue to grow, while Latin America is maintaining its good growth rate.

Hair colour is benefiting from the strong growth of *Shades EQ* at *Redken* and the dynamic contribution of *SoColor* by *Matrix* and *Dialight* by *L'Oréal Professionnel*. In haircare, *Kérastase* is being boosted by the new *Résistance Extentioniste* line and the continuing success of *Fusio-Dose*, the customised in-salon haircare treatment. At *L'Oréal Professionnel*, the *Source Essentielle* natural haircare range has made a promising start.

CONSUMER PRODUCTS

In the first half, the Division posted growth of +2.5% like-for-like, and -4.0% based on reported figures.

L'Oréal Paris is maintaining its growth momentum, thanks to the good performance in facial skincare and particularly its *Revitalift* anti-ageing franchise, but also the success of new launches such as *Dream Lengths* in haircare and *Color Riche Shine* in makeup. *Maybelline New York* is posting good growth thanks to its foundations and especially *Fit me*, but also to the strong success of *Superstay Matte Ink* lipstick and the new *Total Temptation* mascara.

The Division is still facing difficulties in France – where the market trend is negative – and in Brazil, while growth has edged down in the United Kingdom. It is growing in the other regions, thanks to dynamic performances in Asia, especially in China and India, and in Eastern Europe.

E-commerce sales are growing strongly.

L'ORÉAL LUXE

At the end of June, L'Oréal Luxe posted growth of +13.5% like-for-like and +5.9% based on reported figures, maintaining the dynamism it achieved at the start of the year.

The Division's top four brands have all recorded double-digit growth. *Lancôme*, thanks especially to *Génifique*, and *Kiehl's* with *Line-Reducing Concentrate* and the *Midnight Recovery* range in particular, are benefiting from accelerating skincare sales and the excellent performance of their star franchises across all regions. *Giorgio Armani* is accelerating in fragrances, with the success of *Si Passione* following that of *Emporio You* and *Acqua di Giò Absolu*. *Yves Saint Laurent* is building up its long-lasting product range in foundations with *All Hours* and in lip makeup with *Tatouage Couture*.

The Division is strengthening its positions worldwide, thanks to strong growth in Asia, especially in China where L'Oréal Luxe is confirming its leadership. The Division is also benefiting from the fast growing pace of Travel Retail, and a solid performance in Europe where it is also winning market share. The Division's e-commerce is accelerating, with the successful launch of its *Yves Saint Laurent* and *Giorgio Armani* brands on Tmall.

ACTIVE COSMETICS

The Active Cosmetics Division continued to accelerate in the first half, with growth of +11.4% like-for-like and +8.5% based on reported figures.

All the major brands are contributing to the Division's growth. *La Roche-Posay* remains very dynamic with double-digit first-half growth, and excellent performances across all Zones. The innovative *Hyalu B5* and *Anthelios* lines are the leading contributors to this success story. *Vichy* is maintaining a good growth rate, thanks to the acceleration of *Minéral 89*, now launched across all Zones, and the excellent start in Asia. *SkinCeuticals* is continuing its worldwide acceleration. *CeraVe* is now a significant contributor to the Division's growth, thanks to its excellent performance on its original home market, the United States, and the start of its internationalisation drive in 25 countries.

The Division is growing and winning market share across all Zones. The e-commerce distribution channel is continuing to grow very strongly.

Summary by geographic Zone

WESTERN EUROPE

Western Europe posted growth of -0.8% like-for-like and -1.6% based on reported figures. It is being held back by the slowdown in the United Kingdom market and by persistent difficulties in France. L'Oréal Luxe is winning market share thanks to *Kiehl's* facial skincare and *Giorgio Armani* fragrances. The Active Cosmetics Division is also outperforming its market, with *La Roche-Posay* proving extremely dynamic. In a sluggish mass market sector, the Consumer Products Division saw its skincare market share edge slightly down in the first half, but is strengthening its position as the makeup leader and posting very promising results for the key haircare launches of *Elsève Dream Lengths* by *L'Oréal Paris* and *Fructis Hair Food* by *Garnier*.

