

L'ORÉAL
FINANCE

The letter

TO SHAREHOLDERS

No.64 – AUTUMN 2015

NEWS /p.02

***FOCUS ON TURKEY:
MAKE-UP AND DIGITAL,
A WINNING PAIR /p.04***

***Find out more about the results, the share price
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A photograph of two young women sitting at a table in a cafe, looking at a tablet together. The woman on the left is wearing a white sweater and a brown shawl, and the woman on the right is wearing a colorful patterned sweater. The background is softly blurred, showing warm lights and a red cushioned chair.

L'ORÉAL

Editorial

JEAN-PAUL AGON
Chairman and CEO of L'Oréal

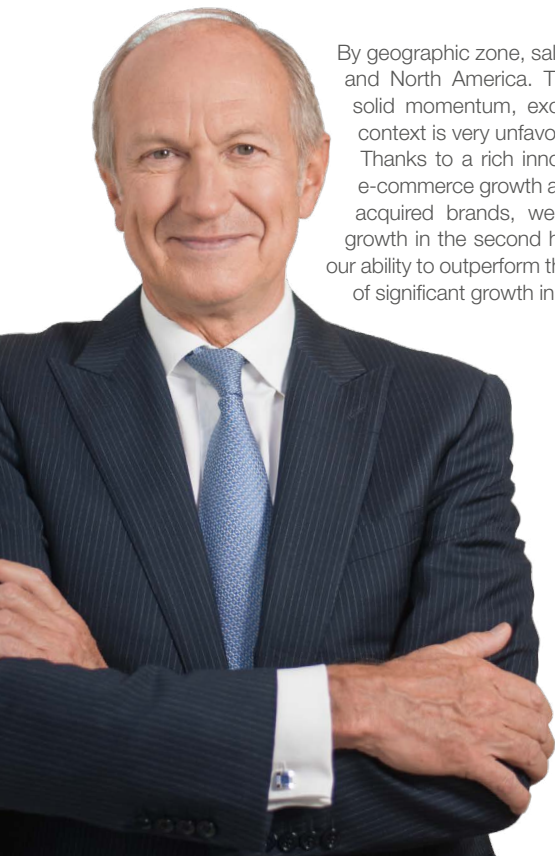
At the end of June, our reported growth was the strongest recorded for the last twenty years, with a very positive currency effect. This strong increase in sales has been achieved alongside good quality first-half results, information about which can be found in this Letter.

All of the group's Divisions are growing. L'Oréal Luxe is outperforming a dynamic worldwide market, with double-digit growth for the GIORGIO ARMANI, YVES SAINT LAURENT and KIEHL'S brands. The Professional Products Division is showing a clear rebound thanks to the success of REDKEN and the performance at L'ORÉAL PROFESSIONNEL. The latter has recently launched the innovative personalised professional service, Pro Fiber, which you can explore in the digital version of this Letter. The Active Cosmetics Division is greatly strengthening its worldwide position, driven in particular by the success of LA ROCHE-POSAY. The Consumer Products Division's growth is improving slightly, due especially to the renewed dynamism of MAYBELLINE NEW YORK.

“ WE ARE CONTINUING
TO MAKE SIGNIFICANT INVESTMENTS
IN THE DIGITAL
ACCELERATION AND THE DEVELOPMENT
OF OUR BRANDS ”

By geographic zone, sales are improving in Western Europe and North America. The New Markets are experiencing solid momentum, excluding Brazil where the economic context is very unfavourable.

Thanks to a rich innovation portfolio, prospects of rapid e-commerce growth and the continuing roll-out of recently acquired brands, we are projecting an acceleration in growth in the second half of this year. We are confident in our ability to outperform the beauty market and achieve a year of significant growth in both sales and profits. ♦



WORLDWIDE ROLL-OUT OF THE “SHARE & CARE” SOCIAL PROGRAMME

L'Oréal has successfully deployed its “Share & Care” programme, which ensures its employees enjoy the best practices in terms of social benefit, healthcare, parenthood and quality of life at work. By the end of 2015, 100% of its objectives will have been met in the countries in which the group operates.

