HALF-YEAR FINANCIAL REPORT 2017

AT JUNE 30TH 2017

L'ORÉAL

Contents

HALF-YEAR FINANCIAL
REPORT

AT 30 JUNE 2017

Half-year situation at 30 June 2017

The following statements have been examined by the Board of Directors of 27 July 2017 and have been the object of a limited review by the Statutory Auditors.

This is a free translation into English of the L'Oréal 2017 Half-year Financial Report 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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Activity Report

It should be noted that L'Oréal's half-year results are not representative of the full-year results.

1.1. THE GROUP CONSOLIDATED

Like-for-like, i.e. based on a comparable structure and identical exchange rates, sales growth of the L'Oréal Group was +4.3%.

The net impact of changes in the scope of consolidation was -2.1%, corresponding to:

- +1.0% from acquisitions,
- -3.1% from the sale of The Body Shop.

Currency fluctuations had a positive impact of +1.8%. If the exchange rates at 30 June 2017, i.e. €1 = $1.1425, are extrapolated until 31 December 2017, the impact of currency fluctuations on sales would be approximately -0.4% for the whole of 2017.

Based on reported figures, the Group's sales at 30 June 2017 amounted to 13.4 billion euros, up by +4.0%.

Income tax excluding non-recurring items amounted to 687 million euros, i.e. a tax rate of 24.0% slightly below that of the first half of 2016, which was 25.2%.

Net profit of continuing operations excluding non-recurring items came out at 2,185 million euros, an increase of +7.9% compared with reported net profit excluding non-recurring items at 30 June 2016.

Earnings per share, at 3.88 euros, has risen by +8.1% compared with the first half of 2016.

After having taken into account the non-recurring items and the impact of the IFRS 5 accounting rule with regards to The Body Shop, **net profit after non-controlling interests** amounted to 2,037 million euros, a strong increase of +37.7% compared to the first half of 2016.

1.1.1. CONSOLIDATED INCOME STATEMENTS

The announcement, on 27 June 2017, of the signing of the contract for the sale of The Body Shop, means that the IFRS 5 accounting rule applies to the discontinued operations at 30 June 2017.

Gross profit, at 9,631 million euros, has come out at 71.8% of sales, representing a 60-basis-point decline due to the exchange rate impact in the first half.

Research and Development expenses, at 425 million euros, have risen by +2.6%. Their relative level is stable at 3.2% of sales.

Advertising and promotion expenses have come out at 29.2% of sales, a level slightly below that of the first half of 2016.

Selling, general and administrative expenses, at 20.6% of sales, decreased significantly by 80 basis points compared with the first half of 2016, mainly due to the impact of the sale of The Body Shop.

Overall, **operating profit**, at 2,530 million euros, is up by 60 basis points and amounted to 18.9% of sales.

Overall finance costs were close to 10 million euros.

Sanofi dividends amounted to 350 million euros.

1.1.2. CASH FLOW STATEMENTS / BALANCE SHEET

Gross cash flow amounted to 2,634 million euros, up by +6.8% compared with the first half of 2016.

The **change in working capital** amounted to 362 million euros. As in the first half every year, it increased slightly, particularly because of the impact of the seasonality of part of our business on trade receivables.

Investments, at 641 million euros, represented 4.8% of sales.

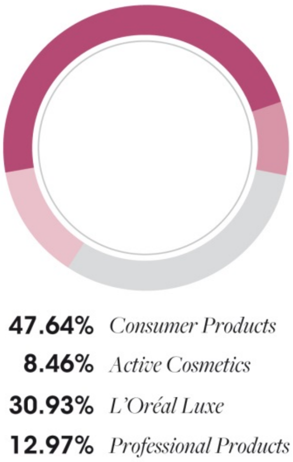
Operating cash flow, at 1,629 million euros, increased significantly by +23%.

After payment of the dividend, share buybacks and the acquisition of *CeraVe* in the United States, the **residual cash flow** has come out at -1,954 million euros.

At 30 June 2017, **net debt** amounted to 1,492 million euros, compared with a debt of 344 million euros at 30 June 2016.

1.2. SEGMENT INFORMATION

1.2.1. TURNOVER BY OPERATIONAL DIVISION



The announcement, on 27 June 2017, of the signing of the contract for the sale of The Body Shop, means that the IFRS 5 accounting rule applies to the discontinued operations at 30 June 2017.

In the second quarter of 2016 and the first half of 2016, reported Group sales included The Body Shop sales in respective amounts of 198.5 million euros and 398.6 million euros.

At the end of June, the **Professional Products Division** posted growth of -0.7% like-for-like and +0.9% based on reported figures.

- Growth has improved slightly, driven by Eastern Europe and Latin America.
- Hair colour has benefited from the launch of *Colorfulhair* at *L'Oréal Professionnel* and the solid performance of *Shades EQ* at *Redken*. In haircare, the natural lines *Aura Botanica* by *Kérastase* and *Biolage R.A.W.* by *Matrix* are maintaining their positive momentum, while the roll-out of new "bonder[(1)]" services is continuing.

In the second quarter, the **Consumer Products Division** posted growth of +2.4% like-for-like. It ended the first half at +1.9% like-for-like, and +3.8% based on reported figures.

- In a market affected by a clear growth slowdown in the United States, the Division is continuing to win market share in several regions of the world, especially in Western Europe.
- Make-up remains dynamic, thanks to the success of *Infallible Total Cover* foundation by *L'Oréal Paris*, *Colossal Big Shot* mascara by *Maybelline*, and *NYX Professional Makeup*. Hair colour growth is continuing, reflecting the very strong start made by *Colorista* at *L'Oréal Paris*, which is reinventing hair colour for Millennials[(2)]. Facial skincare is accelerating, thanks to *Hydra Genius* by *L'Oréal Paris*, which takes its inspiration from Asia's liquid moisturisers, and the ongoing success of *Micellar Cleansing Waters* by *Garnier*.
- The dynamism of new retail channels such as e-commerce is continuing, opening up new growth opportunities.

L'Oréal Luxe is confirming its excellent start to the year, driven by make-up and facial skincare, and has posted first-half growth of +10.5% like-for-like and +15.4% based on reported figures.

- *Lancôme*, besides the successful launch of *Monsieur Big* mascara, is adding to its successes in lip make-up with *L'Absolu Rouge* and the recent launch of *Matte Shaker*. *Lancôme* anti-ageing is growing thanks to its iconic lines *Génifique, Absolue* and *Rénergie. Yves Saint Laurent* is expanding, especially in make-up with *Volupté Tint-in-Balm*, the extension of the *Vernis à Lèvres* lip make-up range, and the phenomenal *Cushion Encre de Peau* foundation, and in fragrances with the women's perfume *Mon Paris*. *Giorgio Armani* is accelerating its growth, and launching the *Emporio Armani* fragrance duo. *Kiehl's*, which is posting double-digit growth, is driven by its *Calendula* line. The recently acquired brands *IT Cosmetics* and *Atelier Cologne* are growing rapidly.
- The Division is enjoying strong growth in the Asia Pacific Zone, driven by the rebound in China, where its brands are firmly established. It recorded a good first half in Western Europe, especially in Great Britain and Spain. Growth is solid in North America and accelerating in Latin America. L'Oréal Luxe has posted double-digit growth in Travel Retail, and is continuing to forge ahead in e-commerce.

At the end of June, the **Active Cosmetics Division** accelerated at +11.1% based on reported figures and +4.6% like-for-like.

- Growth at *La Roche-Posay* is still very dynamic, thanks to the success of its sun protection campaign and the good performances of its franchises *Effaclar*, *Lipikar* and *Cicaplast*. *Vichy* has launched *Minéral 89*, its new everyday fortifying repulp booster, with highly promising results a few weeks after launch. *SkinCeuticals* is continuing to post double-digit growth, with outstanding performances in China, the United Kingdom, France, Russia and Brazil.
- North America is the number one contributor to the Division's growth, reflecting the successful integration of *CeraVe* into the Division's portfolio, and the dynamism of the *SkinCeuticals* and *La Roche-Posay* brands.

(1) A formula that protects keratin bonds inside the hair fibre.

(2) Generation born between 1980 and 2000.

1.2.2. OPERATING PROFIT BY OPERATIONAL DIVISION

The announcement, on 27 June 2017, of the signing of the contract for the sale of The Body Shop, means that the IFRS 5 accounting rule applies to the discontinued operations at 30 June 2017.

	06/30/16		12/31/16		06/30/17	
	€m	% of sales	€m	% of sales	€m	% of sales
By operational Division						
Professional Products	338.2	19.6%	688.6	20.3%	319.9	18.4%
Consumer Products	1,306.8	21.2%	2,417.1	20.2%	1,267.5	19.8%
L'Oréal Luxe	767.3	21.3%	1,622.8	21.2%	970.2	23.4%
Active Cosmetics	283.3	27.7%	431.5	23.2%	303.5	26.7%
Total Divisions before non-allocated	**2,695.5**	**21.6%**	**5,160.0**	**20.7%**	**2,861.1**	**21.3%**
Non-allocated(1)	*- 309.8*	*- 2.5%*	*- 653.9*	*- 2.6%*	*- 330.7*	*- 2.5%*
Total Divisions after non-allocated	**2,385.7**	**19.1%**	**4,506.1**	**18.1%**	**2,530.4**	**18.9%**
The Body Shop	- 22.2	- 5.6%	33.8	3.7%		
Group	**2,363.6**	**18.3%**	**4,539.9**	**17.6%**	**2,530.4**	**18.9%**

(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 Divisions sales.

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

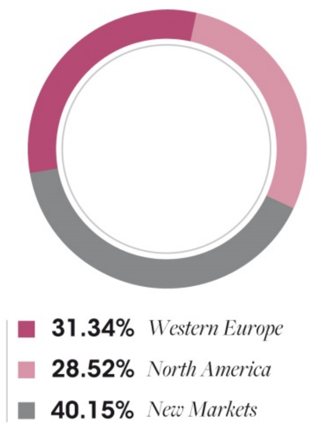
The profitability of the **Professional Products Division** fell from 19.6% to 18.4%.

