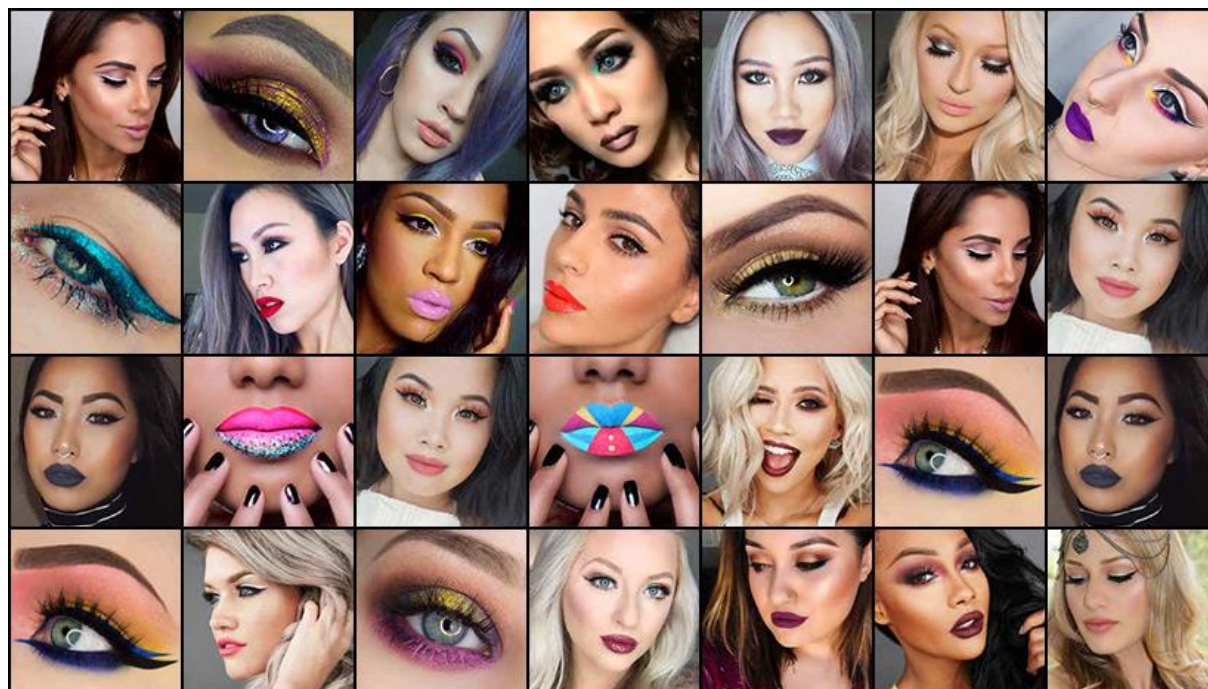


Because I am worth it.

In 1909, Eugène Paul Louis Schueller, a young French chemist of German descent, developed a hair dye formula called Auréale. Schueller formulated and manufactured his own products, which he then sold to Parisian hairdressers. On 31 July 1919, Schueller registered his company, the Société Française de Teintures Inoffensives pour Cheveux (Safe Hair Dye Company of France). The guiding principles of the company, which eventually became L'Oréal, were research and innovation in the field of beauty. In 1920, the company employed three chemists. By 1950, the team was 100 strong; that number reached 1,000 by 1984.

Because I'm Worth It. These four words are bound to the time of their creation and yet they have proven to be timeless. They have become what the brand stands for. Written in 1973 when a social revolution and a new spirit of feminism was in full swing, it seems clear that the phrase could only have been written by a woman. Ilon Specht was a copywriter with McCann Erickson back in 1973. She was thought of as original, unconventional, creative and independent. Fortunately, she worked on the L'Oréal account! Specht was just 23 years old when she broke new ground with an ad that was strictly from a woman's point of view. It famously ended with the signature phrase: Because I'm Worth It! Almost the minute the ad hit, it became clear that the last line – those four words – had struck a chord. For the first time, the message was all about what the woman thought. It was about her self-confidence, her decision, her style.