“L'Oréal's desire is to combine the globalisation of economic performance with the globalisation of social performance,” explains Jean-Paul Agon. The group has already recorded significant successes. For example, since 2014, in 49 countries, the equivalent of 24 months' salary is being paid to the families of deceased employees and, in 54 countries, employees now enjoy 14 weeks of fully-paid maternity leave. ♦



+14.7%

sales growth
based on reported
figures for the first half
of 2015

Find a summary of the First-Half
Results / p.06



Pro Fiber by L'ORÉAL PROFESSIONNEL, unprecedented technology

Find out more about the new
generation of long-term
professional hair treatments.

Read the full article online:
magazine.loreal-finance.com



3 QUESTIONS FOR



ALEXANDRA PALT
Chief Sustainability Officer

Could you sum up L'Oréal's Corporate Social Responsibility commitments?

The "Sharing Beauty With All" programme is one of the group's strategic priorities. It sets our goals for 2020 for all of our businesses. Through it, we are committed to improving the CSR profile of 100% of our products.

The "Sharing Beauty With All" programme was launched at the end of 2013. What progress has been made?

We take quantitative measurements of our progress on a yearly basis. For example, at the end of 2014, L'Oréal had reduced its carbon emissions by more than 50%⁽¹⁾ while production had increased by 22%. With the Conference on Climate Change set to take place in Paris in just a few weeks, L'Oréal would like to show that companies can commit to protecting the environment without compromising their growth.

L'Oréal's ambition is to become a "carbon balanced" company. Could you tell us a little bit more about this?

By 2020 we will have generated enough carbon gains through our sustainable supply projects to offset the greenhouse gases we emit. We will continue to work with our suppliers worldwide to balance our emissions and become a "carbon balanced" company. ♦

(1) Decrease in CO₂ emissions in factories and distribution centres. In absolute value. 2005-2014.

L'Oréal announced its "carbon balanced" ambition

Learn more about the group's carbon emissions
commitments and initiatives.

To read more, head to:
magazine.loreal-finance.com



L'ORÉAL HAS SIGNED A NEW LICENSE AGREEMENT

Last June, L'Oréal signed a new license agreement with famous New York fashion brand Proenza Schouler for the creation and development of luxury fragrances. Innovation, beauty and craftsmanship are at the heart of the world-renowned brand, which was founded in 2002 by designers Jack McCollough and Lazaro Hernandez. Proenza Schouler is considered to be one of the most inspiring brands in the fashion industry, and is a fine addition to L'Oréal Luxe's brand portfolio, which already includes licences from CACHAREL, DIESEL, MAISON MARGIELA and VIKTOR&ROLF. ♦



PROENZA SCHOULER

For 80 years, "La vie est belle"⁽¹⁾ with LANCÔME

The LANCÔME brand is
celebrating 80 years
of scientific innovations,
expertise, exceptional
fragrances, skincare
and make-up.

Read the
full article online:
magazine.loreal-finance.com

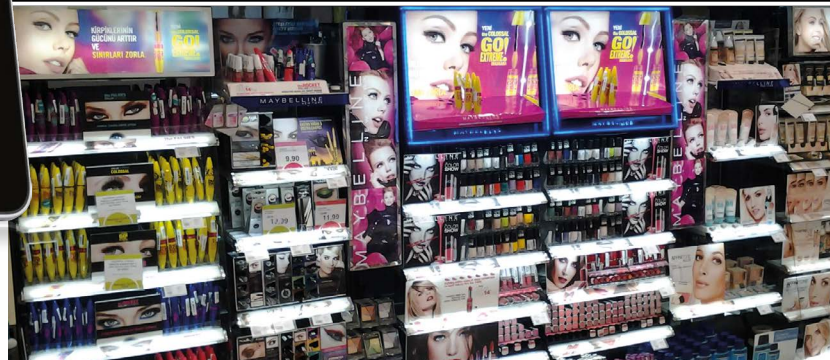


(1) Life is beautiful.

