



L'ORÉAL
ANNUAL REPORT

2010

L'ORÉAL
PROFESSIONNEL

REDKEN
5TH AVENUE NYC

KÉRASTASE
PARIS

MATRIX
IMAGINE ALL YOU CAN BE

Because you're worth it.
L'ORÉAL
PARIS

Take care.
GARNIER

MAYBELLINE
NEW YORK

SOFTSHEEN·CARSON®

LANCÔME
PARIS

GIORGIO ARMANI

YVES SAINT LAURENT

BIOThERM

Kiehl's
SINCE 1851

RALPH LAUREN

shu uemura

cacharel

HR
HELLENA RUBINSTEIN

DIESEL

VICHY
LABORATOIRES

LA ROCHE-POSAY
LABORATOIRE DERMATOLOGIQUE

SKINCEUTICALS
ADVANCED PROFESSIONAL SKINCARE

innéov

THE
BODY
SHOP®

1st

COSMETICS GROUP WORLDWIDE

23

INTERNATIONAL BRANDS⁽¹⁾

19.5

BILLION EUROS OF SALES IN 2010

130

COUNTRIES

66,600

EMPLOYEES

612

PATENTS REGISTERED IN 2010

(1) International brands with annual sales of more than 50 million euros.




BEAUTY FOR EVERYONE

For more than a century L'Oréal has been pushing back the boundaries of science to *invent beauty* and meet the aspirations of millions of women and men. Its vocation is universal: to offer everyone, all over the world, *the best of cosmetics* in terms of quality, efficacy and safety, *to give everyone access to beauty* by offering products in harmony with their needs, culture and expectations.

With the opening up of the *emerging markets*, L'Oréal's mission is broadening in response to the vast diversity of populations. The whole company is focused on this new horizon: teams enriched by their cultural diversity, a *portfolio of international brands* present in the different distribution channels, and research that is capable of grasping the world's complexity. The exploration of *new scientific and technological territories* is being enriched by this global dimension. Knowledge of different cultures and rituals worldwide enables the laboratories to anticipate and invent the products of the future.

L'Oréal is committed to carrying out its *mission* to make beauty *universal* in a sustainable and responsible way. A highly exacting challenge, which the group is taking up step by step, in a long-term perspective, with the active involvement of all its employees. L'Oréal's ambition is to be an exemplary *corporate citizen*.
To help make the world a more beautiful place.





In 2010, the L'Oréal adventure
entered a new dimension,
that of beauty for everyone

2010 was a great year for conquest at L'Oréal, particularly in the New Markets, where the group moved into key positions for the future. L'Oréal was thus able to make the most of the new strategic directions it took as of 2008.

The year also saw a transition for L'Oréal as it entered a new stage of its universalisation, with the goal of winning over two billion consumers over the coming years.

The momentum is under way, and a new energy is spreading through all the businesses of the group, which has thoroughly transformed itself to tackle this new expansion phase.

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A SHARED APPROACH FOR SUSTAINABLE GROWTH

The target of conquering another billion consumers is inseparable from L'Oréal's ambition of becoming one of the most exemplary companies of the 21st century. Throughout the Annual Report, follow the commitments, indicators and advances in 2010 in every aspect of sustainable development.

COMMITMENTS

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SUSTAINABLE INNOVATION INITIATIVES

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SOLIDARITY INITIATIVES

56, 65

ENVIRONMENTAL INITIATIVES

40, 48, 62, 65, 76



RESEARCH AND INNOVATION 22

INVENTING COSMETICS THAT MATCH THE WORLD'S DIVERSITY

In 2010, Research underwent a metamorphosis to meet the vast diversity of needs of a new generation of consumers in the emerging markets. With new tools, new structures and new approaches, L'Oréal Research is now ready to take up the challenge of beauty for everyone.

INTERNATIONAL 28

WINNING OVER A BILLION NEW CONSUMERS

The rise of the urban middle classes all over the world is leading to the emergence of new aspirations, including taking care of oneself, which is an essential aspect of the quality of life. L'Oréal's strong presence in emerging markets and the observation of beauty rituals in all cultures, have prepared the group to reach out to these future consumers.

BUSINESSES 34

OFFERING THE BEST OF BEAUTY IN EACH DISTRIBUTION CHANNEL

Through the richness of its portfolio of international brands, and its expertise in all major distribution channels, L'Oréal has always aimed to offer the widest possible choice. 2010 marked the beginning of a new phase of conquest to ensure that the greatest number of people have access to its 23 global brands.

Professional Products	36
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Active Cosmetics	58
The Body Shop	64
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EXPERTISE 68

MOBILISING ALL TALENTS FOR A NEW PHASE OF CONQUEST

During the crisis, L'Oréal enhanced its performance by optimising its organisational structures from every viewpoint: human, industrial and financial. In 2010, the group continued to profoundly transform itself so as to pursue its new ambitions.

Human Resources	70
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“ THE L'ORÉAL ADVENTURE CONTINUES ”

SIR LINDSAY OWEN-JONES

Chairman

L'Oréal has successfully renewed itself

2010 was a decisive year, as we put the serious economic crisis behind us.

There has been a solid return to sales dynamism across all divisions and zones, and L'Oréal has again strengthened its positions in the cosmetics market. Thanks to rigorous management, and the quality of the decisions taken during the crisis, results have grown strongly, and profitability is close to the best levels achieved in past years. The group's financial situation, which was already very robust, has again been reinforced.

