

L'ORÉAL
FINANCE

The letter

TO SHAREHOLDERS

No. 71 - AUTUMN 2018

PERFORMANCE / p. 3

*THE INDIVIDUAL SHAREHOLDER
RELATIONS TEAM / p. 4*

2018 ACQUISITIONS / p. 6 & 7

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

L'ORÉAL



L'ORÉAL



“BEAUTY IS AN ASPIRATION!”

JEAN-PAUL AGON

Chairman and Chief Executive Officer of L'Oréal

L'Oréal is a company like no other in a sector like no other.

The beauty market is a very interesting market. It's permanently expanding. Over the past 25 years, growth has been regular and steady between 4% and 6%. Why? Because beauty, as you know, is a very vital need, and is related to vital human behaviour that started a long time ago. Consumers are always looking for beauty - for better beauty, for a better beauty product. Also, what's interesting is that this beauty market is **still partially exploited**. The beauty market will grow as a result of demographic trends.

China is another example. Today, it has become a huge market. It's the second largest market in the world in beauty. But even in China, the makeup market is still very limited. Makeup consumption per capita is 20 times lower than in the U.S. So there are vast growth opportunities everywhere for this market.

And there are also many new opportunities. **The fact that the population is aging around the world** will definitely be an opportunity for us. That's because people will have more years to use the beauty products we sell them, and also because the older you get, the more you need great beauty products.

The urbanisation of the population worldwide is also an opportunity, because urban socialisation creates more needs for beauty. And we still have the reservoir of demand market, which is limited now but of course will grow over time.

EXCERPTS

FROM THE BARCLAYS
GLOBAL CONSUMERS STAPLES
CONFERENCE OF 4 SEPTEMBER 2018

To discover the full speech,
please visit the website loreal-finance.com

In addition, the beauty market is clearly very closely linked to **the rise of the middle and upper classes**. All the statistics show that the middle and upper classes will increase tremendously in size over the next 20 or 30 years everywhere in the world.

What is very special about the beauty market is that it's also a market which is **premiumising**. Why? Because consumers are not interested fundamentally by cheaper beauty products. They want better beauty products.

So it's all about innovation, better quality, intriguing products, new performance, new benefits. And for which reason? Because **beauty is an aspiration**.

And last but not least, there is a great match between beauty and digital. In fact, the emergence of this new digital world has been very beneficial to beauty. Why? For several reasons. The first one is the emergence of what we call the era of social beauty. Of course, with a billion selfies and permanent presence on social networks, everyone wants to show himself or herself in the best possible light - and beauty products help. And it also enhances the importance of taking care of your appearance, taking care of your look and taking care of yourself.

L'Oréal is the champion of beauty, has been the leader of the beauty market for more than 20 years, and is really synonymous with beauty everywhere.

L'Oréal only does beauty. **We are a pure player on the beauty market**. Only beauty, but all types of beauty products in all types of distribution channels. In fact, we follow our consumers wherever they want to shop. We cover all types of categories. We cover all price segments across all our brands. **We are in all regions, all geographic zones, all parts of the world**.

We want to be **a large company with the spirit of a startup**. As a leader, we want to be driven by the spirit of a challenger. We don't want to be a huge company that has lost its agility. We have a unique organisation, very strategically concentrated but very operationally decentralised, with a long-term vision but a clear short-term pragmatic approach. For all these reasons, we have a very robust and value-creating business model.

Performance

Sales at 30
September 2018

€19.86 billion

+6.8%

like-for-like¹

+1.8%

based on reported figures

More information on
loreal-finance.com

“After an acceleration in the third quarter, with the highest quarterly growth rate for 10 years, L’Oréal’s sales have shown strong growth over the first nine months of the year.

In a beauty market that continues to accelerate, driven by robust growth in skincare, the Group maintains its strong momentum, with contrasted performances between the Divisions. L’Oréal Luxe is showing dynamic growth, underpinned in particular by its four biggest brands, Lancôme, Yves Saint Laurent, Giorgio Armani and Kiehl’s. The Active Cosmetics Division, which continues to post double-digit growth, is being driven worldwide by consumer aspirations for dermocosmetics and the quality of its brand portfolio. The Consumer Products Division is held back by persistent difficulties in some countries. The L’Oréal Paris and Maybelline New York brands are however maintaining their good momentum. The performance of the Professional Products Division, which is continuing its transformation, is stable.

This quarter also confirms the power of our major global brands, which are delivering an excellent performance at a time when the offer in beauty products is particularly rich.

Across the geographic Zones, the New Markets are accelerating once again.

The Group is growing rapidly in Asia, especially in China where the boom in luxury products continues. The pace of growth remains moderate in North America, while the situation of sales in Western Europe is still difficult, particularly in the United Kingdom.

Travel Retail is also posting rapid growth at +29.9%¹.

