

L'ORÉAL
FINANCE

The letter

TO SHAREHOLDERS

No.66 – AUTUMN/WINTER 2016

NEWS

AND PRODUCT LAUNCHES / p.2

*SHAREHOLDERS EXPERIENCE
L'ORÉAL'S DIGITAL
INNOVATION / p.4*

*Find out more about the results, the share price
and your shareholder meetings / p.6 to 8*

VISIBILITÉ
CONTINUITÉ
PÉRENN

UR SURE

L'ORÉAL



Editorial

JEAN-PAUL AGON
Chairman and CEO of L'Oréal

L' Oréal delivered a dynamic third quarter with sales up by +5.6% like-for-like⁽¹⁾, reflecting the solidity of our growth. The Consumer Products Division is outperforming its market, driven by the acceleration in make-up with the breakthrough of the NYX Professional Makeup brand, the global roll-out of Ultra Doux by GARNIER, and an excellent performance in North America. L'Oréal Luxe posted a very good third quarter, thanks to its success in make-up, its fragrance initiatives, and is winning market share, especially in China and the United States. The Active Cosmetics Division's growth is rising in the context of a slowdown in the dermocosmetics market in Europe.

“ *THESE GOOD PERFORMANCES
CONFIRM OUR AMBITION
TO POST **HIGHER GROWTH**
IN THE SECOND HALF
THAN IN THE FIRST* ”

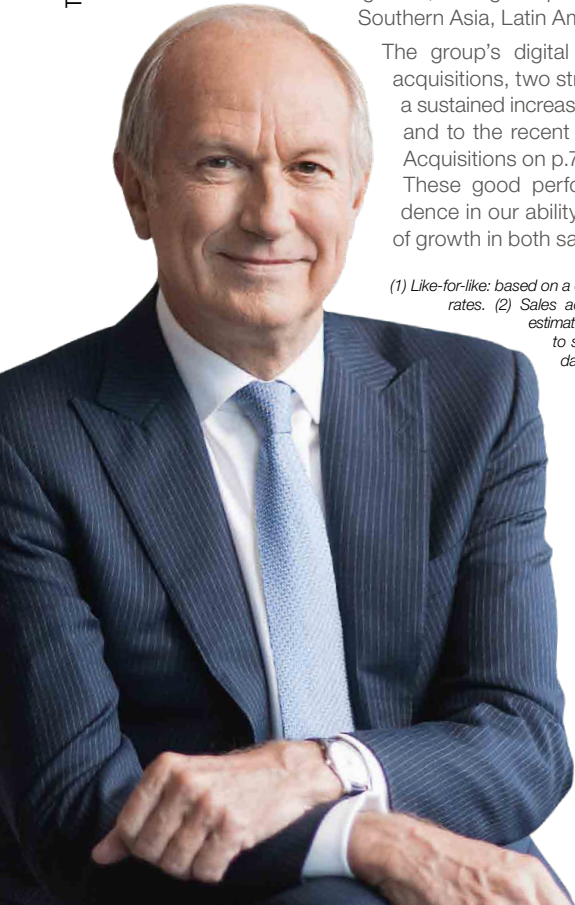
In North America, L'Oréal is accelerating substantially and is outperforming its market more strongly. Western Europe is growing faster than the market, except for France where the environment remains very sluggish. The New Markets are maintaining their pace of growth, with good performances in many countries in Southern Asia, Latin America and Eastern Europe.

The group's digital edge and continuing targeted acquisitions, two strategic growth levers, have led to a sustained increase in e-commerce sales at +32%⁽²⁾, and to the recent integration of IT Cosmetics (see Acquisitions on p.7).

These good performances strengthen our confidence in our ability to deliver, in 2016, another year of growth in both sales and profits. ♦

(1) Like-for-like: based on a comparable structure and constant exchange rates. (2) Sales achieved on the brands' own websites and estimated sales achieved by the brands corresponding to sales through retailers' websites (non-audited data). Like-for-like.

