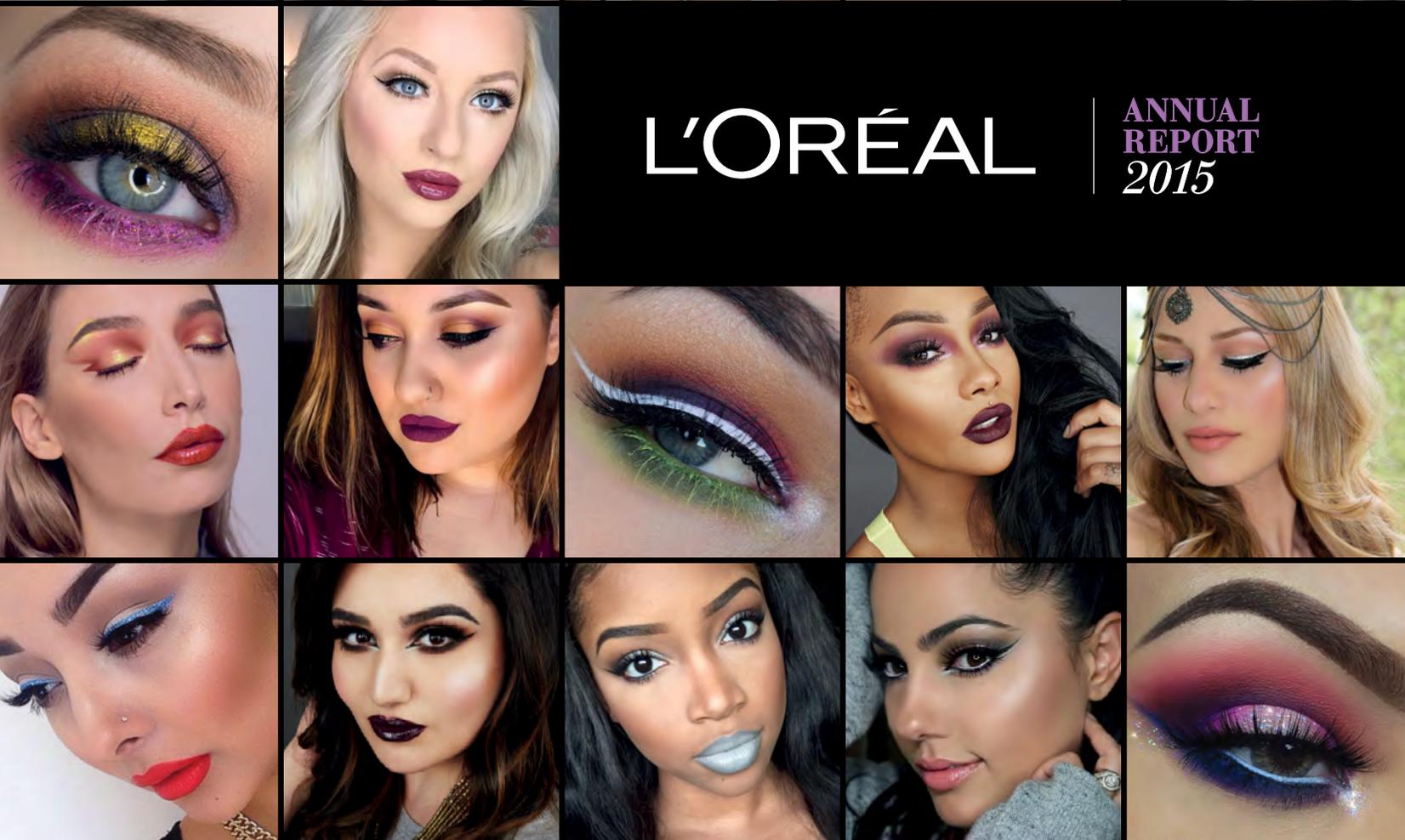


L'ORÉAL

ANNUAL
REPORT
2015

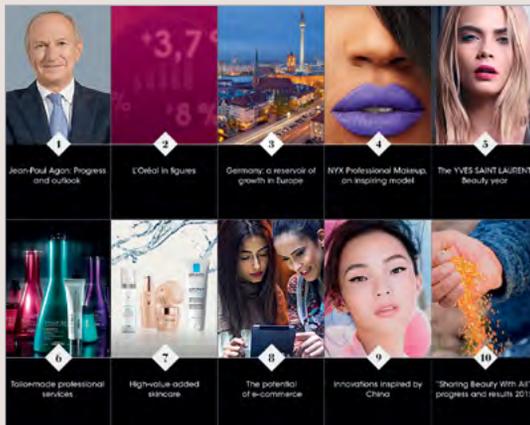


For the full version of the 2015 Annual Report

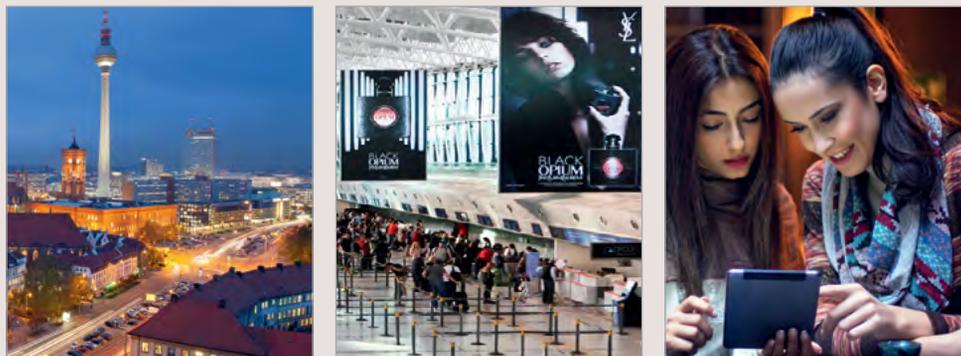
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Top 10 highlights of 2015



Video interviews with top managers



Exclusive content

Development and Acquisitions, Focus on Germany and China, Focus on Travel Retail, the best videos of 2015, and much more!

Cover - Inspired by today's world of social media, L'Oréal dedicates the 2015 Annual Report cover page to one of the main trends of the year: the digitally-connected beauty influencers, who build online communities that inspire millions of make-up fans around the world, and share content related to the group's brands, as here with NYX Professional Makeup.

Photograph credits (from top left to bottom right): Row 1: @nathaliemunoxyz3, @wickedbeautification, @livingdeadmakeup, @mico2014, @_akfreestyle; Row 2: @babsbeauty, @marioncameleon, @ssssamanthaa, @lilacbat, @_akfreestyle; Row 3: @makeupshayla, @tenipanosian, @lindasteph, @dlshhhhh, @colour_obsession; Row 4: @kimthainguyen, @colour_obsession, @iamamypham, @rebeccaseals, @ssssamanthaa; Row 5: @sultrysuburbia, @babsbeauty; Row 6: @greta_ag, @diamondmakeupgal, @lilacbat, @sonjdradeluxe, @mariamglambeauty; Row 7: @makeupbyjenny, @dirtymelodies, @jericiciadotcom, @sonjdra, @mdotmakeup.

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**The videos and topics available online
are indicated by this symbol.**



82,900
employees

25.3
billion euros
of sales

1st
cosmetics
group
worldwide ⁽¹⁾ 140
countries

Unique and
international
portfolio of
32
complementary
brands

4.4
billion euros
in operating profit

497
patents registered in 2015

Commitments
for 2020
“Sharing Beauty With All”

(1) Source: WWD, “Beauty’s Top 100”, April 2015.



“

We have stepped up our metamorphosis to the New L'Oréal: more universal, more digital and more sustainable

”

JEAN-PAUL AGON / CHAIRMAN AND CHIEF EXECUTIVE OFFICER



SCAN THIS PAGE
to watch the interview

How would you describe L'Oréal's performance in 2015?

Despite a slowdown in worldwide growth, the group delivered a solid performance. Sales growth was strong, supported by a positive currency effect. Three out of four Divisions outperformed their market. And we delivered good quality results.

Could you give us a few more details?

L'Oréal Luxe, Active Cosmetics and the Professional Products Division achieved sustained growth, further improving their

worldwide positions in their respective markets. As for the Consumer Products Division, its growth picked up in the second half of 2015, enabling it to post an improvement on its 2014 performance. Importantly, we have taken all necessary steps to put the Division back on a market share gain track for 2016, by renewing the image of its brands, by seizing every opportunity in the fastest-growing consumer segments, such as make-up and natural haircare, by accelerating the pace of innovation and by stepping up digital investments.

In terms of regions, we continued to expand on all continents. Growth was solid in Western Europe. In North America our performance increased quarter after quarter.

...

•••

Growth trends in the New Markets were contrasted, ranging from difficulties in Brazil to very strong growth in countries like Turkey and India.

And in terms of profit?

Operating profit grew strongly by +12.8%, with operating margin reaching a record 17.4%. The year was also marked by a strong increase of +15.7% in earnings per share, at 6.18 euros, and in the dividend proposed to the Annual General Meeting. Once again, these results demonstrate the quality and robustness of our business model.

Last year you spoke about a more universal, more digital and more sustainable L'Oréal. How much progress has been made on these strategic transformations?

In our sector, beauty – and indeed in other industries – everything is changing at lightning speed: consumers, communications, distribution and competition. So we have stepped up our metamorphosis: the New L'Oréal is more universal, more digital and more sustainable.

These are profound transformations that require huge efforts from our teams, but this is quite simply essential to enable us to adapt and strengthen our leadership over the coming years. In fact, this is one of L'Oréal's greatest strengths: we never stop challenging and reinventing ourselves. At the same time, we remain true to our fundamentals: a clear mission statement, Beauty for All; a distinctive strategy, Universalisation; a commitment to Research and Innovation; a diversified portfolio of brands; a unique corporate culture; and humanistic values.

What does a "more universal L'Oréal" mean?

It means offering innovations perfectly adapted to local aspirations and needs. All over the world there is a powerful appetite for beauty. At the same time, people want products that are suitable for their skin and hair type, products that fulfil their desires, and match their culture and beauty routines. Thanks to our regional Research and Marketing hubs, now at full speed, our brands can be both aspirational worldwide, and totally relevant at local level. We will continue on the same path in 2016, with the opening of a new Research Centre in South Africa.



Jean-Paul Agon on a visit to Brazil.

And in digital, what progress have you made?

We made swift and substantial progress in 2015. Our online sales totalled 1.3 billion euros, an increase of +38%.

E-commerce is now equivalent to the group's number five country. In China e-commerce already accounts for more than 20% of our Consumer Products Division sales. And a quarter of our media spending now goes to digital communications.

Our digital presence reinforces our competitive edge and extends our leadership. It opens up thrilling new horizons for our industry in direct and personalised consumer relationships. Just look at the success of NYX Professional Makeup, our new digital native make-up brand, and how brands like REDKEN, LA ROCHE-POSAY and

KIEHL'S have amplified their momentum through digital initiatives. It is up to us to surf as far and as fast as possible on the online and connection waves.

“
*Our objective
 is to outperform
 the market and
 continue to deliver
 solid growth
 and profits*
 ”

Jean-Paul Agon at a sales point during a visit to several countries in Africa.

Jean-Paul Agon with Guy Ryder, ILO Director-General, after the signing of the ILO Global Business and Disability Network Charter.



And have you also stepped up your transformation into a more sustainable L'Oréal?