The acceleration in the growth of the Group, combined with that of the market, is also the result of L’Oréal’s lead in digital beauty, particularly in e-commerce², which has grown by +38.3%¹ and represents 9.7% of sales.

Overall, L’Oréal’s good performance during the quarter and in the first nine months reinforces our confidence in the dynamism of the cosmetics market and in our ability to outperform it, in order to achieve significant like-for-like sales growth¹ this year, together with an increase in our profitability.”

JEAN-PAUL AGON
Chairman and Chief Executive Officer

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

(2) Sales achieved on our brands’ websites + estimated sales achieved by our brands corresponding to sales through our retailers’ websites (non-audited data).

News

Pioneer in gender equality, L’Oréal ranked the top gender-balanced company in Europe by Equileap

L’Oréal has received the 1st Prize for Europe from Equileap. This ranking has set gender equality as a new non-financial criterion for investors.



L’Oréal among the Top 10 of Thomson Reuters Diversity and Inclusion index

For the third consecutive year, L’Oréal has been named one of the world’s leading companies by Thomson Reuters that ranks over 7,000 international organisations on a set of Diversity and Inclusion metrics. In 2018, L’Oréal is ranked 8th place ex-aequo with Natura, among top players such as Accenture and Novartis.



L’Oréal receives the Transparency Grand Prix for its Code of Ethics

Built on strong ethical principles – Integrity, Respect, Courage and Transparency – the L’Oréal group has now been recognised, for the second year running, by the *Grand Prix de la Transparence* for its Code of Ethics.

L’Oréal invests in the fund Partech Africa

Partech Africa is an investment fund launched early in 2018 within Partech, and is dedicated to the development of “Tech” projects in Africa. This investment is in addition to L’Oréal’s previous investments in venture capital funds (Partech International Ventures, Founders Factory, and Raise Investissement).



CHRISTIAN MUNICH
Individual Shareholder Relations Manager

THE INDIVIDUAL SHAREHOLDER RELATIONS TEAM: ALWAYS ATTENTIVE TO YOUR VIEWS

Each year the Individual Shareholder Relations team shares its vision of the L'Oréal adventure with the shareholders it meets at the Annual General Meeting, shareholder meetings and the Actionaria fair. Individual Shareholder Relations Manager Christian Munich tells us more.

What is your role in the relationship with individual shareholders?

The mission of the Individual Shareholder Relations team is to **keep shareholders up to date** with news about L'Oréal and how it is performing. The team thus helps shareholders understand the Group's growth strategy and **why it makes sense to invest in L'Oréal**. For this task, we need to communicate clearly and be available whenever needed, to create a genuine dialogue and a close relationship with shareholders.

What initiatives are you taking to build this close relationship?

We hold meetings where we can **exchange views and listen to shareholders**. That means participating in major shareholder events, such as the Actionaria fair in Paris, an excellent opportunity for interacting with shareholders. In addition, **shareholder meetings** are held several times a year across France and in other countries, where we focus on the Group's major strategic priorities. Following on from the meetings, we can set up **personalised appointments** between us, our shareholders, and partners such as private bankers and notaries, who we invite to consider cases relating to transfers of shares.

These initiatives generate an **ongoing dialogue, based on listening attentively to shareholders and a close relationship**. We are also at their disposal throughout the year to answer any questions by telephone or by e-mail.



Presentation by the Individual Shareholder Relations team at a business school, October 2018

How do you get the younger generations interested in investing in shares?

We are committed to **helping them understand the markets and explaining the basic financial mechanisms**. That is why our teams reach out to young people with presentations at their schools. The presentations are followed by workshops on a range of issues, where we can answer young people's questions, and this in turn gives us insights into their expectations. This educational approach is essential to **raise their awareness of the important role played by shareholders**.

A RANGE OF SOURCES OF INFORMATION are at your disposal:



LOREAL-FINANCE.COM



L'ORÉAL FINANCE MOBILE APP



DIGITAL ANNUAL REPORT



DIGITAL MONTHLY NEWSLETTER



LETTER TO SHAREHOLDERS



REGISTRATION DOCUMENT



SHAREHOLDERS BROCHURE

How does your Individual Shareholder Consultation Committee operate?

Set up in 2010, L'Oréal's Individual Shareholder Consultation Committee **is designed to deepen the relationship with our individual shareholders**, help us understand their expectations more clearly, and improve the ways we communicate with them. The Committee meets four times a year. Before each meeting, the members are immersed in the L'Oréal universe, to help them understand all the Group's strategic challenges. This means organising production site visits, and holding meetings either with Chairman and Chief Executive Officer Mr Agon, or with Mr Mulliez, Executive Vice-President, Chief Financial Officer.



Meeting of the Shareholder Consultation Committee with Jean-Paul Agon, September 2018



BECOME A REGISTERED SHAREHOLDER

and take advantage of the loyalty bonus on your dividend

+10%

WHAT ARE REGISTERED SHARES?

