

L'ORÉAL  
FINANCE

# *The letter*

TO SHAREHOLDERS

No.68 - AUTUMN 2017

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AND NEWS/p. 03***

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***CERAVE,  
A NEW SKINCARE BRAND  
FOR THE ACTIVE COSMETICS  
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***Find out more about the share price  
and your shareholders' meetings/p. 08***



L'ORÉAL



# Message from the Chairman

**JEAN-PAUL AGON**

*Chairman and Chief Executive Officer*

**I would like to take the opportunity to pay tribute to Mrs Liliane Bettencourt**, who passed away on 21 September 2017. If L'Oréal has become the Group it is today, it is largely thanks to her.

**Liliane Bettencourt lived and breathed for the company.** All her life, she saw herself as the custodian of her father's work. More than just an heir, she has always shown unfailing support to our company with her courage and determination.

Mrs Bettencourt had within her a mixture of wisdom and common sense, which meant that her advice was very precious. During our meetings when I talked to her about L'Oréal, she always expressed a very precise understanding of our products and brands. This elegant and refined woman had the beauty industry in her blood. I was often struck by the accuracy and relevance of her judgments, as much with regard to products as to the women and men in the company.

**Throughout her life, Liliane Bettencourt was eager, determined and proud to see L'Oréal extend its influence worldwide.** Because, as François Dalle once pointed out, she had inherited from her father the "desire to make L'Oréal grow".

Discreet, astute, kind-hearted, and with very sound judgement, she has left her mark on all of us. Very modern in her thought, and extremely attentive to others, she shared with us every stage of this tremendous adventure.

She will long remain in our thoughts.

On behalf of all of us, I would simply like to say to her: **"Merci Madame"**.

**“THROUGHOUT  
HER LIFE,  
LILIANE  
BETTENCOURT  
WAS EAGER,  
DETERMINED  
AND PROUD TO  
SEE L'ORÉAL  
EXTEND ITS  
INFLUENCE  
WORLDWIDE.”**



# Performance

Sales at  
30 September 2017

€19.5Bn

+4.5%

like-for-like<sup>(1)</sup>

+2.4%

based on reported figures<sup>(2)</sup>

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

(2) In the third quarter of 2016 and at 30 September 2016, reported Group sales included The Body Shop sales in respective amounts of 200.9 million euros and 599.5 million euros.

(3) Sales achieved on our brands' websites + estimated sales achieved by our brands corresponding to sales through our retailers' websites (non-audited data); like-for-like growth.

"As announced, there was an acceleration in the third quarter with **growth at +5.1% like-for-like**. Overall, the Group outperformed the market and strengthened its position.

L'Oréal Luxe delivered an excellent performance with **double-digit growth**, driven by the robust health of its four key brands: *Lancôme*, *Yves Saint Laurent*, *Giorgio Armani* and *Kiehl's*, and the momentum of its recent acquisition, *IT Cosmetics*. The Active Cosmetics Division is growing significantly, reflecting the quality of its launches and the **good performance of CeraVe**. The Consumer Products Division is reinforcing its positions in several major Zones, but is still being slowed down by continuing difficulties in the American and French markets.

The highlight of the quarter is the **acceleration of our sales in the New**

**Markets**, which posted double-digit growth, with strong performances in Asia Pacific, particularly in China, but also in Latin America and Eastern Europe. Western Europe is continuing to deliver a solid performance.

The growth in sales continues to be boosted by our **digital lead**, particularly with the sustained **expansion of e-commerce sales** at +31.6%<sup>(3)</sup>.

These good performances strengthen our confidence in our **ability to once again outperform the cosmetics market in 2017**, and to achieve growth in both our sales and profits."

**Jean-Paul Agon**  
Chairman and Chief Executive Officer

| For more information, visit [loreal-finance.com](http://loreal-finance.com)

# News

## RECOGNITION FOR L'ORÉAL AND ITS LEADERSHIP ON ENVIRONMENTAL ACTION

L'Oréal has been recognised as a global leader for its environmental action, and has once again this year been awarded a position on the "A List" for the three categories of climate, water and combating deforestation by CDP, the independent global non-profit platform that assesses corporate environmental performance.