The strategic decisions taken at the end of 2008, with the support of the Board of Directors, have paid off. Jean-Paul Agon has managed to reconcile the imperatives of the economic context with a long-term vision of the group's interests. In doing so, he has demonstrated his rigorous approach, drive and boldness, and a force of conviction that has provided a common focus for everyone's efforts.

Backed by the powerful commitment of his teams, he has succeeded in opening up new areas of growth and profitability.

Bolstered by these results and by its confidence in the future, the Board will propose to the Annual General Meeting a dividend of 1.80 euro, representing an increase of +20%, raising the pay-out ratio to approximately 45%. This trend is in line with our resolve to continue our dynamic shareholder return policy. L'Oréal has thus emerged from the crisis transformed, strengthened, and ready for new conquests and new challenges.

Constantly improving governance

Enriched by the experience and diversity of its members, the Board of Directors has fully assumed its role of validating the company's strategic goals, while opening up new ways of further improving governance.

It continually strives to ensure that the company can draw on all its resources to take up the whole range of challenges that lie ahead. The changes in the scope and names of two of its committees reflect this constant concern.

The Strategy and Implementation Committee has become the Strategy and Sustainable Development Committee. It is now responsible for examining means and resources in the field of Sustainable Development, and reporting on them to the Board, which can thus ensure that the company is meeting its commitments in this area.

The Remuneration Committee has become the Human Resources and Remuneration Committee. Its remit has thus been extended to include Human Resources policy on matters such as social relations, recruitment, diversity, talent management and fostering employee loyalty. It also ensures that the rules of ethical conduct set out in the group's *Code of Business Ethics* are correctly disseminated and applied.

Alongside the Appointments and Governance Committee, and the Audit Committee, these committees play a crucial role in preparing for the Board's work.



I would like to emphasise the commitment and solidarity shown by all the directors, and the constructive and forward-looking spirit which guides their efforts.

Increasingly strong links with our shareholders

This long-term vision, which contributes to the group's success, would not be possible without the loyalty of its shareholders. The growing number of shareholders who now hold registered shares is a reflection of their attachment to the company, and their determination to support its development. We see this as a sign of mutual confidence. Each year, we strive to improve the quality of information and service provided to shareholders. These efforts were recognised when the group received the Award for the Best CAC 40 Annual General Meeting in 2010. In addition, at the end of the year, more than 90% of our shareholders said they were satisfied or very satisfied with the information provided to them. The Individual Shareholder Consultation Committee, a body which provides regular opportunities for dialogue, has been created to enable more in-depth exchanges, and help us anticipate our individual shareholders' needs.

Reunification of the roles of Chairman and Chief Executive Officer

In 2006, the Board of Directors approved my proposal to separate the roles of Chairman and Chief Executive Officer in order to prepare for the company's future and ensure a smooth management transition. I said from the outset, at the Annual General Meeting in 2005, that in my view, this arrangement should only be a tempor-

ary one and that I would step down definitively before reaching the age of 65. The conditions have now been met, enabling me to accomplish this plan.

I welcome the decision taken by the Board, and which was in keeping with my own wishes, to reunify the roles of Chairman and Chief Executive Officer, in accordance with the company's traditional practice, and to entrust both of these roles to Jean-Paul Agon.

Prepared for the future

L'Oréal has grown, in terms of its strengths, its convictions and its global reach. After 42 years with the group, it is a source of great satisfaction for me to see that the vision I had from the outset for L'Oréal has been accomplished. Supported by the strength of its research and spirit of innovation, our company is number one in the cosmetics industry. It is present in all the major markets of tomorrow, with an exceptional portfolio of brands which can satisfy

the diversity of all our consumers' needs and beauty ideals.

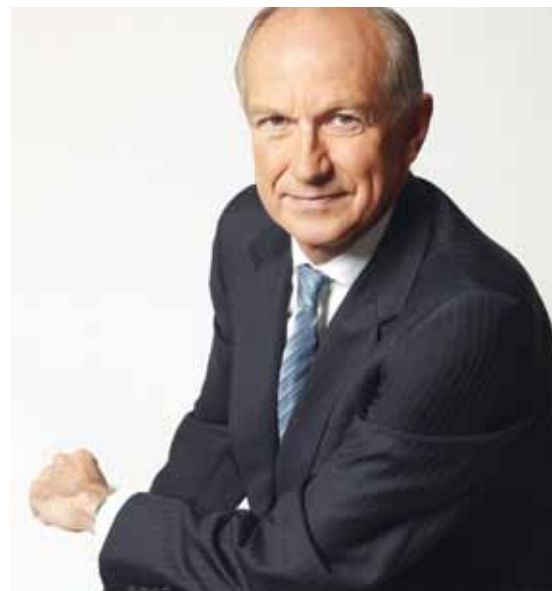
L'Oréal is also a responsible company, backed up by solid, forward-looking governance, a bedrock of shared values underpinning its force and originality, and a profound respect for communities and for the environment.

L'Oréal is THE leader of its profession in every sense of the word. Ready to seize all strategic opportunities, driven by the goal of winning over a billion new consumers, and enriched by the diversity of its cultures, L'Oréal is prepared to open a new chapter in its history. Supported by the imagination and commitment of Jean-Paul Agon and his teams, the L'Oréal Adventure continues.

I have every confidence in the future of this company which is your company.

—
“L'Oréal is ready for new conquests and new challenges.”
 —

“
HEADING
TOWARDS TWO
BILLION
CONSUMERS
”



JEAN-PAUL AGON
Chief Executive Officer

What conclusions can you draw from 2010?