THE LETTER | 2



+4.7%

**Like-for-like sales growth
over the first 9 months**

Find a summary of the figures
at 30th September 2016 / p.6

Product launches



R.A.W. BY BIOLAGE

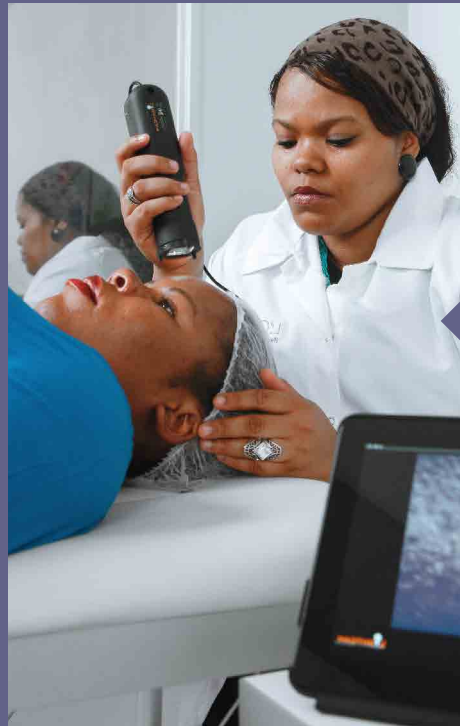
The new line R.A.W. (Real. Authentic. Wholesome.), launched this year in the United States, embodies the Biolage brand's commitment to eco-responsibility. With professional quality products, 70-100% natural-origin formulas and 100%-recycled PET plastic packaging, R.A.W. is aimed at consumers eager for natural products. ♦



Exclusive research partnership in bioprinting of hair

The combined Research and Innovation teams of L'Oréal and Poietis are putting in place the resources needed to pursue a new scientific challenge: bioprinting a hair follicle, the small organ that produces hair, using a bioprinter. ♦

Read more at:
www.loreal-finance.com



Opening of a Research and Innovation Centre in South Africa

Inaugurated in July, the centre is dedicated to the African skin and hair specificities, and to the beauty routines and expectations of Sub-Saharan consumers. It will accelerate the development of beauty products designed for Sub-Saharan Africa, a high-growth region for L'Oréal. ♦

Read more at:
www.loreal-finance.com

PURE CLAY MASKS BY L'ORÉAL PARIS

With Pure Clay, L'ORÉAL PARIS is moving into the clay mask segment with a tailor-made solution. To provide the right personalised response for each part of the face, the brand offers women and men a "Multi-Masking" approach⁽¹⁾, combining different masks in the range to produce the desired effect. ♦

(1) The simultaneous use of several masks.



SLOW ÂGE BY VICHY

This innovation marks VICHY's move into a new field of science – the Exposome – that takes into account all the factors that affect signs of ageing, such as UV rays, pollution, stress, tiredness and tobacco consumption. The daily skincare treatment Slow Âge combines an anti-oxidant, baicaline, with Vichy spa water, and helps to slow the appearance of skin ageing on a daily basis. ♦



VICE BY URBAN DECAY

This year the make-up category is being driven by the lip segment. The URBAN DECAY brand is tapping into this trend with its Vice lipstick launch, backed up by a virtual reality mobile app which enables users to test 100 different shades. A great success story that is contributing to the brand's strong performances. ♦



Digital

SHAREHOLDERS EXPERIENCE L'ORÉAL'S DIGITAL INNOVATION

The Actionaria trade fair is an ideal event for exchanging views and sharing information with shareholders about the group's major advances. This year the focus was on L'Oréal's digital acceleration. A great opportunity to discover the latest trends and innovations.

THE LETTER | 4



MAKEUP GENIUS



17 MILLION
DOWNLOADS
IN
66 COUNTRIES



Our digital acceleration is a major strategic asset for L'Oréal. Sharing our cutting-edge advances in this field with our shareholders is crucial."