The **Consumer Products Division**'s profitability decreased from 21.2% to 19.8%.

L'Oréal Luxe experienced a very strong improvement in its profitability, with an increase from 21.3% to 23.4%, i.e. +210 basis points.

The **Active Cosmetics Division** remains at a very high profitability level at 26.7%, compared with 27.7% in the first half of 2016.

1.2.3. SALES BY GEOGRAPHIC ZONE



1.2.3.1. Western Europe

Western Europe posted growth of +3.0% like-for-like and +1.6% based on reported figures.

Growth is particularly sustained in the United Kingdom, Germany and Spain, but sales in France are still being held back by the difficult market conditions.

The Consumer Products and L'Oréal Luxe Divisions are outperforming their respective markets.

1.2.3.2. North America

The Zone recorded growth of +3.1% like-for-like and +10.5% based on reported figures.

In a mass market sector that has slowed very substantially in the United States, the Consumer Products Division is winning market share in make-up, hair colour and facial cleansing, with key launches in make-up removers at *L'Oréal Paris* and *Garnier* and the continuing success of *NYX Professional Makeup*.

At L'Oréal Luxe, *IT Cosmetics* and *Yves Saint Laurent* perfumes are posting double-digit growth.

The Active Cosmetics Division is also recording double-digit growth, driven by *La Roche-Posay*, *SkinCeuticals* and the recent acquisition of *CeraVe*.

1.2.3.3. New Markets

- **Asia, Pacific:** growth in this Zone amounted to +8.1% like-for-like and +9.4% based on reported figures. In Northern Asia, particularly China and Hong Kong, L'Oréal Luxe is growing strongly, thanks to the brands *Lancôme*, *Yves Saint Laurent* and *Giorgio Armani*. In Southern Asia, growth remains strong across all Divisions, especially in Thailand and Indonesia. In India, sales are being held back by retailer destocking just ahead of the introduction of GST (Goods & Services Tax).
- **Latin America:** the Zone recorded growth of +5.9% like-for-like and +14.1% based on reported figures. Growth is particularly strong in Mexico and Argentina. The Brazilian market is still proving difficult. The make-up brands *NYX Professional Makeup*, *Lancôme* and *Urban Decay* are winning market shares. The Active Cosmetics Division accelerated in the second quarter in a dynamic market.
- **Eastern Europe:** growth in this Zone came out at +9.4% like-for-like and +17.4% based on reported figures. Turkey and Central Europe are posting good growth, with market share gains for most of the Divisions. Russia is slowing, reflecting the trend in its market, with growth at a lower level than last year.
- **Africa, Middle East:** sales were down by -13.2% like-for-like and -10.9% based on reported figures. In Saudi Arabia, where the market is still very difficult, the situation of our businesses is gradually improving. The dynamism in Egypt is continuing.

1.3. IMPORTANT EVENTS DURING THE PERIOD

- On 20 April 2017, the Annual General Meeting of L'Oréal appointed Mr Paul Bulcke as a Director, and renewed the tenure as Directors of Mrs Françoise Bettencourt Meyers and Mrs Virginie Morgon. Furthermore, the Annual General Meeting decided on the distribution of a dividend of €3.30 per share, with a payment date of 3 May 2017.
- 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 20 April 2016, on the cancellation of 2,846,604 L'Oréal shares acquired within the scope of the share buyback programme decided by the Board of Directors on 9 February 2017. The shares were cancelled on 31 May 2017. The share capital of L'Oréal at 30 June 2017 amounts to 111,993,452 euros, divided into 559,967,260 shares, each with a par value of 0.2 euro.
- On 20 April 2017, L'Oréal announced the appointment of Mr Nicolas Hieronimus as Deputy CEO, in charge of Divisions. Mr Nicolas Hieronimus will also continue in his role as President of the L'Oréal Luxe Division.
- On 2 May 2017, L'Oréal USA announced the acquisition of key assets from Four Star Salon Services, a full-service wholesale distributor of products to hair salons in New York, New Jersey and Connecticut. This acquisition will provide SalonCentric with expanded distribution coverage in the United States.
- On 9 June 2017, L'Oréal announced that it had received a firm offer from Natura Cosmeticos SA to acquire The Body Shop and had entered into exclusive discussions. The offer values The Body Shop at an enterprise value of 1.0 billion euros and, after consultation with the Employee Representative Bodies, remains subject to regulatory approval, notably in Brazil and in the United States.
- On 27 June 2017, L'Oréal announced the signing of the contract for the sale of The Body Shop to Natura. The proposed sale remains subject to clearance by anti-trust authorities, notably in Brazil and in the United States.

1.4. RISK FACTORS AND TRANSACTIONS BETWEEN RELATED PARTIES

1.4.1. RISK FACTORS

Risk factors are similar to those presented in the volume 2.8 of the 2016 Registration Document and did not change significantly during the first half-year of 2017. The amounts relating to market and financial risks at 30 June 2017 are described in the note 9 in section "Notes to financial statements" of this Half-year Report.

1.4.2. TRANSACTIONS BETWEEN RELATED PARTIES

Transactions between the companies consolidated under the equity method do not represent a significant amount at 30 June 2017. Furthermore, during the first six months of 2017, there was no significant transaction concluded with a member of the senior management or with a shareholder having a material influence on the Group.

1.5. PROSPECTS

In a beauty market which, as in the first quarter, turned out to be highly contrasted and atypical, the Group has continued to expand, with solid organic growth and differentiated performances across the Divisions.

L'Oréal Luxe delivered excellent double-digit growth, substantially outperforming its market. The Consumer Products Division is improving its growth, but is being held back by slowdowns in certain markets worldwide: the United States, Brazil, India and the Middle East. The Active Cosmetics Division accelerated significantly in the second quarter, and sales in the Professional Products Division, although still sluggish, are gradually improving.

Across the geographic Zones, Western Europe remains dynamic despite persistent difficulties in the French market, and the New Markets as a whole are posting sustained growth, thanks to the strong contribution of Asia Pacific and solid sales in Eastern Europe.

The Group's digital breakthrough is continuing, particularly in e-commerce[1], which posted +29.5% growth in the first half and represents 7.0% of total sales.

The Group's results are up significantly across the board: operating profit, net earnings per share and cash flow. Results by Division are differentiated, logically reflecting the highly contrasted sales in the first half, and our choice to continue investing regularly in each Division so as to build up our positions.

Over the full year, the sale of The Body Shop[2], and the accretive effect this has on profitability, mean that we will be able to strongly increase the Group's profitability, which for the first time could reach 18% of sales, and also to take the opportunity to strengthen its business drivers in order to accelerate its market share gains and thus its future growth.

This strategic choice, combined with the good first-half results, strengthens the Group's confidence in its ability to once again outperform the cosmetics market in 2017, and to achieve growth in both sales and profits.

1.6. SUBSEQUENT EVENTS

No significant events occurred between the balance sheet date and the date when the Board of Directors authorised the condensed half-year consolidated financial statements for issue.

(1) *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.*

(2) *The announcement, on 27 June 2017, of the signing of the contract for the sale of The Body Shop means that the IFRS 5 accounting rule applies to the discontinued operations at 30 June 2017. See the compared 2016 consolidated Profit and Loss Accounts in part 2 of this document.*

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2017 Condensed consolidated financial statements

2.1. COMPARED CONSOLIDATED INCOME STATEMENTS

€ millions	Notes	1st half 2017	1st half 2016 (1)	2016 (1)	REMINDER * 2016 Published data 1st half 2016	2016
Net sales	**4.1**	**13,411.9**	**12,496.0**	**24,916.3**	***12,894.6***	***25,837.1***
Cost of sales		-3,780.5	-3,447.7	-7,068.6	*-3,561.2*	*-7,341.7*
Gross profit		**9,631.4**	**9,048.3**	**17,847.7**	***9,333.4***	***18,495.4***
Research and development		-425.1	-409.7	-841.2	*-414.2*	*-849.8*
Advertising and promotion		-3,913.5	-3,677.8	-7,264.4	*-3,790.9*	*-7,498.7*
Selling, general and administrative expenses		-2,762.4	-2,575.1	-5,236.0	*-2,764.7*	*-5,607.0*
Operating profit	**4.1**	**2,530.4**	**2,385.7**	**4,506.1**	***2,363.6***	***4,539.9***
Other income and expenses	5	-96.2	-522.0	-541.3	*-522.5*	*-543.8*
Operational profit		**2,434.2**	**1,863.7**	**3,964.8**	***1,841.1***	***3,996.1***
Finance costs on gross debt		-18.1	-4.7	-27.4	*-6.5*	*-32.6*
Finance income on cash and cash equivalents		21.3	22.0	39.0	*22.0*	*39.1*
Finance costs, net		**3.2**	**17.3**	**11.6**	***15.5***	***6.5***
Other financial income (expenses)		-13.1	-13.6	-25.8	*-13.7*	*-25.8*
Sanofi dividends		350.0	346.5	346.5	*346.5*	*346.5*
Profit before tax and associates		**2,774.3**	**2,213.9**	**4,297.1**	***2,189.4***	***4,323.4***
Income tax		-710.3	-710.7	-1,213.7	*-707.6*	*-1,214.6*
Share of profit in associates		-0.2	0.0	-0.1	*-*	*-0.1*
Net profit from continuing operations		**2,063.8**	**1,503.1**	**3,083.4**	***1,481.8***	***3,108.7***
Net profit from discontinued operations	**3**	**-29.1**	**-21.4**	**25.3**	***-***	***-***
Net profit		**2,034.7**	**1,481.8**	**3,108.7**	***1,481.8***	***3,108.7***
Attributable to:						
• owners of the company		2,037.5	1,479.5	3,105.8	*1,479.5*	*3,105.8*
• non-controlling interests		-2.8	2.3	2.9	*2.3*	*2.9*
Earnings per share attributable to owners of the company *(euros)*	10.3	3.65	2.65	5.55	*2.65*	*5.55*
Diluted earnings per share attributable to owners of the company *(euros)*	10.3	3.62	2.62	5.50	*2.62*	*5.50*
Earnings per share of continuing operations attributable to owners of the company *(euros)*		3.70	2.69	5.51	*2.65*	*5.55*
Diluted earnings per share of continuing operations attributable to owners of the company *(euros)*		3.67	2.66	5.46	*2.62*	*5.50*
Earnings per share of continuing operations attributable to owners of the company, excluding non-recurring items *(euros)*	10.3	3.91	3.66	6.47	*3.62*	*6.52*
Diluted earnings per share of continuing operations attributable to owners of the company, excluding non-recurring items *(euros)*	10.3	3.88	3.63	6.41	*3.59*	*6.46*

(1) The consolidated income statements for the year ended December 31st, 2016 and for the six months ended June 30th, 2016 are presented to reflect the impacts of IFRS 5 regarding discontinued operations (see note 3).