Over time, "Because I'm Worth It" has become part of our social fabric. So much so that it was the subject of a 1999 New Yorker article entitled True Colors by Malcolm Gladwell. In it, Gladwell acknowledged: "... "Because I'm Worth It" has entered the language...and taken on a meaning well outside the original intention." Because I'm Worth It was on message in 1973, and now an astonishing 80% of women recognize and respond to this positive phrase and powerful sentiment. And what makes it truly beautiful is that "Because I'm Worth It" is translated into action every day by L'Oréal Paris – in its philanthropy, its products, and its thoughtful celebration of women. In the mid 2000's, this was replaced by "Because you're worth it". In late 2009, the slogan was changed again to "Because we're worth it" following motivation analysis and work into consumer psychology. The shift to "we" was made to create stronger consumer involvement in L'Oréal philosophy and lifestyle and provide more consumer satisfaction with L'Oréal products. L'Oréal also owns a Hair and Body products line for kids called L'Oréal Kids, the slogan for which is "Because we're worth it too".



International growth by acquisition.

In 1987, during the growth years of the mail order business, L'Oréal and 3 Suisses founded Le Club des Créateurs de Beauté for mail-order sales of cosmetic products. In March 2008, L'Oréal acquired 3 Suisse's stake, taking sole control of the company. On 17 March 2006, L'Oréal purchased cosmetics company The Body Shop for £562 million.

In November 2012, L'Oréal inaugurated a large factory in Indonesia, with a total investment of US\$100 million. The production is meant to serve domestic markets and the rest will be exported. To justify the investment, significant growth occurred at Indonesia with a more than 60 percent sales increase. In 2014, L'Oréal finalised the acquisition of a major Chinese beauty brand with Magic Holdings for more than 800 million \$.

On 11 February 2014 it was announced that L'Oreal had sealed a deal worth €3.4 bn to buy back 8% of its shares from Swiss consumer goods giant Nestle. As a result of the deal, Nestle's stake in L'Oreal will be reduced from 29.0 pc to 24.0 pc while the Bettencourt Meyers family's stake will increase from 30.6pc to 33.2pc. Nestle has owned a stake in L'Oreal since 1974 when it bought into the company at the request of Liliane Bettencourt, the daughter of the founder of L'Oreal and world's richest woman. In 2014, Shiseido agreed to sell its Carita and Decléor brands to L'Oréal for more than €200 million. Also in 2014, L'Oreal acquire NYX Cosmetics, supporting its makeup offer in North America where its consumer-products unit has faltered. Finally in September 2014, South America's interests were enlarged with the acquisition of the Brazilian hair care company Niely Cosméticos Group for an undisclosed amount. In October 2014, L'Oréal acquired multi-cultural brand Carol's Daughter. In July 2016, L'Oréal announced it had agreed to purchase IT Cosmetics for \$1.2 billion.

In 2015, Soo Joo Park became L'Oréal's first Asian-American global spokesmodel, joined by Kristina Bazan as their International e-spokesperson.

L'Oréal has devoted itself to beauty for over 105 years. With its current unique international portfolio of 32 diverse and complementary brands, the Group generated sales amounting to 25.0 billion euros in 2015 and employs 82,900 people worldwide. As the world's leading beauty company, L'Oréal is present across all distribution networks: mass market, department stores, pharmacies and drugstores, hair salons, travel retail, branded retail and e-commerce.

Research and innovation

Research and innovation, and a dedicated research team of 3,870 people, are at the core of L'Oréal's strategy, working to meet beauty aspirations all over the world. L'Oréal's sustainability commitment for 2020 "Sharing Beauty With All" sets out ambitious sustainable development objectives across the Group's value chain.

L'Oréal has six worldwide research and development centres: two in France: Aulnay and Chevilly; one in the U.S.: Clark, New Jersey; one in Japan: Kawasaki, Kanagawa Prefecture; in 2005 one was established in Shanghai, China, and one in India. A future facility in the US will be in Berkeley Heights, New Jersey.

Clichy / Shanghai, 29 September 2014 – L'Oréal has been granted a Chinese business licence for Shanghai Episkin Biotechnology Ltd. The company will market its reconstructed skin models Episkin which are essential for the validation of alternative methods to animal testing for cosmetic products and ingredients. An alternative method makes it possible to evaluate the safety of products and ingredients without animal testing.

The Chinese Episkin model is a human epidermis model reconstructed from Asian keratinocytes, produced by the L'Oréal Advanced Research laboratories in China according to the same strict production standard and quality control criteria as at L'Oréal's Predictive Evaluation Center in Gerland, France.

"Over the past 30 years, our researchers have developed the expertise of reconstructing skin and other human tissues. An investment in science and a strong ethical commitment have led us to implement several alternative methods and embrace the era of predictive assessment. Worldwide, we share our methods and tools and offer training to universities and authorities. With this objective in mind, we started producing reconstructed Asian skin in China in 2008, so that in the near future we can begin marketing it through Shanghai Episkin Biotechnology.