L'Oréal is one of only two companies to score an A for all three of CDP's programmes.



## L'ORÉAL RECEIVES TRANSPARENCY GRAND PRIX FOR ITS CODE OF ETHICS

The Transparency Grand Prix are awarded in light of the results of the Transparency study conducted each year on the public financial information documents

of French companies in the SBF 120 index. "L'Oréal is clearly a pioneer and a leader in terms of the quality and clarity of its Code of Ethics", said Laurent Rouyrès, Chairman of Labrador, the organiser of the Transparency Grand Prix awards.

## L'ORÉAL SIGNS A PARTNERSHIP WITH STATION F

L'Oréal has announced the signing of a strategic partnership agreement with STATION F, the world's largest start up campus, created by Xavier Niel in Paris. It is the first consumer goods company to team up in this way with the digital incubator in Paris.

L'Oréal has thus become the partner of STATION F to support the global development of digital beauty startups. Under the partnership agreement, L'Oréal will run its own beauty accelerator inside STATION F and will support the selected startups by contributing its expertise and knowhow in beauty and marketing.

This partnership is the latest addition to L'Oréal's digital open innovation strategy, which has led to investments in Partech Ventures, an international venture capital fund, and in Founders Factory, the London-based digital incubator and accelerator.





# Looking to the future

## PASSING ON YOUR SHARES

*Many of you have asked us about passing on your shares, and doing so in advance. L'Oréal sets out below the most frequently asked questions.*

### How can I pass on my shares to my children?

To pass on your shares in advance, you can donate them either through a gift by hand or a notarised donation.

As in the case of all moveable assets, **you can donate shares through a gift by hand with no particular formalities.**

However it may be a good idea to declare a gift of shares by hand to the administration. This establishes the certainty of the donation and its precise date, with a view to benefiting from tax allowances.

**The drawing up of a donation before a notary is reassuring** and enables the adding of terms and conditions to the donation. When the deed is drawn up, you have the benefit of the assistance and advice of the notary, who can propose solutions if you do not wish to bequeath full ownership of the share, or if you wish to add certain clauses to the share donation, for example.

EXEMPTION FROM INHERITANCE TAX, UP TO A MAXIMUM OF<sup>(1)</sup>:

**€100,000**

per parent and per child.

**€31,865**

per grandparent and per grandchild.

Renewable every

**15 YEARS**

(1) This letter to shareholders does not constitute an offer to sell, or a solicitation of an offer to buy L'Oréal shares. If you wish to obtain more comprehensive information about L'Oréal, please refer to the public documents registered in France with the *Autorité des Marchés Financiers*, also available in English on our Internet site [loreal-finance.com](http://loreal-finance.com).

### I have some L'Oréal shares, and I would like to transfer ownership of them to my children. However, I would also like to receive the dividends to supplement my income. What should I do?

A notarised deed for the donation of shares enables, as in the case of a real estate asset, **the transfer of bare ownership of the shares, while conserving the usufructuary right.** In this way, it is entirely possible for shareholders to make a gift of the bare ownership of the shares to their children or grandchildren, and to conserve the usufructuary right and thus continue to receive dividends. This division of ownership of the shares must be executed before a notary. It enables the transfer of the asset in an advantageous way, given that the tax base subject to an exemption of transfer duties is set by a scale that varies depending on the age of the usufructuary (the older the usufructuary, the higher the value of the bare property). On the decease of the usufructuary, the bare owner will not, unless exceptional circumstances apply, be subject to inheritance tax and will be granted full and complete ownership of the shares. Accordingly, the earlier the donation of bare ownership, the lower the gift duties.

*This article refers to the specifics of the legislation and tax system in France.*



## BECOME A REGISTERED SHAREHOLDER

and take advantage  
of the loyalty bonus

# +10%

### I want to give my grandchildren L'Oréal shares. Can I be exempted from inheritance tax?

It is possible for you to bequeath ownership in a share by means of an outright gift.