Yes, our social and environmental responsibility programme, "Sharing Beauty With All", is making good progress. You can find the details in our Progress Report, but here is just one example: our target of cutting greenhouse gas emissions by 60%. In 2015, the reduction was already 56% compared with 2005, while over the same period our production increased by 26%. So we are demonstrating what we have always believed: commitment to protecting the environment and economic performance can go hand in hand. We have also set ourselves another ambition for 2020: to be carbon balanced, that is to offset our greenhouse gas emissions. We want to make our contribution to mitigating global warming by developing an innovative low-carbon business model.

And all our teams are fully focused on making these challenges their own. Furthermore, I decided that the Sustainable Development Department should report directly to me, because our commitment is transversal and strategic for all parts of the business, brands and countries.

L'Oréal is a pure player, and has been number one in its market for many years. Will you be able to keep on expanding in the future?

Of course we will. First, because beauty is a dynamic market, which will continue to expand, driven by demographic, economic and social trends. Just look how the make-up category has skyrocketed over the last few years. In 2015, it grew almost twice as fast as the market. Clearly this is partly linked to the powerful upsurge in digital communications, selfies and social networks, prompting everyone to be visible. And therefore to show themselves in their best light.

And future growth also lies in our own potential. In 2015, we celebrated 30 years of leadership. But we are a leader that still has huge potential. Our global market share is only 12.5%. In other words, we still have more than 87% of the market to aim for. I am sure that by offering products that are the best suited, the safest and the most effective, we will continue to attract more and more consumers. That is our ambition.

So you are confident about 2016?

Definitely. As ever, our objective is to outperform the market and continue to deliver solid growth and profits. And all the cards are in our hands. For the reasons I have just mentioned, but also because we are confident in our balanced business model, which creates value, and in our ability to grow our market shares.

One thing more: we feel proud and privileged to be part of a wonderful industry, helping people to feel good and self-confident. In short, to make life more beautiful!



Our Mission
Beauty for All

|

*Offering all women
and men worldwide*

*the best of cosmetics innovation
in terms of quality, efficacy and safety*

*to satisfy all their desires
and all their beauty needs
in their infinite diversity.*



Our Strategy *Universalisation*



*L'Oréal has chosen
a **unique strategy: Universalisation.**
It means globalisation that **captures,
understands and respects differences.**
Differences in desires, needs and traditions.
To offer **tailor-made beauty, and meet
the aspirations** of consumers in every part
of the world. L'Oréal is driven by
this **vision of the world.***



SCAN THIS PAGE
to watch the video on Universalisation



Our Commitments

“Sharing Beauty With All”

By 2020, ...

- ...**100% of our products** will have an improved environmental or social profile.
- ...we will reduce our **environmental footprint by 60%⁽¹⁾**.
- ...we will empower **all our consumers** to make sustainable consumption choices.
- ...**100% of employees** will have access, everywhere in the world, to the best level of healthcare coverage and social protection, as well as training.
- ...**100% of our strategic suppliers** will be participating in our supplier sustainability programme.
- ...we will enable **100,000 people** from socially and financially underprivileged communities to access work.

(1) Reduction in CO₂ emissions at factories and distribution centres by 60% in absolute terms and reduction in water consumption and waste by 60% per finished product unit.



SCAN THIS PAGE

to watch the video presentation of the L'Oréal Corporate Foundation

Our brands

An international portfolio

L'Oréal's brand portfolio is organised by Division, which each develop a **specific vision of beauty by consumption universe** and distribution channels.

CONSUMER PRODUCTS



L'ORÉAL LUXE



PROFESSIONAL PRODUCTS



ACTIVE COSMETICS



The Board *of Directors*

A BALANCED AND HIGHLY COMMITTED BOARD

The composition of the Board reflects L'Oréal's shareholding structure, while guaranteeing the interests of all its shareholders. Alongside the Chairman and Chief Executive Officer, there are therefore five directors from L'Oréal's major shareholders, seven independent directors and two directors representing the employees.

The diversity and complementarity of the directors' industrial, financial and entrepreneurial expertise mean they are equipped to quickly and thoroughly comprehend development challenges facing L'Oréal, the leader of a globalised and highly competitive cosmetics market in which constant innovation and adaptation are required.

Extremely committed and vigilant, and convinced that stringent governance creates value for the company, the directors always keep the company's long-term interests first in mind as they voice their opinions. The directors proactively and assiduously participate in the work of the Board and its Committees, which play an active role in preparing the Board's deliberations.



SCAN THIS PAGE

to see more
on Ethics

STRATEGY AT THE HEART OF DEBATES

Thanks to transparent and relevant information based on constructive exchanges with General Management, the Board forges its own clear and independent opinion of the group's development opportunities.

This comprehensive dialogue culminates in a shared strategic vision and provides General Management with the confidence needed to implement it.

In a bid to constantly improve its ability to provide strategic impetus, the Board conducts self-assessments of its methods and chooses the topics on which to focus its attention.

ETHICS AT THE HEART OF L'ORÉAL'S GOVERNANCE AND COMMITMENTS

The Board of Directors places great importance on the respect of L'Oréal's Ethical Principles – Integrity, Respect, Courage and Transparency – and more generally of the Code of Ethics. These commitments are the foundation, namely of the group's policies on compliance, responsible innovation, environmental stewardship, social and societal responsibility and philanthropy. In 2015, the Senior Vice-President and Chief Ethics Officer presented the ethics policy and the actions taken in this field and its results. The Board considers that these policies form an integral part of L'Oréal's growth model, and therefore supports their implementation and regularly measures the advances made.

“The L'Oréal Board of Directors brings together talented people with different backgrounds and extensive business experience”

JEAN-PAUL AGON
CHAIRMAN AND CEO



JEAN-PAUL AGON
Chairman and CEO
since March 18th, 2011
(term of office renewed in 2014)



**FRANÇOISE
BETTENCOURT MEYERS**
(term of office renewed in 2013)



PETER BRABECK-LETMATHE
Vice-Chairman of the Board
(term of office renewed in 2013)



JEAN-PIERRE MEYERS
Vice-Chairman of the Board
(term of office renewed in 2012)



ANA SOFIA AMARAL
(since July 15th, 2014)



SOPHIE BELLON
(since April 22nd, 2015)



CHARLES-HENRI FILIPPI
(term of office renewed in 2015)



XAVIER FONTANET
(term of office renewed in 2014)



BELÉN GARIJO
(since April 17th, 2014)



BERNARD KASRIEL
(term of office renewed in 2012)



CHRISTIANE KUEHNE
(since April 17th, 2012)



GEORGES LIAROKAPIS
(since July 15th, 2014)



JEAN-VICTOR MEYERS
(since February 13th, 2012)



VIRGINIE MORGON
(since April 26th, 2013)



LOUIS SCHWEITZER
(term of office renewed in 2013)

The Executive Committee

The members of the Executive Committee are in charge of the Operational Divisions and Functional Departments, as well as the geographic Zones. They implement the strategic guidelines and direct the activities of L'Oréal all over the world.

In 2015, Isabel Marey-Semper joined the Executive Committee as Executive Vice-President Communications, Public Affairs and Sustainable Development. She is also General Manager of the L'Oréal Corporate Foundation.



Members of the *Executive Committee of L'Oréal*

1 • JEAN-PAUL AGON
Chairman and CEO

2 • LAURENT ATTAL
Executive Vice-President
Research and Innovation

3 • NICOLAS HIERONIMUS
President
Selective Divisions

4 • BARBARA LAVERNOS
Executive Vice-President
Operations

5 • BRIGITTE LIBERMAN
President
Active Cosmetics Division

6 • ISABEL MAREY-SEMPER
Executive Vice-President
Communications, Public Affairs
and Sustainable Development

7 • MARC MENESGUEN
President
Consumer Products Division

8 • CHRISTIAN MULLIEZ
Executive Vice-President
Chief Financial Officer

9 • ALEXIS PERAKIS-VALAT
Executive Vice-President
Asia, Pacific Zone

10 • ALEXANDRE POPOFF
Executive Vice-President
Eastern Europe Zone

11 • LUBOMIRA ROCHET
Chief Digital Officer

12 • FRÉDÉRIC ROZÉ
Executive Vice-President
Americas Zone

13 • GEOFF SKINGSLEY
Executive Vice-President
Africa, Middle East Zone

14 • JÉRÔME TIXIER
Executive Vice-President
Human Relations and Advisor
to the Chairman

15 • AN VERHULST-SANTOS
President
Professional Products Division

16 • JOCHEN ZAUMSEIL
Executive Vice-President
Western Europe Zone

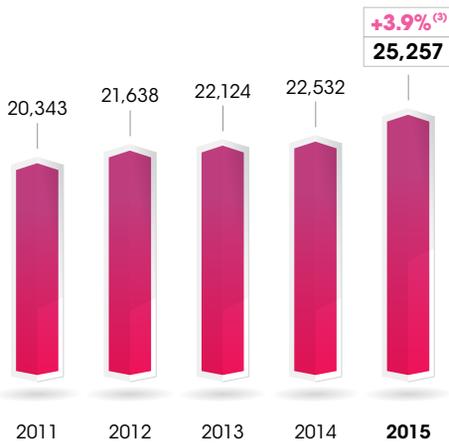


A robust and balanced business model

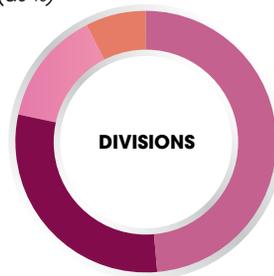
The group recorded strong growth in 2015, supported by a positive monetary effect. The growth in sales, earnings per share ⁽¹⁾ and dividend illustrates the quality and robustness of the L'Oréal business model.

Strong progression of sales: +12.1% based on reported figures

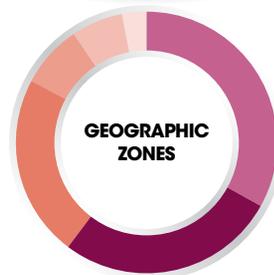
CONSOLIDATED SALES ⁽²⁾
(in millions of euros)



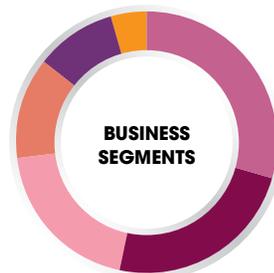
BREAKDOWN OF 2015
COSMETICS DIVISIONS' SALES
(as %)



- 48.7% Consumer Products
- 29.8% L'Oréal Luxe
- 14.0% Professional Products
- 7.5% Active Cosmetics



- 33.1% Western Europe
- 27.4% North America
- 39.5% New Markets:
- 22.5% Asia, Pacific
- 7.7% Latin America
- 6.3% Eastern Europe
- 3.0% Africa, Middle East



- 29.6% Skincare
- 23.8% Make-up
- 19.7% Haircare
- 12.7% Hair colourants
- 9.8% Fragrances
- 4.4% Other ⁽⁵⁾

WEIGHT OF DIGITAL IN SALES ⁽⁴⁾

1.3
billion euros of sales in e-commerce

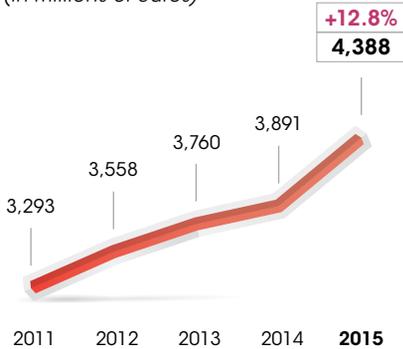
5.2%
of consolidated sales in e-commerce

+37.9%
of like-for-like sales growth in e-commerce

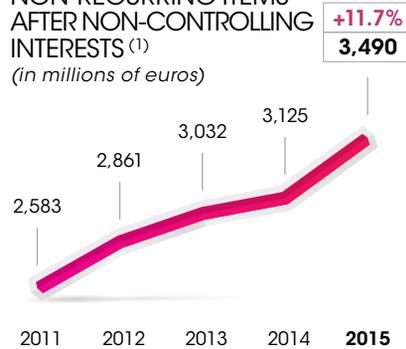
⁽¹⁾ Diluted earnings per share, based on net profit from continuing operations, excluding non-recurring items, attributable to owners of the company. ⁽²⁾ The announcement on February 11th, 2014, of the disposal of 50% of Galderma leads to account for this business in accordance with IFRS 5 accounting rule on discontinued operations. In accordance with IFRS 11 accounting rule, Inneov has been consolidated under the equity method of January 1st, 2014. All figures for earlier periods have been restated accordingly. ⁽³⁾ Like-for-like. ⁽⁴⁾ Sales achieved on the brands' own websites and estimated sales achieved by the brands on retailers' websites (non-audited data). ⁽⁵⁾ "Other" includes hygiene products and sales made by American professional distributors with brands outside of the group.