Registered shares are registered in **your name**, which enables you to receive information from L'Oréal directly.

YOUR LOYALTY IS REWARDED

If you register your shares, L'Oréal offers you an additional dividend of **+10%**¹.

(1) After two years of continuously holding registered shares, up to a maximum of 0.5% of the capital for the same shareholder, at the closing date of previous financial year.

BEFORE THE END OF 2018

Register your shares.

2019 / 2020

Hold your registered shares continuously for two full calendar years.

FROM 2021

For the financial year 2020, receive for the first time the **+10% loyalty bonus** for your shares continuously held in registered form since 2018.

You will be entitled to receive the +10% loyalty bonus in subsequent years if you hold your shares continuously for two full calendar years.

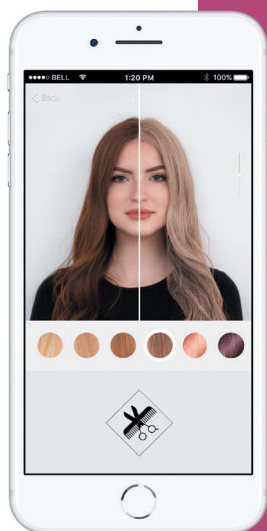
TO BECOME A REGISTERED SHAREHOLDER, consult the Shareholders section at

www.loreal-finance.com

2018 acquisitions

EMBLEMATIC AND COMPLEMENTARY BRANDS

Ever since the company was founded more than a century ago, L'Oréal has been building a worldwide flotilla of emblematic and complementary brands through targeted acquisitions. This portfolio, today the richest and most diversified in the beauty industry, is driving the Group's long-term growth. Let's look back at the 2018 acquisitions.



MODIFACE

ModiFace is an internationally recognised leader in augmented reality and artificial intelligence applied to the beauty industry. The acquisition is in line with L'Oréal's digital acceleration strategy to provide the group's 34 international brands with the most innovative technologies in terms of services and beauty experience.

VALENTINO

Founded in Rome in 1960, Maison Valentino holds a unique role in the luxury universe, thanks to its long-standing tradition in *Haute Couture*, and the innovative contemporary vision of Creative Director Pierpaolo Piccioli. This combination strengthens Valentino's appeal for Millennial consumers and ideally complements L'Oréal's brand portfolio.

GIORGIO ARMANI

An integral part of the L'Oréal Luxe Division, the iconic Italian fashion house is recognised for its great elegance and the perfection of its style. It attracts demanding and refined luxury customers from all over the world. Following the signing of an agreement to renew the licence, the Group will now be able to benefit from the inspiration and vision of Giorgio Armani until 2050.



THERMES DE LA ROCHE-POSAY

Founded in 1921, Société des Thermes de La Roche-Posay is the first thermal station in Europe exclusively dedicated to treating dermatological diseases. Its thermal water with its therapeutic, healing and soothing properties will now form part of L'Oréal's brand portfolio. In 2017, more than 7,500 patients benefited from this thermal activity, generating 3.6 million euros of sales.



PULP RIOT

Since its launch, the professional haircolour brand Pulp Riot has been transforming the market by creating industry-leading content, and using social media to effectively inspire and educate stylists across the world. The American brand will inspire the Professional Products Division that it is joining. To date, Pulp Riot has amassed 740,000 Instagram followers. With net sales of 11 million dollars in 2017, the brand has also started its international expansion.



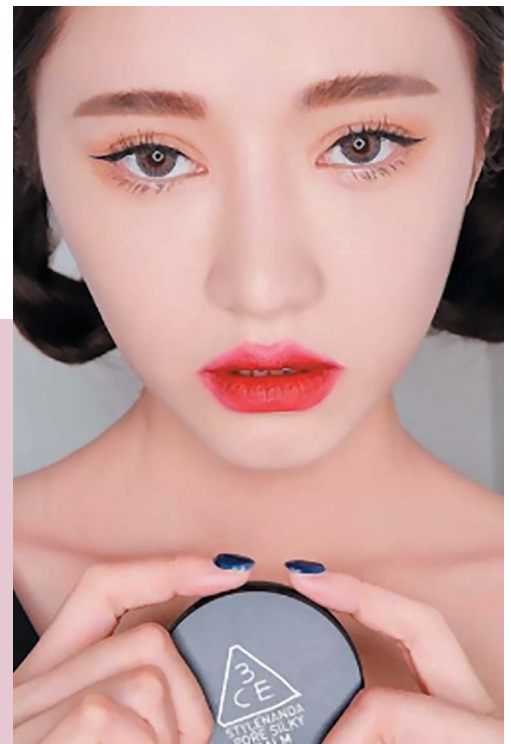
LOGOCOS NATURKOSMETIK AG

Logocos Naturkosmetik AG, a pioneer in natural cosmetics with brands such as Logona and Sante, has now joined the L'Oréal group. All the company's brands are vegan and bio-certified, with a range of products using plant extracts and natural ingredients derived from organic farming.