Clichy, 28 September 2016 - L'Oréal has been committed to tissue engineering for almost 30 years and holds unique knowledge and expertise in the field of hair biology. With this exclusive research

partnership, L'Oréal and Poietis are giving themselves the means to pursue a new scientific challenge: bioprinting a hair follicle, the small organ that produces hair, using a bioprinter.

The laser-assisted bioprinting technology developed by Poietis to produce biological tissue can position cells in 3D with extremely high cellular resolution (on the order of ten microns) and cellular viability (over 95%). This unique bioprinting technology involves successively layering micro-drops of bioinks using a quick scan by a laser beam. The living biological tissue created must then be matured for around 3 weeks before it can be used in tests.

The combination of this exclusive technology with L'Oréal's unique expertise in hair biology could make it possible to create a functional follicle capable of producing hair – that is the ambition of L'Oréal and Poietis.

Poietis and L'Oréal's multi-annual research partnership in the areas of hair biology and hair engineering should ultimately lead to new advances in hair knowledge and enable the development of exclusive efficacy testing on bioprinted hair samples.

For over a century L'Oréal has been pushing the boundaries of science to meet the beauty aspirations of millions of women and men. Its commitment to innovation has been relentless in its aim to offer everyone, no matter where they are in the world, the best in cosmetics in terms of quality, efficacy and safety. This commitment has been reflected in innovation that caters for the world's diversity without compromising consumer safety.

An International Marketing competition

L'Oréal has established a tradition with its renowned marketing competition with hundreds of participants from over 30 countries including Mexico, China, Japan, Australia and Russia. L'Oréal Brandstorm is a dynamic marketing competition which allows students throughout the world to put themselves in the place of a L'Oréal brand manager by giving them a chance to innovate one of L'Oréal's existing international brands.

Undergraduates in their last year of studies or MA candidates from the world's leading universities work with an advertising agency to create an innovative marketing campaign. A brand case study is L'Oréal Studio Line styling products for the mass market. Students are challenged to respond to the needs of the diverse group of Studio Line consumers: men and women, teenagers, thirty-somethings and the aging baby-boomers. Creativity, analysis and understanding of the brand's values will be at the crux of their grade but a funky hair style won't hurt.

L'Oréal Brandstorm provides the L'Oréal group with a unique opportunity to recruit international talents. Since its founding in 1991, the competition has attracted 14,300 students, allowing L'Oréal marketing managers and human resources recruiters to identify talented potential employees by seeing them in action.

"At L'Oréal we have a true passion for our business and L'Oréal Brandstorm is an opportunity for us to transmit that passion and inspire a new group of marketing students to choose the L'Oréal school of marketing. It's a valuable experience for both sides: we are inspired by their fresh insights into our business, and they can use their own creativity to great effect and get a preview of what it's like to be brand managers of an international company" said Geoff Skingsley, Deputy Director of Human Resources at L'Oréal. Last year's winning team from Canada's York University's Schulich School of Business enchanted the jury with its new line of night-time skin care products called "Biotherm Homme Rejuvenate." Biotherm is a L'Oreal brand name.

Some comments on the 2015 results by Jean-Paul Agon, CEO L'Oreal.

In 2015 we saw a slowdown in worldwide growth, despite that we delivered a solid performance. Sales growth was strong supported by a positive currency effect. Three out of four divisions, L'Oreal de Luxe, Active Cosmetics and the Professional Products Division, outperformed their market. And we delivered good quality results in those divisions. We took the necessary steps in the Consumer Products Division to put it back on the market share gain track in 2016. In terms of regions we continued to expand in all our regions with solid growth in Europe and North America. In our New Markets, sales growth was contrasted. Difficulties in Brazil and Russia and strong growth in Turkey and India.

Our strategic transformations include a more universal, more digital and more sustainable L'Oreal. In a market where things are changing at a very rapid pace, and we are responding at the same kind of pace; we never stop challenging and reinventing ourselves. At the same time we take care to remain true to our fundamentals including a clear mission statement. We are making progress

towards a more universalistic L'Oréal by closely adapting to local needs and aspirations. Brands are inspirational worldwide and totally relevant at local level. We have Research and Development centres all over the world and now build a new research centre in South Africa.

In digital we now have more than 1.3 billion euro's, an increase of 38% compared to the previous year making e-commerce as a channel comparable to the number five country. In China e-commerce now accounts for more than 20% of the Consumer Products Division sales.

