

L'ORÉAL
FINANCE

The letter

TO SHAREHOLDERS

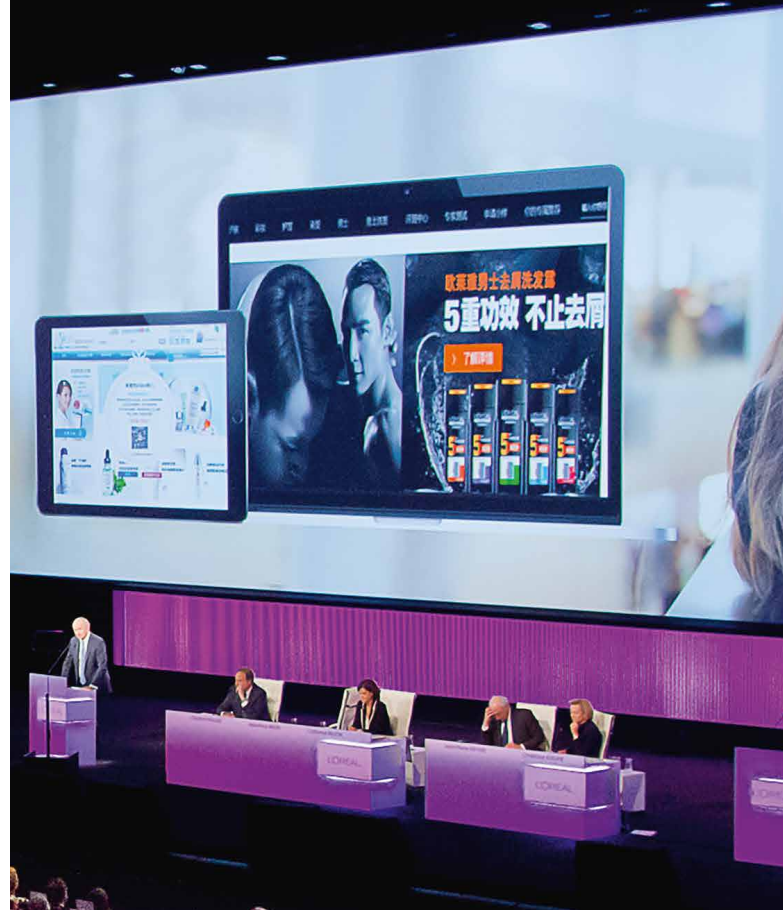
No. 65 - SUMMER 2016

2016 ANNUAL GENERAL MEETING
SPECIAL EDITION

HIGHLIGHTS / p.02

*EXCERPTS FROM
THE ADDRESSES* / p.04

*Read the questions raised by shareholders
at the AGM and view the dates of upcoming
shareholder meetings / p.06 to 08*




Webcast: watch
the highlights on
LOREAL-FINANCE.COM

L'ORÉAL

Addresses

JEAN-PAUL AGON
Chairman and Chief Executive Officer of L'Oréal

EXCERPTS

 Despite a slowdown in global growth and greater international volatility, especially in some emerging countries, your group's performance in 2015 was solid. We have strengthened our positions in three of our four Divisions and have continued to expand on all continents.

“THE 2015 PERFORMANCES CONFIRM YOUR GROUP'S EXCELLENT ECONOMIC HEALTH”

From a strategic viewpoint, 2015 was a year of acceleration for our transformation into the New L'Oréal. In the beauty industry, everything is being transformed at lightning speed. We are working hard to transform your group and make sure it is perfectly adapted to the world that is now emerging.

In the digital field, our progress in 2015 was swift and substantial: we posted 1.3 billion euros in e-commerce sales⁽¹⁾ and 25% of our media expenditure is now on digital. Digital is opening up extraordinary new horizons in direct and personalised relationships with consumers. The UV patch from LA ROCHE-POSAY, a small electronic sensor which provides sun protection recommendations, is one of the first illustrations of connected beauty.