** 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.*

2.2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ millions	Notes	1st half 2017	1st half 2016	2016
Consolidated net profit for the period		**2,034.7**	**1,481.8**	**3,108.7**
Financial assets available-for-sale	8.3	*811.0*	*-435.1*	*-201.0*
Cash flow hedges		*83.6*	*-96.8*	*-124.0*
Cumulative translation adjustments		*-653.4*	*-188.7*	*19.6*
Income tax on items that may be reclassified to profit or loss (1)		*-57.8*	*50.3*	*86.3*
Items that may be reclassified to profit or loss		**183.4**	**-670.3**	**-219.1**
Actuarial gains and losses	6.1	*139.6*	*-514.1*	*-1.3*
Income tax on items that may not be reclassified to profit or loss (1) (2)		*-40.4*	*164.1*	*-39.3*
Items that may not be reclassified to profit or loss		**99.2**	**-350.0**	**-40.6**
Other comprehensive income		**282.6**	**-1,020.3**	**-259.7**
Consolidated comprehensive income		**2,317.2**	**461.5**	**2,849.0**
Attributable to:				
• **owners of the company**		**2,319.6**	**458.7**	**2,845.6**
• non-controlling interests		-2.4	2.8	3.4

(1) The tax effect is as follows:

€ millions	1st half 2017	1st half 2016	2016
Financial assets available-for-sale	*-28.1*	*18.0*	*41.7*
Cash flow hedges	*-29.7*	*32.3*	*44.6*
Items that may be reclassified to profit or loss	**-57.8**	**50.3**	**86.3**
Actuarial gains and losses	*-40.4*	*164.1*	*-39.3*
Items that may not be reclassified to profit or loss	**-40.4**	**164.1**	**-39.3**
TOTAL	**-98.2**	**214.4**	**47.0**

(2) Including €19.7 million at December 31st, 2016, arising on the remeasurement of deferred tax in France further to the planned change in the tax rate by 2020.

2.3. COMPARED CONSOLIDATED BALANCE SHEETS

ASSETS

€ millions	Notes	06.30.2017	06.30.2016	12.31.2016
Non-current assets		**26,010.1**	**23,788.6**	**25,584.6**
Goodwill	7	9,064.4	7,721.8	8,792.5
Other intangible assets	7	2,694.4	2,819.9	3,179.4
Property, plant and equipment	4.2	3,591.8	3,484.4	3,756.9
Non-current financial assets	8.3	10,128.4	9,024.5	9,306.5
Investments in associates		1.0	0.9	1.0
Deferred tax assets		530.1	737.1	548.3
Current assets		**11,271.8**	**9,609.6**	**10,045.6**
Current assets excluding assets held for sale		*9,994.6*	*9,609.6*	*10,045.6*
Inventories		2,638.4	2,640.1	2,698.6
Trade accounts receivable		4,237.8	4,091.0	3,941.8
Other current assets		1,381.5	1,447.9	1,420.4
Current tax assets		50.9	89.5	238.8
Cash and cash equivalents	8.2	1,686.0	1,341.1	1,746.0
Assets held for sale	*3*	*1,277.2*	-	-
TOTAL		**37,281.9**	**33,398.2**	**35,630.2**

EQUITY & LIABILITIES

€ millions	Notes	06.30.2017	06.30.2016	12.31.2016
Equity	10	**24,594.5**	**21,983.0**	**24,504.0**
Share capital		112.0	112.2	112.4
Additional paid-in capital		2,889.4	2,743.6	2,817.3
Other reserves		14,684.8	13,891.1	13,951.6
Other comprehensive income		5,173.3	3,685.8	4,237.6
Cumulative translation adjustments		-242.7	202.7	410.9
Treasury stock		-56.4	-133.7	-133.6
Net profit attributable to owners of the company		2,037.5	1,479.5	3,105.8
Equity attributable to owners of the company		**24,597.9**	**21,981.2**	**24,501.9**
Non-controlling interests		-3.4	1.8	2.1
Non-current liabilities		**1,682.7**	**2,356.1**	**1,918.9**
Provisions for employee retirement obligations and related benefits		544.4	1,254.9	711.8
Provisions for liabilities and charges	11.1	367.8	233.8	333.3
Deferred tax liabilities		756.0	835.1	842.9
Non-current borrowings and debt	8.1	14.5	32.3	30.9
Current liabilities		**11,004.7**	**9,059.1**	**9,207.3**
Current liabilities excluding liabilities relating to assets held for sale		*10,759.3*	*9,059.1*	*9,207.3*
Trade accounts payable		3,996.8	3,961.9	4,135.3
Provisions for liabilities and charges	11.1	816.5	774.1	810.7
Other current liabilities		2,543.9	2,500.2	2,854.4
Income tax		238.6	170.2	173.2
Current borrowings and debt	8.1	3,163.5	1,652.7	1,233.7
Liabilities relating to assets held for sale	*3*	*245.4*	-	-
TOTAL		**37,281.9**	**33,398.2**	**35,630.2**

2.4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

€ millions	Common shares outstanding	Share capital	Additional paid-in capital	Retained earnings and net profit	Other compre-hensive income	Treasury stock	Cumulative translation adjustments	Equity attributable to owners of the company	Non-controlling interests	Total equity
At 12.31.2015	**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
Financial assets available-for-sale					*-159.3*			*-159.3*		*-159.3*
Cash flow hedges					*-79.3*			*-79.3*	*-0.1*	*-79.4*
Cumulative translation adjustments							*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**
Actuarial gains and losses					*-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 12.31.2016	**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				2,037.5				2,037.5	-2.8	2,034.7
Financial assets available-for-sale					*782.9*			*782.9*		*782.9*
Cash flow hedges					*53.6*			*53.6*	*0.3*	*53.9*
Cumulative translation adjustments							*-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**
Actuarial gains and losses					*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 06.30.2017	**559,196,135**	**112.0**	**2,889.4**	**16,722.3**	**5,173.3**	**-56.4**	**-242.7**	**24,597.9**	**-3.4**	**24,594.5**

CHANGES IN FIRST-HALF 2016

€ millions	Common shares outstanding	Share capital	Additional paid-in capital	Retained earnings and net profit	Other compre-hensive income	Treasury stock	Cumulative translation adjustments	Equity attributable to owners of the company	Non-control-ling interests	Total equity
At 12.31.2015	**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				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*
Other comprehensive income that may be reclassified to profit and loss					**-481.6**		**-189.2**	**-670.8**	**0.5**	**-670.3**
Actuarial gains and losses					*-350.0*			*-350.0*		*-350.0*
Other comprehensive income that may not be reclassified to profit and loss					**-350.0**			**-350.0**	**-**	**-350.0**
Consolidated comprehensive income				**1,479.5**	**-831.6**		**-189.2**	**458.7**	**2.8**	**461.5**
Capital increase	1,132,692	0.2	89.2					89.3		89.3
Cancellation of Treasury stock		-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	-1,965,215			-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
AT 06.30.2016	**559,155,655**	**112.2**	**2,743.6**	**15,370.6**	**3,685.8**	**-133.7**	**202.7**	**21,981.2**	**1.8**	**21,983.0**