With respect to sustainability we achieve very good results which led to an excellent position in the top three companies in the world with regards to this program. This position was confirmed by the CDP ranking as announced in the following press release.

"Clichy, 5th December 2016 – L'Oréal has been recognised as a global leader for its strategy and actions in fighting against deforestation and has been notified of an "A", the highest level of performance, especially for its sustainable sourcing actions of raw materials used in its products' packaging and formulas. This CDP ranking disclosed today, features companies considered as committed in protecting forests through their strategy and actions about sustainable sourcing of wood and timber, as well as palm oil, both raw materials most likely responsible for deforestation. Information provided by 175 large companies has been independently assessed against CDP's scoring methodology – developed in collaboration with leading peers and experts in corporate deforestation risk management – and ranked accordingly by CDP's partner, South Pole Group. Only eight of them have been awarded an "A".

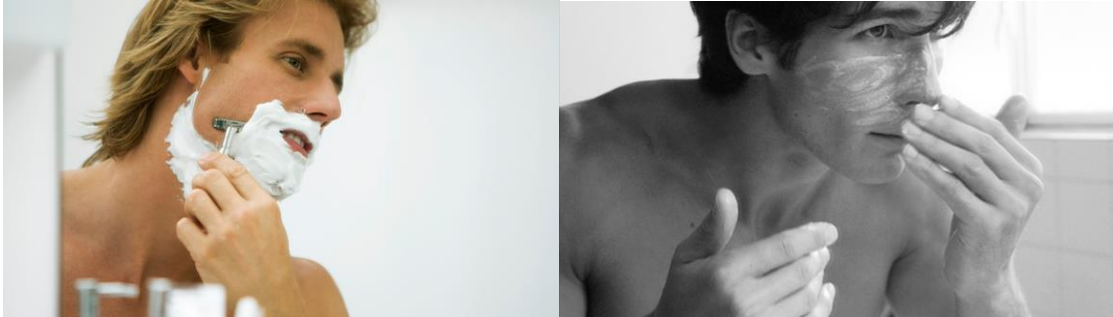
"After recognising L'Oréal's performance in the fight against climate change and then sustainable water management, it is now the quality of our work for the protection of forests that is recognised by the CDP", said Jean-Paul Agon, Chairman and CEO of L'Oréal. "L'Oréal's teams, committed on a day-to-day basis all over the world, can be proud of this triple recognition, which encourages us to go further and faster in the transformation of our company towards a more sustainable model".

In general; we are confident that we are going to achieve our 2016 goals, again outperforming the market and continue to deliver solid growth and profits. We have confidence in our balanced business model which creates continuous value, and in our ability to grow 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 and in short, to make life more beautiful.

L'Oreal Men Expert

About Shaving...

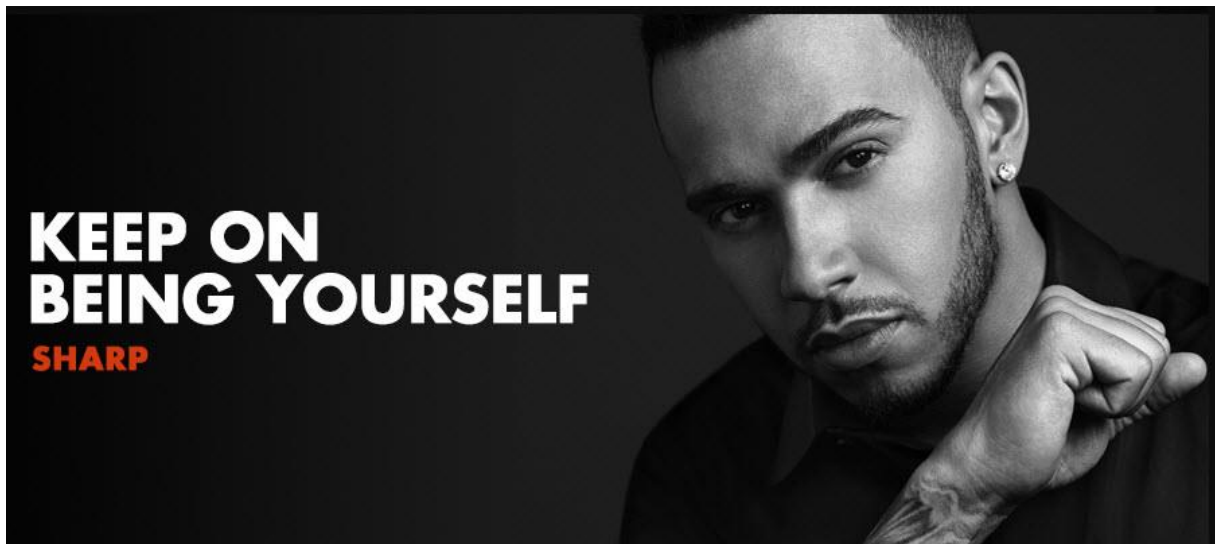


- 61% of men have a beard.
- 76% of men still use a traditional razor blade.
- 86% of men use shaving products.
- 55% of men use shaving gel.
- 53% of men use after-shave.