In the field of sustainable development, Alexandra Palt, Chief Sustainability Officer, has presented our key ambitions and our advances in 2015 (see page 5). We are also convinced that ethics plays a crucial part in sustainability, and is at the same time a decisive competitive advantage for pioneering companies in this field. Thanks to the determined efforts of all our teams, L'Oréal is gaining ever wider recognition for its impact on society and the environment. I am convinced that it is our responsibility to show the way forward in ethical, social and environmental matters.”

CONTINUE READING
JEAN-PAUL AGON'S
ADDRESS
P.04



Watch the UV patch video on
LOREAL-FINANCE.COM

(1) Sales achieved on the brands' own websites and estimated sales achieved by the brands corresponding to sales through retailers' websites (non-audited data).

Highlights

HIGH SHAREHOLDER PARTICIPATION



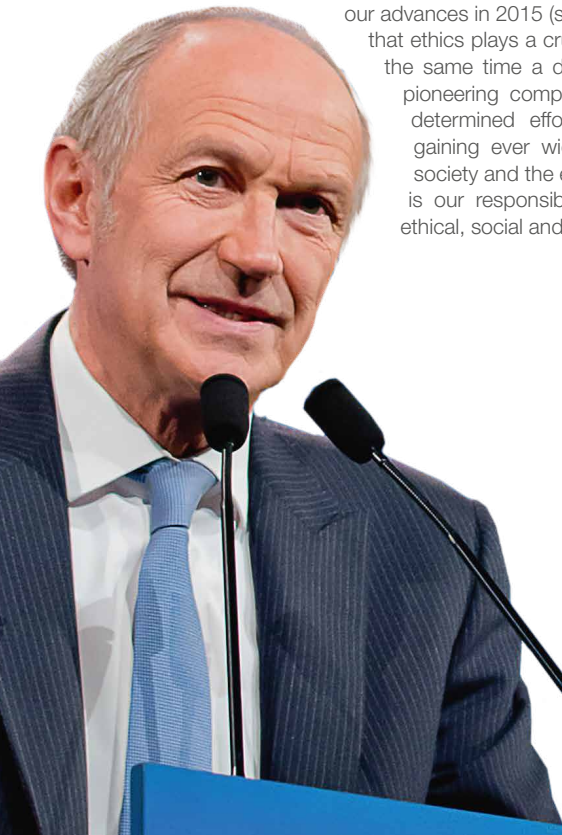
More than 1,800 shareholders attended the L'Oréal Annual General Meeting, which was held on April 20th, 2016 at the *Palais des Congrès* in Paris. High participation, increasing each year, demonstrates L'Oréal shareholders' interest in their group and their eagerness to be true stakeholders. All in all, more than 14,000 shareholders, present or represented, took part in the vote, accounting for 80.22% of the company's share capital. All the resolutions were adopted by a very large majority, more than 86% (see opposite for details of the votes by resolution), reflecting shared confidence in the strategy and the future of L'Oréal. ♦



46%

is the share of
women on the Board
of Directors⁽¹⁾

(1) At the end of the AGM of April 20th, 2016.



First quarter
2016
sales

€6.55 Bn

“Growth at end of March turned out solid. All Divisions and all geographic Zones posted growth, with an acceleration of the Consumer Products Division at +3.9% like-for-like.”

CHRISTIAN MULLIEZ
*Executive
Vice-President
Chief Financial Officer*



+14.8%

Dividend increase at €3.10,
i.e. €3.41 for shares held
in registered form ⁽¹⁾

(1) For shares continuously held in registered form for a minimum of two full calendar years, up to a maximum of 0.5% of the capital for the same shareholder.

The structure of the remuneration of the Chairman and Chief Executive Officer, as well as the evaluation criteria regarding the variable part, were presented by Mr Bernard Kasriel, Chairman of the Human Relations and Remuneration Committee. You can read all the details in the 2015 Registration Document, chapter 2, pages 88 to 100. ♦

APPOINTMENTS OF TWO NEW DIRECTORS



BÉATRICE GUILLAUME-GRABISCH

Mrs Guillaume-Grabisch has more than 30 years of experience in marketing and sales in the consumer goods sector. Since July 2015, she has been the General Manager of Nestlé Germany.