L'Oréal has returned to growth. The crisis is clearly behind us, and we bounced back well in 2010. The strong growth of our sales reflects a performance that was both solid and global, as the group advanced across all divisions, all business segments and all the major regions of the world. In a cosmetics market which regained its dynamism, L'Oréal reinforced its position as the world number one in beauty.

But 2010 was also a good year in terms of results. The thorough transformation of the group which began two years ago paid off, and enabled us to post increased profitability everywhere we operate. We have returned to our "virtuous circle" growth model.

How did you manage to re-accelerate growth?

We are making the most of the new strategic thrusts we decided on at the end of 2008. The first was to focus on major worldwide high value-added innovations at accessible prices, enabling us to reach more consumers. Take Génifique, for example, which has been an excellent product for attracting new consumers to LANCÔME. The second decision was the extension of our brands into new product categories, such as men's skincare and deodorants, once again to broaden our target consumer base and generate additional growth. For example, our two men's ranges—Garnier Men and Men Expert by L'ORÉAL PARIS—are proving highly successful, particularly

in Asia where their growth is spectacular. The third strategic thrust is the accelerated global roll-out of our brands.

We had also taken the decision—a brave one in the midst of the crisis—to increase our spending on Research and Innovation, and on Advertising and Promotion, and we continued to do so in 2010. Research expenses were increased this year by +9.1%, clearly demonstrating our determination to intensify investments in this key sector. Given that the world of cosmetics is fundamentally technological, we are convinced, today more than ever, that it is through Research and Innovation that we will stand out from the competition, and continue to strengthen our worldwide leadership.

How were such good quality results achieved?

The good results in 2010 reflect a company that is moving forwards and adapting. All the operational excellence initiatives taken over the last two years to boost the company's performance and make it more responsive, are continuing to pay off. 2010 was a record year both for industrial productivity and purchasing. The modernisation of the company is reflected in improved selling, general and administrative expenses, achieved through constant efforts to optimise organisational structures and strictly control costs. All these advances have been implemented and achieved throughout the company, across all divisions and geographic zones. I would like to say how grateful I am to all L'Oréal's teams, whose exceptional levels of com-



mitment have enabled us to adapt and reinvent our organisation. The group is now more agile and better prepared to seize the opportunities of the third millennium.

What were your biggest sources of satisfaction in 2010?

2010 was an excellent year of conquest for the group, with several of our brands making spectacular breakthroughs: L'ORÉAL PROFESSIONNEL took advantage of the worldwide success of its Inoa hair colourant, MAYBELLINE NEW YORK had an outstanding year, YVES SAINT LAURENT experienced a true renaissance, KIEHL'S recorded +43% growth with impressive success in Asia, and LA ROCHE-POSAY continued to expand in the world of dermatology. All our divisions strengthened positions around the world, and made substantial progress in the strategic markets of the future. Galderma delivered another year of strong growth, and once again increased its market share.

Is it true to say that once again the New Markets were the group's growth driver this year?

Growth accelerated in the three major zones. In Western Europe, the group advanced in line with the market trend. In North America, L'Oréal clearly strengthened its positions, thanks in particular to significant market share gains in the mass-market segment. In the new countries, we are growing almost twice as fast as the cosmetics market, with in particular, strong growth in Asia. In 2010, China became our third largest market, with more than one billion euros of sales. Latin America too had an excellent year. In addition, the strong increase in profitability in the New Markets should be emphasised, rising in the space of five years from 13.5% to 16.9% and even exceeding the figure for North America. The growth we are generating there is becoming increasingly profitable.

We currently make nearly 40% of our sales in the New Markets, and our goal is to raise this to between 50% and 60% over the next ten years. The weight of this zone is increasing inexorably, and this will have a mechanical effect of accelerating the group's growth.

The conquest of another billion consumers is well on track...

Markets everywhere are opening up, and redrawing the boundaries of the world of the future. The emerging countries have become vast reservoirs of new consumers, and this trend is set to become even stronger. Twenty years from now, the world's population will have increased by +25%, and the number of consumers with access to cosmetics may have grown by some +50%. This is because, once fundamental needs have been met, per capita cosmetics consumption grows exponentially. This profound transformation of the beauty market offers us opportunities on a scale unknown up to now. Today, L'Oréal makes the bulk of its sales with less than 15% of the world's population. In ten years' time, we should have as many customers in the Asia, Pacific zone as in Europe and the United States combined. This is the basis for our objective of winning a billion new consumers, or in other words, doubling our total customer base.

Is this a realistic target?

Wherever one looks, our horizon is broadening. Targeting two billion consumers is a considerable change of scale and ambition for the group, but also a realistic objective. Our company is now entering a new phase of its history—that of universalisation—which is absolutely decisive for accomplishing our target mission: to offer women and men the world over the best quality, most effective, safest cosmetics, and thereby satisfy all their beauty needs and desires in their infinite diversity. We will go in search of these new consumers everywhere: the Asian continent, driven by China and India, is set to be the largest contributor, but the major markets in the developed countries, such as the United States, the United Kingdom and Germany



will also be strategic sources of growth. For even if our market shares there are high, our penetration is still limited. Our brands still only reach one American out of two, and one German out of three. I am convinced that the major strategic choices made over the last few years, and the profound transformations set in motion in 2010 have prepared the group for this new phase of expansion.

Will the digital revolution accelerate this trend?