**Passing on your shares in advance brings numerous tax benefits.**

Any donation by a grandparent to a grandchild is **exempted from inheritance tax up to a maximum of €31,865** per grandparent and per grandchild. This exemption is renewable every 15 years. For a donation to one's children, the tax exemption is even more substantial: €100,000 per parent and per child. This exemption too can be renewed every 15 years.

The **two exemptions**, for children and grandchildren, **can be combined**, and the amounts exclude all expenses and inheritance tax.

Consult the  
Shareholders' Corner  
at [loreal-finance.com](http://loreal-finance.com)

### 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%**<sup>(1)</sup>.

(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 2017

You register your shares.

## 2018 / 2019

You hold your registered shares continuously for two full calendar years.

## FROM 2020

For the financial year 2019, you receive for the first time the **+10% loyalty bonus** for your shares continuously held in registered form since 2017.

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

# Report



## A NEW SKINCARE BRAND FOR THE ACTIVE COSMETICS DIVISION

*In 2017, L'Oréal acquired CeraVe, the everyday skincare brand, which strengthens the L'Oréal Group Universalisation strategy with products that are simple, effective and accessible.*



Founded in the United States in 2005 and developed with American dermatologists, CeraVe offers a range of everyday skincare products for the face and body, with a particular focus on cleansers, moisturisers, healing ointments and a dedicated baby line.

This skincare brand, which is particularly appreciated by people with skin problems is fully in line with the conviction of the Active Cosmetics Division: **"Health is the future of beauty"**.

As an accessible brand, it ideally complements the Division's portfolio of dermocosmetics brands with **products that are simple, effective and affordable, recommended by health professionals**. CeraVe products target several skin problems at once, making them convenient and simple to use for the consumer. **They are also**

**accessible in price terms**, which is also in line with the L'Oréal Group Universalisation strategy.

### Three essential ceramides to restore the skin's natural protective barrier

The success of CeraVe products is based on formulas that combine three ceramides (ceramides 1, 3 and 6II) derived from a variety of plants, and key ingredients such as hyaluronic acid. Thanks to patented MVE<sup>(1)</sup> technology, **which enables continuous release of the active principles, moisturising is optimised during the day, and the skin's natural protective barrier is restored**.

Ceramides 1 and 3 are constituents of the surface layers of the skin, and are

necessary for hydration to take place. CeraVe products deliver these three essential ceramides, which are often lacking in the case of skin problems.

### Simple, effective and accessible products

The products are designed with dermatologists for all skin types, including the most sensitive, allergic or damaged skin. They are all fragrance-free, and non-comedogenic. These high-quality products are well tolerated and effective and have made the brand highly successful in the United States. More than twenty CeraVe products have been recommended by the National Eczema Association. Amongst the flagship products, *Moisturizing cream* is the item most frequently recommended by dermatologists in the United States.



“CERAVE MOISTURISING PRODUCTS ARE NOT COMPOSED OF JUST ANY CERAMIDES; BUT IT IS THE RIGHT COMBINATION OF CERAMIDES IN THE FORMULA THAT IS VERY IMPORTANT AND HIGHLY DIFFERENTIATING.”

Dermatologist - Nevada, United States



**BRIGITTE LIBERMAN**  
President  
Active Cosmetics Division

*“With double-digit growth in the third quarter, CeraVe is already contributing strongly to the growth of our Active Cosmetics Division in the United States this year. The brand has tremendous international development potential which will strengthen our relationships with health professionals and consolidate our positions with effective and accessible skincare lines in the key categories of bodycare and cleansers.”*

## Successful integration of a high-potential brand

CeraVe is one of the fastest-growing skincare brands in the United States<sup>(2)</sup>. The brand's structure is now fully integrated into the L'Oréal Group, whose American teams have once again been extremely efficient in adding a new brand to the Group's portfolio.