A new increase in earnings per share

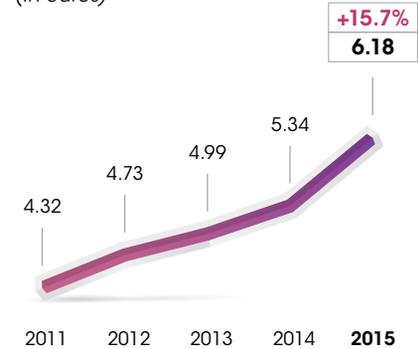
OPERATING PROFIT
(in millions of euros)



NET PROFIT EXCLUDING
NON-RECURRING ITEMS
AFTER NON-CONTROLLING
INTERESTS ⁽¹⁾
(in millions of euros)

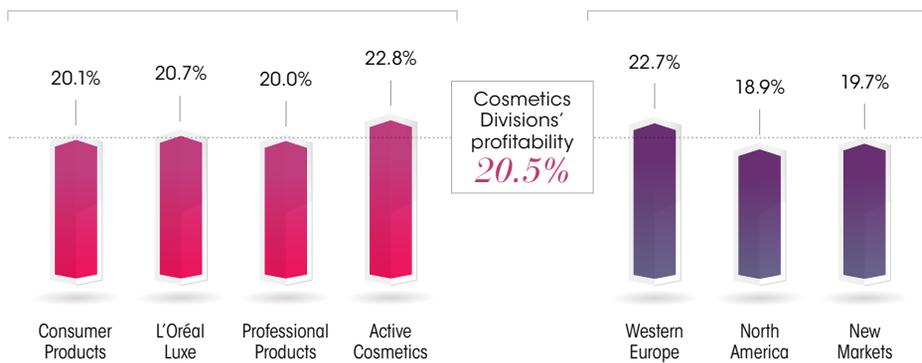


EARNINGS PER SHARE ⁽²⁾
(in euros)



Balance of operating profitability

BY DIVISION
(as % of Division sales)



A solid balance sheet

Shareholders' Equity
70%
of total assets

Net cash surplus of
618
million euros

Capital expenditure
4.6%
of sales

A dynamic shareholder return policy

DIVIDEND PER SHARE
(in euros)



€3.41 = Preferential dividend of +10% for shareholders who have held shares in registered form for two years⁽³⁾

€155.30
Share price ⁽⁷⁾

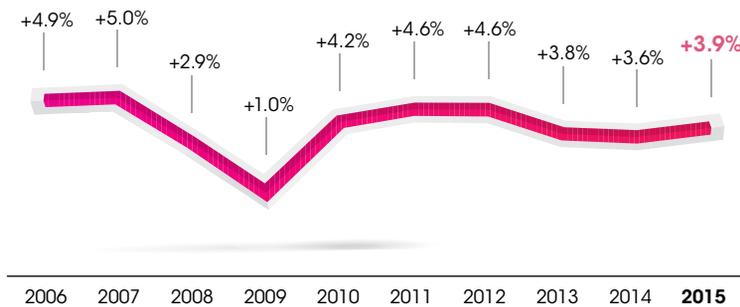
€87.43 Bn
Market capitalisation ⁽⁸⁾

(1) Net profit excluding non-recurring items after non-controlling interests does not include impairment of assets, restructuring costs, tax effects or non-controlling interests. (2) Diluted earnings per share, based on net profit from continuing operations, excluding non-recurring items, attributable to owners of the company. (3) 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. (4) Dividend proposed at the Annual General Meeting of April 20th, 2016. (5) Based on the dividend proposed at the Annual General Meeting of April 20th, 2016. (6) Pay-out ratio based on diluted net profit excluding non-recurring items, after non-controlling interests, per share. (7) At December 31st, 2015. (8) On the number of shares at December 31st, 2015, i.e. 562,983,348 shares.

The world of beauty in 2015

With growth at +3.9% ⁽¹⁾, the worldwide cosmetics market was stronger in 2015. With an estimated total of 203 billion euros, it is expanding steadily, driven by demographic trends in the New Markets, new needs linked to urbanisation, and new consumer desires fuelled by social networks. In this supply-driven market, spurred by innovation, L'Oréal is maintaining its leadership.

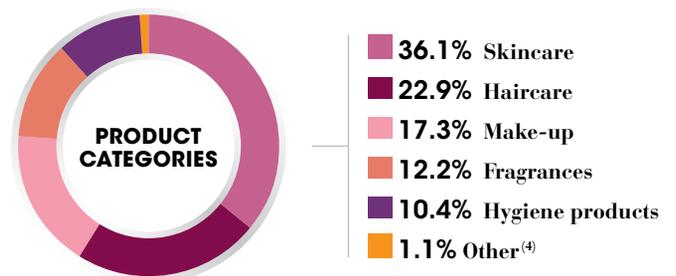
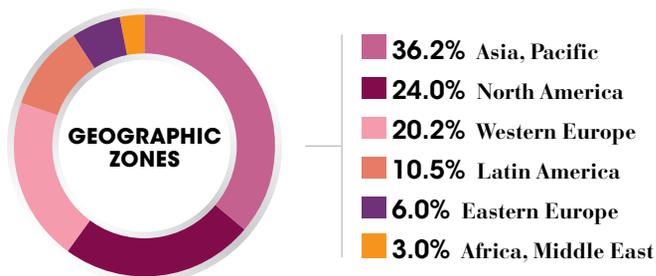
GROWTH OF THE WORLDWIDE COSMETICS MARKET FROM 2006 TO 2015 ⁽¹⁾
(estimated annual growth rate, as %)



MAIN WORLDWIDE PLAYERS ⁽²⁾
(2014 sales, in billions of USD)



BREAKDOWN OF THE WORLDWIDE COSMETICS MARKET ⁽¹⁾
(as %)



⁽¹⁾ Source: L'Oréal 2015 estimates of the worldwide cosmetics market in net manufacturer prices. Excluding soaps, oral hygiene, razors and blades. Excluding currency effects.
⁽²⁾ Source: WWD, "Beauty's Top 100", April 2015. ⁽³⁾ WWD estimates of cosmetics sales. ⁽⁴⁾ Oral cosmetics.

The major trends of the year

NEW MARKETS

India, South Africa and Turkey are performing well

In 2015, the New Markets generated more than two-thirds of beauty market growth⁽¹⁾. Despite the slowdown in China and Brazil, some growth-relay countries are fulfilling their promise, as is the case with India, South Africa and Turkey.



SECTORS

Luxury and dermocosmetics

Luxury remains the most dynamic sector at +5.7%⁽¹⁾, thanks in particular to e-commerce sales.

Dermocosmetics meanwhile continues to accelerate, driven by deep-rooted upward aspirations for both beauty and health in all parts of the world.



(1) Source: L'Oréal 2015 estimates of the worldwide cosmetics market in net manufacturer prices. Excluding soaps, oral hygiene, razors and blades. Excluding currency effects.



MAKE-UP

Lip colour leads the way

Driven by the selfie generation, make-up was the most dynamic category for the third year running, and proved to be a growth driver. The success of lip make-up was one of the 2015 highlights, with growth at +10% in the mass-market channel, and +16% in the selective channel⁽¹⁾.

DIGITAL

A tremendous opportunity for beauty

Beauty, today, is synonymous with personalised products and services that enrich the consumer experience and its relationship with the brands, in all distribution sectors.



6%
E-COMMERCE SHARE
OF WORLDWIDE
BEAUTY MARKET⁽¹⁾

+20%
GROWTH OF
WORLDWIDE ONLINE
BEAUTY SALES⁽¹⁾

Seizing the potential *of every market*

In a year marked by a worldwide economic slowdown and increased international volatility, particularly in some emerging countries, L'Oréal benefited from its balanced footprint across geographic Zones and continued to develop its positions in all regions of the world.



North America

+3.5% ⁽¹⁾

North America's growth pace strengthened throughout the year. URBAN DECAY, KIEHL'S and YVES SAINT LAURENT all posted double-digit growth. The Professional Products Division is recovering, driven by REDKEN. The Consumer Products Division is fuelled by make-up, with the breakthrough made by NYX Professional Makeup and the acceleration of MAYBELLINE NEW YORK.

Latin America

+4.6% ⁽¹⁾

The Active Cosmetics Division and L'Oréal Luxe posted double-digit growth, thanks to the good performances of SKINCEUTICALS, VICHY, LA ROCHE-POSAY, LANCÔME and KIEHL'S. If Brazil is excluded, Latin America achieved double-digit like-for-like growth. The environment in Brazil is continuing to hold back the Zone's overall sales.

(1) Like-for-like sales growth of cosmetics Divisions.



Western Europe

+2.3% ⁽¹⁾

Thanks to L'Oréal Luxe, and the Active Cosmetics and Professional Products Divisions, the group is outperforming the market, particularly in Southern Europe, and is recording strong growth in the United Kingdom and Germany. While the mass-market channel is still sluggish, the GARNIER brand is winning market share in haircare and skincare.

Eastern Europe

+9.8% ⁽¹⁾

The Consumer Products and Professional Products Divisions, as well as L'Oréal Luxe, all recorded double-digit growth, driven by Russia, Turkey and Ukraine. All Divisions are gaining market shares, particularly the Consumer Products Division in all categories: haircare, hair colour, skincare and deodorants.

Asia, Pacific

+4.7% ⁽¹⁾

Despite a difficult market in Hong Kong, growth at L'Oréal Luxe improved in the fourth quarter, driven by excellent performances in Japan. The Consumer Products Division benefited from good performances in India, Australia and Thailand. The Active Cosmetics Division posted strong growth, driven by LA ROCHE-POSAY.

Africa, Middle East

+12.1% ⁽¹⁾

Growth was particularly fast in Egypt, Pakistan and Saudi Arabia, where it topped 20%⁽¹⁾. South Africa remained solid. In a context of recent slowdown in several countries, all the Divisions made progress, with market share gains in their respective channels.



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BY SCANNING THIS PAGE WITH THE L'ORÉAL FINANCE APP



FOCUS ON GERMANY AND CHINA

Find out more about L'Oréal's year
in these two countries.



FOCUS ON TRAVEL RETAIL

See how L'Oréal strengthened its leadership
in the Travel Retail market.





The world of brands

With its international portfolio of complementary brands organised in four Divisions, L'Oréal is in a strong position to seize all the opportunities of the beauty market and to meet the aspirations of consumers all over the world and in all distribution channels.