NORTH AMERICA

The Zone recorded growth of +3.0% like-for-like and -6.8% based on reported figures. While the mass market sector posted moderate growth, the Consumer Products Division increased its market share in makeup, hair colour and haircare, thanks to flagship brands *L'Oréal Paris* and *Maybelline New York*. L'Oréal Luxe is continuing to accelerate in skincare, thanks to *Kiehl's* and *Lancôme* in particular. The men's fragrances of *Yves Saint Laurent* and *Giorgio Armani* are outperforming the market. Professional Products Division sales are growing, driven by a good performance in hair colour. The Active Cosmetics Division is continuing to record outstanding growth, with double-digit increases for the *CeraVe*, *SkinCeuticals*, *La Roche-Posay* and *Vichy* brands.

NEW MARKETS

Asia, Pacific: Growth in this Zone came out at +22.0% like-for-like and +13.2% based on reported figures. This strong growth is being boosted by Chinese consumers, as reflected in the growth in China and Hong Kong across all Divisions, especially for premium brands. E-commerce and Travel Retail accelerated in the first half. Southern Asia is extremely dynamic, with market share gains particularly in India and Malaysia.

Latin America: The Zone recorded growth of +0.6% like-for-like and -10.4% based on reported figures. In Brazil, the Consumer Products Division is continuing to face difficulties, whilst the other Divisions are back to a good level of growth. In the rest of the Zone, the Active Cosmetics Division has accelerated, particularly thanks to *Vichy* and the launch of the *CeraVe* brand. L'Oréal Luxe is continuing to expand in Mexico and Chile. The Professional Products Division is posting good performances, particularly in Argentina.

Eastern Europe: In this Zone growth amounted to +8.1% like-for-like and -1.0% based on reported figures. Growth is being driven by Turkey and the countries of Central Europe, especially Ukraine and Romania. Among the Divisions, Active Cosmetics posted strong growth, thanks to the robust health of the *La Roche-Posay* brand. L'Oréal Luxe and the Consumer Products Division are growing. So is e-commerce, which remains very dynamic.

Africa, Middle East: The Zone recorded growth of +12.2% like-for-like⁴ and +1.9% based on reported figures. The Gulf states are growing, even though the market contexts remain difficult. Trends are very positive in Egypt and South Africa. The Consumer Products and Active Cosmetics Divisions are driving growth in this Zone.

Important events during the period 1/4/18 to 30/6/18 and post-closing events

- On 17 April 2018, the L'Oréal Board of Directors decided, in application of the authorisation approved by the Annual General Meeting of 20 April 2017, to buy back L'Oréal shares for a maximum amount of 500 million euros in the second quarter of 2018. 2,497,814 shares were bought back from 23 April to 29 May 2018. They were cancelled by the Board of Directors on 26 July 2018.
- On 2 May 2018, L'Oréal announced the acquisition of 100% of Nanda Co. Ltd., the Korean lifestyle makeup company founded by Mrs Kim So-Hee in Seoul in 2004. The acquisition was finalised on 20 June 2018.
- On 15 May 2018, L'Oréal announced the launch of its first Employee Share Ownership Plan, rolled out in 52 countries, representing a maximum of 500,000 shares. The scheme has proven extremely successful, and gave rise to a capital increase on 24 July 2018.
- On 25 May 2018, L'Oréal finalised the acquisition of professional hair colour brand Pulp Riot, which, under the leadership of its two founders David and Alexis Thurston, has been creating industry-leading content and using social media to inspire stylists.
- On 28 May 2018, L'Oréal and Valentino announced the signature of a long-term licence agreement for the creation, development and distribution of fine fragrances and luxury beauty products under the Valentino brand.
- On 13 June 2018, L'Oréal acquired a stake of 49% in the Tunisian company LiPP-Distribution which distributes the Group's brands in Tunisia.
- At 26 July 2018 and after allowing for the two operations mentioned above, the share capital of L'Oréal amounts to 112,016,437.40 euros, divided into 560,082,187 shares, each with a par value of 0.20 euros.

First-half 2018 results

The limited review procedures of the half-year consolidated accounts have been completed. The limited review report is being prepared by the Statutory Auditors.