EILEEN NAUGHTON

After a career in media and digital with the Time Warner group, Mrs Eileen Naughton joined the Google group in 2006, where she is currently Vice-President and Managing Director, UK & Ireland.

ALL RESOLUTIONS ADOPTED BY A VERY LARGE MAJORITY

Approval of the parent company financial statements (99.52%) and the consolidated financial statements for 2015 (99.53%).

Allocation of the company's net income for 2015 and declaration of the dividend at €3.10 per share (98.81%).

Approval of the agreement between L'Oréal and Nestlé concerning the end of the Innéov joint venture (96.91%).

Appointments of Mrs Béatrice Guillaume-Grabisch (97.41%) and Mrs Eileen Naughton (99.62%) as Directors.

Renewal of the tenures as Directors of Mr Jean-Pierre Meyers (97.47%), Mr Bernard Kasriel (98.49%) and Mr Jean-Victor Meyers (98.32%).

Renewal of the term of office of PricewaterhouseCoopers Audit (99.40%) and Deloitte & Associés (99.47%) as principal Statutory Auditors and appointment of their substitutes.

Advisory vote by the shareholders on the components of remuneration due or allocated to the Chairman and CEO in respect of the 2015 financial year (96.07%).

Authorisation for the Company to buy back its own shares (99.88%).

Authorisation given to the Board of Directors to reduce the capital by cancelling shares purchased by the Company under Articles L. 225-209 and L. 225-208 of the French Commercial Code (99.80%).

Authorisation given to the Board of Directors to make free grants to employees and executive officers of existing shares and/or of shares to be issued entailing waiver by the shareholders of their preferential subscription right (90.98%).

Delegation of authority given to the Board for the purpose of carrying out a capital increase reserved for employees with cancellation of the shareholders' preferential subscription right (99.51%).



L'ORÉAL IS A SOLID VALUE, A COMPANY THAT DELIVERS ALL THE CONDITIONS FOR SOLIDITY, VISIBILITY, CONTINUITY AND SUSTAINABILITY”

JEAN-PAUL AGON

Chairman and Chief Executive Officer



THE LETTER | 04



“In a world that is becoming increasingly volatile, uncertain, complex and ambiguous, L'Oréal is a solid value. Our vision is based on a clear strategic project, centred on our mission – Beauty for All, and our strategy – Universalisation. We can rely on solid fundamentals, our brand portfolio and our essential commitment to research, innovation and quality, which has always been one of the keys to our success. Sustained growth in sales and profits, year after year, is also underpinned by a solid and balanced business model. This sustainability also stems from our outstanding agility: our strategy is centralised but our organisation is operationally decentralised. It is thanks to you, our loyal and committed shareholders, and your support, that we can ensure that L'Oréal's success is sustainable. We look on you as long-term partners and that is why we are firmly attached to the relationship that unites us.

We are committed to exemplary governance, which we consider to be a source of value, and we are determined to continue on this path of transparency and trust.

As for 2016, we are tackling it with confidence and determination, and we are confirming our ambition of accelerating our growth. In the long term, we are more optimistic than ever about our ability to strengthen our leadership. We are convinced that the beauty market will remain dynamic over the coming years, driven as it is by the aspirations of billions of men and women all over the world.

Beauty is a tremendous market for the future, but that is not all. Beauty also helps to make life more beautiful. It is what unites and motivates L'Oréal's employees. It is the reason behind our passion, which drives us to innovate and go the extra mile to meet beauty desires around the world. That is our job: to let beauty express itself, to help each woman and each man assert themselves and find more beauty in their lives and in the world.