About Skin Care...

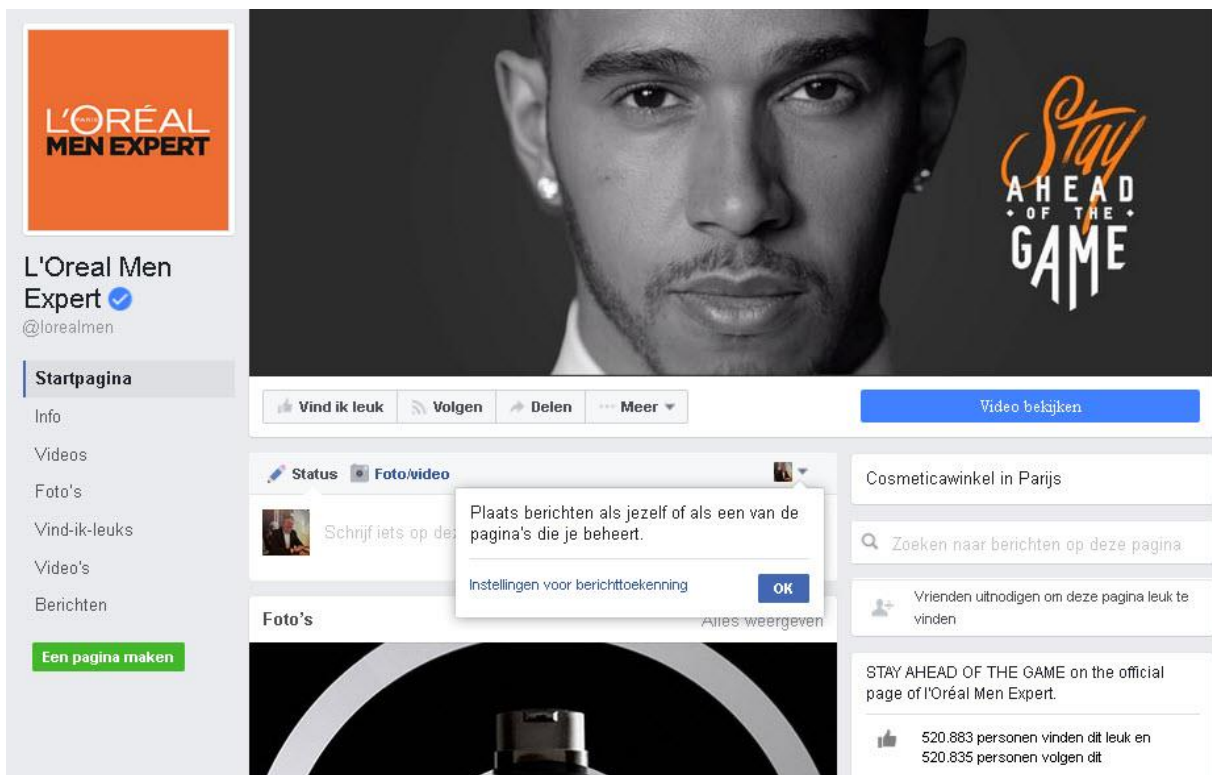


- 85% of men use cream/lotion moisturizer.
- 59% of men use face care products.
- 59% of men want a product that reduces the appearance of fine lines and wrinkles.
- 63% of men want a product that improves skin's firmness.
- 83% of men want a product that deeply cleanses.
- 65% of men want a product that is for oily skin.



Lewis Hamilton, looking sharp

Facebook landing page Men Expert (in Dutch)



Further expansion of L'Oréal Men Expert in Brazil.