Operating profitability at 19.2% of sales

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

<i>In € million</i>	30/6/17	As % of sales	31/12/17	As % of sales	30/6/18	As % of sales	Change H1-2018 vs. H1-2017
Sales	13,411.9	100.0%	26,023.7	100.0%	13,390.7	100.0%	-0.2%
<i>Cost of sales</i>	<i>-3,780.5</i>	<i>28.2%</i>	<i>-7,359.2</i>	<i>28.3%</i>	<i>-3,598.3</i>	<i>26.9%</i>	
Gross profit	9,631.4	71.8%	18,664.5	71.7%	9,792.4	73.1%	+1.7%
<i>R&D expenses</i>	<i>-425.1</i>	<i>3.2%</i>	<i>-877.1</i>	<i>3.4%</i>	<i>-447.2</i>	<i>3.3%</i>	
<i>Advertising and promotion expenses</i>	<i>-3,913.5</i>	<i>29.2%</i>	<i>-7,650.6</i>	<i>29.4%</i>	<i>-4,018.3</i>	<i>30.0%</i>	
<i>Selling, general and administrative expenses</i>	<i>-2,762.4</i>	<i>20.6%</i>	<i>-5,460.5</i>	<i>21.0%</i>	<i>-2,751.0</i>	<i>20.5%</i>	
Operating profit	2,530.4	18.9%	4,676.3	18.0%	2,575.9	19.2%	+1.8%

Gross profit, at 9,792 million euros, came out at 73.1% of sales, a strong improvement of 130 basis points.

Research and Development expenses, at 447 million euros, have risen by +5.2%. Their relative level is slightly growing at 3.3% of sales.

Advertising and promotional expenses came out at 30.0% of sales, an increase of 80 basis points, demonstrating the support provided for our brands.

Selling, general and administrative expenses, at 20.5% of sales, have decreased slightly by 10 basis points.

Overall, **operating profit**, at 2,575 million euros, amounted to 19.2% of sales, an increase of 30 basis points.

Operating profit by operational Division

	30/6/17		31/12/17		30/6/18	
	€m	% of sales	€m	% of sales	€m	% of sales
By operational Division						
Professional Products	319.9	18.4%	669.4	20.0%	313.4	19.2%
Consumer Products	1,267.5	19.8%	2,419.0	20.0%	1,275.4	20.8%
L'Oréal Luxe	970.2	23.4%	1,855.8	21.9%	1,026.7	23.4%
Active Cosmetics	303.5	26.7%	471.2	22.6%	326.2	26.5%
Total Divisions before non-allocated	2,861.1	21.3%	5,415.4	20.8%	2,941.7	22.0%
<i>Non-allocated</i> ⁵	-330.7	-2.5%	-739.1	-2.8%	-365.7	-2.7%
Group	2,530.4	18.9%	4,676.3	18.0%	2,575.9	19.2%

The L'Oréal group is managed on an annual basis. This means that half-year operating profits cannot be extrapolated for the whole year.

The profitability of the **Professional Products Division** increased from 18.4% to 19.2%.

The **Consumer Products Division's** profitability went from 19.8% to 20.8%.

L'Oréal Luxe maintained its profitability at 23.4%.

The **Active Cosmetics Division** remains at a very high profitability level at 26.5%, compared with 26.7% in the first half of 2017.

⁵ Non-allocated expenses = Central Group expenses, fundamental research expenses, stock options and free grant of shares expenses and miscellaneous items. As a % of total Divisions sales.

Net profit excluding non-recurring items

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

<i>In € million</i>	30/6/17	31/12/17	30/6/18	Change H1-2018 vs. H1-2017
Operating profit	2,530.4	4,676.3	2,575.9	+1.8%
<i>Financial revenues and expenses excluding dividends received</i>	-9.9	-22.9	+14.5	
Sanofi dividends	350.0	350.0	358.3	
Profit before tax and associates excluding non-recurring items	2,870.5	5,003.3	2,948.7	+2.7%
<i>Income tax excluding non-recurring items</i>	-687.5	-1,250.5	-646.7	
<i>Net profit excluding non-recurring items of equity consolidated companies</i>	-	-0.1	-0.1	
<i>Non-controlling interests</i>	2.8	-3.9	-1.4	
Net profit excluding non-recurring items, after non-controlling interests ⁶	2,185.8 ⁷	3,748.7 ⁷	2,300.6	+5.2%
EPS ⁸ (€)	3.88	6.65	4.08	
Diluted average number of shares	563,423,701	563,528,502	563,242,060	

Overall financial revenues are positive at 14.5 million euros.

Sanofi dividends amounted to 358 million euros.

Income tax excluding non-recurring items came out at 646 million euros, i.e. a tax rate of 22%, below that of the first half of 2017, which was 24%.

Net profit excluding non-recurring items after non-controlling interests came out at 2,300 million euros, an increase of +5.2% compared with the net profit of continuing operations excluding non-recurring items reported on 30 June 2017.