SOPHIE GASPERMENT - Group General Manager,
Financial Communication and Strategic Prospective

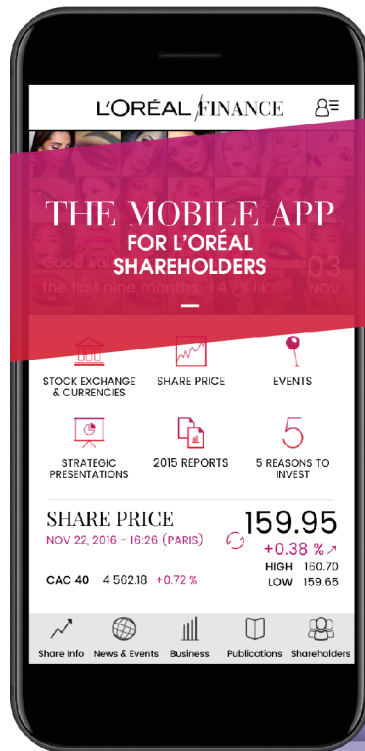


For over 10 years, L'Oréal has been meeting its shareholders at the Actionaria trade fair. On the 18th and 19th November 2016, the whole Financial Communications team was there to answer shareholders' questions and to present the group, its strategy and its outlook. The brands' digital edge was highlighted in several special events held on the stand, and at a mini-conference with Aurore Pillière, Digital Manager Make-up at L'ORÉAL PARIS, who presented the brand's two latest beauty applications.

L'ORÉAL PARIS *augmented beauty apps*

In 2014, L'ORÉAL PARIS invented augmented reality make-up: this first in connected beauty was achieved thanks to Makeup Genius, which acts as a virtual mirror, simulating the appearance of make-up on a user's face. Shareholders attending Actionaria were able to test the 2.0 version of the application, launched in September 2016. It takes its inspiration from new selfie trends, with a before/after effect that displays the face with and without make-up, and a filter⁽¹⁾ function to enhance the final photo, encouraging users to share their content on social networks. Makeup Genius also features a link to the L'ORÉAL PARIS e-boutique, for a 100%-digital experience from browsing to purchase.

Another innovation in 2016 was Nail Genius. With this application, users can try out the whole palette of L'ORÉAL PARIS nail varnish colours in a matter of seconds. Consumers can discover the app in the brand's boutique, which recently opened at 62, rue de Caumartin in Paris.



A special app for L'Oréal Finance

When it comes to digital innovations, the L'Oréal Financial Communications team is forging ahead. The first iOS mobile application for shareholders and investors was launched back in 2012. Since then, it has been extended to cater for Android tablets and smartphones, in both French and English, and many new features have been added, including a share portfolio performance calculator, and a personalised homepage.

**Download the app today on
the App Store or Google Play!**

Finally, to reflect the perfect match between digital and beauty, L'Oréal's stand was decked out in the colours of the NYX Professional Makeup brand, and showcased its digital beauty influencers, who create and share photos, videos and tutorials on social networks. Shareholders were invited to discover the brand's Instagram feed to gain a clear insight into the phenomenon and potential of beauty in the digital era. ♦

(1) Filtering modifies the colours and rendering of a photo.

L'Oréal in figures

30TH SEPTEMBER 2016

GOOD SALES MOMENTUM OVER THE FIRST NINE MONTHS

LISTEN TO THE CONFERENCE CALL

Visit: www.loreal-finance.com



Comments

GROUP SALES AT 30TH SEPT.

€19.05Bn

+4.9%

at constant exchange rates

+4.7%

like-for-like

+1.6%

based on reported figures

SALES BY DIVISION⁽¹⁾

+4.4%

Consumer Products

+6.8%

L'Oréal Luxe

+1.8%

Professional Products

+5.4%

Active Cosmetics

Strong growth in North America: +5.6%⁽²⁾

In a dynamic market, the group is increasing its market share, particularly in the Consumer Products Division, with strong growth for NYX Professional Makeup, and the growth of MAYBELLINE NEW YORK and GARNIER, whose Whole Blends (Ultra Doux) launch has made a good start. L'Oréal Luxe is also delivering good performances, driven by the quality of its brand portfolio, particularly with URBAN DECAY, YVES SAINT LAURENT and KIEHL'S. ♦



+32% growth in online sales⁽³⁾

The L'Oréal group, at the cutting edge of online beauty, accentuated its digital leadership over the first nine months of 2016, especially in make-up, a category that is accelerating strongly, driven worldwide by the Millennials generation⁽⁴⁾. ♦



Renewed momentum of the Consumer Products Division

At the end of September, the Division is outperforming the market, with growth of +4.4% like-for-like⁽⁵⁾, driven by the success of its strategic initiatives in make-up, skincare and hair colour. The Division is increasing its worldwide market share, outperforming the market substantially in North America and performing well in Western Europe, especially in the United Kingdom, Spain and Germany. ♦

(1) Like-for-like. (2) Like-for-like growth, +5.4% based on reported figures. (3) Sales achieved on the brands' own websites plus estimated sales achieved by the brands corresponding to sales through our retailers' websites (non-audited data). Like-for-like. (4) Generation born between 1980 and 2000. (5) Growth of +0.6% based on reported figures.