Yes, in that it profoundly transforms the relationships our brands have with consumers all over the world. It is a decisive opportunity to create new and richer fields of expression, and relations with consumers that are more direct, closer and more personalised. It is also of course a new distribution channel, and thus a major opportunity for additional sales. The creation of the new Strategic Marketing Department will accelerate this trend further. Its goal is to secure L'Oréal's leadership in the digital channel, by intensifying our initiatives and building up our expertise in this field.

Looking beyond your economic performance, how do you intend to respond to the new expectations companies now have to live up to?

This in fact is one of the greatest challenges in today's world. L'Oréal is the world leader in its business of beauty, but its ambition is also to be an exemplary corporate citizen. In matters of ethics and governance by acting with integrity and respect. In sustainable innovation, through our pioneering advances in product eco-design and green chemistry, and our worldwide leadership in predictive methods. In environmental matters, through our extremely bold commitment to halve, in the space of ten years, our CO₂ emissions, our water consumption and our waste generation. In matters of diversity, through our ambition to be recognised as one of the top companies worldwide. And finally in terms of solidarity, through the development of our initiatives to promote the interests of the communities around us, particularly through the L'Oréal Corporate Foundation and all the programmes we have introduced over the last few years. Our mission today is to extend these initiatives to all the places in the world where L'Oréal operates. All these efforts mean that L'Oréal has once again been ranked one of the 100 most sustainable companies in the world, and these initiatives will make a decisive contribution in the future to the group's success and the strengthening of its leadership.

The Board of Directors has just appointed you Chairman and Chief Executive Officer of L'Oréal. What message would you like to send out at the start of 2011?

I would first like to thank the Board of Directors for its confidence. I am extremely honoured, and fully aware of the responsibility this appointment entails. I would also like to thank and pay tribute to Sir Lindsay Owen-Jones. Over the course of what is widely acknowledged as a tremendously successful twenty-four-year tenure, he was the architect and the builder of the magnificent company that is L'Oréal today. As for my own view, I have every confidence in the success of our company. L'Oréal is particularly well adapted and prepared to take on the challenges of a world that is currently being transformed, and indeed to turn these challenges into strategic opportunities. We are entering a new phase in our history, that of universalisation and beauty for everyone, with the inspiring objective that we all share at L'Oréal: winning over a billion new consumers. This conquest, which is our constant focus, will drive the group's growth over the next twenty years. Growth that will be solid, sustainable and profitable.

“L'Oréal is entering a new phase in its history, that of universalisation and beauty for everyone.”

BOARD OF DIRECTORS

Sir Lindsay Owen-Jones⁽¹⁾

Age: 64. British. Joined the L'Oréal group in 1969. After starting his career in France, he was Chief Executive Officer of L'Oréal in Italy from 1978 to 1981 and President (CEO) of L'Oréal USA from 1981 to 1984. He was appointed Chief Executive Officer of L'Oréal in 1984, then Chairman and Chief Executive Officer in 1988, non-executive Chairman of the group from April 2006 to March 2011, and **Honorary Chairman** thereafter. L'Oréal Board member since 1984 (term of office renewed in 2010). Director and Chairman of the L'Oréal Corporate Foundation. Board member of Sanofi-Aventis and Ferrari (Italy).

Jean-Paul Agon

Age: 54. Joined the L'Oréal group in 1978. Following his international career as General Manager of Consumer Products in Greece, and of L'ORÉAL PARIS in France, International Managing Director of BOTHERM, Managing Director of L'Oréal in Germany, Managing Director of the Asia zone, President and CEO of L'Oréal USA, appointed Deputy Chief Executive Officer of L'Oréal in 2005, Chief Executive Officer in April 2006 and then **Chairman and Chief Executive Officer** in March 2011. L'Oréal Board member since 2006 (term of office renewed in 2010). Board member of the L'Oréal Corporate Foundation and Air Liquide.

Jean-Pierre Meyers⁽²⁾⁽⁴⁾⁽⁶⁾

Age: 62. L'Oréal Board member since 1987 (term of office renewed in 2009⁽⁷⁾), **Vice-Chairman of the Board**. Nestlé SA (Switzerland) Board member.

Peter Brabeck-Letmathe⁽²⁾⁽⁴⁾

Age: 66. Austrian. With the Nestlé group since 1968, appointed General Manager in 1992, then Chief Executive Officer of Nestlé SA (Switzerland) in 1997, Vice-Chairman of the Board in 2001 and Chairman in 2005. L'Oréal Board member since 1997 (term of office renewed in 2009), **Vice-Chairman of the Board**. Vice-Chairman of the Board of Crédit Suisse Group (Switzerland), Board member of Delta Topco Limited (Jersey) and Exxon Mobil (United States).

Liliane Bettencourt⁽²⁾

Daughter of Eugène Schueller, the founder of L'Oréal. L'Oréal Board member since 1995 (term of office renewed in 2007).

Françoise Bettencourt Meyers

Age: 57. Daughter of Mrs Bettencourt. L'Oréal Board member since 1997 (term of office renewed in 2009).

Werner Bauer

Age: 60. German. With the Nestlé group since 1990, appointed General Manager in 2002. L'Oréal Board member since 2005 (term of office renewed in 2009⁽⁷⁾).

Francisco Castañer Basco⁽²⁾⁽⁶⁾

Age: 66. Spanish. With the Nestlé group since 1964, General Manager from 1997 to 2009. L'Oréal Board member since 1998 (term of office renewed in 2010⁽⁸⁾).