FOCUS ON TURKEY: MAKE-UP AND DIGITAL, A WINNING PAIR

Turkey's young population and its intense interest in digital technologies mean its beauty market holds great growth potential for L'Oréal. It offers a host of opportunities for the brands, particularly thanks to the make-up and digital segments, which are the group's spearheads in the country.

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L'Oréal is outperforming the Turkish cosmetics market again this year and aims to become the No.1 beauty company in Turkey in 2015."

CLAUDE RUMPLER - General Manager L'Oréal Turkey



TO FIND OUT MORE ABOUT THE L'ORÉAL ADVENTURE IN TURKEY

Head to:
magazine.loreal-finance.com



early half of Turkey's 78 million citizens are under 29 years of age⁽¹⁾. Thanks to these young consumers who keep up with the trends, make-up is taking pride of place this year. The Consumer Products Division is number one in the category in Turkey's mass-market⁽²⁾ thanks to the MAYBELLINE NEW YORK and L'ORÉAL PARIS brands in particular, and soon to NYX, acquired in 2014.

Turkey's make-up market revolves around the eyes and the cultural tradition of using kohl, or *sürme* in Turkish. MAYBELLINE NEW YORK has revisited this ancestral beauty gesture in an innovative new way, while also bringing superior quality at an affordable price, with Colossal Kajal. The product was launched last year and endorsed by Merve Boluğur, the brand's Turkish spokeswoman, and is already a huge success with more than 2 million units sold in 2015⁽³⁾.

MAYBELLINE NEW YORK is organising its second annual "Make-up Fest", designed to reach out to young, digital-savvy consumers on eleven of the country's university campuses. The festival features six thematic workshops conducted by make-up artist Alp Kavasoglu, including "Smoky eyes" and "Nude make-up for finals period", which are among the most frequent Internet searches. The event is also present on social networks with a video posted by Merve Boluğur and an Instagram photo competition with the hashtag #makeupfest.

Digital acceleration is one of L'Oréal's priorities in Turkey, particularly since the country is one

of Europe's leaders in terms of time spent on social networks⁽⁴⁾. In September 2014, the group launched the online platform Makyaj.com, which features articles that focus on the most frequent beauty-related Internet searches. This platform is a great example of a digital strategy that combines relevant, exclusive content and links to the major e-commerce sites in Turkey: an integrated experience from learning about the product through to purchase. It is the No.1 site on organic search for make-up queries in the country⁽⁵⁾. ♦

(1) Source: Turkish Statistical Institute (TUIK), 2014. (2) Source: Nielsen panel, mass-market. (3) Source: Internal data, sell-in. (4) Source: IPSOS study. (5) Source: Seomoz.com and Google data.

2 Key CATEGORIES



MAKE-UP

With the rise of young, digital-savvy consumers.



HAIRCARE

In a country with a strong oil tradition.

KIEHL'S: a rising star

KIEHL'S' New York heritage, quality products and personalised in-store customer service are winning the hearts of Turkish consumers. With fifteen boutiques now open in the country and sales that have tripled over the past three years, it is one of the fastest-growing brands in the country. And with the launch of the Turkish e-commerce site, the KIEHL'S adventure has just begun.



STRONG INCREASE IN SALES, OPERATING PROFIT AND NET EPS⁽¹⁾ FOR THE FIRST HALF OF 2015

LISTEN TO THE WEBCAST
AND WATCH THE
PRESENTATIONS ONLINE

Find out more at:
www.loreal-finance.com



Comments

A very positive currency effect

For the first half of 2015, the impact of currency effects was positive, at +9.7%, because the main currencies got stronger against the euro. The United States and the euro zone now account for equal shares of the group's sales. ♦