2.5. COMPARED CONSOLIDATED STATEMENTS OF CASH FLOWS

€ millions	Notes	1st half 2017	1st half 2016 (1)	2016 (1)	REMINDER * 2016 Published data 1st half 2016	2016
Cash flows from operating activities						
Net profit attributable to owners of the company		2,037.5	1,479.5	3,105.7	*1,479.5*	*3,105.8*
Non-controlling interests		-2.8	2.3	2.9	*2.3*	*2.9*
Elimination of expenses and income with no impact on cash flows or not from operating activities:						
• depreciation, amortisation and provisions		556.9	869.1	1,382.3	*888.2*	*1,424.5*
• changes in deferred taxes		-46.9	36.5	86.5	*35.2*	*79.8*
• share-based payment (including free shares)		61.1	61.2	120.4	*61.2*	*120.4*
• capital gains and losses on disposals of assets		-0.8	1.3	-16.2	*1.3*	*-16.2*
Net profit from discontinued operations	3	29.1	21.4	-25.3	-	-
Share of profit in associates net of dividends received		0.2	-	0.1	-	*0.1*
Gross cash flow		**2,634.3**	**2,471.2**	**4,656.4**	***2,467.7***	***4,717.3***
Changes in working capital		-362.8	-510.9	4.3	*-545.6*	*-12.7*
Net cash provided by discontinued operations activities	3	-24.9	-38.2	43.9	-	-
Net cash provided by operating activities (A)		**2,246.6**	**1,922.1**	**4,704.7**	***1,922.1***	***4,704.6***
Cash flows from investing activities						
Purchases of property, plant and equipment and intangible assets		-641.9	-574.5	-1,334.9	*-596.7*	*-1,386.5*
Disposals of property, plant and equipment and intangible assets		2.6	6.3	34.2	*6.3*	*34.2*
Changes in other financial assets (including investments in non-consolidated companies)		-18.0	-21.5	-42.9	*-21.8*	*-42.9*
Effect of changes in the scope of consolidation		-1,240.0	-20.7	-1,209.0	*-20.7*	*-1,209.3*
Net cash (used in) from investing activities from discontinued operations	3	-18.4	-22.5	-51.8	-	-
Net cash (used in) from investing activities (B)		**-1,915.7**	**-632.9**	**-2,604.5**	***-632.9***	***-2,604.5***
Cash flows from financing activities						
Dividends paid		-1,899.7	-1,796.6	-1,832.9	*-1,796.6*	*-1,832.9*
Capital increase of the parent company		72.3	89.4	163.2	*89.4*	*163.2*
Capital increase of subsidiaries		-	-	-	-	-
Disposal (acquisition) of Treasury stock		-499.4	-499.1	-499.1	*-499.1*	*-499.1*
Purchase of non-controlling interests		-1.9	-	-	*-6.4*	*-6.1*
Issuance (repayment) of short-term loans		1,980.1	846.3	446.0	*897.5*	*449.8*
Issuance of long-term borrowings		-	0.6	1.8	*0.6*	*1.8*
Repayment of long-term borrowings		-4.3	-3.7	-16.4	*-4.2*	*-17.5*
Net cash (used in) from financing activities from discontinued operations	3	35.2	44.3	-3.5	-	-
Net cash (used in) from financing activities (C)		**-317.7**	**-1,318.8**	**-1,740.8**	***-1,318.8***	***-1,740.8***
Net effect of changes in exchange rates and fair value (D)		-52.2	-29.1	-13.1	*-29.1*	*-13.1*
Change in cash and cash equivalents (A+B+C+D)		**-39.0**	**-58.7**	**346.3**	***-58.7***	***346.2***
Cash and cash equivalents at beginning of the period (E)		**1,746.0**	**1,399.8**	**1,399.8**	***1,399.8***	***1,399.8***
Net effect of changes in cash and cash equivalents of discontinued operations (F)	3	-21.0	-	-	-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E+F)	**8.2**	**1,686.0**	**1,341.1**	**1,746.0**	***1,341.1***	***1,746.0***

(1) The consolidated statement of cash flows for the year ended December 31st, 2016 and for the six months ended June 30th, 2016 are presented to reflect the impacts of IFRS 5 regarding discontinued operations (see note 3).

** 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.*

Income taxes paid amount to €491.3 million, €439.6 million (€433.4 million excluding The Body Shop) and €1,041.0 million (€1,029.4 million excluding The Body Shop), respectively for first-half 2017, first-half 2016 and year 2016.

Interests paid amount to €18.3 million, €6.8 million (€5.2 million excluding The Body Shop) and €35.4 million (€31.0 million excluding The Body Shop), respectively for first-half 2017, first-half 2016 and year 2016.

Dividends received amount to €350.0 million, €346.5 million and €346.5 million, respectively for first-half 2017, first-half 2016 and year 2016, and are included within gross cash flow.

2.6. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes contents

NOTE 1 Accounting principles

The condensed half-year consolidated financial statements of L'Oréal and its subsidiaries ("the Group") have been prepared in accordance with the international accounting standard IAS 34.

As condensed financial statements, they do not include all the information required by IFRS for the preparation of the annual financial statements and must therefore be read in conjunction with the Group consolidated financial statements prepared in accordance with IFRS as adopted in the European Union for the year ending at December 31st, 2016.

The Board of Directors reviewed the condensed half-year consolidated financial statements as at June 30th, 2017, on July 27th, 2017.

The accounting methods applied are identical to those applied when preparing the consolidated financial statements for the year ended December 31st, 2016 except as regards income tax.

The tax charge (current and deferred) is calculated for the half-year financial statements by applying to the profit for the period the estimated annual tax rate for the current tax year for each entity or tax group.

The Group did not early adopt any standards or interpretations not mandatorily applicable in 2017.

The Group may be concerned by the following standards:

- IFRS 15 "Revenue from Contracts with Customers" applicable as from January 1st, 2018, the principles already applied by the Group have not been called into question at this stage in our analysis;
- IFRS 9 "Financial Instruments" applicable as from January 1st, 2018, the Group is primarily concerned by:
  - the change in the accounting treatment of investments and their remeasurement through profit or loss or through equity not reclassifiable to profit or loss under the fair value option. The shares concerned relate mainly to the Group's investment in Sanofi,
  - the possibility of deferring recognition of the time value of currency options in equity in the same way as for forward hedges, so as to only impact income at the date the hedged transactions occur. The impact of the change in accounting method over full-year 2016 is not material;
- IFRS 16 "Leases" applicable as from January 1st, 2019, not yet adopted by the European Union.

The Group is not concerned by the new standards and amendments to standards published and effective as of January 1st, 2017.

NOTE 2 Main events of the period

2.1. Changes in the scope of consolidation

2.1.1. First-half 2017

Acquisitions

On January 10th, 2017, L'Oréal announced the signing of a definitive agreement with Valeant to acquire the skincare brands CeraVe, AcneFree and Ambi for a cash purchase price of US $1.3 billion.

CeraVe was founded in 2005 and offers a range of advanced skincare products, specifically cleansers, moisturizers, sunscreens, healing ointments and a dedicated baby line. Developed with dermatologists, CeraVe is one of the fastest growing skincare brands in the US with average growth over the past two years exceeding 20%. CeraVe's multi-channel distribution strategy includes drug stores, mass and beauty retailers, and select online outlets.

AcneFree markets and distributes a full range of OTC cleansers and acne treatments in the US, Ambi distributes skincare products formulated for the needs of multicultural consumers. Both brands are distributed in drug stores, mass retailers and select online outlets.

The three brands have annualized combined revenue of approximately US $168 million.

CeraVe, AcneFree and Ambi will become part of L'Oréal's Active Cosmetics Division, which includes brands such as La Roche-Posay, Vichy and SkinCeuticals that are developed with and endorsed by health professionals – dermatologists, pediatricians and other physicians.

This operation was finalized on March 3rd, 2017.

This acquisition has been fully consolidated since March 3rd, 2017.

On May 2nd, 2017, L'Oréal USA announced that SalonCentric has agreed to acquire key assets from Four Star Salon Services, a full-service wholesale distributor headquartered in Hauppauge, New York.

This acquisition will provide SalonCentric, L'Oréal USA's professional salon distribution operation, with expanded distribution coverage of salon professional products within New York, New Jersey and Connecticut.

The acquisition will align Four Stars' field sales and stores with SalonCentric's field sales and store network. In total, 11 stores and various field positions that service approximately 3,500 salons will be included in the transaction.

This operation was finalized on May 31st, 2017.

This acquisition has been fully consolidated since May 31st, 2017.

The cost of these new acquisitions represents €1,253.1 million. The total amount of goodwill and other intangible assets resulting from these acquisitions has been provisionally estimated respectively at €1,016.1 million and €200.9 million. The allocation of the purchase price to the identifiable intangible assets of these acquisitions have not been finalised at June 30th, 2017.

These acquisitions represent €53.4 million in half-year net sales.

2.1.2. Year 2016

Acquisitions

On January 4th, 2016, L'Oréal USA announced the signing of an agreement to acquire key assets from Raylon Corporation, a fullservice wholesale distributor of salon professional products. The acquisition will expand SalonCentric's distribution coverage of salon professional products in Pennsylvania, New Jersey, Delaware, and portions of Maryland, West Virginia and New York, representing approximately 3,500 salons. This acquisition has been fully consolidated since February 26th, 2016.

On June 30th, 2016, L'Oréal announced the signature of an agreement to acquire Atelier Cologne. Launched in 2009, Atelier Cologne specialised in niche perfumery sold in selected retailers. This operation was finalised on July 25th, 2016. This acquisition has been fully consolidated since July 25th, 2016.

On July 13th, 2016, L'Oréal has submitted a firm offer to Rivadis group for the acquisition of the Société des Thermes de Saint-Gervais-les-Bains and licence to use the Saint-Gervais Mont-Blanc brand. Based on this offer, the Rivadis group has granted exclusive negotiation rights to L'Oréal. This operation was finalised early-November and has been fully consolidated since November 1st, 2016.

On July 22nd, 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 for a cash purchase price of US $1.2 billion. For last 12 months prior to the acquisition, IT Cosmetics had net sales of US $182 million. Founded by Jamie Kern Lima and Paulo Lima and co-owned by TSG Consumer Partners, IT Cosmetics was developed with leading plastic surgeons to provide women with innovative, problem-solving skincare and makeup products that empower them to feel confident and beautiful. This operation was finalised on August 31st, 2016. This acquisition has been fully consolidated since August 31st, 2016.

The cost of these acquisitions represents €1,238.6 million. The total amount of goodwill and other intangible assets resulting from these acquisitions has been provisionally estimated respectively at €929.3 million and €286.1 million. These acquisitions represent around €224.5 million in 2016 full-year net sales and €51.5 million 2016 full-year operating profit.

2.2. Situation in Venezuela

Our subsidiaries in Venezuela were deconsolidated at December 31st, 2015 for the following reasons:

- an increasingly difficult economic situation in the country;
- constraints imposed by the government restricting our operations and limiting our scope for taking and implementing operational decisions;
- currency fluctuations making the operations of our subsidiaries no longer material.

The deconsolidation of our Venezuelan subsidiaries is reflected by a negative €107.2 million impact shown in *Other non-recurring income and expenses* in our 2015 consolidated financial statements.

The situation did not improve in the first-half 2017 and our Venezuelan subsidiaries are currently accounted for using the cost model in 2017.

NOTE 3 Discontinued operations and Assets and liabilities held for sale

On June 9th, 2017, L'Oréal announced, following an extensive review of the strategic options for The Body Shop to ensure its best future development, having received a firm offer from Natura Cosméticos SA to acquire The Body Shop and has entered into exclusive discussions with Natura. The sale contract to Natura Cosméticos SA was signed on June 27th, 2017.