CONSUMER PRODUCTS

L'ORÉAL PARIS • GARNIER • MAYBELLINE NEW YORK
NYX PROFESSIONAL MAKEUP • DARK AND LOVELY • MG • ESSIE • NIELY

Seizing all the opportunities of a buoyant market

In 2015, the Division underperformed the market, but accelerated in the second half. In Western Europe, our sales have been stable in a fairly difficult market, and in North America, the Division returned to dynamic growth thanks to make-up. In the New Markets, all the Zones are growing, with strong contributions from Russia, Turkey, Saudi Arabia, India and Mexico.

MODERNISING THE GLOBAL BRANDS

The new “Make it happen” communications platform by MAYBELLINE NEW YORK has helped accelerate growth, especially in the United States. We have also modernised the L'ORÉAL PARIS brand by strengthening its expertise in every category. With the success of Ultra Doux, GARNIER reinforced its position in the fast-growing natural beauty trend.

TWO MAJOR STRATEGIC BETS

First of all, the extremely dynamic make-up segment: after strengthening our worldwide leadership in 2015⁽¹⁾, our ambition is to keep on outperforming this market, thanks to our perfectly

complementary brands, a wide variety of innovations and the global roll-out of NYX Professional Makeup. Secondly, stepping up our haircare presence, thanks to Elvive by L'ORÉAL PARIS and Ultra Doux by GARNIER. We will also continue to innovate in the other categories.

AN OUTSTANDING DIGITAL OPPORTUNITY

E-commerce, highly developed in China, where it already accounts for more than 20% of our sales, is now accelerating in all Zones⁽²⁾. Social networks also give us a new way to support our brands, inspired by the NYX Professional Makeup model. Digital media also enables us to deliver services on a massive scale, like the Makeup Genius app. We are determined to win market share and gradually accelerate our growth, to ensure that we can outperform the market in a sustainable way.

(1) Source: Nielsen/IRI distributor panels, total 8 zones, market share value 2015. (2) Including distributor feedback and L'Oréal estimates.



MARC MENESGUEN

PRESIDENT CONSUMER
PRODUCTS DIVISIONS



SCAN THIS PAGE
to watch the
interview with
Marc Menesguen

“Strengthened
by the repositioning
of our brands and our
strategic choices, we are
determined to gradually
step up our growth”

LIKE-FOR-LIKE
SALES GROWTH



2 KEY CATEGORIES

Haircare

Make-up



LIKE-FOR-LIKE GROWTH
IN E-COMMERCE⁽²⁾



+54.4%

1ST GROWTH-CONTRIBUTOR
BRAND

MAYBELLINE
NEW YORK



NYX Professional Makeup: *an inspiring model*

NYX Professional Makeup is a Division newcomer that stands out thanks to its radically new approach to make-up, its 100%-digital communications and its magnetic appeal. It is one of the most dynamic brands in the marketplace. Let's take a closer look at what is behind the success of this Californian brand with worldwide potential.

Founded in Los Angeles in 1999, NYX Professional Makeup is now one of the most influential brands in digital beauty, and is closely monitored by popular vloggers⁽¹⁾ and Instagrammers, as well as their millions of fans. The brand targets these opinion leaders and offers them previews of new products so that they create their own content and generate the initial buzz for launches. With growth of +78.0%⁽²⁾ NYX Professional Makeup is expanding powerfully, and is one of the most comprehensive professional make-up brand in the mass-market channel.

(1) Video bloggers. (2) Like-for-like.

JUMBO EYE PENCIL

Both eyeliner and eyeshadow, it exists in a wide range of blues.

THE HIGH-PROFILE LAUNCH OF MACARON LIPPIES

NYX Professional Makeup developed a range of lipsticks in bold, bright colours to respond quickly to an emerging trend spotted on social networks.



The keys to success

INSPIRED BY PROFESSIONALS

PROMOTED BY A COMMUNITY OF FANS

BASED ON TRACKING TRENDS IN REAL TIME

A WIDE RANGE OF COLOURS



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A great year for make-up

Make-up is driven by the modernisation of the major worldwide brands and their powerful innovation capacity, both in product launches and digital initiatives.



Check out innovations by
MAYBELLINE NEW YORK, L'ORÉAL PARIS and ESSIE.

Haircare, a winning category

In 2015, haircare remained key to the Consumer Products Division's growth, thanks to impressive performances.



A closer look at the potential of Elvive by L'ORÉAL PARIS and Ultra Doux by GARNIER.

E-commerce performs well in China



E-commerce is becoming a real growth driver for the Division, boosted by clear growth in all Zones and impressive performances in China, where it already represents 20% of sales⁽¹⁾.

(1) Including distributor feedback and L'Oréal estimates.



Learn more about the
Division's digital strategy
in the Chinese market.



L'ORÉAL LUXE

LANCÔME • GIORGIO ARMANI • KIEHL'S • YVES SAINT LAURENT • BIODERM • URBAN DECAY
RALPH LAUREN • SHU UEMURA • CLARISONIC • VIKTOR&ROLF • CACHAREL • HELENA RUBINSTEIN
DIESEL • YUE SAI • GUY LAROCHE • PALOMA PICASSO • MAISON MARGIELA

Great consistency in performance

2015 was a good year for L'Oréal Luxe, with annual sales increasing by +6.1% like-for-like and +16.7% based on reported figures. Despite fluctuations in the market environment, the Division continued to post great consistency in its performance, while gaining market shares. All our Zones recorded increases, particularly Western Europe, up by +5.4%⁽¹⁾, way above the market figure. L'Oréal Luxe make-up was highly dynamic in 2015. In skincare, it was a great year for KIEHL'S. The fragrances category also progressed, thanks to the spectacular success of the last three major launches in women's fragrances, "La Vie Est Belle", Si and Black Opium, and the solid sales of men's fragrances such as Polo Red and Acqua di Giò Profumo.

L'ORÉAL LUXE GROWTH-DRIVER BRANDS

2015 was the YVES SAINT LAURENT year, with growth of +18.4%⁽¹⁾. LANCÔME celebrated its 80th anniversary and performed strongly in Europe, China and the United States. The brand enhanced customer experience everywhere, fragrances posted double-digit growth and make-up is again picking up speed with the launch of Miracle Cushion, the first in a grand

series of innovations. URBAN DECAY is one of the finest acquisitions made by L'Oréal Luxe in recent years. Great progress was achieved in our brand digital strategies, and there was strong growth and significant contribution from e-commerce, which already accounts for more than 8% of our sales⁽²⁾.

CHALLENGES FOR THE FUTURE

We want to strengthen our relationship with major worldwide distributors, as well as taking our direct-to-consumer efforts to the next level thanks to CRM⁽³⁾, e-commerce and digital targeting, to provide customers with even better service. We also need to reconcile the longer time frame of luxury – that of quality and brand heritage – with the shorter spans required by today's world. This will involve a policy of breakthrough innovations, a permanent challenge for our business.

(1) Like-for-like. (2) Including distributor feedback and L'Oréal estimates. (3) Customer Relationship Management.



NICOLAS HIERONIMUS
PRESIDENT
SELECTIVE DIVISIONS



SCAN THIS PAGE
to watch the
interview with
Nicolas Hieronimus

“2015 was a good year for L'Oréal Luxe, with a highly dynamic make-up category and spectacular success in fragrances”

LIKE-FOR-LIKE
SALES GROWTH



NO.1 CATEGORY
IN TERMS OF GROWTH

Make-up



TOP 2
GROWTH-CONTRIBUTOR
GEOGRAPHIC ZONES



Western
Europe
Asia,
Pacific

5 BRANDS
DRIVING GROWTH

Lancôme
Yves Saint Laurent
Giorgio Armani
Kiehl's
Urban Decay



The Yves Saint Laurent Beauty year

2015 gave new impetus to the beauty range of the most subversive Parisian couture brand. To attract growing numbers of young consumers, the brand changed its point-of-sale aesthetic in 2015, by focusing on minimalism and ultra-luxury codes. Thanks to its fragrances, particularly the continued success of Black Opium, and its trendsetting make-up initiatives, YVES SAINT LAURENT posted very strong growth at +18.4%⁽¹⁾.

THE MAKE-UP BOOM

Historically a strong category for the brand and further boosted by social networks, YVES SAINT LAURENT make-up posted spectacular growth in 2015, particularly in Asia. The brand is reasserting its leading position in lip make-up with Rouge Pur Couture and its new subversive marketing campaign; the worldwide success of the Vernis à Lèvres; and Volupté Tint-In-Oil, the first tinted lip oil and one of the top gloss launches of the first half. To further showcase colour in points-of-sale, the "YSL Color Showroom" counter concept was first launched in Japan.

(1) Like-for-like.



SCAN THIS PAGE

to watch the Rouge Pur Couture video



**ROUGE PUR COUTURE
VOLUPTÉ TINT-IN-OIL**

*Two symbols of
YVES SAINT LAURENT's
colour expertise in
the lip segment.*

“
To be a young,
avant-garde
luxury brand”

STEPHAN BEZY

INTERNATIONAL MANAGING DIRECTOR
OF YVES SAINT LAURENT BEAUTY



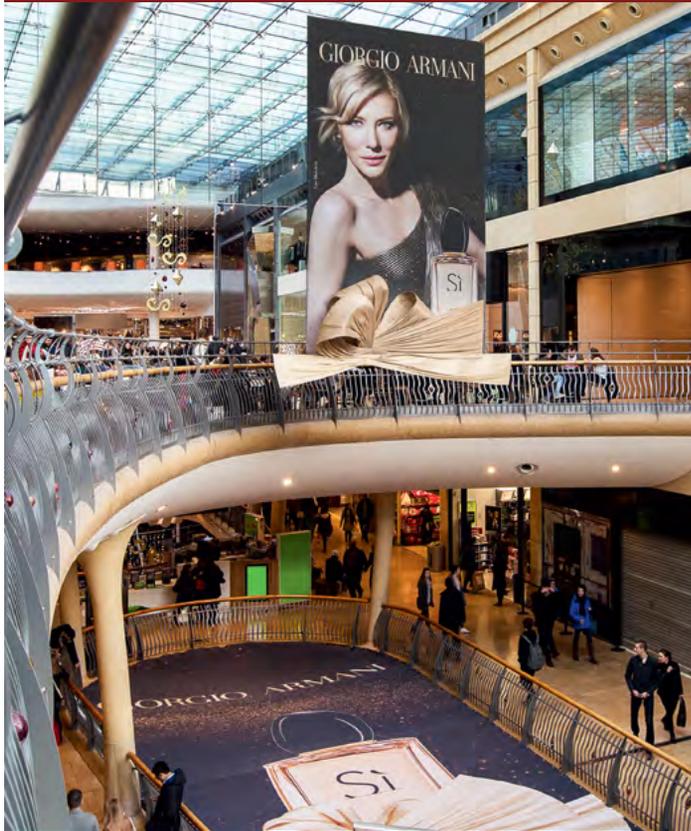
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Good performance in Europe

In a European market that saw an upturn, L'Oréal Luxe made substantial market share gains in the five main national markets: France, Germany, United Kingdom, Spain and Italy⁽¹⁾.

(1) Source: L'Oréal 2015 estimates of the worldwide cosmetics market in net manufacturer prices. Excluding soaps, oral hygiene, razors and blades. Excluding currency effects.



Read more about the success of L'Oréal Luxe and its brands in Western Europe.

The L'Oréal Luxe digital breakthrough



Digital media has triggered a profound transformation of the brands' relationship with consumers – one that is now based on personalisation, detailed knowledge and far richer interactions.



Check out the Division's major digital initiatives from 2015.

Urban Decay: taking the world by storm

In 2015, the brand accelerated worldwide, driven by the phenomenon of young "beauty junkies" who are crazy about make-up.