I would like to thank you, dear shareholders, for supporting us in this remarkable and noble mission.” ♦

BEAUTY IS AN ESSENTIAL NEED

“It provides a sense of well-being, but also confidence. We see this in the programmes of the Foundation: beauty can help people to live better and find their place in society. Beauty is a positive state of mind that encourages us to get involved and open up to others.”



Watch the video on
LOREAL-FINANCE.COM



**SUSTAINABLE
DEVELOPMENT IS ALSO
A SOURCE
OF ECONOMIC
EFFICIENCY
AND INNOVATION”**

ALEXANDRA PALT
Chief Sustainability Officer

ULTRA DOUX DELICATE OAT BY GARNIER
A FORMULA WITH AN IMPROVED
ENVIRONMENTAL PROFILE

“In 2015, thanks to the committed efforts of our teams, 74%⁽³⁾ of new products already demonstrated an improvement either in their formula or packaging. One example is the product handed out to shareholders present: Ultra Doux Delicate Oat shampoo. This formula is highly biodegradable and uses raw materials of renewable origin. Improving our products not only enables us to act as a responsible company, but is also a powerful source of innovation.”



(1) In the plants and distribution centres. In absolute terms. Period 2005-2020. (2) In the plants and distribution centres. In absolute terms. Period 2005-2015. (3) New formulas developed and produced in the group's plants.

EXCERPTS

2 015 was a milestone year: the heads of government of more than 190 countries met in Paris to reach a new global agreement on climate change. But L'Oréal did not wait until 2015 to deal with these pressing issues. Back in 1979, the first research was conducted into reconstructed skin to replace animal testing. And in 2013, Jean-Paul Agon and L'Oréal's top managers identified sustainable development as one of the group's major strategic pillars, and launched the "Sharing Beauty With All" programme.

Ambitious objectives

Our first objective is to improve the environmental and social impact of 100% of our products by 2020. Whenever we invent, develop or relaunch a product, we don't just think about its performance and profitability, but also its contribution to sustainable development. We are targeting a 60% reduction in greenhouse gas emissions⁽¹⁾. Thanks to the efforts of thousands of L'Oréal employees in factories all over the world, we are achieving our objectives ahead of schedule: in 2015, we already recorded a 56%⁽²⁾ reduction, while increasing production by 26% over the same period. In other words, we are proving that ambitious action on the ecological front can go hand in hand with economic development. L'Oréal has always put its employees at the heart of its model for success, and that's why the group strives for professional equality between men and women all over the world and at all hierarchical levels. That's also why healthcare and social protection for all our employees are included in our programme.

Thanks to sustainable development we will be ready to anticipate the future, because today we are already reacting to these environmental and societal transformations. Sustainable development enables us to prepare for the future and create the right conditions for L'Oréal to continue outperforming in a long-term perspective.” ♦

SHAREHOLDERS HAVE THEIR SAY

The Annual General Meeting featured a highly informative discussion between L'Oréal and its shareholders. Jean-Paul Agon and Christian Mulliez spent an hour answering written questions as well as questions from the audience, on various themes around the group's strategy and development.

EXCERPTS

What is the outlook in India? Which brands and fields of activity are in the best positions?

Jean-Paul Agon: India is not an easy market for one simple reason: many distribution channels simply do not exist there. However strange it may seem, there are few department stores in this country of more than one billion inhabitants. There are not really any pharmacies, perfumeries or hypermarkets. In distribution terms, it is an atypical country. And so we have adapted to this situation by investing heavily in our Consumer Products Division brands, GARNIER and L'ORÉAL PARIS, which are sold in all Indian corner shops. In India, there are millions of small kiosks at every street corner which sell our products. We also have one of the finest Professional Products Divisions in Asia. We are recording double-digit growth every year in India. The equation is unusual, but we are winning market share. ♦

How do you exploit the personal data that come from digital feedback? Have you taken any special cybersecurity measures? And is this going to increase your budgets?