The proposed sale is subject to clearance by anti-trust authorities notably in Brazil and in the United States, and expected to close during the second-half of 2017.

To simplify, The Body Shop business is accounted for as a Business held for sale as from June 30th, 2017.

Consequently, The Body Shop business is shown within discontinued operations in the consolidated income statements and in the consolidated statements of cash flows for all periods presented. Transactions carried out between The Body Shop group companies and other consolidated companies have been eliminated. At December 31st, 2016, The Body Shop was financed by Group cash for an amount of €53.3 million. Other intragroup transactions are not material.

The Body Shop's consolidated assets and liabilities at June 30th, 2017 are shown within *Assets held for sale* or *Liabilities relating to assets held for sale* in the consolidated balance sheet.

The notes to the income statements have been adjusted for The Body Shop business for all periods presented.

3.1. Income statements of discontinued operations

€ millions	**1st half 2017**	1st half 2016	2016
Net sales	394.6	398.6	920.8
Operating profit	-21.0	-21.2	35.6
Net profit of discontinued operations (1)	-29.1	-21.4	25.3

(1) including €15.9 million in respect of income in first-half 2017. The effective sale of the business will automatically result in an additional foreign exchange loss of €211.9 million.

3.2. Assets and liabilities held for sale

€ millions	**06.30.2017**
Non-current assets	1,038.4
Current assets	238.8
TOTAL ASSETS	**1,277.2**
Non-current liabilities	100.2
Current liabilities	145.2
TOTAL LIABILITIES	**245.4**

3.3. Statements of cash flows of discontinued operations

€ millions	**1st half 2017**	1st half 2016	2016
Net cash provided by operating activities	-24.9	-38.2	43.9
Net cash (used in) from investing activities	-18.4	-22.5	-51.8
Net cash (used in) from financing activities	35.2	44.3	-3.5
NET CASH (USED IN) FROM DISCONTINUED OPERATIONS	**-8.0**	**-16.5**	**-11.4**

NOTE 4 Operating items – Segment information

4.1. Segment information

4.1.1. Segment information

The operational Divisions are organised into four sectors, each operating with specific distribution channels:

- Professional Products Division: products used and sold in hair salons and beauty institutes;
- Consumer Products Division: products sold in mass-market retail channels;
- L'Oréal Luxe Division: products sold in selective retail outlets, i.e. department stores, perfumeries, travel retail, the Group's own boutiques and certain online sites;
- Active Cosmetics Division: dermocosmetics products sold through all health channels such as pharmacies, parapharmacies, drugstores and medispas.

The non-allocated item includes expenses incurred by the Functional Divisions, fundamental research and the costs of stock options not allocated to the operational Divisions. It also includes activities that are auxiliary to the Group's core businesses, such as insurance, reinsurance and banking.

The Body Shop business is classified within *Discontinued operations* (note 3); figures for first-half and full-year 2016 have been adjusted accordingly.

As of July 1st, 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.

Data by operational Division are prepared using the same accounting principles as those used for the preparation of the consolidated financial statements.

The performance of each operational Division is measured on the basis of operating profit.

4.1.1.1 Sales of operational Divisions

€ millions	**1st half 2017**	1st half 2016 (1)	2016 (1)
Professional Products	1,739.3	1,724.4	3,399.7
Consumer Products	6,389.3	6,154.9	11,993.4
L'Oréal Luxe	4,148.5	3,595.3	7,662.4
Active Cosmetics	1,134.9	1,021.4	1,860.7
GROUP	**13,411.9**	**12,496.0**	**24,916.3**

(1) Sales for first-half and full-year 2016 is shown in order to reflect the impact of discontinued operations (see note 3).

4.1.1.2 Operating profit of operational Divisions

€ millions	1st half 2017	1st half 2016 (1)	2016 (1)
Professional Products	319.9	338.2	688.6
Consumer Products	1,267.5	1,306.8	2,417.1
L'Oréal Luxe	970.2	767.3	1,622.8
Active Cosmetics	303.5	283.3	431.5
Operational Divisions Total	**2,861.1**	**2,695.5**	**5,160.0**
Non-allocated	-330.7	-309.9	-653.9
GROUP	**2,530.4**	**2,385.7**	**4,506.1**

(1) Operating profit for first-half and full-year 2016 is shown in order to reflect the impact of discontinued operations (see note 3).

4.1.2. Information by geographic zone

All information is presented on the basis of geographic location of the subsidiaries.

4.1.2.1. Consolidated net sales by geographic zone

	1st half 2017		Growth *(%)*		1st half 2016 (1) (2)		2016 (1)	
	€ millions	% of total	Published data	Excluding exchange effect	€ millions	% of total	€ millions	% of total
Western Europe	4,202.8	31.3%	1.6%	3.0%	4,134.6	33.1%	8,008.0	32.1%
of which France	1,316.5	9.8%	-	-	1,316.1	10.5%	2,467.4	9.9%
North America	3,824.8	28.5%	10.5%	7.3%	3,460.0	27.7%	7,098.8	28.5%
New Markets	5,384.4	40.1%	9.9%	5.8%	4,901.4	39.2%	9,809.5	39.4%
Asia, Pacific	3,135.4	23.4%	9.4%	7.6%	2,865.5	22.9%	5,635.4	22.6%
Latin America	985.1	7.3%	14.1%	5.6%	863.3	6.9%	1,838.0	7.4%
Eastern Europe	908.5	6.8%	17.4%	9.3%	773.7	6.2%	1,571.5	6.3%
Africa, Middle East	355.4	2.6%	-10.9%	-13.2%	398.8	3.2%	764.5	3.1%
GROUP	**13,411.9**	**100.0%**	**7.3%**	**5.3%**	**12,496.0**	**100.0%**	**24,916.3**	**100.0%**

(1) Sales for first-half and full-year 2016 is shown in order to reflect the impact of discontinued operations (see note 3).

(2) As of July 1st, 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.

4.2. Depreciation and amortisation expense and Property, plant and equipment

4.2.1. Depreciation and amortisation expense

Depreciation and amortisation of property, plant and equipment and intangible assets included in operating expenses amount to €537.3 million (€515.3 million excluding The Body Shop) for first-half 2017 compared with €480.6 million (€460.0 million, excluding The Body Shop) and €1,028.4 million (€985.3 million, excluding The Body Shop) respectively for first-half 2016 and year 2016.

4.2.2. Property, plant and equipment

Investments for the first-half 2017 amount to €517.6 million (€501.6 million excluding The Body Shop) compared with €508.5 million (€489.3 million, excluding The Body Shop) and €1,196.0 million (€1,157.3 million, excluding The Body Shop) respectively for first-half 2016 and year 2016.

The depreciation and provisions for the first-half 2017 amount to €441.5 million (€424.6 million, excluding The Body Shop) compared with €394.7 million (€379.3 million, excluding The Body Shop) and €846.8 million (€813.4 million, excluding The Body Shop) respectively for first-half 2016 and year 2016.

NOTE 5 Other operational income and expenses

This item breaks down as follows:

€ millions	1st half 2017	1st half 2016	2016
Capital gains and losses on disposals of property, plant and equipment and intangible assets (1)	0.8	-1.3	16.2
Impairment of property, plant and equipment and intangible assets (2)	-	-446.8	-447.2
Restructuring costs (3)	-80.7	-74.9	-99.3
Other (4)	-16.3	1.0	-11.0
TOTAL	**-96.2**	**-522.0**	**-541.3**

(1) Including:

- *in 2016, €17.7 million in capital gains on sales of buildings in the Paris region in connection with the geographical concentration of business operations in France.*

(2) Including:

- *in first-half 2016, the Magic brand and goodwill for €49.3 million (€37.0 million after tax) and €163.8 million respectively, as well as Clarisonic goodwill for €233.7 million (see note 7);*
- *in 2016, the Magic brand and goodwill (€49.0 million (€36.7 million after tax) and €162.7 million respectively), as well as Clarisonic goodwill (€235.5 million) (note 7).*

(3) Including:

- *in first-half 2017, the repositioning of Clarisonic's distribution operations for €10.4 million, the discontinuance of various Selective Division brands in countries where they have a dilutive impact for €28.6 million, the reorganisation of operations in Brazil in line with the tough economic environment for €6.4 million, the reorganisation of IT structures in Europe for €6.4 million along with various downsizing projects affecting sales teams and operating structures in Germany and Belgium for €15.4 million, ongoing restructuring of the operations of the Consumer Products Division in China for €8.3 million, and the ongoing reorganisation of the French Commercial Entities of the four divisions for €5.5 million;*
- *in first-half 2016, the combination of the French commercial entities of the four divisions at a single site for €27.0 million, the grouping together of Operations and Research and Innovation at a single site for €3.9 million, the reorganisation of the Professional Products Division in Germany for €8.7 million, the discontinuation of the Matrix brand in Brazil for €4.4 million, the ongoing reorganisation of the distribution operations of NYX Professional Makeup for €3.8 million, the merger of Magic's support functions with those of L'Oréal China and the reorganisation of the distribution operations of Magic for €27.3 million;*
- *in 2016, the geographical concentration of the French commercial entities of the four Divisions at a single site and the associated reorganisation (€45.4 million), uniting of Operations and Research & Innovation at a single site (€3.5 million), the rescaling of subsidiaries in Germany and Switzerland (€12.1 million), the discontinuance of the Matrix brand in Brazil (€4.3 million), the ongoing reorganisation of NYX Professional Makeup distribution activities (€3.8 million), the integration of Magic's corporate support functions with those of L'Oréal China, the reorganisation of Magic distribution activities (€27.2 million), and the streamlining of production of Clarisonic products (€5.2 million).*

(4) Including:

- *in first-half 2017, acquisition-related costs of €15.1 million;*
- *in first-half 2016, reversals of provisions for contingencies recognised in the opening balance sheet of Magic and Niely at the time of the acquisition in an amount of €3.2 million, offset by acquisition-related costs of €1.8 million;*
- *in 2016, reversals of provisions for contingencies recognised in the opening balance sheet of NYX Professional Makeup, Magic and Niely at the time of the acquisition (€6.9 million), offset by acquisition-related costs (€20.3 million).*

NOTE 6 Employee benefits - Free shares

6.1. Employee benefits - Actuarial gains and losses

a) At June 30th, 2017

The rise of around 25 basis points since December 31st, 2016 in the benchmark EUR interest rates used to determine the present value of the Group's pension obligations led to a decrease in the provision for employee retirement obligations together with an increase in the value of plan assets. The net impact on the pension provision is a decrease of €139.6 million.