ACQUISITIONS OF 2016



IT COSMETICS AN AMERICAN PEARL

IT COSMETICS, one of the fastest growing American prestige beauty brands, is expanding and enhancing the L'Oréal Luxe brand portfolio.



ATELIER COLOGNE NICHE PERFUMERY

The ATELIER COLOGNE brand, a niche perfumery specialist, has joined the prestigious L'Oréal Luxe brands in the fast-growing alternative perfumery segment.



SAINT-GERVAIS MONT BLANC SPA WATER FOR SKINCARE

L'Oréal has finalised the acquisition of the Société des Thermes de Saint-Gervais-les-Bains and the licence of the SAINT-GERVAIS MONT BLANC brand, whose products contain water sourced exclusively from the Mont Blanc spa.

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

↑ **+129.08%**
L'Oréal share variation from 30th September 2011

↑ **+49.17%**
CAC 40 variation from 30th September 2011



L'Oréal and you

ATTENTIVE TO SHAREHOLDERS' VIEWS



ANNUAL GENERAL MEETING on 20th April Palais des Congrès (Paris)

Check out all the dates
of shareholder meetings in 2017 at
[www.loreal-finance.com/eng/
shareholder-meetings](http://www.loreal-finance.com/eng/shareholder-meetings)



A TEAM THAT IS AVAILABLE AND ATTENTIVE TO SHAREHOLDERS

JEAN RÉGIS CAROF

Director of Individual Shareholder
and Market Authority Relations

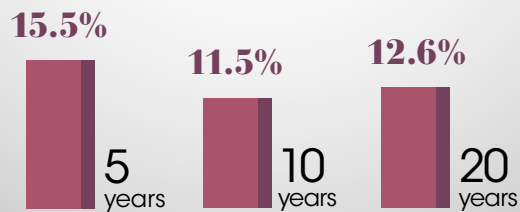
jcarof@loreal-finance.com
+ 33 1 47 56 83 02

VALERIE BOAS

Individual Shareholder
Relations Manager

vboas@loreal-finance.com
+ 33 1 47 56 72 06

ANNUAL PROFITABILITY FOR SHAREHOLDERS ⁽¹⁾



RECEIVE A LOYALTY BONUS, A DIVIDEND INCREASED BY 10%⁽²⁾ FROM 2019

By registering your shares
before 31st December 2016⁽³⁾!

If you have any questions

0 800 66 66 66 Free service
& call

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

(1) Based on the share price and dividend value at 31st December 2015. (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. (3) If you register your shares prior to 31st December 2016, 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 2019.

Registered in France as a "Société Anonyme" with registered capital of 111,942,969.80 euros – 632 012 100 RCS Paris – Code NAF: 2042 Z – ISIN Code: FR0000120321 – Registered office: 14, rue Royale, 75008 Paris, France – Headquarters: 41, rue Martre, 92117 Clichy Cedex, France – Tel.: +33 1 40 14 80 50. For more information, please contact: L'Oréal, Financial Communications Department, 41, rue Martre, 92117 Clichy Cedex, France, visit the Internet site www.loreal-finance.com, download the **L'Oréal Finance mobile application** or contact us by email at theletter@loreal-finance.com.
Photograph credits: Nicolas Fagot for Studio9 (cover page, p.4 and 8), LaCompany/Pascal Dolémieux (p.2), Steve Hellerstein for Red Productions Inc. (p.2), L'Oréal (p.2 and 5), Alain Buu (p.3), Matteo (p.3), Cédric Porchez for L'Oréal Paris (p.3), Urban Decay (p.3), Packshot Pro (p.3), Georgijevic/Gettyimages (p.6), Amir Heshmati (p.6), IT Cosmetics (p.7), Thomas Charrier (p.7), Romain Ricard (p.7), X. Creation and layouts: Publicis Consultants I Verbe