STYLENANDA

Stylenanda, a highly desirable brand among Korean and Chinese Millennials¹, joined L'Oréal's brand portfolio in May 2018. With a turnover of 127 million euros in 2017 and backed up by a multi-channel distribution model, the company has expanded its business into markets including Hong Kong, Singapore, Malaysia and Thailand.

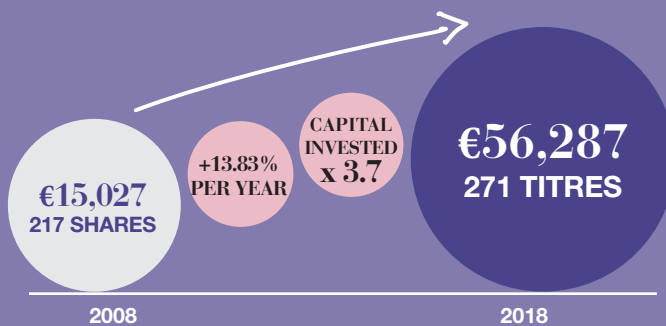
(1) Generation born between 1980 and 2000.



L'Oréal and you

TOTAL SHAREHOLDER RETURN¹

Amongst the various economic and financial measures of value creation, L'Oréal prefers Total Shareholder Return (TSR). This indicator is based on a range of criteria, including the share price and revenue received in the form of dividends (excluding taxes on capital gains and dividends, based on the closing share price on 30 September 2018).



HYPOTHESIS

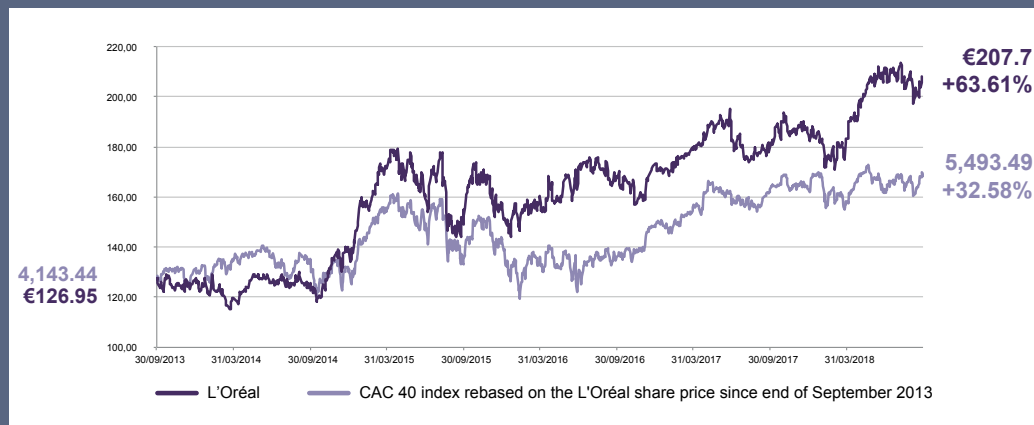
Total Shareholder Return over ten years, for €15,000 invested in L'Oréal shares, including reinvestment of dividends, excluding bank charges and tax.

+12.38% Over 5 years | +13.83% Over 10 years | +10.14% Over 20 years

(1) Total Shareholder Return of the investment, assuming that the shares are sold at the closing price on 30 September 2018.

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

L'Oréal vs. CAC 40 from 30 September 2013 until 30 September 2018²



+63.61%
Change in the L'Oréal share price from the end of September 2013 to the end of September 2018

+32.58%
Change in the CAC 40 index from the end of September 2013 to the end of September 2018

Source: Thomson Reuters Eikon, share price on 30/09/2018. (2) CAC 40 index rebased on the L'Oréal share price since 30/09/2013.

A TEAM THAT IS ALWAYS ATTENTIVE TO SHAREHOLDERS' VIEWS

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NEXT SHAREHOLDER EVENT

22-23 November 2018
Actionaria Shareholder Fair Paris

3 December 2018
Shareholder Meeting in Lille

INDIVIDUAL SHAREHOLDER CONSULTATION COMMITTEE

Each year, one-third of the members of the Individual Shareholder Consultation Committee is renewed.

If you would like to join the committee, please apply on our website:
loreal-finance.com/eng/consultation-committee

THE CONNECTED SHAREHOLDER

Download the L'Oréal Finance app¹ and keep up to date with live news about your company.



To receive the Letter to Shareholders directly by e-mail, fill in your e-mail address at:
loreal-finance.com/eng/keep-informed

(1) Available for free on the App Store and Google Play.