Brazil, officially the Federative Republic of Brazil, is the largest country in both South America and Latin America. As the world's fifth-largest country by both area and population (around 176,0 mln people), it is the largest country to have Portuguese as an official language and the only one in the Americas. Bounded by the Atlantic Ocean on the east, Brazil has a coastline of 7,500 km. It borders all other South American countries except Ecuador and Chile and covers 47.0 % of the continent's land area. Its Amazon River basin includes a vast tropical forest, home to diverse wildlife, a variety of ecological systems, and extensive natural resources spanning numerous protected habitats. This unique environmental heritage makes Brazil one of 17 megadiverse countries, and is the subject of significant global interest and debate regarding deforestation and environmental protection.

Brazil was inhabited by numerous tribal nations prior to the landing in 1500 of explorer Pedro Álvares Cabral, who claimed the area for the Portuguese Empire. Brazil remained a Portuguese colony until 1808, when the capital of the empire was transferred from Lisbon to Rio de Janeiro. In 1815, the colony was elevated to the rank of kingdom upon the formation of the United Kingdom of Portugal, Brazil and the Algarves. Independence was achieved in 1822 with the creation of the Empire of Brazil, a unitary state governed under a constitutional monarchy and a parliamentary system. The ratification of the first constitution in 1824 led to the formation of the National Congress. The country became a presidential republic in 1889 following a military coup d'état. An authoritarian military junta came to power in 1964 and ruled until 1985, after which civilian governance resumed. Brazil's current constitution, formulated in 1988, defines it as a democratic federal republic. The federation is composed of the union of the Federal District, the 26 states, and the 5,570 municipalities.

Brazil's economy is the world's ninth-largest by nominal GDP and seventh-largest by GDP (PPP) as of 2015. A member of the BRICS group, Brazil until 2010 had one of the world's fastest growing major economies, with its economic reforms giving the country new international recognition and influence. Brazil's national development bank plays an important role for the country's economic growth. Brazil is a founding member of the United Nations, the G20, BRICS, Unasul, Mercosul, Organization of American States, Organization of Ibero-American States, CPLP, and the Latin Union. Brazil is a regional power in Latin America and a middle power in international affairs, with some analysts identifying it as an emerging global power. One of the world's major breadbaskets, Brazil has been the largest producer of coffee for the last 150 years.

Constanza Bellizia

Constanza is considered to be one of the high potentials within L'Oreal Brazil. Rumour has it that she is a former girlfriend of Lewis Hamilton, the face of Men Expert. (Lewis his net worth is estimated to be 200 mln \$, with an annual salary of 40 mln \$) She is going to be leading their Men Expert market expansion in Brazil, mainly build on their Internet presence and building a dedicated Men Expert web shop and a community in the form of friends of Lewis, ensuring a platform for the Men Expert success in South America on the longer term. Constanza has some creative ideas which she is going to present to the regional organization of L'Oreal, responsible for the America's. She is asked not to loose her focus on Brazil though, as Brazil is the South American Country with the highest population by far.

Although she can include off-line elements in her plans, it is considered to be a lot more cost effective if she focussed on the online operations. Another issue which is the use of Lewis Hamilton as their "face". L'Oreal's management is convinced he is the guy for personalizing the Men Expert product line in a country like Brazil, which apart from having a relatively masculine culture, is also pretty much into autosports, and F-1 in particular. With Lewis as an ex-world champion in F-1 (3 times), expectations from the commercial spin off are pretty high and regional management made clear to Constanza that there is a strong commitment to Lewis.

Some further optimization possibilities for the business might come from looking at the 4 C's: customer, costs, convenience and communication to formulate the "promise" and the delivery or experience in the form of the 5 P's: the product, the performance, the partners, the people, and the perseverance and PDCA (Plan, do, check, act). From Leeman: Export Planning 2010.

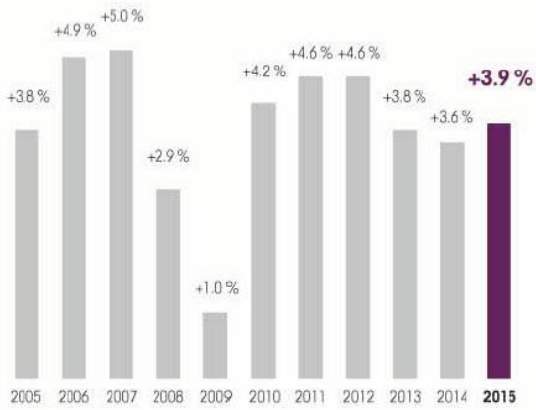
And a major challenge in online business, get the experience included in your online presence. Obviously the integration with Facebook and other media is key in trying to help establish that experience, as will be some further off-line integration. What Constanza wants to further develop is the "Friends of Men Expert" specifically tuned to Brazil and build around Lewis Hamilton. A further action point is to contact the heirs of Ayton Senna, the most famous Brazilian F-1 driver (who died in a racing incident, and was three times World Champion also) in order to team up his remembrance with Lewis, and so further strengthening the Brazilian connection.