Charles-Henri Filippi⁽⁵⁾

Age: 58. French civil service from 1979 to 1987. Worked for CCF (which became HSBC France in 2000) from 1987 to 2008. Chief Executive Officer of CCF in 1995, HSBC Group Executive Committee member from 2001 to 2004, Chairman and Chief Executive Officer of HSBC France from 2004 to 2007 and Chairman of the Board from September 2007 to December 2008. Chairman of Octagones and Alfina. Chairman of Citigroup for France since January 2011. L'Oréal Board member since 2007 (term of office renewed in 2010⁽⁸⁾). France Telecom Board member, Supervisory Board member of Euris and Censor of Nexity.

Xavier Fontanet

Age: 62. Appointed Chief Executive Officer of Essilor in 1991, Vice-Chairman and Chief Executive Officer in 1995, Chairman and Chief Executive Officer from 1996 to 2009, Chairman of the Board of Directors since January 2010. L'Oréal Board member since 2002 (term of office renewed in 2010). Board member of Crédit Agricole SA and Fonds Stratégique d'Investissement (FSI).

Bernard Kasriel⁽²⁾⁽³⁾

Age: 64. With the Institut du développement industriel from 1970 to 1975. Chief Executive Officer of Braud from 1972 to 1974. Executive Vice-President of the Société phocéenne de métallurgie from 1975 to 1977. Joined Lafarge in 1977, appointed Deputy General Manager in 1982. Assigned to the United States from 1987 to 1989, appointed Vice-Chairman and Chief Executive Officer from 1989 to 2003, and then Chief Executive Officer from 2003 to 2005. L'Oréal Board member since 2004 (term of office renewed in 2008). Board member of Arkema and Nucor (United States). Partner of LBO France.

Marc Ladreit de Lacharrière

Age: 70. Member of the Institut. With L'Oréal from 1976 to 1991, former Executive Vice-President in charge of Administration and Finance, Deputy Chief Executive Officer from 1984 to 1991. Chairman and Chief Executive Officer of Fimalac. Chairman of Fitch (United States). L'Oréal Board member since 1984 (term of office renewed in 2010). Board member of the L'Oréal Corporate Foundation. Board member of Casino and Renault.

Annette Roux

Age: 68. Joined Bénéteau in 1964, Chairperson and Chief Executive Officer from 1976 to 2005, Vice-Chairperson of the Supervisory Board thereafter. L'Oréal Board member since 2007. President of the Bénéteau Corporate Foundation.

Louis Schweitzer

Age: 68. Joined Renault in 1986, Chairman and Chief Executive Officer from 1992 to 2005, Chairman of the Board until 2009. L'Oréal Board member since 2005 (term of office renewed in 2009). Chairman of the Board of AB Volvo (Sweden) and AstraZeneca (United Kingdom). Board member of BNP Paribas and Veolia Environnement. Member of the Consultative Board of Allianz AG (Germany).

Under the Articles of Association, the length of a L'Oréal director's term of office, which is renewable, is four years or less, to enable staggered renewal of the directors' terms of office. Each director holds a minimum of 1,000 L'Oréal shares.

The full list of directors' offices and directorships, in accordance with legal requirements, is included in the Chairman's Report of the Board of Directors (Vol. 2 of the Reference Document).

(1) Chairman of the Strategy and Sustainable Development Committee.

(2) Member of the Strategy and Sustainable Development Committee.

(3) Chairman of the Appointments and Governance Committee and the Human Resources and Remuneration Committee.

(4) Member of the Appointments and Governance Committee and the Human Resources and Remuneration Committee.

(5) Chairman of the Audit Committee.

(6) Member of the Audit Committee.

(7) The term of office of Mr Bauer and Mr Meyers was renewed in 2009 for a period of three years to enable a harmonious renewal of the directors' terms of office.

(8) The terms of office of Mr Castañer Basco and Mr Filippi were renewed in 2010 for periods of two years and one year respectively to enable a harmonious renewal of the directors' terms of office.

AN INDEPENDENT, AVAILABLE AND VIGILANT BOARD OF DIRECTORS

The L'Oréal Board of Directors considers that the recommendations of the Afep-Medef Code of December 2008 are in line with the company's corporate governance approach. This Code is therefore used by the company as its reference when drawing up the Chairman's Report on the conditions in which the Board's work is prepared and organised (pages 110 to 113 of the 2010 Reference Document).

GENERAL MANAGEMENT'S FUNCTIONS

In 2006, the Board of Directors appointed Mr Jean-Paul Agon as Chief Executive Officer, and wished at that time, in order to prepare for the future of the company and ensure a smooth transition in its management, to separate this role from that of Chairman of the Board of Directors, which was entrusted to Sir Lindsay Owen-Jones. Since then, the Board has noted firstly that this arrangement has been satisfactory, particularly in view of the quality of the relationship between the Chairman and the Chief Executive Officer, and secondly that this measure proved very useful during a period of economic crisis.

At its meeting on Thursday, February 10th, 2011, the Board of Directors, which noted the quality of the results for 2010, decided to reunify the roles of Chairman of the Board of Directors and Chief Executive Officer, considering that the environment was once again favourable. When Sir Lindsay Owen-Jones, in accordance with his original intention of stepping down as Chairman at the age of 65, decided to place his office at the disposal of the Board on March 17th, 2011, the Board appointed Mr Jean-Paul Agon, Chairman and Chief Executive Officer of L'Oréal.

Mr Jean-Paul Agon has been Chief Executive Officer of L'Oréal since 2006. Sir Lindsay Owen-Jones, who continues to be a member of the Board of Directors and Chairman of the L'Oréal Foundation, has been appointed Honorary Chairman.