Learn more about URBAN DECAY'S counters and stores.



PROFESSIONAL PRODUCTS

L'ORÉAL PROFESSIONNEL • REDKEN • MATRIX
KÉRASTASE • PUREOLOGY • DECLÉOR • SHU UEMURA ART OF HAIR
ESSIE • CARITA • MIZANI

Reigniting the professional beauty market

We once again strengthened our worldwide leadership⁽¹⁾ and accelerated our growth. In a worldwide market that remained fairly slow, Western Europe and the United States continued to grow by +1.8%⁽²⁾ and +4.1%⁽²⁾. Our two main categories, haircare and hair colour, enjoyed accelerated growth. We finalised the integration of DECLÉOR and CARITA, making the Division a global player in the professional beauty market.

DYNAMISM IN THE TWO MAIN CATEGORIES

Best in class in the digital field, REDKEN has become the Division's second biggest brand, and recorded strong growth in the United States. In 2015, the Division launched several technological innovations that contributed to accentuate the professional difference by meeting consumers' aspirations for personalised beauty services. In hair colour, the consolidation of our key pillars and the roll-out of transversal programmes to develop technical expertise gave the category a huge boost.

MODERNISING PROFESSIONAL BEAUTY

It is our responsibility to reignite our industry and to continue the modernisa-

“ In 2015,
we strengthened our
worldwide leadership and
accelerated our growth ”

tion of professional beauty, to make it more attractive, more modern and more connected. The year was marked by the launch of Salon E-motion™, our hair salon transformation programme. We will continue to deploy our education programmes to convince more and more beauty professionals that we are their privileged partner.

CONFIDENT AND DETERMINED IN 2016

As the market leader⁽¹⁾, we are confident and determined to accelerate our growth. 2016 will once again be a great year of innovations thanks to our brands, services and customer experience in our salons. Our commitments to the industry, our education expertise and our brand portfolio mean that we can offer consumers all over the world unique and personalised beauty experiences.

(1) Source: L'Oréal 2015 estimates of the worldwide cosmetics market in net manufacturer prices. Excluding soaps, oral hygiene, razors and blades. Excluding currency effects. (2) Like-for-like.



AN VERHULST-SANTOS

PRESIDENT PROFESSIONAL PRODUCTS DIVISIONS



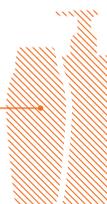
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with An Verhulst-Santos

LIKE-FOR-LIKE
SALES GROWTH



1ST GROWTH-CONTRIBUTOR
CATEGORY

Haircare



TOP 3
GROWTH-CONTRIBUTOR
COUNTRIES



United States
India
United Kingdom

1ST GROWTH-CONTRIBUTOR
BRAND





**PRO FIBER
BY L'ORÉAL
PROFESSIONNEL**

Unprecedented technology. At the heart of this long-lasting recharging hair treatment lies APTYL 100, the product of 15 years of Research.



**THÉRAPISTE
BY KÉRASTASE**

Targeted innovation for very "damaged" hair. The hairdresser sets out the Thérapiste routine for each hair type, with two rituals – "4 sérum" and "Resuscitation" – available only in salons. The launch was backed by a humorous digital campaign on disastrous hairstyle fads.



**CLEANSING
CONDITIONER
BY BIOLOGE**

A new alternative to shampoo. To meet new natural beauty expectations inspired by the less-is-more concept, MATRIX is innovating with Cleansing Conditioner by Biologie, a new gentle hair wash that respects the hair and scalp.

Tailor-made professional services

To meet consumers' aspirations for increasingly personalised beauty, the Professional Products Division launched scientific innovations and exclusive services that highlight the professional difference provided by the hairdresser's expertise and know-how.

With the Pro Fiber protocol, L'ORÉAL PROFESSIONNEL has created haircare continuity: for the first time, the salon effect is reactivated at the consumer's home. The KÉRASTASE brand is launching Thérapiste, a line for very "damaged" and over-processed hair. Relunched in 2015, Fusio-Dose ultra-personalised haircare is a fine example of how to showcase professional expertise with a salon-exclusive result. The "low-shampoo" formula of Biologie Cleansing Conditioner by MATRIX is surfing on the high-potential natural beauty segment.



**FUSIO-DOSE
BY KÉRASTASE**

Ultra-personalised haircare. After a diagnosis, the hairdresser chooses the best concentrate and booster, and mixes the ingredients in real time for one of 20 possible tailor-made combinations.



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Salon E-motion™, an innovative transformation programme

As a responsible market leader, the Division is dedicated to revitalising the industry, especially by supporting hair salon transformation.



Take a tour of a Salon E-motion™ that re-enchants the consumer experience.

Education: a driving force for the industry's development

Education is a real business partner for the Professional Products Division and is at the heart of its strategy, with more than 700,000 hairdressers trained in 2015.



Learn more about the Division's education programmes all over the world.

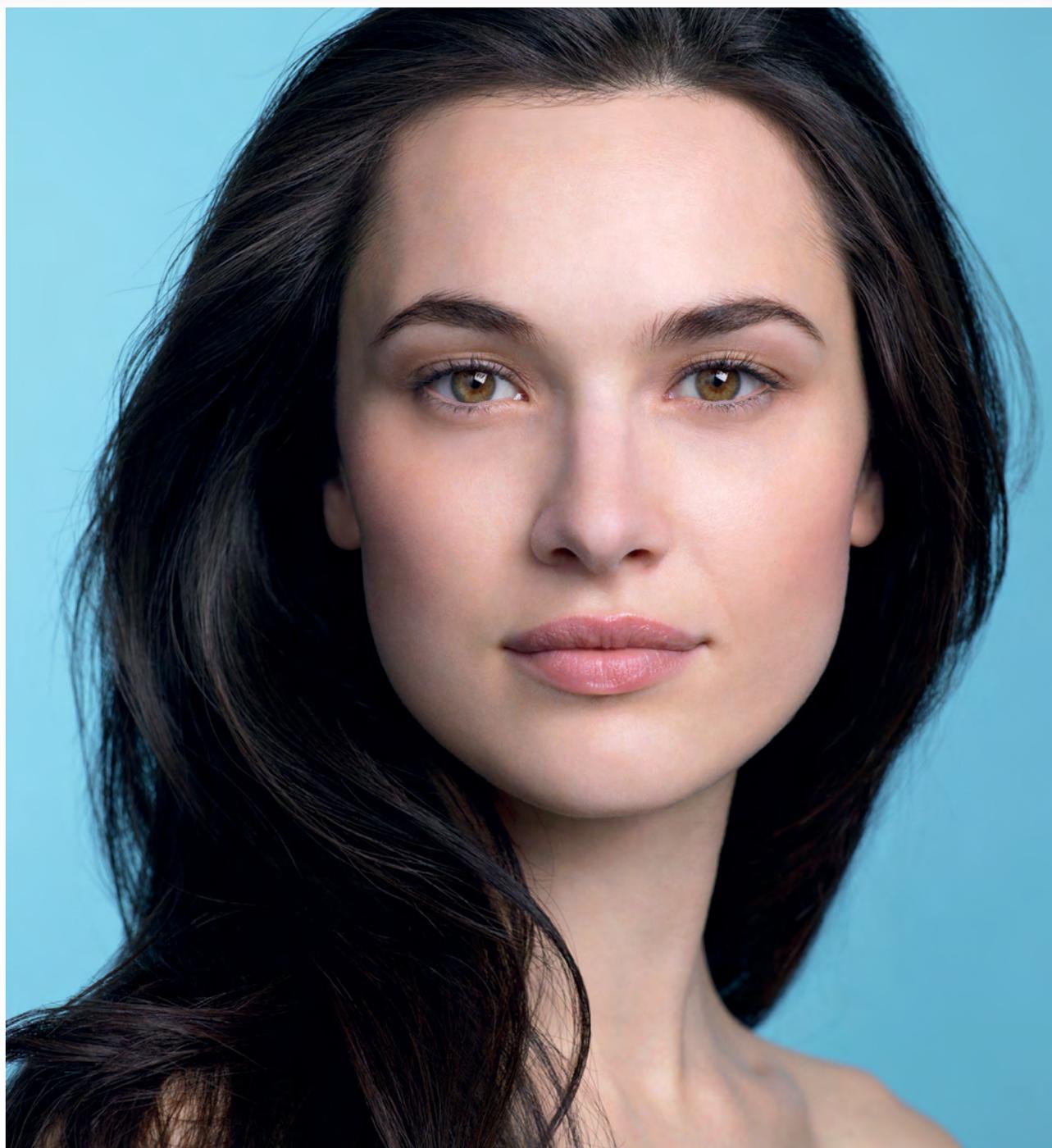
Redken drives growth in the United States

Best in class in the digital field, the brand posted in 2015 record growth of +8.8%⁽¹⁾, driven by double-digit growth in haircare and strong growth in hair colour.

(1) Like-for-like.



Find out more about the secrets to the brand's success in the American market.



ACTIVE

COSMETICS

VICHY • LA ROCHE-POSAY • SKINCEUTICALS
ROGER&GALLET • SANOFLORE

A pioneer in dermocosmetics worldwide

In a dermocosmetics market that is still dynamic, the Active Cosmetics Division is once again demonstrating its worldwide leadership⁽¹⁾ with growth at +7.8%⁽²⁾. All the Zones and all the brands posted sales growth. Growth in Latin America, Brazil, Asia and Africa, Middle East was two-digit, an achievement matched on every continent by the LA ROCHE-POSAY brand. In 2015, we launched some strikingly successful innovations with high scientific added value, such as Neovadiol by VICHY and Lipikar Baume AP+ by LA ROCHE-POSAY.

THE CONSUMER QUEST FOR BEAUTY AND HEALTH

Our growth is driven by the increasing consumer interest in beauty and health, reflected in a desire for simplicity, safety and naturalness; a search for effective solutions to deal with skin problems linked to lifestyle, ageing and pollution; and a vision of health as a lifestyle choice dependent on expert brands.

STRONG COMMITMENT TO OUR HEALTHCARE PARTNERS

We are strengthening our partnership with healthcare professionals. The Global Summit of Pharmacy Leaders brought together 300 pharmacists, and

pharmacy and drugstore chains, to offer training courses designed to develop business in pharmacies, and to help them to digitalise and provide advice and services.

SPECIALISED POINTS OF SALE AND DIGITAL ACCELERATION

The Division is also rolling out its multi-channel approach with its dermacenter concept, which embodies our modern vision of beauty and health, focused on providing a quality experience, services and advice from skincare experts. We are continuing our digital acceleration, both as a tool for increasing recommendations for our brands, and as a growth driver via e-commerce, which accounted for 17.1% of the Division's growth⁽³⁾.

The conviction that health is the future of beauty means we need to be even more respectful of the beauty and health of the planet and go the extra mile in the field of responsible development.

(1) Source: L'Oréal 2015 estimates of the worldwide cosmetics market in net manufacturer prices. Excluding soaps, oral hygiene, razors and blades. Excluding currency effects. (2) Like-for-like. (3) Including distributor feedback and L'Oréal estimates. (4) Source: 2015 panels and L'Oréal estimates.



BRIGITTE LIBERMAN
PRESIDENT
ACTIVE COSMETICS



SCAN THIS PAGE
to watch the
interview with
Brigitte Liberman

“The Division is once again demonstrating its worldwide leadership and reinforcing its partnerships with healthcare professionals”

SALES GROWTH
LIKE-FOR-LIKE



WORLDWIDE LEADER
IN DERMOCOSMETICS⁽⁴⁾



DISTRIBUTORS PRESENT
AT THE GLOBAL SUMMIT
OF PHARMACY LEADERS



1ST GROWTH-CONTRIBUTOR
BRAND





High added-value skincare

The Active Cosmetics Division strengthened its position as the dermocosmetics market expert in 2015, with a year full of skincare innovations and success stories for its three major brands: LA ROCHE-POSAY, VICHY and SKINCEUTICALS.