Earnings per share, at 4.08 euros, has risen by +5.3% compared with the first half of 2017.

⁶ 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, tax effects and non-controlling interests.

⁷ Net profit from continuing operations, excluding non-recurring items, after non-controlling interests.

⁸ Diluted net profit per share of continuing operations, excluding non-recurring items, after non-controlling interests.

Net profit

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

<i>In € million</i>	30/06/17 ⁷	31/12/17 ⁷	30/06/18	Change H1-2018 vs. H1-2017
Net profit excluding non-recurring items, after non-controlling interests ⁶	2,185.8	3,748.7	2,300.6	+5.2%
Non-recurring items	-148.3	-167.2	-25.4	
Of which:				
- Impact of applying the IFRS 5 accounting rule relating to discontinued operations on net profit after non-controlling interests	-29.1	-240.1	-	
- Other non-recurring items				
o <i>other income and expenses</i>	-96.2	-276.3	-40.4	
o <i>tax effect</i>	-22.8	+349.2	+15.0	
Net profit after non-controlling interests	2,037.5	3,581.4	2,275.2	+11.7%

Operating cash flow and balance sheet

Gross cash flow amounted to 2,779 million euros, up by +5.5% compared with the first half of 2017.

The **change in working capital** amounted to 431 million euros. As in the first half every year, it increased noticeably, particularly because of the impact of the seasonality of part of our business on trade receivables.

Investments, at 780 million euros, represented 5.8% of sales.

Operating cash flow amounted to 1,568 million euros, that is -3.7%.

After payment of the dividend, share buybacks and the costs of acquisitions, the **residual cash flow** came out at -1,490 million euros.

At 30 June 2018, **net cash** amounted to 362 million euros, compared with a net debt of 1,492 million euros at 30 June 2017.

"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 a free translation into English of the First-half 2018 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 2017/2018 (€ million)

	2017 ⁹	2018
<u>First quarter:</u>		
Operational Divisions	6,847.8	6,778.6
The Body Shop	197.2	
First quarter total	7,045.0	6,778.6
<u>Second quarter:</u>		
Operational Divisions	6,564.2	6,612.1
The Body Shop		
Second quarter total	6,564.2	6,612.1
<u>First half:</u>		
Operational Divisions	13,411.9	13,390.7
The Body Shop		
First half total	13,411.9	13,390.7
<u>Third quarter:</u>		
Operational Divisions	6,097.9	
The Body Shop		
Third quarter total	6,097.9	
<u>Nine months:</u>		
Operational Divisions	19,509.9	
The Body Shop		
Nine months total	19,509.9	
<u>Fourth quarter:</u>		
Operational Divisions	6,513.8	
The Body Shop		
Fourth quarter total	6,513.8	
<u>Full year:</u>		
Operational Divisions	26,023.7	
The Body Shop		
Full year total	26,023.7	

⁹ 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	1 st half 2018	1 st half 2017	2017
Net sales	13,390.7	13,411.9	26,023.7
Cost of sales	-3,598.3	-3,780.5	-7,359.2
Gross profit	9,792.4	9,631.4	18,664.5
Research and development	-447.2	-425.1	-877.1
Advertising and promotion	-4,018.3	-3,913.5	-7,650.6
Selling, general and administrative expenses	-2,751.0	-2,762.4	-5,460.5
Operating profit	2,575.9	2,530.4	4,676.3
Other income and expenses	-40.4	-96.2	-276.3
Operational profit	2,535.5	2,434.2	4,400.0
Finance costs on gross debt	-11.3	-18.1	-35.5
Finance income on cash and cash equivalents	33.5	21.3	38.5
Finance costs, net	22.2	3.2	3.1
Other financial income (expenses)	-7.7	-13.1	-26.0
Sanofi dividends	358.3	350.0	350.0
Profit before tax and associates	2,908.3	2,774.3	4,727.0
Income tax	-631.6	-710.3	-901.3
Share of profit in associates	-0.1	-0.2	-0.1
Net profit from continuing operations	2,276.6	2,063.8	3,825.6
Net profit from discontinued operations		-29.1	-240.1
Net profit	2,276.6	2,034.7	3,585.5
Attributable to:			
♦ owners of the company	2,275.2	2,037.5	3,581.4
♦ non-controlling interests	1.4	-2.8	4.1
Earnings per share attributable to owners of the company (euros)	4.07	3.65	6.40
Diluted earnings per share attributable to owners of the company (euros)	4.04	3.62	6.36
Earnings per share of continuing operations attributable to owners of the company (euros)	4.07	3.70	6.83
Diluted earnings per share of continuing operations attributable to owners of the company (euros)	4.04	3.67	6.78
Earnings per share of continuing operations attributable to owners of the company, excluding non-recurring items (euros)	4.11	3.91	6.70
Diluted earnings per share of continuing operations attributable to owners of the company, excluding non-recurring items (euros)	4.08	3.88	6.65