Gradual improvement in sales in Western Europe and North America

Western Europe picked up significantly during the second quarter, with market share gains in Germany and the United Kingdom. L'Oréal Luxe spearheaded growth in the zone. In North America, L'Oréal restored growth, at +2.7%⁽²⁾, thanks to an acceleration of the Consumer Products Division and a strong performance of the Professional Products Division. ♦

Good quality results

The strong increase in operating profit, at +14.5%, reflects good cost control and the increasing value of L'Oréal's offerings. As for operating profitability, it is virtually stable, at a high level: 18.1% of sales. At constant exchange rates, gross profit would have posted a noticeable increase, reflecting the group's discipline with respect to production and distribution costs. ♦



In view of the strong currency effects, our ambition for 2015 as previously announced is to build a strong increase in results and to improve profitability."

CHRISTIAN MULLIEZ
*Executive Vice-President
Chief Financial Officer*



SALES
€12.82 Bn

+14.7%
based on reported figures

+3.8%
like-for-like

OPERATING PROFIT

+14.5%
€2.32 Bn
at 18.1% of sales

NET EPS⁽¹⁾

+18.9%
at 3.47 euros

(1) Diluted net earnings per share of continuing operations, after non-controlling interests, excluding non-recurring items.
(2) Like-for-like.

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

↑ **+87.98%**
L'Oréal share variation from September 30th, 2010

↑ **+19.92%**
CAC 40 variation from September 30th, 2010



Amongst the various economic and financial indicators used to measure value creation, L'Oréal has chosen to apply the criterion of Total Shareholder Return (TSR).

Return on an investment in L'Oréal shares: initial capital multiplied by 2.1 in 5 years⁽¹⁾, and by 12.1 in 20 years⁽²⁾. ♦



L'Oréal receives Governance Award



On July 8th, 2015, L'Oréal received the Governance Award at the Annual General Meeting *Grand Prix*.

This distinction recognises L'Oréal's strong emphasis on a strategic and dynamic approach to governance and salutes its efforts in terms of transparency and clarity of information with its shareholders and stakeholders.

"At L'Oréal, we are committed to exemplary governance, which we look on as a source of value for our company."

Jean-Paul Agon, Chairman and CEO of L'Oréal

(1) Purchase of 182 shares on September 30th 2010: 15,011.36 euros. Valuation at September 30th, 2015, including reinvestment of dividends (203 shares at 155.05 euros): 31,475.15 euros.
(2) Purchase of 78 shares on September 29th 1995: 14,935.13 euros. Valuation at September 30th, 2015, including reinvestment of dividends (1,161 shares at 155.05 euros): 180,013.05 euros.

L'Oréal and you

YOUR NEXT SHAREHOLDER MEETINGS



KEY DATES

ACTIONARIA FAIR
IN PARIS on 11/20 and 21
BORDEAUX on 12/08
STRASBOURG on 12/17

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



“

The L'Oréal Financial Communications team will be available to answer your questions at the Actionaria Shareholder Fair.”

JEAN RÉGIS CAROF
Director of Individual Shareholder
and Market Authority Relations



MEET UP WITH L'ORÉAL AT THE ACTIONARIA FAIR

Don't miss the Shareholder Meeting to be chaired by Jean-Paul Agon, Chairman and CEO, on Friday, November 20th at 3p.m ⁽¹⁾.

RECEIVE A LOYALTY BONUS FROM 2018! AN INCREASED DIVIDEND OF 10%⁽²⁾

L'Oréal offers you +10% on your dividend ⁽²⁾. If you register your shares **prior to December 31st, 2015**, and keep them in registered form for two full calendar years (until the date of payment of the dividend), you will be entitled **to receive the preferential dividend as from 2018.**

If you have any questions, please contact us!

There is a section devoted to Loyalty Bonus and Registered Shares
[www.loreal-finance.com/eng/
registered-shares-loyalty-bonus](http://www.loreal-finance.com/eng/registered-shares-loyalty-bonus)

0 800 66 66 66 

(+33 1 40 14 80 50 from outside France).

(1) Subject to seating capacity limits. (2) For shareholders who continuously hold their shares 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.

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