DIRECTORS WITH A COMPLEMENTARY RANGE OF EXPERIENCE

The directors of L'Oréal come from different spheres; they complement each other in respect of their diverse professional experience and expertise, and they have a good knowledge of the company. The directors are present, active and closely involved. These are all assets for ensuring the quality of the Board's deliberations and the preparation of its strategic decisions. The directors are independent in their thinking, have a duty of vigilance,

and exercise complete freedom of judgement. This freedom of judgement enables them in particular to participate in a totally independent way in the work of the Board and its Committees.

The Board of Directors of L'Oréal comprises 14 members: the Chairman and the Chief Executive Officer, six directors from the majority shareholders, three of whom represent Mrs Bettencourt's family group, and three of whom represent Nestlé (the two Vice-Chairmen of the Board being chosen from among these members) and six independent directors: Annette Roux, Charles-Henri Filippi, Xavier Fontanet, Bernard Kasriel, Marc Ladreit de Lacharrière and Louis Schweitzer. Mr Ladreit de Lacharrière has been a director of L'Oréal for more than 12 years, but his professional experience and his freedom of judgement, combined with his good knowledge of the company, make a considerable contribution to the Board's discussions and decisions.

SYSTEMATIC ANNUAL SELF-EVALUATION

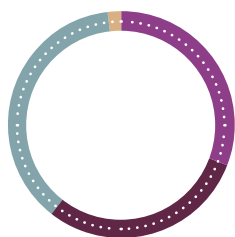
Every year, the Board reviews its composition, organisation and *modus operandi*. It considers the avenues of possible progress and makes any improvement that it considers appropriate. The Board met five times in 2010, with an average attendance rate of 98.5%.

In 2010, the Board of Directors devoted one whole day to analysing various strategic aspects and strategic monitoring, in the presence of several senior managers. This enabled the Board, for example, to gauge the importance firstly of new fields and challenges with regard to the Internet and digital media in the development of the group's business activities, and secondly of the initiatives being taken in this area, particularly in consumer relations.

Furthermore, the functioning of the Committees was found to be satisfactory, with extensive and thorough preparatory work.

Finally, in 2010, the Board was provided with regular information on the group's business activities, and, at the end of the year, the directors expressed new wishes in this area, and made proposals for subjects to be discussed at meetings in 2011.

Breakdown of shareholding structure at December 31st, 2010



- 30.9% Mrs Bettencourt and her family
- 29.7% Nestlé
- 37.5% Public
- 1.9% Treasury stock⁽¹⁾

(1) In accordance with the law, treasury stock carries no voting rights.

ACTIVELY INVOLVED COMMITTEES PREPARE FOR THE BOARD MEETINGS

The Committees act strictly within the framework of the remit given to them by the Board. They are actively involved in preparing the Board's work, and make proposals, but do not have any decision-making powers.

THE STRATEGY AND SUSTAINABLE DEVELOPMENT COMMITTEE

This Committee clarifies, through its analyses, the strategic orientations submitted to the Board, and monitors the implementation and advancement of significant operations in progress. It ensures that the main financial balances are preserved. It reviews the main lines of development, options and strategic projects presented by the General Management, together with their economic and financial consequences, acquisition opportunities, and financial transactions that may significantly change the balance sheet structure. The Committee met four times in 2010. Along with the constant and close review of the group's business activity and the analysis of markets and competitors, the Committee monitored the economic conditions during emergence from the crisis, after having in 2009 noted the strategic decisions taken by the General Management at a very early stage to tackle the difficult economic environment. Furthermore, the Committee was called on to study projected acquisitions.

THE AUDIT COMMITTEE

This Committee is, in particular, responsible for monitoring the process of preparing financial information, the effectiveness of internal control and risk management systems, the auditing of the annual and consolidated financial statements, and the independence of the Statutory Auditors. Mr Charles-Henri Filippi, L'Oréal director and a financial expert, is the Chairman of the Committee.

The Committee met five times in 2010. It reviewed the evolution of the main items of the profit and loss accounts and balance sheets. It considered

that the work by the Internal Audit Department and the Internal Control process put in place, from the risk viewpoint, are improving in quality.

After taking note of the French financial markets authority (AMF) Report of July 2010 on the functioning of Audit Committees, the Committee found that its work was carried out in a framework complying with AMF recommendations. The Committee examined the conditions of industrial and environmental risks management and of those linked to quality and safety in product design. It noted that the systems and processes put in place, which are based on a sound methodology, are comprehensive and satisfactory. Finally, the Committee is regularly informed of legal risks and of any litigation, and, once a year, meets the Statutory Auditors without the presence of the management.

THE HUMAN RESOURCES AND REMUNERATION COMMITTEE

This Committee makes proposals on matters including in particular the remuneration of the Chairman of the Board and the Chief Executive Officer, the amount of attendance fees to be submitted to the Annual General Meeting and the method of distribution of such fees, and the implementation of long-term incentive plans, such as those providing, for example, for distributions of stock options or for free grants of shares.

The Committee met four times in 2010 to consider all these matters. In connection with the proposal made to renew the Chief Executive's term of office, the Committee proposed to the Board that his contract of employment should continue to be suspended, which was accepted by the Board. After the closing of accounts, it made proposals to the Board with regard to the remuneration of the corporate officers and the implementation of a plan relating to stock options and conditional allocations of shares to employees concerning a large number of people. The Board approved the Committee's proposals,

particularly with regard to the performance conditions to be achieved by the Chief Executive Officer (who must, furthermore, conserve some of the options that he exercises) and by the members of the Executive Committee.