Appendix 3: consolidated statement of comprehensive income

€ millions	1 st half 2018	1 st half 2017*	2017**
Consolidated net profit for the period	2,276.6	2,034.7	3,585.5
Financial assets available-for-sale	-	811.0	-597.1
Cash flow hedges	-6.6	83.6	88.9
Cumulative translation adjustments	46.8	-653.4	-824.8
Income tax on items that may be reclassified to profit or loss ⁽¹⁾	1.0	-57.8	4.5
Items that may be reclassified to profit or loss	41.2	183.4	-1,328.5
Financial assets at fair value through profit or loss	-378.3	-	-
Actuarial gains and losses	-	139.6	280.0
Income tax on items that may not be reclassified to profit or loss ^{(1) (2)}	10.8	-40.4	-107.9
Items that may not be reclassified to profit or loss	-367.5	99.2	172.1
Other comprehensive income	-326.3	282.6	-1,156.5
Consolidated comprehensive income	1,950.3	2,317.2	2,428.9
Attributable to:			
♦ owners of the company	1,948.9	2,319.6	2,424.8
♦ non-controlling interests	1.4	-2.4	4.1

* Half-year 2017 as reported including The Body Shop.

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

(1) Including, in 2017, €20.4 million and - €21.5 million respectively from the revaluation of deferred tax in France following the change in the tax rate by 2022, and deferred tax in the USA following the change in the tax rate at 1 January 2018.

(2) The tax effect is as follows:

€ millions	1 st half 2018	1 st half 2017	2017
Financial assets available-for-sale	-	-28.1	37.3
Cash flow hedges	1.0	-29.7	-32.8
Items that may be reclassified to profit or loss	1.0	-57.8	4.5
Financial assets at fair value through profit or loss	11.8	-	-
Actuarial gains and losses	-1.0	-40.4	-107.9
Items that may not be reclassified to profit or loss	10.8	-40.4	-107.9
TOTAL	11.8	-98.2	-103.4

Appendix 4: compared consolidated balance sheets

ASSETS

€ millions	30.06.2018	30.06.2017 ⁽¹⁾	31.12.2017 ⁽¹⁾
Non-current assets	24,981.3	26,010.1	24,320.1
Goodwill	9,551.0	9,064.4	8,872.3
Other intangible assets	2,884.8	2,694.4	2,579.1
Property, plant and equipment	3,582.0	3,591.8	3,571.1
Non-current financial assets	8,390.3	10,128.4	8,766.2
Investments in associates	9.9	1.0	1.1
Deferred tax assets	563.3	530.1	530.3
Current assets	10,506.9	11,271.8	11,019.0
<i>Current assets excluding assets held for sale</i>	<i>10,506.9</i>	<i>9,994.6</i>	<i>11,019.0</i>
Inventories	2,689.4	2,638.4	2,494.6
Trade accounts receivable	4,334.4	4,237.8	3,923.4
Other current assets	1,400.6	1,381.5	1,393.8
Current tax assets	69.0	50.9	160.6
Cash and cash equivalents	2,013.5	1,686.0	3,046.6
<i>Assets held for sale</i>	<i>-</i>	<i>1,277</i>	<i>-</i>
TOTAL	35,488.2	37,281.9	35,339.1