Lipikar Baume AP+, a crucial advance in the field of dry skin treatment, continued to pay off in 2015: Lipikar is the third LA ROCHE-POSAY franchise⁽¹⁾, with sales that have doubled over the last five years.

With its Neovadiol mature skin specialist franchise, VICHY is innovating in compensating cosmetics: a complex of powerful active ingredients protected by 13 patents, designed to reduce the signs of skin ageing associated with menopause.

Launched in 11 countries, Metacell Renewal B3 by SKINCEUTICALS is popular because of its texture and its efficacy, thanks to its high concentration in active ingredients, including vitamin B3 at 5%. The initial sales figures are promising.

NEOVADIOL SUBSTITUTE COMPLEX BY VICHY METACELL RENEWAL B3 BY SKINCEUTICALS

Two targeted anti-ageing responses: from the first signs of ageing, thanks to a high concentration of vitamin B3 in Metacell Renewal B3 by SKINCEUTICALS, to the specific needs of menopausal women with Neovadiol Substitute Complex by VICHY.



LIPIKAR BAUME AP+ BY LA ROCHE-POSAY

A scientific breakthrough in the microbiome⁽²⁾ field, this baum, achieved through 25 years of Research and launched in 2014, is already a reference in support treatments for skin dryness.

(1) In volume. (2) Microorganisms on the surface of the skin.



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The Active Cosmetics Division celebrates 15 years in Brazil

On this occasion, the Active Cosmetics Division continues to maintain its leadership of the Brazilian dermocosmetics market⁽¹⁾.

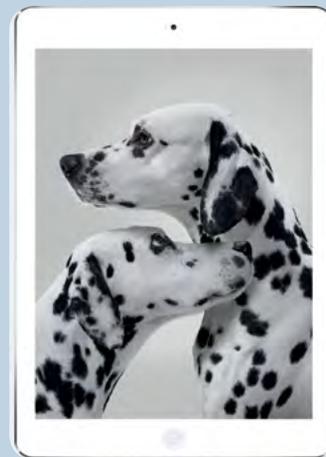
(1) Source: Dermocosmetics market, IMS panel, Brazil, market share value 2015.



A look back at 15 years of success for the LA ROCHE-POSAY, VICHY and SKINCEUTICALS brands in Brazil.

Become a "Skin Checker" with LA ROCHE-POSAY

Pursuing its ambition of raising public awareness of skin cancer prevention, LA ROCHE-POSAY launched its viral "Skin Checker" campaign in March 2015.



Join the 30 million "Skin Checkers" all over the world.

A dynamic distribution strategy

In pharmacies or in dermacenters, online or in the Travel Retail channel, this multi-channel approach enables the brands to reach increasing numbers of consumers.



Explore the Division's points of sale in all markets.



THE BODY SHOP

JEREMY SCHWARTZ
CHAIRMAN AND CEO
OF THE BODY SHOP



Shaping *the brand's* future

“Our business strategy relies on the natural beauty trend, personalised services and ethical business practices, with a focus on skincare, which has consistently grown”

THE BODY SHOP creates high-quality products, using the world's finest natural ingredients, in a sustainable and ethical way. Alongside its strong body care expertise, the brand boasts a very extensive skincare range with strong franchises, such as Tea Tree and Drops of Youth™. Its service philosophy ensures its diverse, global customer base benefits from superior in-store experience and customised consultations. In 2015, the brand showed renewed growth in its number one market, the United Kingdom.

LIKE-FOR-LIKE SALES EVOLUTION ⁽¹⁾



STORES WORLDWIDE



SKINCARE SALES GROWTH ⁽²⁾



IN-STORE SKINCARE EXPERTS WORLDWIDE



(1) +10.7% based on reported figures. (2) Like-for-like.



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Body care is adding a premium range

Inspired by ancestral beauty rituals, and with seductive packaging and communication, Spa of the World™, proposes a high-class spa experience at home.



Find out more about this premium range,
which has been embraced by consumers.

Renewed commitment “Enrich not Exploit”

The brand has announced to its consumers and stakeholders its new proposition: “Enrich not Exploit (It’s in our hands)”. THE BODY SHOP will start in 2016 a series of initiatives to engage its consumers in this approach to sustainability.



Understand
the founding
principles
behind this
new campaign.

A highly digital launch for Oils of Life™



In 2015, THE BODY SHOP significantly enhanced its digital platforms, in particular across social media, to reach out to its digitally savvy consumers.



Share in the secrets
of the digital launch
of Oils of Life™.





The group's *advances*

By drawing on the diversity of its teams and their wealth of expertise, the group once again this year continued its major strategic transformations to invent the beauty of tomorrow and build the New L'Oréal: more universal, more digital and more sustainable.

Innovating for personalised and responsible beauty

In 2015, we have gained a much better understanding of the effects of long UVA rays and pollution on the skin. This has led to the publication of scientific studies and the development of technologies to combat these effects. Another key issue is sustainable development. 65% of our new formulas have a positive environmental or social impact ⁽¹⁾. We have also developed new naturally-sourced active ingredients, such as quinoa bran extract, a high-performance peeling agent, and the powerful antioxidant baicaline.



LAURENT ATTAL

EXECUTIVE VICE-PRESIDENT
RESEARCH AND INNOVATION

OPEN, MULTI-HUB RESEARCH

We take advantage of our multi-hub organisation to capture the best of regional scientific ecosystems. In Japan, for example, we are working on optic particles and on pigments with top experts in these raw materials; in India, our Advanced Research teams are decrypting the ancestral knowledge

of ayurvedic medicine to develop new active ingredients based on plant extracts.

LEVERAGING DIGITAL TECHNOLOGIES

We began our digital transformation more than 15 years ago. Today, it is paying off in terms of innovation capacity and differentiation. With the help of digital technologies, we are capitalising on a wealth of skin and hair knowledge accumulated over more than a century, and also developing cutting-edge methods, such as molecular and formula modelling. And with our advanced numerical simulations, we can create high-precision, customised products and services such as the first connected, flexible UV patch that instantly informs users about the quantity of UV rays they are receiving.

“L’Oréal has always built on cutting-edge Research that is paying off in terms of innovation capacity and differentiation”

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to watch the interview with Laurent Attal



(1) Formulas produced in L’Oréal’s factories in 2015.

INVESTMENTS
IN RESEARCH AND
INNOVATION



794 MILLION
EUROS

RESEARCH AND
INNOVATION
EMPLOYEES



3,870

PATENTS
REGISTERED
IN 2015



497

1 WORLDWIDE
CENTRE IN FRANCE



5 REGIONAL
HUBS



Drawing on *nature's finest*

The use of renewable raw materials, responsibly sourced and processed using the principles of green chemistry, is central to L'Oréal's commitments in terms of innovation. This approach inspired the project to produce an active exfoliant ingredient from quinoa seeds.

At first, L'Oréal researchers spotted the exfoliant properties of an extract of quinoa bran, a seed by-product whose added-value had not previously been exploited. Several varieties of quinoa from different geographical areas were evaluated before Bolivian quinoa *real* was selected. Its bran is rich in saponins and antioxidant polyphenols, molecules which boast significant cosmetic properties.

AN ENVIRONMENTALLY FRIENDLY EXTRACTION PROCESS

Producing this natural and renewable active ingredient was a twofold challenge: to develop a process that delivers a plant extract whose composition varies as little as possible, while complying with the principles of green chemistry. The Phytoreveal2™ process, developed by L'Oréal and optimised by Chimex, involves an extraction technique that is both efficient and sustainable, with the smallest possible environmental impact.

SUSTAINABLE, FAIR-TRADE SOURCING IN BOLIVIA

L'Oréal has set up a partnership for the sustainable sourcing of quinoa bran with two suppliers in Bolivia. This partnership provides lasting benefits for some 250 quinoa producers in the country's Uyuni and Potosí regions.

The steps used *to obtain bran extract*



1. *Harvesting of quinoa real bran*



2. *Development of extraction process*



3. *Spray drying of extract*



4. *Once citric acid has been added, the quinoa bran extract takes on a lighter appearance and can be easily incorporated into formulas*

RESEARCH CENTRE

Based in Pudong since 2005, the L'Oréal Research and Innovation centre in China inaugurated its new buildings in 2015.



Innovations inspired by China

The local development of products is a strategic priority in L'Oréal's innovation process. Today, many products sold in China are developed at the Research and Innovation centre in Pudong, near Shanghai, whose new ultra-modern premises opened in 2015.



MAKE-UP

PRETTY & HEALTHY
With its natural colours suited to the complexion of Chinese women, Pretty & Healthy is a lipstick-lip balm hybrid. L'Oréal researchers based their work on Coscare⁽¹⁾ technology, which delivers both make-up effects and skincare benefits.

(1) A combination of "cosmetics" and "care".

FACIAL SKINCARE

HYDRAFRESH GENIUS WATER

L'Oréal researchers have latched on to the vogue for cosmetic waters, a Japanese-inspired routine that has recently emerged in China, and have thus offered a unique and highly innovative texture with hydration and sensoriality benefits in HydraFresh Genius Water by L'ORÉAL PARIS.



MEN'S COSMETICS

MEN EXPERT COMPLETE 5

The key concern of Chinese men faced with dandruff or greasy hair is keeping their hair clean. To meet this challenge, a range of five silicone-free anti-dandruff shampoos, with different benefits, has been developed by the Pudong centre for the L'ORÉAL PARIS brand.



HAIRCARE

POWER MOISTURE

L'ORÉAL PARIS is developing the first-ever shampoo range to provide a single solution to two seemingly different problems: oily scalp and dry hair. A formula that features purifying salicylic acid and water-retaining sodium hyaluronate.





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Digital technology boosts innovation

Digital technology empowers L'Oréal Research to push back the frontiers of innovation and create more personalised, high-performance products and services.



Learn how digital technology
boosts L'Oréal's innovation capacity.



A historic expert on pollution and the skin

For a number of years L'Oréal has been conducting research into the effects of pollution on the skin. This expertise led to scientific publications in 2015.



Understand how L'Oréal tackles
this major issue of the 21st century.

Digital amplifies L'Oréal's competitive edge in the beauty market



LUBOMIRA ROCHET
CHIEF DIGITAL OFFICER

**BEAUTY AND DIGITAL:
THE PERFECT MATCH**

The beauty industry is one of the sectors benefiting most from the digital era. Beauty is one of the most discussed subjects online, and one of the top

three Google search topics ⁽¹⁾. Beauty tutorials have become a social phenomenon, and some are viewed hundreds of millions of times. Consumers now look for a multi-channel experience and relationship with their favourite brands, opening up new forms of direct contact between brands and their consumers.

**AMPLIFYING THE EFFICIENCY OF OUR
BUSINESS MODEL IN THE DIGITAL ERA**

By adapting its marketing, media and distribution models to match the new opportunities opened up by the digital era, L'Oréal is reinforcing its competitive edge and its beauty market leadership. With a highly pragmatic "test-and-learn" approach, applied in hundreds of initiatives worldwide, the group is amassing practical know-how.

L'ORÉAL'S "LOVE BRANDS"

In 2015, L'Oréal's brands embraced digital on every front as they continued to establish themselves as digital "love brands". The results are impressive: our brands are building closer customer relationships and maximising their engagement with consumers. Digital media also enable our teams to pick up trends instantly and transform them into product innovations.