After recognition of a deferred tax liability for €40.4 million, the net effect after tax on actuarial gains and losses is €99.2 million.

b) At June 30th, 2016

The fall of around 100 basis points since December 31st, 2015 in the benchmark EUR interest rates used to determine the present value of the Group's pension obligations led to an increase in the provision for employee retirement obligations together with a decrease in the value of plan assets. The net impact on the pension provision is an increase of €441.1 million.

The fall of around 75 basis points since December 31st, 2015 in the benchmark GBP interest rates used to determine the present value of the Group's pension obligations led to an increase in the provision for employee retirement obligations together with a decrease in the value of plan assets. The net impact on the pension provision is an increase of €73.0 million.

The fall of around 75 basis points since December 31st, 2015 in the benchmark USD interest rates is not deemed to have a significant impact on the provision for employee retirement obligations (€20.2 million before the tax effect) and accordingly, was not accounted for at June 30th, 2016.

After recognition of a deferred tax asset for €164.1 million, the net effect after tax on actuarial gains and losses is €350.0 million.

6.2. Free shares

On April 20th, 2017, the Board of Directors decided to conditionally grant 906,000 free shares.

a) Vesting conditions

For the conditional grant of shares, the plan provides for a 4-year vesting period after which vesting is effective and final, subject to meeting the conditions of the plan.

The performance conditions, under the April 20th, 2017 plan, concern:

- for 50% of shares granted, the increase in comparable Cosmetic revenues for the 2018, 2019 and 2020 fiscal years in relation to the growth in revenues for a panel of competitors;
- for 50% of shares granted, the increase over the same period in Group consolidated operating profit.

The calculation will be based on the arithmetic average of the performance in the 2018, 2019 and 2020 fiscal years and will use a predefined allocation scale based on the performance percentage achieved. No performance condition applies below a block of 200 shares.

A total of 936,300 shares, 1,230,850 shares and 986,220 shares were definitively granted, respectively, on April 23rd, 2015 under the April 22nd, 2011 plan, on April 18th, 2016 under the April 17th, 2012 plan and on April 27th, 2017 under the April 26th, 2013 plan.

At June 30th, 2017, the performance conditions were deemed to have been met.

b) Fair value of free shares granted

The fair value corresponds to the value of the share at the grant date, less dividends expected to be paid during the vesting period.

On the basis of these assumptions, the fair values amount to €166.90 compared to a share price of €181.75.

NOTE 7 Intangible assets

No impairment losses were recognised as a result of the impairment tests performed of the two cash-generating units Clarisonic and Magic at June 30th, 2017.

The €271.9 million increase in "Goodwill" primarily reflects changes in the scope of consolidation and acquisitions carried out in the first half for €1,016.1 million, partially offset by the reclassification of the full amount of The Body Shop goodwill within *Assets held for sale* for €385.8 million, along with the negative foreign exchange impact amounting to €364.0 million.

The €485.0 million decrease in "Other intangible assets" essentially reflects the negative foreign exchange impact for €147.8 million, the reclassification of The Body Shop's intangible assets within *Assets held for sale* at June 30th, 2017 for €527.6 million, amortisation charged in the period for €95.9 million, partly offset by acquisitions in the period representing €94.9 million and the impact of changes in the scope of consolidation representing €200.9 million.

NOTE 8 Financial assets and liabilities – Cost of debt

8.1. Borrowings and debt

The Group takes out bank loans to cover its medium-term financing needs and issues short-term marketable instruments in France and commercial paper in the US to cover its financing needs in the short term. None of these borrowings are subject to an early repayment clause linked to compliance with financial ratios (covenants).

8.1.1. Debt by type

	06.30.2017		06.30.2016		12.31.2016	
€ millions	Non-current	Current	Non-current	Current	Non-current	Current
Short-term marketable instruments	-	2,879.5	-	1,339.4	-	979.8
MLT bank loans	0.6	1.2	2.7	0.2	1.3	2.7
Debt on capital lease contracts	5.3	3.0	21.1	5.6	20.3	4.3
Overdrafts	-	81.9	-	97.0	-	36.7
Other borrowings and debt	8.6	197.8	8.5	210.5	9.3	210.2
TOTAL	**14.5**	**3,163.5**	**32.3**	**1,652.7**	**30.9**	**1,233.7**

8.1.2. Debt by maturity date

€ millions	06.30.2017	06.30.2016	12.31.2016
Under 1 year (1)	3,163.5	1,652.7	1,233.7
1 to 5 years	5.3	17.9	12.1
Over 5 years	9.2	14.3	18.8
TOTAL	**3,178.0**	**1,684.9**	**1,264.6**

(1) At June 30th, 2017, the Group had confirmed undrawn credit lines for €3,693.9 million compared with €3,705.3 million at June 30th, 2016 and €3,726.6 million at December 31st, 2016. These lines were not subject to any covenants.

8.1.3. Debt by currency

€ millions	06.30.2017	06.30.2016	12.31.2016
Euro (EUR)	1,538.8	781.4	21.8
US Dollar (USD)	1,389.2	628.7	989.1
Brazilian Real (BRL)	46.0	71.3	93.9
Chilean Peso (CLP)	39.9	-	10.7
Colombian Peso (COP)	24.3	-	14.6
Chinese Yuan Renminbi (CNY)	23.0	38.8	46.8
Indonesian Rupiah (IDR)	19.7	24.9	21.7
Turkish Lira (TRY)	19.1	24.4	-
Argentine Peso (ARS)	16.9	-	-
Egyptian Pound (EGP)	11.1	23.3	11.9
Other	50.0	92.2	54.1
TOTAL	**3,178.0**	**1,684.9**	**1,264.6**

8.1.4. Breakdown of fixed rate and floating rate debt (after allowing for interest rate hedging instruments)

€ millions	06.30.2017	06.30.2016	12.31.2016
Floating rate	3,119.5	1,639.6	1,202.6
Fixed rate	58.4	45.3	62.1
TOTAL	**3,178.0**	**1,684.9**	**1,264.6**

8.1.5. Effective interest rates

Effective interest rates on Group debt after allowing for hedging instruments are 0.33% at June 30th, 2017 compared with 0.00% at June 30th, 2016 and 0.07 % at December 31st, 2016 for short-term marketable instruments.

Bank loans amounted to €1.8 million at June 30th, 2017 compared with €2.9 million at June 30th, 2016 and €4.0 million at December 31st, 2016.

8.1.6. Average debt interest rates

Average debt interest rates after allowing for hedging instruments break down as follows:

	06.30.2017	06.30.2016	12.31.2016
Euro (EUR) (1)	-0.42%	-0.30%	-0.33%
US Dollar (USD)	0.85%	0.38%	0.48%

(1) The fall in euro interest rates is now reflected by drawdowns of short-term marketable instruments with negative interest rates.

8.1.7. Fair value of borrowings and debt

The fair value of fixed-rate debt is determined for each loan by discounting future cash flows, based on bond yield curves at the balance sheet date, after allowing for the spread corresponding to the Group's risk rating.

The net carrying amount of outstanding bank loans and other floating-rate loans is a reasonable approximation of their fair value.

The fair value of borrowings and debt amounted to €3,178.5 million at June 30th, 2017 compared with €1,685.7 million at June 30th, 2016 and €1,265.3 million at December 31st, 2016.

8.2. Cash and cash equivalents

	06.30.2017		06.30.2016		12.31.2016	
€ millions	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost
Marketable securities	515.7	515.7	354.8	354.8	758.4	758.5
Bank accounts and other cash and cash equivalents	1,170.4	1,170.4	986.3	986.3	987.6	987.6
TOTAL	**1,686.0**	**1,686.0**	**1,341.1**	**1,341.1**	**1,746.0**	**1,746.1**

Marketable securities consist mainly of SICAV money-market funds and unit trusts (on which the return is based on EONIA). Marketable securities are considered as *Financial assets available-for-sale*.

There is no unrealised loss at June 30th, 2017.

Term accounts with a maturity of less than 3 months at inception are shown on the *Bank accounts and other cash and cash equivalents* line.

8.3. Non-current financial assets

	06.30.2017		06.30.2016		12.31.2016	
€ millions	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost
Financial assets available-for-sale						
• Sanofi (1)	9,902.7	4,033.5	8,857.6	4,033.5	9,091.7	4,033.5
• Unlisted securities (2)	19.8	114.7	16.0	110.9	17.5	112.5
Financial assets at amortised cost						
• Non-current loans and receivables (3)	205.8	209.2	151.0	154.7	197.3	200.8
TOTAL	**10,128.4**	**4,357.4**	**9,024.5**	**4,299.1**	**9,306.5**	**4,346.8**

(1) L'Oréal's stake in Sanofi was 9.38 % at June 30th, 2017.
The carrying amount at June 30th, 2017, June 30th, 2016 and December 31st, 2016, (€9,902.7 million, €8,857.6 million and €9,091.7 million, respectively) corresponds to the market value of the shares based on the closing price at each of these dates (€83.76, €74.92 and €76.90, respectively). The acquisition cost of €4,033.5 million corresponds to an entry cost of €34.12.
(2) As the fair value of unlisted securities cannot be reliably determined, they are stated at cost less any impairment losses.
(3) Deposits relating to the IPI dispute in Brazil amount to €112.6 million (note 11.2.1.b).

NOTE 9 Derivatives and exposure to market risks

To manage its exposure to currency and interest rate risks arising in the course of its normal operations, the Group uses derivatives negotiated with counterparties rated investment grade.