EQUITY & LIABILITIES

€ millions	30.06.2018	30.06.2017 ⁽¹⁾	31.12.2017 ⁽¹⁾
Equity	24,349.8	24,594.5	24,818.5
Share capital	112.4	112.0	112.1
Additional paid-in capital	2,977.7	2,889.4	2,935.3
Other reserves	16,382.4	14,684.8	14,752.2
Other comprehensive income	3,521.9	5,173.3	3,904.7
Cumulative translation adjustments	-366.9	-242.7	-413.5
Treasury stock	-555.9	-56.4	-56.5
Net profit attributable to owners of the company	2,275.2	2,037.5	3,581.4
Equity attributable to owners of the company	24,346.9	24,597.9	24,815.7
Non-controlling interests	2.9	-3.4	2.8
Non-current liabilities	1,219.6	1,682.7	1,347.2
Provisions for employee retirement obligations and related benefits	327.4	544.4	301.9
Provisions for liabilities and charges	295.8	367.8	434.9
Deferred tax liabilities	583.5	756.0	597.0
Non-current borrowings and debt	12.9	14.5	13.4
Current liabilities	9,918.8	11,004.7	9,173.4
<i>Current liabilities excluding liabilities relating to assets held for sale</i>	<i>9,918.8</i>	<i>10,759.3</i>	<i>9,173.4</i>
Trade accounts payable	4,396.7	3,996.8	4,140.8
Provisions for liabilities and charges	948.5	816.5	889.2
Other current liabilities	2,682.0	2,543.9	2,823.9
Income tax	254.0	238.6	158.5
Current borrowings and debt	1,637.6	3,163.5	1,161.0
<i>Liabilities relating to assets held for sale</i>	<i>-</i>	<i>245.4</i>	<i>-</i>
TOTAL	35,488.2	37,281.9	35,339.1

(1) The balance sheets at 30 June 2017 and 31 December 2017 have been restated to reflect the change in accounting policies resulting from the application of IFRS 9 "Financial Instruments".

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 31.12.2016	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
Changes in accounting policies at 01.01.2017				10.3	-10.3			-		-
At 01.01.2017 ⁽¹⁾	560,098,396	112.4	2,817.3	17,067.6	4,227.3	-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
<i>Financial assets available-for-sale</i>					-559.7			-559.7		-559.7
<i>Cash flow hedges</i>					55.5			55.5	0.4	55.9
<i>Cumulative translation adjustments</i>							-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
<i>Actuarial gains and losses</i>					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
Purchase commitments for non-controlling interests								-		-
Changes in scope of consolidation				-1.3				-1.3		-1.3
Other movements				0.3				0.2		0.2
At 31.12.2017 ⁽¹⁾	559,747,963	112.1	2,935.3	18,343.3	3,895.0	-56.5	-413.5	24,815.7	2.8	24,818.5
Changes in accounting policies at 01.01.2018				-11.6				-11.6	-0.8	-12.4
At 01.01.2018 ⁽²⁾	559,747,963	112.1	2,935.3	18,331.7	3,895.0	-56.5	-413.5	24,804.1	2.0	24,806.1
Consolidated net profit for the period				2,275.2				2,275.2	1.4	2,276.6
<i>Cash flow hedges</i>					-5.4			-5.4	-0.2	-5.6
<i>Cumulative translation adjustments</i>							46.6	46.6	0.2	46.8
Other comprehensive income that may be reclassified to profit and loss					-5.4		46.6	41.2	-	41.2
<i>Financial assets at fair value through profit or loss</i>					-366.6			-366.6		-366.6
<i>Actuarial gains and losses</i>					-0.9			-0.9		-0.9
Other comprehensive income that may not be reclassified to profit and loss					-367.5			-367.5	-	-367.5
Consolidated comprehensive income				2,275.2	-372.9		46.6	1,948.9	1.4	1,950.3
Capital increase	1,582,725	0.3	42.4	-0.2				42.5		42.5
Cancellation of Treasury stock								-		-
Dividends paid (not paid on Treasury stock)				-2,006.6				-2,006.6	-3.7	-2,010.3
Share-based payment				57.6				57.6		57.6
Net changes in Treasury stock	-2,497,814					-499.4		-499.4		-499.4
Purchase commitments for non-controlling interests								-	0.3	0.3
Changes in scope of consolidation				-2.9				-2.9	2.9	-
Other movements				2.8	-0.2			2.6		2.6
AT 30.06.2018	558,832,874	112.4	2,977.7	18,657.6	3,521.9	-555.9	-366.9	24,346.9	2.9	24,349.8

(1) Taking into account the change in accounting policies resulting from the application of IFRS 9 "Financial Instruments".

(2) Taking into account the change in accounting policies resulting from the application of IFRS 15 "Revenue from contracts with customers".