Digital communications underpin our brands in key launches, in order for them to reach out to consumers and generate buzz.

“L'Oréal is putting digital at the heart of its business model and is rolling out its best practices across brands and countries”

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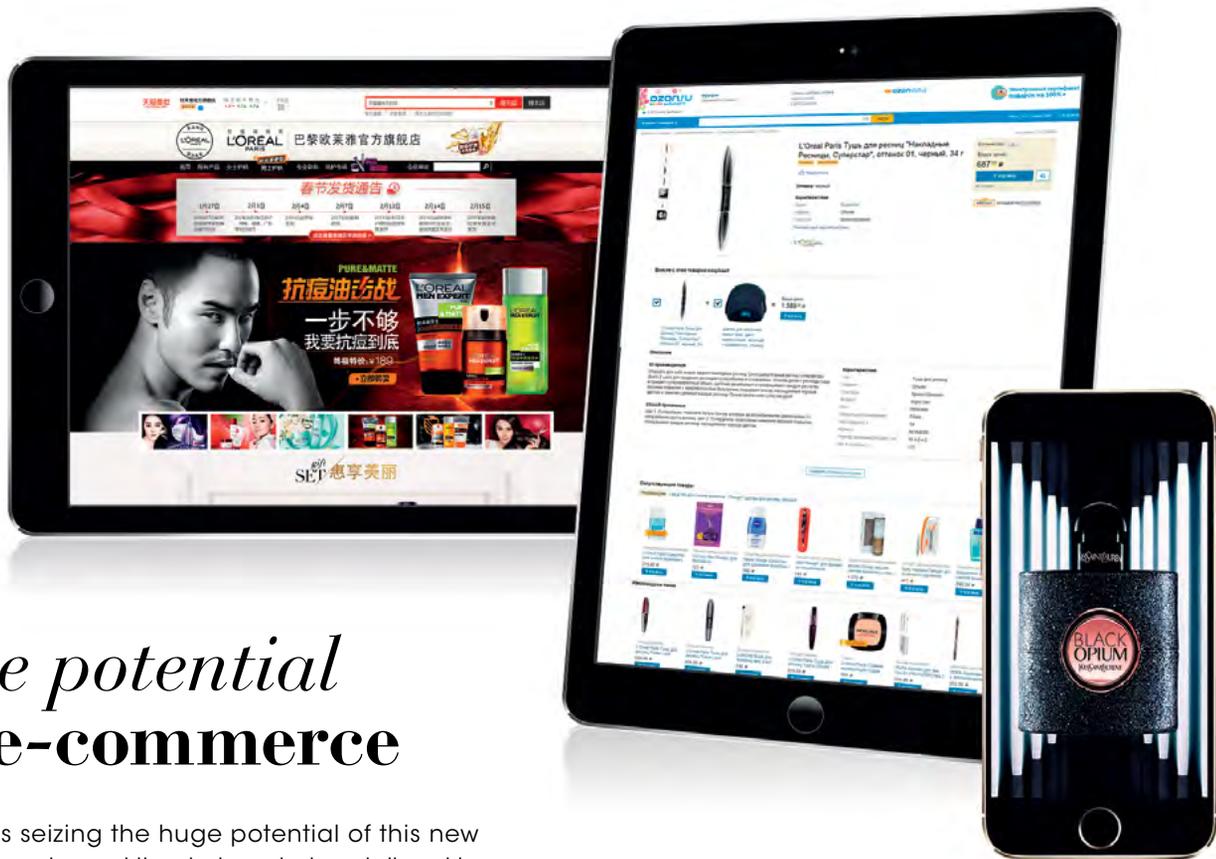
to watch the interview with Lubomira Rochet



(1) Source: Google data.



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



The potential of e-commerce

L'Oréal is seizing the huge potential of this new distribution channel thanks to a strategy tailored to the specifics and different practices of each market, and to strong partnerships with e-commerce players.

In countries where digital lifestyles have really taken hold, L'Oréal has teamed up with the local e-commerce leaders. L'Oréal China, which led the way back in 2010 with the first L'ORÉAL PARIS boutique on the Tmall website, has also been working with the Alibaba website since 2013. In the United States, L'Oréal Luxe makes roughly 15% of its sales *via* e-commerce⁽¹⁾, using both distributor partners and brand sites. In Russia, the group identified the Ozon website as a strategic player in local e-commerce, and worked together on a plan to launch the cosmetics category.

(1) Including distributor feedback and L'Oréal estimates.

“ We have set up a host of e-commerce partnerships that are already posting good results, and we are now the reference for online beauty in Russia ”

ARNAUD DARDE

KEY ACCOUNTS DIRECTOR, L'ORÉAL RUSSIA

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DIGITAL MEDIA AS A BRAND AMPLIFIER

Find out how the group's brands became "love brands".



TARGETED MARKETING FOR GREATER EFFICIENCY

Understand how L'Oréal's brands use precision advertising.

Combining our expertise to satisfy our customers

2015 was a very good year for L'Oréal Operations⁽¹⁾, which delivered higher performance levels in all fields of responsibility. The ongoing modernisation in 2015 of our supply chain⁽²⁾, for example, perfectly illustrates our imperatives of agility, competitiveness and reliability in all distribution channels, especially in deep trade⁽³⁾ and e-commerce, which are two of our key challenges.

DECOUPLING CO₂ EMISSIONS FROM GROWTH

In environmental matters too, 2015 was an exceptional year. We have reduced CO₂ emissions from our factories by 56%⁽⁴⁾ since 2005, while production grew by 26% over the same period. Nine of our factories and distribution centres have reached



BARBARA LAVERNOS
EXECUTIVE VICE-PRESIDENT
OPERATIONS

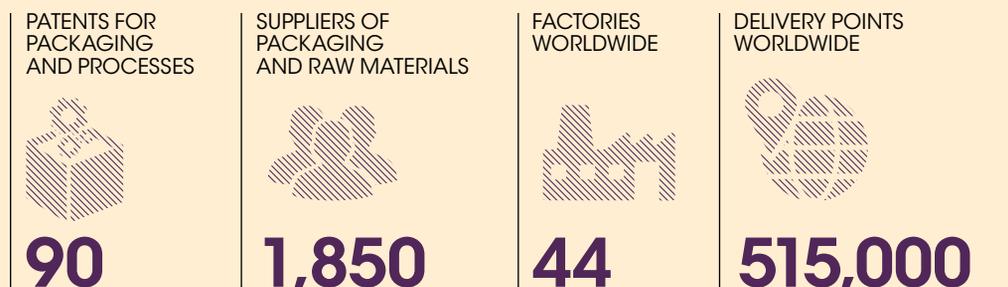
“We have once again demonstrated our ability to adapt to a changing world”

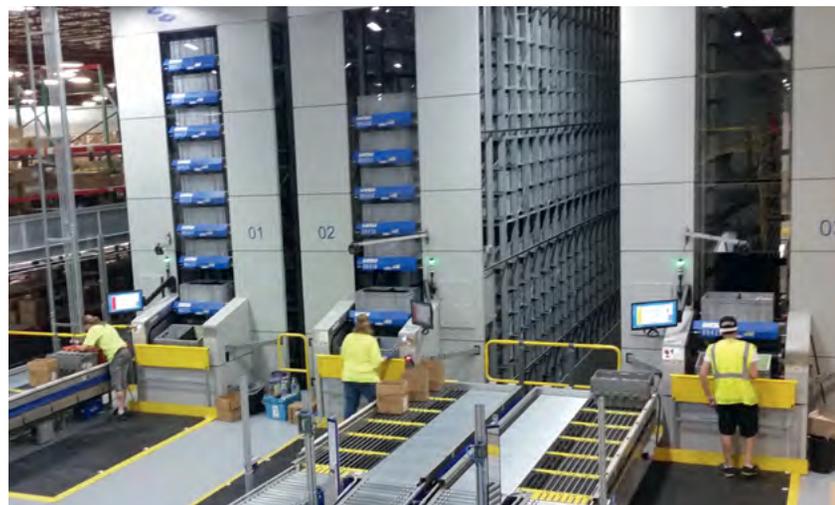
carbon neutrality, and L'Oréal has been recognised as a leader in fighting climate change⁽⁵⁾. These achievements illustrate our ability to decouple business growth from the consumption of resources; they also reflect the Operations teams' commitment to ensuring the success of the group's strategic “Sharing Beauty With All” programme.

SATISFYING CONSUMERS AND DISTRIBUTOR CUSTOMERS

The whole of our chain of expertise, from “design&develop” to distribution, by way of sourcing and manufacturing, is directed transversally towards a single decisive challenge: to satisfy increasingly demanding consumers and distributor customers, eager for more personalisation, more digital initiatives and more responsiveness. Our mission: to enable all the group's brands to provide consumers, wherever they are worldwide, with the most advanced cosmetics solutions for a maximum perceived value.

(1) Operations cover seven fields of expertise: quality; Environment, Health and Safety; packaging and product development; purchasing; production; supply chain and real estate. (2) L'Oréal's supply chain handles all information and physical flows from the supplier to the distributor customer's points of sale. (3) Extended point-of-sale networks in the New Markets. (4) In absolute value. In factories and distribution centres. (5) Source: CDP, formerly Carbon Disclosure Project.





Supply chain⁽¹⁾ expertise for the global roll-out of Urban Decay

Operations play a key role in integrating and rolling out acquisitions within the L'Oréal group. The internationalisation of URBAN DECAY is an excellent example. To support the worldwide development of this American brand, the supply chain teams shared skills and information systems, particularly in the forecast field. Another important key to success: using L'Oréal's networks – physical distribution networks, hubs and transport – to supply all the points of sale of URBAN DECAY, which have stepped up dramatically over the last three years.

(1) L'Oréal's supply chain handles all information and physical flows from the supplier to the distributor customer's points of sale. (2) Source: An independent company evaluation specialist, "Gartner Supply Chain Top 25 for 2015".



The group's efficiency improved in 2015

EUROPEAN TOP 5
FOR BEST
SUPPLY CHAINS⁽²⁾

UP 4 PLACES
IN THE RANKING OF
THE WORLD'S BEST SUPPLY CHAINS⁽²⁾

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DESIGNING A NEW GENERATION OF MASCARAS

Check out the packaging innovation
behind the success of Lash Sensational
by MAYBELLINE NEW YORK.



AN EFFICIENT INDUSTRIAL MODEL IN CONSTANT EVOLUTION

Learn more about
automation in L'Oréal factories.

Supporting L'Oréal's transformations

REAL STRATEGIC CONTINUITY

Our ability to detect individual talents, develop them and ensure their loyalty remains at the heart of our Human Relations policy. Its role is to spearhead the group's growth momentum by intensifying the recruitment of international talents, encouraging the emergence of local talents, and giving everyone access to development and training opportunities. The 4,000 teaching resources of our My Learning portal, available in 11 languages in 67 countries, were used by more than 30,000 people in 2015. In terms of social performance, there has been a key step forward. Thanks to the "Share & Care" programme, our employees, everywhere we operate, now benefit from the best social guarantees available in each country. This advance is a vital part of our sustainable growth.