In accordance with Group rules, currency and interest rate derivatives are set up exclusively for hedging purposes.

9.1. Hedging of currency risk

The Group is exposed to currency risk on commercial transactions recorded on the balance sheet and on highly probable future transactions

Based on information supplied by the subsidiaries, future operating transactions are covered by exchange rate hedges, either by options, or by purchases or sales of forward contracts

At June 30th, 2017, the change in the mark to market value of the hedging instruments allocated to future transactions and deferred through equity amounts to +€107.9 million, compared with +€51.9 million and +€24.7 million respectively at June 30th, 2016 and December 31st, 2016.

9.2. Foreign exchange gains and losses

Foreign exchange gains and losses break down as follows:

€ millions	**1st half 2017**	1st half 2016	2016
Time value	-28.0	-3.4	-44.8
Other foreign exchange gains and losses	-24.0	42.2	87.1
TOTAL	**-52.0**	**38.8**	**42.3**

Foreign currency transactions are translated at the spot rate at the transaction date.

Assets and liabilities denominated in foreign currencies have been translated using the exchange rates effective at the closing date. Foreign exchange gains and losses also include the following items relating to derivative instruments:

- changes in market value linked to variations in the time value ;
- changes in market value linked to variations in the spot rate between the inception of the hedge and the date on which the hedged transactions are completed;
- residual ineffectiveness linked to excess hedges and recognised directly in the income statement under other foreign exchange gains and losses for a negative €2.4 million for the first-half 2017, a positive €7.2 million for the first-half 2016 and a negative €10.9 million for the year 2016.

These amounts are allocated to the appropriate operating expense items as follows:

€ millions	**1st half 2017**	1st half 2016	2016
Cost of sales	-46.5	30.3	28.2
Research and development	6.4	0.7	6.9
Advertising and promotion	-7.6	5.0	4.6
Selling, general and administrative expenses	-4.3	2.7	2.6
FOREIGN EXCHANGE GAINS AND LOSSES	**-52.0**	**38.8**	**42.3**

9.3. Hedging of interest rate risk

The Group did not have any interest rate hedging instruments at June 30th, 2017, June 30th, 2016 and December 31st, 2016.

9.4. Shareholding risk

No cash has been invested in shares.

Available cash is invested with top-ranking financial institutions in the form of non-speculative instruments which can be drawn in very short periods. At June 30th, 2017, marketable securities consist mainly of unit trusts (note 8.2.).

At June 30th, 2017, the Group holds 118,227,307 Sanofi shares for an amount of €9,902.7 million (note 8.3.). A change of plus or minus 10% in the market price of these shares relative to the market price of €83.76 on June 30th, 2017 would have an impact of plus or minus €990.3 million before tax on Group equity.

If the share price were to fall significantly below €34.12 (the initial cost of the Sanofi shares), or fall below that price for a prolonged length of time, L'Oréal may have to recognise an impairment loss on its asset through profit or loss.

9.5. Fair value hierarchy

IFRS 7 as amended in 2009 requires financial assets and liabilities recognised at fair value in the balance sheet to be classified according to three levels:

- level 1: quoted prices on an active market;
- level 2: valuation techniques using observable inputs;
- level 3: valuation techniques using unobservable inputs.

The following table provides an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

€ millions **June 30th, 2017**	level 1	level 2	level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives		217.6		217.6
Sanofi shares	9,902.7			9,902.7
Marketable securities	515.7			515.7
TOTAL ASSETS AT FAIR VALUE	**10,418.4**	**217.6**	**-**	**10,636.0**
Liabilities at fair value				
Foreign exchange derivatives		183.5		183.5
TOTAL LIABILITIES AT FAIR VALUE	**-**	**183.5**	**-**	**183.5**

€ millions June 30th, 2016	level 1	level 2	level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives		232.5		232.5
Sanofi shares	8,857.6			8,857.6
Marketable securities	354.8			354.8
TOTAL ASSETS AT FAIR VALUE	**9,212.4**	**232.5**	**-**	**9,444.9**
Liabilities at fair value				
Foreign exchange derivatives		255.8		255.8
TOTAL LIABILITIES AT FAIR VALUE	**-**	**255.8**	**-**	**255.8**

€ millions December 31st, 2016	level 1	level 2	level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives		254.2		254.2
Sanofi shares	9,091.7			9,091.7
Marketable securities	758.5			758.5
TOTAL ASSETS AT FAIR VALUE	**9,850.2**	**254.2**	**-**	**10,104.4**
Liabilities at fair value				
Foreign exchange derivatives		330.4		330.4
TOTAL LIABILITIES AT FAIR VALUE	**-**	**330.4**	**-**	**330.4**

NOTE 10 Equity – Earnings per share

10.1. Share capital and additional paid in capital

Share capital consists of 559,967,260 shares with a par value of €0.20 at June 30th, 2017, compared with 560,913,540 shares at June 30th, 2016 and 561,855,741 shares at December 31st, 2016.

10.2. Treasury stock

Shares acquired under the shareholder-approved L'Oréal share buyback programme are deducted from consolidated equity. Capital gains or losses relating to these shares are also recorded in equity net of tax.

a) 1st half 2017

The change in the number of shares for the first-half 2017 is as follows:

In shares	Share capital	Treasury stock	Common shares outstanding
AT 01.01.2017	**561,855,741**	**-1,757,345**	**560,098,396**
Shares cancelled	-2,846,604	2,846,604	
Options and free shares exercised	958,123	986,220	1,944,343
Treasury stock purchased		-2,846,604	-2,846,604
AT 06.30.2017	**559,967,260**	**-771,125**	**559,196,135**

The change in Treasury stock for the first-half 2017 is as follows:

In shares	Buyback programme	Allocated to stock options / free shares plans	**Total**	*€ millions*
AT 01.01.2017		**1,757,345**	**1,757,345**	**133.6**
Shares cancelled	-2,846,604		-2,846,604	-499.4
Options and free shares exercised		-986,220	-986,220	-77.2
Treasury stock purchased	2,846,604		2,846,604	499.4
AT 06.30.2017	**-**	**771,125**	**771,125**	**56.5**
€ millions	-	56.5	56.5	

b) Year 2016

The change in the number of shares in 2016 was as follows:

In shares	Share capital	Treasury stock	Common shares outstanding
At 01.01.2016	**562,983,348**	**-2,995,170**	**559,988,178**
Shares cancelled	-3,202,500	3,202,500	
Options and free shares exercised	2,074,893	1,237,825	3,312,718
Treasury stock purchased		-3,202,500	-3,202,500
At 12.31.2016	**561,855,741**	**-1,757,345**	**560,098,396**

The change in Treasury stock in 2016 was as follows:

In shares	Buyback programme	Allocated to stock options / free shares plans	**Total**	*€ millions*
AT 01.01.2016		**2,995,170**	**2,995,170**	**233.3**
Shares cancelled	-3,202,500		-3,202,500	-499.5
Options and free shares exercised	-	-1,237,825	-1,237,825	-99.7
Treasury stock purchased	3,202,500		3,202,500	499.5
AT 12.31.2016	**-**	**1,757,345**	**1,757,345**	**133.6**
€ millions	-	133.6	133.6	

10.3. Net profit of continuing operations attributable to owners of the company excluding non-recurring items – Earnings per share

10.3.1. Reconciliation with net profit from continuing operations

Net profit of continuing operations attributable to owners of the company excluding non-recurring items reconciles as follows with net profit of continuing operations attributable to owners of the company:

€ millions	**1st half 2017**	1st half 2016	2016
Net profit of continuing operations attributable to owners of the company	**2,066.7**	**1,500.8**	**3,080.5**
Capital gains and losses on property, plant and equipment and intangible assets	-0.8	1.3	-16.2
Impairment of property, plant and equipment and intangible assets	-	446.8	447.2
Restructuring costs	80.7	75.0	99.4
Other	16.3	-1.0	11.0
Tax effect on non-recurring items	-29.6	-28.7	-36.1
Non-controlling interests on non-recurring items	-	-0.1	-0.1
Tax effect on acquisitions	-3.3	-	5.6
Impact of the decrease in the French tax rate on deferred tax liabilities relating to the Sanofi shareholding	-	-	-24.0
3% additional levy on paid dividends (1)	55.7	52.3	52.3
Costs net of tax of the discontinuation of the Innéov operation by L'Oréal and disposal of a part of its assets	0.1	-0.1	-
NET PROFIT OF CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY EXCLUDING NON-RECURRING ITEMS	**2,185.8**	**2,046.3**	**3,619.6**

(1) The 3% additional levy on the amount of dividends paid by L'Oréal represents an additional tax payment on past profit distributions and depending on decisions made at the Annual General Meeting. So as not to distort the presentation of the Group's operational performance in the period, this surtax is recognised on the Income tax line of the income statement as a non-recurring item.