The CeraVe business model is based on strong recommendations by dermatologists. The brand is distributed in pharmacies and drugstores, mass and beauty retailers, and select online outlets. Digital is a powerful consumer engagement driver: the brand's users recommend it enthusiastically, and encourage new users to try it and then adopt it. Consumers thus become the brand's best ambassadors, which is also the case of the other brands in the Active Cosmetics Division.

(1) Multivesicular emulsion.

(2) Source: Nielsen, skincare 2016.

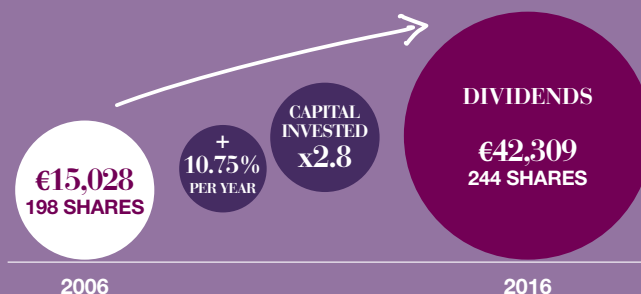


# L'Oréal and you

## TOTAL SHAREHOLDER RETURN<sup>(1)</sup>

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 tax credits before 1 January 2005 and excluding taxes on capital gains and dividends, based on the closing share price on 31 December 2016).

(1) Total shareholder return of the investment, assuming that the shares are sold at the closing price on 31 December 2016.



### HYPOTHESIS

Total shareholder return over 10 years, for €15,000 invested in L'Oréal shares, including reinvestment of dividends, excluding bank charges and tax.

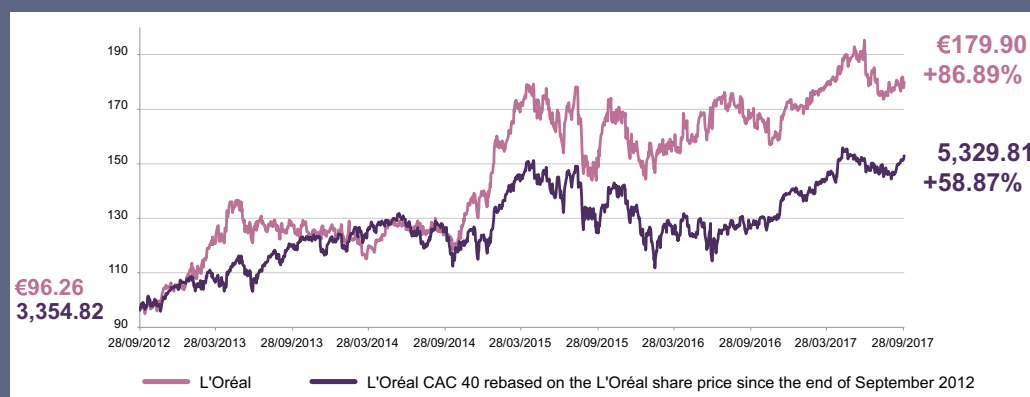
**+18.66%**  
Over 5 years

**+10.75%**  
Over 10 years

**+10.54%**  
Over 20 years

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

L'Oréal vs. CAC 40 from the end of September 2012 until the end of September 2017<sup>(2)</sup>



**+86.89%**  
Change in the  
L'Oréal share price  
from the end of  
September 2012 to  
the end of September 2017

**+58.87%**  
Change in the  
CAC 40 index  
from the end of  
September 2012 to  
the end of September 2017

(2) CAC 40 index rebased on the L'Oréal share price since 28/09/2012.  
Source: Thomson Reuters Eikon, share price on 29/09/2017.

## A TEAM THAT IS AVAILABLE AND ATTENTIVE TO SHAREHOLDERS

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## INDIVIDUAL SHAREHOLDER CONSULTATION COMMITTEE

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

**If you would like to join the committee,** please apply on our website:  
**[loreal-finance.com/eng/consultation-committee](http://loreal-finance.com/eng/consultation-committee)**

## THE CONNECTED SHAREHOLDER

Download the L'Oréal Finance app<sup>(1)</sup> 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](http://loreal-finance.com/eng/keep-informed)

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