JÉRÔME TIXIER

EXECUTIVE VICE-PRESIDENT
HUMAN RELATIONS AND
ADVISOR TO THE CHAIRMAN

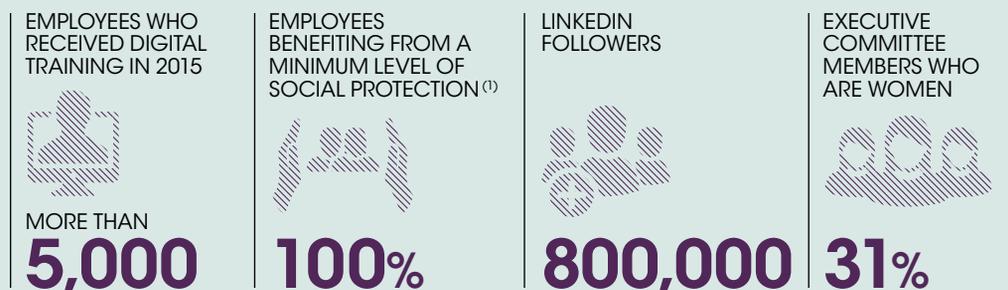
BREAKTHROUGH IN WORKING PRACTICES

Human Relations is on the front line of the group's digitalisation process. We have set up a special unit to recruit people with

key digital profiles, especially to bring in new expertise that we did not have in-house. Five years ago we had 200 expert profiles; in 2015, this figure rose to more than 1,000. We have set up a vast training plan to step up digital integration at all levels of the company. Digital is also changing our working practices. Today, it is our No.1 recruitment channel, and it helps us convey our employer promise in a way that is transparent, direct and international. It is helping to spread a new mindset through the company, drawing on important aspects of L'Oréal's corporate culture.

(1) Permanent group employees, excluding in some countries, holders of part-time contracts for less than 21 hours per week, beauty advisors and shop assistants; the integration of recent acquisitions and new subsidiaries is gradual.

“Our Human Relations policy supports the group's strategic priorities: Universalisation, Sustainable Development and digital acceleration”





L'Oréal "Share & Care": objectives achieved

In 2013, L'Oréal made a commitment that by 2015 its employees would benefit from the best practices in social benefits. By the end of 2015, the main components of the programme had been rolled out in all countries with L'Oréal subsidiaries⁽¹⁾:

- Protection in the event of death or permanent total disability, with payment of at least 24 months' salary⁽²⁾;
- Reimbursement of at least 75% of medical costs for major risks;
- Paternity leave of at least three days on full pay;
- Maternity leave of a minimum of 14 weeks on full pay⁽²⁾;
- Flexible working time arrangements.

INITIATIVES FOR QUALITY OF LIFE IN THE WORKPLACE

Contributing to the professional and personal fulfilment of all employees by offering them an empowering and enriching work environment: this is the "Enjoy" pillar of the "Share & Care" programme. Each country is encouraged to develop its own initiatives to suit local needs.

(1) Permanent group employees, excluding in some countries, holders of part-time contracts for less than 21 hours per week, beauty advisors and shop assistants; the integration of recent acquisitions and new subsidiaries is gradual. (2) To be rolled out in South Korea in 2016. (3) International Labour Organization.



SCAN THIS PAGE

to watch the L'Oréal "Share & Care" video

L'Oréal is a founding member of the new worldwide company network created by the ILO⁽³⁾ to develop social protection across the planet.

“Offering its employees the best social protection all over the world is a strategic ambition for L'Oréal”

JEAN-PAUL AGON

CHAIRMAN AND CEO

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MEET L'ORÉAL TALENTS

Meet nine international talents with very different careers and profiles.



HUMAN RELATIONS DRIVING THE GROUP'S DIGITAL TRANSFORMATION

Watch two videos about Human Relations in the digital era.

Being an inclusive *corporate citizen*



ISABEL MAREY-SEMPER
EXECUTIVE VICE-PRESIDENT
COMMUNICATIONS,
PUBLIC AFFAIRS AND
SUSTAINABLE DEVELOPMENT

COMMUNICATIONS SPUR COMMITMENT

For more than 100 years, L'Oréal has been a company underpinned by values. It is passionate for Beauty, innovative, entrepreneurial, open-minded, driven by excellence, and responsible, and these

“The group is enriching its relationships with all its stakeholders, to raise awareness of its expertise and commitments”

values are shared by all its employees worldwide. The Communications teams actively foster employee commitment inside the company throughout the year, and with emblematic initiatives such as Citizen Day. This major annual event has a powerful team-building effect, and in 2015 brought together more than 25,000 employees. The group also strives to enrich its relationships with all its stakeholders, to generate increasing awareness of its expertise and commitments, which are valuable assets in the continuing process of building tomorrow's L'Oréal.

ENVIRONMENTAL AND SOCIETAL RESPONSIBILITY DRIVE PERFORMANCE

In 2015, by attending COP21, L'Oréal reaffirmed that a large company can play a major role in protecting the environment while maintaining high performance. Corporate social responsibility and sustainability issues provide the group with opportunities to reinvent its innovation and production model, to communicate with its consumers and partners, and to share its growth with them. The “Sharing Beauty With All” programme – the strategic mainstay of our corporate citizenship commitments – fully incorporates sustainable development into L'Oréal's strategy, where it supports our long-term economic and financial performance.

NATIONALITIES
REPRESENTED IN
COMMUNICATIONS
TEAMS



MORE THAN
60

PARTICIPANTS IN
CITIZEN DAY 2015



25,000

RATING FROM THE
CLIMATE DISCLOSURE
LEADERSHIP INDEX



A 99/100

THE GROUP AIMS
TO BE “CARBON
BALANCED”



BY
2020



Citizen Day: a worldwide commitment

Created six years ago, Citizen Day is a day of solidarity that brings together thousands of L'Oréal employees worldwide, who are eager to get involved in volunteer initiatives. In 2015 the event generated unprecedented enthusiasm, with employees contributing some 200,000 volunteer hours.

STRONGER COMMITMENT, YEAR AFTER YEAR

The event takes different forms in all the countries in which the group operates, with local initiatives. For example, in China employees helped underprivileged communities, and in Turkey they volunteered with an association that helps young people with autism.



Sharp increase in participation

FROM 2012 AND 2015
+39%
GROWTH IN THE NUMBER OF EMPLOYEES
WHO PARTICIPATED IN CITIZEN DAY

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PROGRESS AND RESULTS 2015

"Thanks to the mobilisation of the L'Oréal teams, the "Sharing Beauty With All" programme was rolled-out worldwide"



ALEXANDRA PALT

DIRECTOR CORPORATE SOCIAL RESPONSIBILITY
AND SUSTAINABILITY

Building trust and supporting growth

SUPPORTING L'ORÉAL'S SUSTAINABLE GROWTH

2015 was another year of growth in sales, results and profitability. Working closely with the group's different entities, the administration, controlling and finance teams help to build and foster a solid relationship of trust that is essential for L'Oréal's sustainable growth. This trust is based on constant vigilance, fairness, transparency, professionalism and an ethical approach in our relations with all stakeholders. This year once again, we strongly contributed to the economic and financial management of L'Oréal's businesses, the identification of risks and opportunities, and the optimisation of resource allocation.



CHRISTIAN MULLIEZ

EXECUTIVE VICE-PRESIDENT
CHIEF FINANCIAL OFFICER

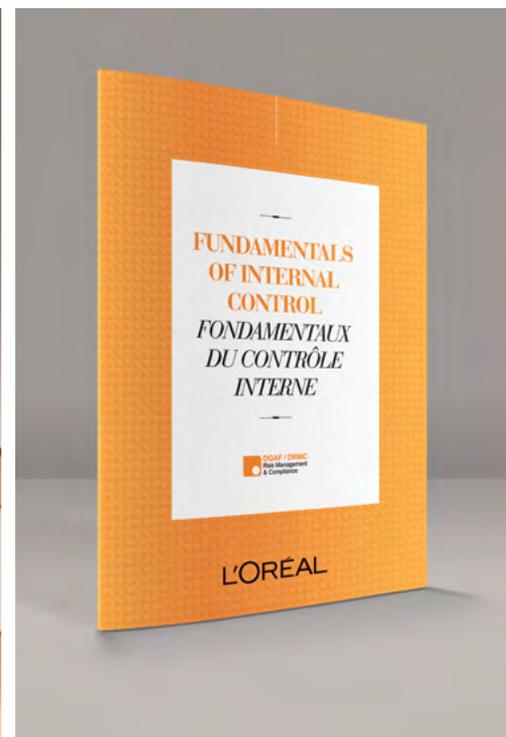
BUILDING ON TRUST

The relationship of trust between L'Oréal and all its stakeholders is maintained through constant vigilance. The group's financial health depends on closely monitoring

cash flow and making sure that financing is secure. With suppliers and customers, the relationship of trust is based on professionalism and ethical behaviour in all exchanges. As for shareholders and investors, the financial communications team maintains a close relationship with them by welcoming dialogue and providing fair and transparent information about the group's activities. The teams work to assist the Board of Directors and its Committees, striving to maintain the highest quality standards.

“ We help to build a solid relationship of trust that is essential for L'Oréal's sustainable growth ”





Internal control and risk management

The internal control system contributes to L'Oréal's development by ensuring compliance with laws, the application of the group's standards and the reliability of financial and non-financial information, together with the efficiency and simplicity of internal processes. By enabling L'Oréal to anticipate, prevent and manage its risks more effectively, the system provides support for decision-making and action. Since 2012, the network of managers has grown significantly to more than 110 today, covering almost all the countries in which the group operates.

3 missions serving growth
Standardise – Train – Monitor

“
The internal control system enables us to anticipate, prevent and manage risks in all our fields of activity, to strengthen our performance”

PHILIPPE CORNU

DIRECTOR OF RISK MANAGEMENT
AND COMPLIANCE

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A RELATIONSHIP OF TRUST AND DIALOGUE WITH STAKEHOLDERS

Watch the testimonies of the shareholders
from the Consultation Committee.



IT TOOLS FOR A BETTER EMPLOYEE EXPERIENCE

Discover the range of solutions
to foster cooperation and mobility.

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Consult all the 2015 publications

THE ANNUAL REPORT

L'Oréal in 2015, with its Divisions, brands and countries, driven by its mission – Beauty for All – and by its strategy – Universalisation.

THE REGISTRATION DOCUMENT

This document includes the 2015 financial statements, the Annual Financial Report, the Management Report of the Board of Directors including a section on Social and Environmental Responsibility.

THE PROGRESS REPORT

2015 Progress Report of the results of the "Sharing Beauty With All" sustainability programme.



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133, avenue des Champs-Élysées, 75008 Paris – France

Competitive positions and market share held by the group's Divisions and brands mentioned in this report are based on studies, panels and polls obtained from specialised organisations and companies, or, in the absence of comprehensive studies, are the result of estimates made by L'Oréal on the basis of available statistical data.



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L'ORÉAL

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with registered capital of 112.596.669.60 euros – 632 012 100 R.C.S. Paris
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Registered office: 14, rue Royale – 75008 Paris – France
www.loreal.com – www.loreal-finance.com

Environmental calculator⁽¹⁾

size
22 x 30.5 cm

quantity
5,000

TEXT PAGES

brand
Cocoon Silk

basis weight
150g/m²

number of pages
56

COVER PAGES

brand
Cocoon Silk

basis weight
300g/m²

number of pages
4

By using Cocoon Silk rather than a non-recycled paper, the environmental impact was reduced by:

1,462 kg of landfill

196 kg CO₂ and greenhouse gases:

1,964 km travel in an average European car

3,341 kWh of energy

53,539 litres of water

2,376 kg of wood



⁽¹⁾ Carbon footprint data evaluated by Labelia Conseil in accordance with the Bilan Carbone® methodology. Calculations are based on a comparison between the recycled paper used versus a virgin fibre paper according to the latest European BREF data (virgin fibre paper) available. These results are based on technical information and are subject to change.

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