Note: the case is based on public information with minor adjustments, Constanza Bellizia and questions by Robert J. Fetter, Intersumma.

Attachment 1

WORLDWIDE COSMETICS MARKET FROM 2005 TO 2015 ⁽¹⁾

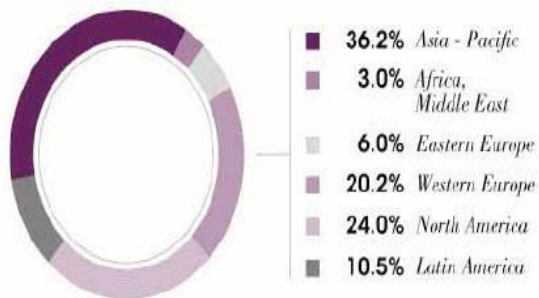
(Annual growth rate as %)



The worldwide cosmetics market is worth approximately €203 billion, and grew by an estimated +3.9% ⁽¹⁾ in 2015. It is a particularly robust market which is steadily expanding while proving very resilient in times of economic challenges. The cosmetics consumer always looks for quality and novelty value, and puts a premium on leading-edge technology, trends and new ideas. The cosmetics market remains a supply-led market driven by innovation, where consumers are always on the look-out for quality, performance and perceived results.

BREAKDOWN OF THE WORLD COSMETICS MARKET IN 2015 ⁽¹⁾

BY GEOGRAPHIC ZONE



BY PRODUCT CATEGORY

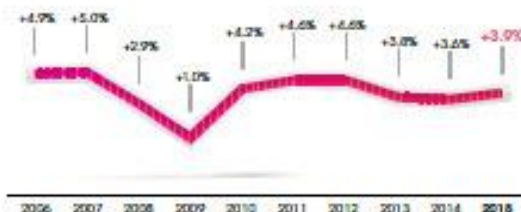


COSMETICS MARKET

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, in %)



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



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



⁽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: WWF, "Beauty's Top 100", April 2015. ⁽³⁾ WWF 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.



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⁾.



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.



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.