CHANGES IN FIRST-HALF 2017

€ 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
Changes in accounting policies at 01.01.2017				10.3	-10.3			-		-
At 01.01.2017 ⁽¹⁾	560,098,396	112.4	2,817.3	17,067.6	4,227.3	-133.6	410.9	24,501.9	2.1	24,504.0
Consolidated net profit for the period				2,037.5				2,037.5	-2.8	2,034.7
<i>Financial assets available-for-sale</i>					782.9			782.9		782.9
<i>Cash flow hedges</i>					53.6			53.6	0.3	53.9
<i>Cumulative translation adjustments</i>							-653.6	-653.6	0.2	-653.4
Other comprehensive income that may be reclassified to profit and loss					836.5		-653.6	182.9	0.5	183.4
<i>Actuarial gains and losses</i>					99.2			99.2		99.2
Other comprehensive income that may not be reclassified to profit and loss					99.2			99.2	-	99.2
Consolidated comprehensive income				2,037.5	935.7		-653.6	2,319.6	-2.4	2,317.2
Capital increase	958,123	0.2	72.1					72.3		72.3
Cancellation of Treasury stock		-0.6		-498.8		499.4		-		-
Dividends paid (not paid on Treasury stock)				-1,857.7				-1,857.7	-3.3	-1,861.0
Share-based payment				63.6				63.6		63.6
Net changes in Treasury stock	-1,860,384			-77.2		-422.2		-499.4		-499.4
Purchase commitments for non-controlling interests								-	0.2	0.2
Changes in scope of consolidation				-1.3				-1.3		-1.3
Other movements				-1.1				-1.1		-1.1
AT 30.06.2017 ⁽¹⁾	559,196,135	112.0	2,889.4	16,732.6	5,162.9	-56.4	-242.7	24,597.9	-3.4	24,594.5

(1) Taking into account the change in accounting policies resulting from the application of IFRS 9 "Financial Instruments".

Appendix 6: compared consolidated statements of cash flows

€ millions	1 st half 2018	1 st half 2017	2017
Cash flows from operating activities			
Net profit attributable to owners of the company	2,275.2	2,037.5	3,581.4
Non-controlling interests	1.4	-2.8	4.1
Elimination of expenses and income with no impact on cash flows:			
♦ depreciation, amortisation and provisions	467.3	556.9	1,218.5
♦ changes in deferred taxes	-22.0	-46.9	-194.8
♦ share-based payment (including free shares)	57.6	61.1	126.7
♦ capital gains and losses on disposals of assets	0.1	-0.8	-3.9
Net profit from discontinued operations	-	29.1	240.1
Share of profit in associates net of dividends received	0.1	0.2	0.1
Gross cash flow	2,779.7	2,634.3	4,972.2
Changes in working capital	-431.2	-362.8	261.1
Net cash provided by discontinued operations activities	-	-24.9	-36.7
Net cash provided by operating activities (A)	2,348.5	2,246.6	5,196.6
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets	-780.0	-641.9	-1,263.5
Disposals of property, plant and equipment and intangible assets	1.8	2.6	8.2
Changes in other financial assets (including investments in non-consolidated companies)	-15.3	-18.0	-70.7
Effect of changes in the scope of consolidation	-553.0	-1,240.0	-166.5
Net cash (used in) from investing activities from discontinued operations	-	-18.4	-24.4
Net cash (used in) from investing activities (B)	-1,346.5	-1,915.7	-1,516.9
Cash flows from financing activities			
Dividends paid	-2,035.4	-1,899.7	-1,870.7
Capital increase of the parent company	42.5	72.3	118.3
Disposal (acquisition) of Treasury stock	-499.4	-499.4	-499.2
Purchase of non-controlling interests	-	-1.9	-2.0
Issuance (repayment) of short-term loans	457.5	1,980.1	-86.6
Repayment of long-term borrowings	-2.1	-4.3	-7.0
Net cash (used in) from financing activities from discontinued operations	-	35.2	71.5
Net cash (used in) from financing activities (C)	-2,036.9	-317.7	-2,275.7
Net effect of changes in exchange rates and fair value (D)	1.8	-52.2	-65.3
Change in cash and cash equivalents (A+B+C+D)	-1,033.1	-39.0	1,338.7
Cash and cash equivalents at beginning of the period (E)	3,046.6	1,746.0	1,746.0
Net effect of changes in cash and cash equivalents of discontinued operations (F)	-	-21.0	-38.1
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E+F)	2,013.5	1,686.0	3,046.6