THE APPOINTMENTS AND GOVERNANCE COMMITTEE

The Appointments and Governance Committee makes proposals to the Board on the choice of directors, examines the expediency of separating the roles of Chairman of the Board and Chief Executive Officer, clarifies the Board's decision concerning the conditions in which the General Management is exercised and the status of corporate officers, discusses the independent director qualifications reviewed each year by the Board, ensures that the Corporate Government Code to which the company refers is applied, and prepares for the Board's decisions about updates to its Internal Rules.

It also ensures the implementation of a procedure preparing the succession plans for the corporate officers in the event of an unforeseen vacancy, and conducts the reflection process with regard to the Committees in charge of preparing for the Board's work.

The Committee met three times in 2010. When the Directors's terms of office were considered for renewal, the Committee proposed that the Board should review the situation of each of its members on a case-by-case basis, in particular in light of the independence criteria set out in the Afep-Medef Code. In the 2010 Reference Document, the independent directors are clearly qualified as such, in light of the criteria adopted by the Board.

The Committee also confirmed its wish to carry out a harmonious renewal of directors' terms of office, and it made proposals to the Board in the framework of the Annual General Meeting. Finally, the Committee examined the evolution of the Executive Committee and the talent pool for the future, and stated its view concerning a possible succession plan.

In view of the broad spectrum of matters entrusted to the Committees, the Board has modified the names of two Committees to better reflect the extent of their remits.

THE STRATEGY AND SUSTAINABLE DEVELOPMENT COMMITTEE

In the framework of the strategic orientations which this Committee studies and validates, the Board is extending the Committee's remit by ensuring that the company's commitments in the field of Sustainable Development, in light of the challenges which are specific to the group's business activities and objectives, are fully taken into account. In this framework, the Committee examines the means and resources put in place, and reports on them to the Board.

THE HUMAN RESOURCES AND REMUNERATION COMMITTEE

The Committee is extending its remit to include all aspects of Human Resources policy, such as social relations, recruitment, diversity, talent management and securing employee loyalty. The Committee also ensures that best practices in ethical matters, as set out in the Code of Ethics, and the group's key values, such as respect and integrity, are widely disseminated, known and practised.

EXECUTIVE COMMITTEE



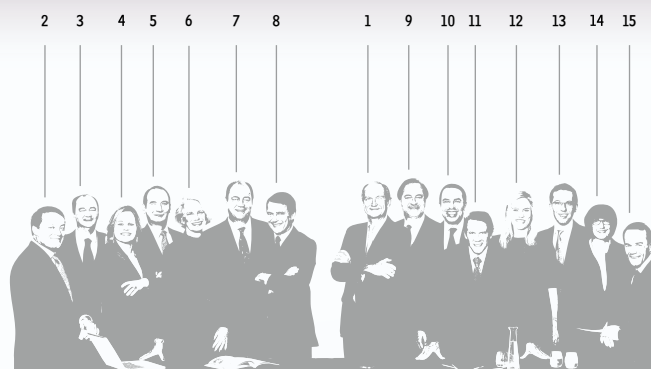
ORGANISATION OF THE L'ORÉAL EXECUTIVE COMMITTEE

- 1 **Jean-Paul AGON**
Chief Executive Officer
- 2 **Frédéric ROZÉ**
Managing Director
North America Zone
- 3 **Geoff SKINGSLEY**
Executive Vice-President
Human Resources
- 4 **An VERHULST-SANTOS⁽¹⁾**
Managing Director
Professional Products Division
- 5 **Alexandre POPOFF**
Managing Director
Latin America Zone and
Africa, Middle East Zone
- 6 **Béatrice DAUTRESME**
Executive Vice-President
Corporate Communications and
External Affairs
(until December 31st, 2010)
- 7 **Jochen ZAUMSEIL**
Managing Director
Asia, Pacific Zone
- 8 **Marc MENESGUEN⁽¹⁾**
President
Luxury Products Division
- 9 **Christian MULLIEZ**
Executive Vice-President
Administration and Finance



- 10 Laurent ATTAL**
Executive Vice-President
Research and Innovation
- 11 Jean-Jacques LEBEL**
President
Consumer Products Division
- 12 Sara RAVELLA⁽¹⁾**
Managing Director
Corporate Communications,
Sustainable Development and
Public Affairs

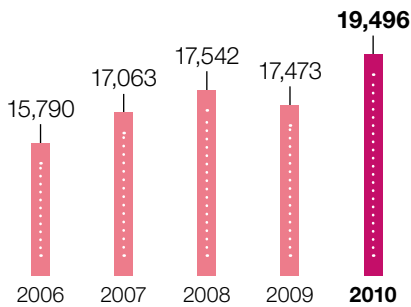
- 13 Nicolas HIERONIMUS⁽¹⁾**
Managing Director
Professional Products Division
- 14 Brigitte LIBERMAN**
Managing Director
Active Cosmetics Division
- 15 Jean-Philippe BLANPAIN**
Managing Director
Operations



⁽¹⁾ Development and Public Affairs. Marc Menesguen has moved from his position of President of the Luxury Products Division, to become Managing Director of the newly created Strategic Marketing Department. Finally, Nicolas Hieronimus, previously Managing Director of the Professional Products Division, has now taken charge of the Luxury Products Division.