10.3.2. Earnings per share attributable to owners of the company

The tables below set out earnings per share attributable to owners of the company (excluding the dilutive impact of shares carrying preferential dividend rights):

1st half 2017	**Net profit attributable to owners of the company** *(€ millions)*	**Number of shares**	**Earnings per share attributable to owners of the company** *(€)*
Earnings per share	2,037.5	558,958,873	3.65
Stock options	-	2,018,504	-
Free shares	-	2,446,324	-
DILUTED EARNINGS PER SHARE	**2,037.5**	**563,423,701**	**3.62**

1st half 2016	Net profit attributable to owners of the company *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company *(€)*
Earnings per share	1,479.5	558,768,811	2.65
Stock options	-	2,897,010	-
Free shares	-	2,592,405	-
DILUTED EARNINGS PER SHARE	**1,479.5**	**564,258,226**	**2.62**

2016	Net profit attributable to owners of the company *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company *(€)*
Earnings per share	3,105.8	559,190,339	5.55
Stock options	-	2,677,722	-
Free shares	-	2,641,074	-
DILUTED EARNINGS PER SHARE	**3,105.8**	**564,509,135**	**5.50**

10.3.3. Earnings per share of continuing operations excluding non-recurring items

The tables below set out in detail earnings per share of continuing operations attributable to owners of the company excluding non-recurring items (excluding the dilutive impact of shares carrying preferential dividend rights):

1st half 2017	Net profit attributable to owners of the company excluding non-recurring items *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company excluding non-recurring items *(€)*
Earnings per share excluding non-recurring items	2,185.8	558,958,873	3.91
Stock options	-	2,018,504	-
Free shares	-	2,446,324	-
Diluted earnings per share excluding non-recurring items	**2,185.8**	**563,423,701**	**3.88**

1st half 2016	Net profit attributable to owners of the company excluding non-recurring items *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company excluding non-recurring items *(€)*
Earnings per share excluding non-recurring items	2,046.3	558,768,811	3.66
Stock options	-	2,897,010	-
Free shares	-	2,592,405	-
Diluted earnings per share excluding non-recurring items	**2,046.3**	**564,258,226**	**3.63**

2016	Net profit attributable to owners of the company excluding non-recurring items *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company excluding non-recurring items *(€)*
Earnings per share excluding non-recurring items	3,619.6	559,190,339	6.47
Stock options	-	2,677,722	-
Free shares	-	2,641,074	-
Diluted earnings per share excluding non-recurring items	**3,619.6**	**564,509,135**	**6.41**

10.3.4. Calculation of the number of shares

All potential ordinary shares are included in the calculation of earnings per share since all stock option plans have a dilutive impact on the periods presented.

NOTE 11 Provisions for liabilities and charges – Contingent liabilities and material ongoing disputes

11.1. Provisions for liabilities and charges

11.1.1. Closing balances

€ millions	06.30.2017	06.30.2016	12.31.2016
Non-current provisions for liabilities and charges	**367.8**	**233.8**	**333.3**
Other non-current provisions (1)	367.8	233.8	333.3
Current provisions for liabilities and charges	**816.5**	**774.1**	**810.7**
Provisions for restructuring	84.9	56.5	47.5
Provisions for product returns	319.8	321.4	323.4
Other current provisions (1)	411.9	396.2	439.8
TOTAL	**1,184.4**	**1,007.9**	**1,144.0**

(1) This item includes provisions for tax risks and litigation, industrial, environmental and commercial risks relating to operations (breach of contract), personnel-related costs and risks relating to investigations carried out by competition authorities.
The provisions relating to investigations carried out by competition authorities amount to €214.4 million at June 30th, 2017 compared with €212.4 million at June 30th, 2016 and €214.4 million at December 31st, 2016 (note 11.2.2.a and b).
The provisions relating to the dispute on IPI with the tax administration in Brazil amount to €112.8 million and €91.4 million respectively at June 30th, 2017 and December 31st, 2016 (note 11.2.1.).

11.1.2. Changes in provisions for liabilities and charges during the period

€ millions	06.30.2016	12.31.2016	Charges (2)	Reversals (used) (2)	Reversals (not used) (2)	Other (1)	06.30.2017
Provisions for restructuring	56.5	47.5	61.3	-13.6	-6.7	-3.5	84.9
Provisions for product returns	321.4	323.4	182.6	-141.4	-37.1	-7.8	319.8
Other provisions for liabilities and charges	630.0	773.1	99.0	-82.4	-19.5	9.5	779.7
TOTAL	**1,007.9**	**1,144.0**	**342.9**	**-237.4**	**-63.3**	**-1.8**	**1,184.4**

(1) Primarily concerns exchange rate fluctuations as well as €32.8 million relating to the IPI dispute with the tax authorities in Brazil (note 11.2.1.) and a negative €6.9 million relating to the reclassification of The Body Shop provisions within Liabilities related to assets held for sale.

(2) These figures can be analysed as follows:

€ millions	Charges	Reversals (used)	Reversals (not used)
Other income and expenses	61.3	-13.6	-6.7
Operating profit	267.3	-222.3	-53.8
Financial (income)/expense	-	-	-
Income tax	14.3	-1.5	-2.7

11.2. Contingent liabilities and material ongoing disputes

Besides certain disputes arising in the ordinary course of its operations and for which the provisions set aside are considered to be appropriate by the Group (note 11.1.), L'Oréal is party to several material disputes, described below:

11.2.1. Tax dispute in Brazil

a) IPI indirect tax: the basis for the tax is challenged

- In terms of taxation, in early January 2013, L'Oréal Brasil received a tax reassessment notice regarding the indirect IPI tax for fiscal year 2008. The reassessment concerned an amount of BRL. 464 million including BRL. 312 million in interest and penalties (€123 million). The Brazilian tax authorities questioned the price used to calculate the IPI tax base. After consulting its tax advisors, L'Oréal Brasil considers that the Brazilian tax authorities' position is unfounded and has challenged this notice. L'Oréal Brasil continues its legal proceedings with the legal authorities and no provision has therefore been recognised in this respect.
- In December 2015, L'Oréal Brasil received a further tax reassessment notice concerning the indirect IPI tax for 2011 for BRL. 633 million including BRL. 382 million in interest and penalties (€167 million), based on the same grounds as those set forth in the 2008 reassessment. L'Oréal has challenged this notice and is pursuing its legal proceedings with the administrative courts. No provision has therefore been recognised in this respect.

- In January 2017, L'Oréal Brazil received a further tax reassessment notice for BRL. 620 million including BRL. 353 million in interest and penalties (€164 million) regarding the indirect IPI tax for fiscal year 2012. The reassessment was based on the same arguments as the notice for fiscal years 2008 and 2011. L'Oréal is challenging this notice with the administrative courts and has not set aside any provision in this respect.

b) IPI indirect tax: extension of the IPI tax to cover certain products

- In January 2015, decree 8.393/2015 stated that commercial companies in Brazil would be liable for the indirect IPI tax on certain products as from May 1st, 2015. L'Oréal refutes the legal basis of this decree and has challenged its application.

  Pending the court rulings, the IPI tax is included on L'Oréal's invoices and the Company collects the corresponding amounts which are invested in term deposits with a leading bank. The amounts collected are shown in *Provisions for liabilities and charges* within liabilities (note 11.1.1.) while the deposits are booked symmetrically in *Non-current financial assets* (note 8.3). Interest recognised on the IPI liability (based on the SELIC rate) and income on the amounts invested are carried in *Other financial income and expenses*.

11.2.2. Investigations carried out by the competition authorities

The national competition authorities in several European countries have launched investigations targeting the cosmetics industry in particular.

a) Europe (excluding France)

The proceedings are at different stages:

- in Spain, the decision in first instance was appealed against before the Court of Cassation and subsequently the Constitutional Court. In October 2016, the Constitutional Court dismissed the appeal lodged by L'Oréal España claiming breach of the fundamental rights of the defence. The Court of Cassation's ruling is therefore final and binding. The competition authority is to recalculate the fine in light of the criteria adopted by the Court of Cassation; however, it cannot exceed the amount initially set by the competition authority. The Group maintains its provision for the full amount of the fine initially notified;
- in Greece, the Greek competition authority initiated proceedings against several manufacturers of luxury cosmetics, including L'Oréal Hellas, and a statement of objections was served on this company on July 13th, 2016 for alleged anti-competitive practices. The hearings were held at the end of 2016 and L'Oréal Hellas refuted all accusations of anti-competitive practices. The competition authority had not yet decided on the case at June 30th, 2017.

b) France

In France, the decision in first instance was handed down by the French competition authority on December 18th, 2014 in the household and personal care sector concerning events that took place in the early 2000s. L'Oréal S.A. was ordered to pay a fine of €189.5 million.

On October 27th, 2016, the Paris Court of Appeal upheld this first instance decision.

L'Oréal refutes all accusations of concerted practices with its competitors and regrets that the French competition authority did not take into account the highly competitive French market in household and personal care products as illustrated by the number of manufacturers and retailers present on the market, the large choice of products available to consumers, and the high degree of innovation and number of product launches.

L'Oréal has filed an appeal on a point of law. No ruling from the Court of Cassation had been handed down at June 30th, 2017.

It should be noted that since the appeal and appeal in cassation do not entail a stay in the judgment, the fine provisioned at the end of 2014 was paid on April 28th, 2015.

At June 30th, 2017, the provision was maintained in liabilities and the payment recognised in *Other current assets*.

A provision has been set aside for all disputes still in progress at June 30th, 2017 amounting to €214.4 million compared with €212.4 million at June 30th, 2016 and €214.4 million at December 31st, 2016.

At the present time, no other exceptional events or disputes are highly likely to have a material impact on the earnings, financial position, assets, or operations of the Company or the L'Oréal Group.

NOTE 12 Subsequent events

No significant events occurred between the balance sheet date and the date when the Board of Directors authorised the condensed half-year consolidated financial statements for issue.

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Statutory Auditors' Review Report on the 2017 Half-year Financial Information

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the L'Oréal Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Annual General Meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code ("Code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of L'Oréal, for the six months ended June 30, 2017 ;
- the verification of the information contained in the half-year management report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I. CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our review in accordance with professional standards applicable in France. A review of half-year financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

II. SPECIFIC VERIFICATION

We have also verified the information given in the half-year management report on the condensed half-year consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Neuilly-sur-Seine, July 28th, 2017

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit
Gérard Morin

Deloitte & Associés
Frédéric Moulin

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Declaration by the person responsible for the 2017 Half-year Financial Report

I declare that, to the best of my knowledge, the summary consolidated financial statements for the ending semester have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and profit and loss of the Company and all the other companies included in the scope of consolidation, and that this Half-year Activity Report includes a fair review of the important events which occurred during the first six months of the year, their impact on the half-year financial statements and the main transactions between related parties, together with a description of the principal risks and uncertainties that they face in the remaining six months of the year.

Clichy, 28 July 2017,

On the authority of the Chairman and Executive Officer

Christian Mulliez

Executive Vice-President, Administration and Finance

L'ORÉAL

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