Jean-Paul Agon: Data protection is going to be one of the key issues in the years ahead. We have set ourselves extremely precise rules, that are both operational and ethical. For example, each time we collect data, the consumer's consent is obtained, and the processing of personal data is always proportionate and legitimate. The personal data rights of individuals are fully respected, and internal data sharing is controlled.



Christian Mulliez: In the field of cybersecurity, budgets and teams have in fact been strongly stepped up over the last two years. This is our constant policy. We have an organisational structure, with security systems managers in each entity, an action plan and reporting systems. Furthermore, a report is made to the audit committee each year. We are vigilant, we carry out intrusion tests and we now have a worldwide system for monitoring information flows. Yes of course, protecting yourself means costs, and complying with regulations means costs, but they are good costs. ♦



How does the figure of 1.3 billion euros of online sales ⁽¹⁾ break down?

Jean-Paul Agon: Digital is at the heart of the group's development this year, and will probably remain so for the next ten to twenty years. Last year, about a quarter of e-commerce revenue came from direct sales, that is on the sites of our brands, one-third from specialised websites and the rest from our distributors' Internet sites. With e-commerce, we are not looking to compete with our distributors, we are just looking to serve our consumers. And of course we work in partnership with all our distributors – such as Sephora, and Douglas in Germany – who themselves have e-commerce sites. Growth rates are strong in all the Divisions, with a figure of about 50% for the Consumer Products Division and about 30% for L'Oréal Luxe. ♦

During the presentations, you spoke to us about green chemistry. Can you tell us more about it?

Jean-Paul Agon: Green chemistry is a major development for our laboratories. In fact, it is a substantial change of direction taken by our laboratories over the last ten years. We come from a culture that, thirty or forty years ago, was mainly chemical. Then there was a cultural revolution, which took place in our laboratories. We now increasingly turn to green chemistry, i.e. using natural and renewable raw materials in order to develop molecules, active ingredients and formulas for our products. The first and most representative example is the one Alexandra Palt presented earlier, Pro-Xylane, an active anti-ageing ingredient of natural origin, from which we have successfully extracted a unique molecule. The same applies to quinoa bran extract: a natural resource that is very easy to harvest, which also provides us with an active ingredient that is very useful in cosmetics. ♦



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L'Oréal and you

DIALOGUE AND A CLOSE RELATIONSHIP



UPCOMING
SHAREHOLDER
MEETINGS

GRENOBLE on Oct. 4
**ACTIONARIA FAIR
IN PARIS** on Nov. 18 and 19
TOULOUSE on Dec. 8

[www.loreal-finance.com/eng/
shareholders-corner-key-dates](http://www.loreal-finance.com/eng/shareholders-corner-key-dates)

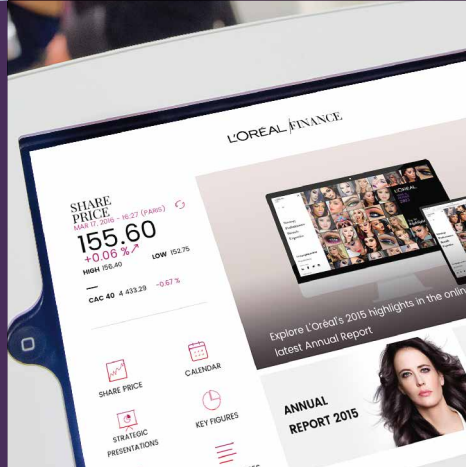


OVER 5 YEARS, THE L'ORÉAL
SHARE HAS OUTPERFORMED
THE CAC 40 INDEX ⁽¹⁾

+102.52%

L'Oréal share variation

+16.83% CAC 40 variation



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**“We continue to build an even
closer relationship with
our registered shareholders,
in particular thanks to the new initiatives
in terms of shareholder meetings,
fairs and on-site visits.
It is our way of enabling you to experience
from within this company to which
you are so committed.”**

JEAN-PAUL AGON
Chairman and CEO



(1) Period from 04/19/2011 to 04/19/2016.

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