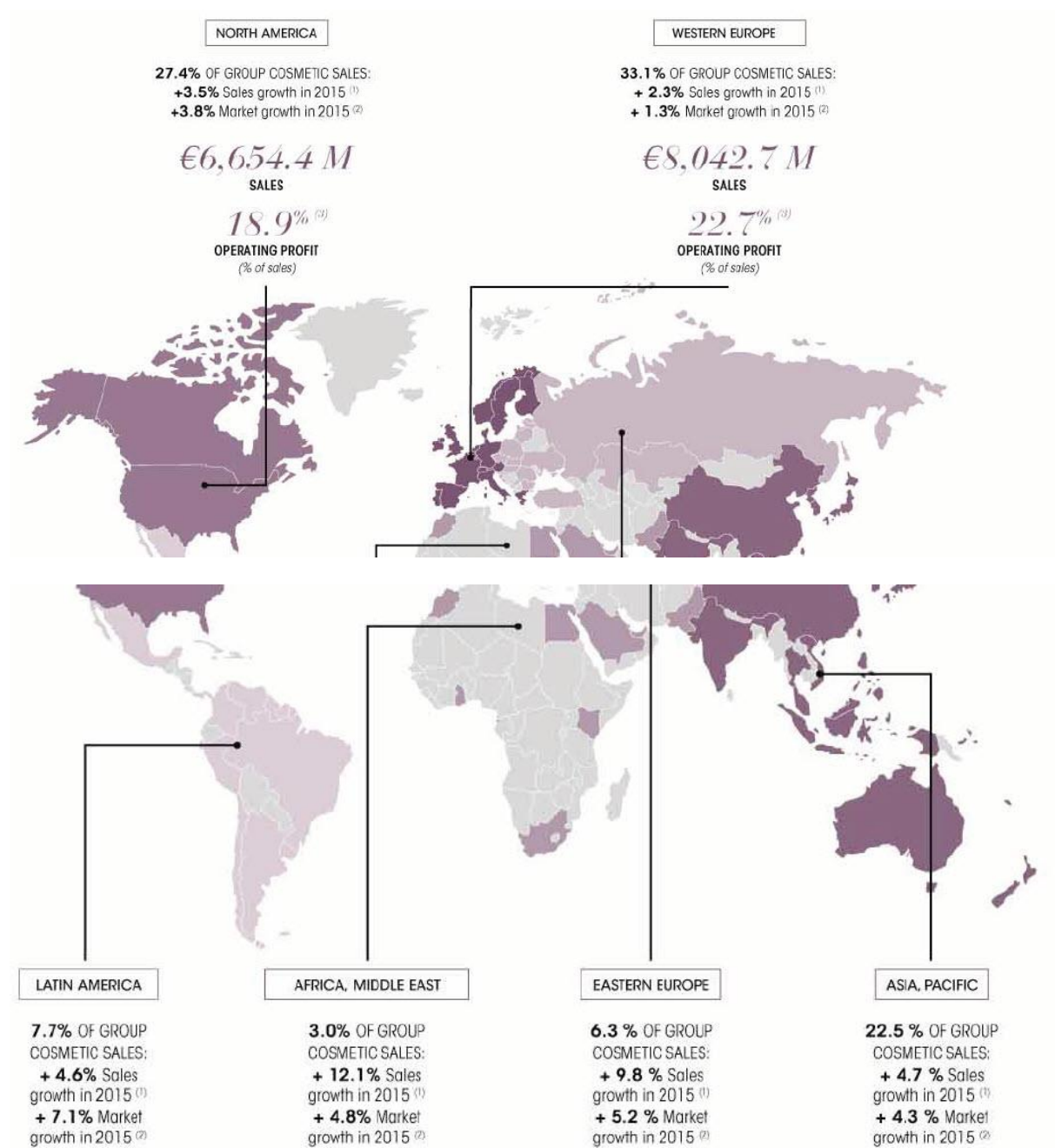


6%
E-COMMERCE SHARE
OF WORLDWIDE
BEAUTY MARKET⁽¹⁾

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

(1) Source: L'Oréal 2015 estimates of the worldwide cosmetics market in six manufacturer prices. Excluding soap, oral hygiene, nairs and blades. Excluding survey effort.

Attachment 4



Attachment 5

€ millions	2009	2010	2011 ⁽¹⁾	2012 ⁽¹⁾	2013 ⁽⁶⁾	2014 ⁽⁶⁾	2015
Results							
Consolidated sales	17,473	19,496	20,343	21,638	22,124	22,532	25,257
Operating profit	2,578	3,057	3,293	3,558	3,760	3,891	4,388
As a percentage of consolidated sales	14.8%	15.7%	16.2%	16.4%	17.0%	17.3%	17.4%
Profit before tax excluding non-recurring items	2,749	3,305	3,563	3,874	4,056	4,198	4,711
Net profit excluding non-recurring items after non-controlling interest ⁽²⁾	1,997	2,371	2,583	2,861	3,032	3,125	3,490
Net profit attributable to owners of the company	1,792	2,240	2,438	2,868	2,958	4,910	3,297
Total dividend	899	1,082	1,212	1,397	1,523	1,507	1,756
Balance sheet							
Non-current assets	17,350	17,048	19,141	20,903	21,485	23,284	24,458
Current assets excl. cash and cash equivalents	4,768	5,446	6,070	6,096	6,730	6,858	7,854
Cash and cash equivalents	1,173	1,550	1,652	2,235	2,659	1,917	1,400
Equity ⁽³⁾	13,598	14,866	17,627	20,925	22,651	20,197	23,617
Net current and non-current debt ⁽⁴⁾	1,958	41	- 504	- 1,948	- 2,320	671	- 618
Gross cash flow	2,758	3,171	3,226	3,507	3,758	3,808	4,399
Per share data (euros)							
Diluted earnings per share attributable to owners of the company excluding non-recurring items ⁽²⁾	3.42	4.01	4.32	4.73	4.99 ⁽⁶⁾	5.34	6.18
Dividend	1.50	1.80	2.00	2.30	2.50	2.70	3.10 ⁽⁶⁾
Share price at December 31 st ⁽⁷⁾	78.00	83.08	80.70	104.90	127.70	139.30	155.30
Highest share price during the year ⁽⁷⁾	79.32	88.00	91.24	106.40	137.85	140.40	181.30
Lowest share price during the year ⁽⁷⁾	46.00	70.90	68.83	79.22	103.65	114.55	133.40
Diluted weighted average number of shares outstanding ⁽⁷⁾	583,797,566	591,392,449	597,633,103	605,305,458	608,001,407	585,238,674	564,891,388

Attachment 6

Brazil in comparison with Netherlands

