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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: @nathaliemunozx3, @wickedbeautification, @livingdeadmakeup, @mica2014, @akfreestyle; Row 2: @babsbeauty, @moxioncameleon, @ssssamantha, @illicabot, @akfreestyle; Row 3: @makeupshaylia, @jenipanostian, @kindasteph, @ilikashh1, @colour_obsession; Row 4: @kimthoinguyen, @colour_obsession, @hammypham, @rebeccaseas, @ssssamantha; Row 5: @sultrysuburbia, @babsbeauty; Row 6: @greets_agn, @diamondmakeupggd, @illicabot, @sonyjadeluxe, @mariamgiambeauty; Row 7: @makeupbyjenny, @dirrhymetod, @jericiadotcom, @sonjdra, @mdotmakeup.
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2. Visit the “Annual Report” section.
3. Scan the page that you are reading.

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.
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.

“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
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.

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.
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.
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.
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.
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.

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
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)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>20,343</td>
</tr>
<tr>
<td>2012</td>
<td>21,638</td>
</tr>
<tr>
<td>2013</td>
<td>22,124</td>
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<tr>
<td>2014</td>
<td>22,532</td>
</tr>
<tr>
<td>2015</td>
<td>25,257</td>
</tr>
</tbody>
</table>

**BREAKDOWN OF 2015 COSMETICS DIVISIONS’ SALES**
(as %)

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

**GEOGRAPHIC ZONES**

- 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

**BUSINESS SEGMENTS**

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

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\(1\) 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, Innéov 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

Balance of operating profitability

A dynamic shareholder return policy

(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 29th, 2014.

(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. 362,993,348 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.

(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.
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.

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.

(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.
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
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.

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**MARC MENESGUEN**
PRESIDENT CONSUMER PRODUCTS DIVISIONS

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Scan this page to watch the interview with Marc Menesguen.
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 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% 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.
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.

YOU CAN ACCESS EXCLUSIVE ONLINE CONTENT ON THESE 3 TOPICS BY SCANNING THIS PAGE WITH THE L’ORÉAL FINANCE APP.
L’ORÉAL LUXE

LANCÔME • GIORGIO ARMANI • KIEHL’S • YVES SAINT LAURENT • BIOThERM • URBAN DECAY
RALPH LAUREN • SHU UEMURA • CLARISONIC • VIKTOR&ROLF • CACHAREL • HELENA RUBINSTEIN
DIESEL • YUE SAI • GUY LAROCHE • PALOMA PICASSO • MAISON MARGIELA
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 KIEHLS. 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 +13.4% (1). LANÇÔME 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.
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.

"To be a young, avant-garde luxury brand"

STEPHAN BEZY
INTERNATIONAL MANAGING DIRECTOR
OF YVES SAINT LAURENT BEAUTY
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.

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.

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.

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

L’ORÉAL PROFESSIONNEL • REDKEN • MATRIX
KÉRASTASE • PUREOLOGY • DECLÉOR • SHU UEMURA ART OF HAIR
ESSIE • CARITA • MIZANI
We once again strengthened our worldwide leadership and accelerated our growth. In a worldwide market that remained fairly slow, Western Europe and the United States continued to grow by +1.3% (1) 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 modernisation 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.
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 overprocessed hair. Relaunched 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 Biolage Cleansing Conditioner by MATRIX is surfing on the high-potential natural beauty segment.
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.

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.

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.

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

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.

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.

(1) In volume. (2) Microorganisms on the surface of the skin.
The Active Cosmetics Division celebrates 15 years in Brazil

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

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

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.

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.

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

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

JEREMY SCHWARTZ
CHAIRMAN AND CEO OF THE BODY SHOP

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)
-0.9%

STORES WORLDWIDE
3,102

SKINCARE SALES GROWTH (2)
+9.9%

IN-STORE SKINCARE EXPERTS WORLDWIDE
MORE THAN 840

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

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.

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.

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

**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.

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

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**INVESTMENTS IN RESEARCH AND INNOVATION**

794 MILLION EUROS

**RESEARCH AND INNOVATION EMPLOYEES**

3,870

**PATENTS REGISTERED IN 2015**

497

**WORLDWIDE CENTRE IN FRANCE**

1

**REGIONAL HUBS**

5
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
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.

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.

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.

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.

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.

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”.

RESEARCH CENTRE

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

(1) Source: Google data.

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

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

SCAN THIS PAGE to watch the interview with Lubomira Rochet

<table>
<thead>
<tr>
<th>EMPLOYEES WHO ARE DIGITAL EXPERTS</th>
<th>NET MEDIA SPENDING ON DIGITAL</th>
<th>E-COMMERCE SALES GROWTH (1)</th>
<th>DIGITAL SHARE OF CONSOLIDATED SALES (1)</th>
</tr>
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<tbody>
<tr>
<td>MORE THAN 1,000</td>
<td>25.5%</td>
<td>+37.9%</td>
<td>5.2%</td>
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</table>

(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
Combining our expertise to satisfy our customers

2015 was a very good year for L’Oréal Operations, which delivered higher performance levels in all fields of responsibility. The ongoing modernisation in 2015 of our supply chain, for example, perfectly illustrates our imperatives of agility, competitiveness and reliability in all distribution channels, especially in deep trade 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% since 2005, while production grew by 26% over the same period. Nine of our factories and distribution centres have reached carbon neutrality, and L’Oréal has been recognised as a leader in fighting climate change. 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.

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

**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. (5) Source: CDP, formerly Carbon Disclosure Project.
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.”
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.

BRAKETHROUGH 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.

Our Human Relations policy supports the group’s strategic priorities: Universalisation, Sustainable Development and digital acceleration.

(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.
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:

- Protection in the event of death or permanent total disability, with payment of at least 24 months’ salary;
- 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;
- 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.

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HUMAN RELATIONS DRIVING THE GROUP’S DIGITAL TRANSFORMATION
Watch two videos about Human Relations in the digital era.

YOU CAN ACCESS EXCLUSIVE ONLINE CONTENT ON THESE 2 TOPICS

MEET L’OREAL TALENTS
Meet nine international talents with very different careers and profiles.

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 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
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.

**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”
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

**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

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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.

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...”

CHRISTIAN MULLIEZ
EXECUTIVE VICE-PRESIDENT
CHIEF FINANCIAL OFFICER

INTERNAL AUDIT MISSIONS CONDUCTED IN 2015
45

SHAREHOLDERS WHO ATTENDED THE ANNUAL GENERAL MEETING IN 2015
SOME 1,800

VISITS ON THE 2014 ANNUAL REPORT WEBSITE
SOME 130,000

INTERNAL CONTROL AWARDS
3rd YEAR

54
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”

PHILIPPE CORNU
DIRECTOR OF RISK MANAGEMENT AND COMPLIANCE

“You can access exclusive online content on these 2 topics by scanning this page with the L’Oréal Finance App.”

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.