L'ORÉAL 2010 FINANCIAL HIGHLIGHTS

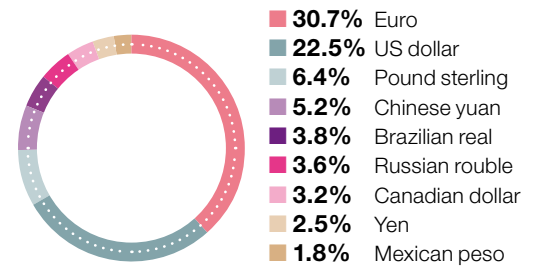
Consolidated sales (€ millions)



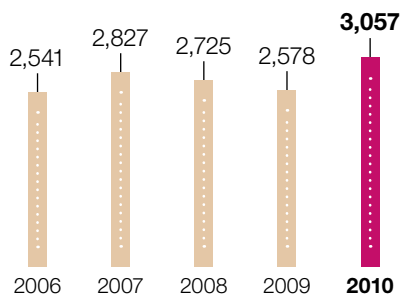
Consolidated sales by branch⁽¹⁾ (€ millions)

	2010
Cosmetics	18,139
The Body Shop	755
Dermatology ⁽²⁾	602

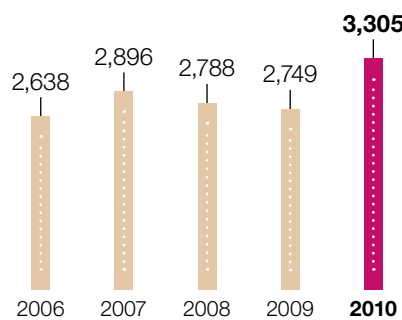
2010 consolidated sales by currency⁽³⁾ (as %)



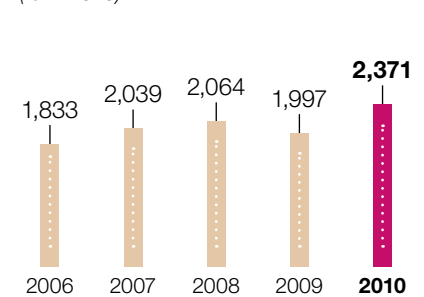
Operating profit (€ millions)



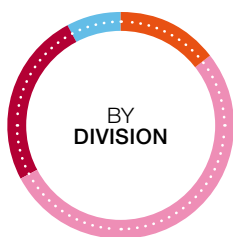
Pre-tax profit excluding non-recurrent items⁽⁴⁾ (€ millions)



Net profit excluding non-recurrent items after minority interests⁽⁴⁾ (€ millions)



2010 consolidated sales of the cosmetics branch



- 15.0% Professional Products
- 52.5% Consumer Products
- 24.9% Luxury Products⁽⁶⁾
- 7.6% Active Cosmetics⁽⁶⁾



- 27.2% Skincare
- 22.1% Haircare
- 21.2% Make-up
- 15.0% Hair colourants
- 10.0% Perfumes
- 4.5% Other⁽⁵⁾

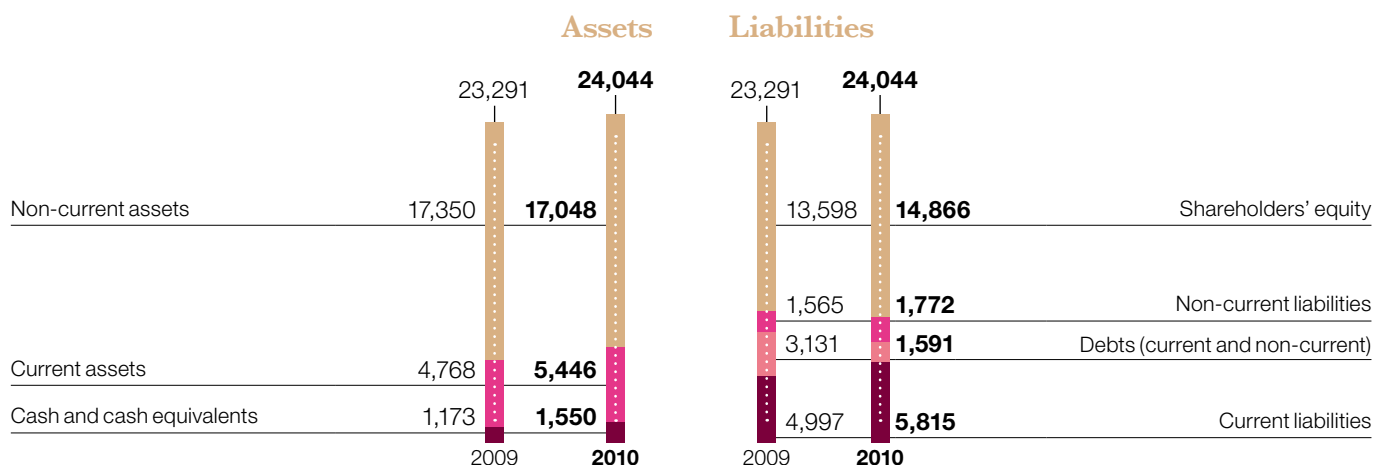


- 39.6% Western Europe
- 23.6% North America
- 36.8% New Markets, of which:
 - 47.9% Asia, Pacific
 - 20.9% Eastern Europe
 - 22.8% Latin America
 - 8.4% Africa, Middle East

(1) The group's business is composed of the cosmetics and the dermatology branches and The Body Shop. (2) Group share, i.e. 50%. (3) Breakdown of consolidated sales in the main currencies in 2010. (4) Non-recurrent items include capital gains and losses on long-term asset disposals, depreciation of long-term assets, restructuring costs and competition disputes in 2010. See note 10 of the Notes to the Consolidated Financial Statements in Volume 2 of the 2010 Reference Document (pages 26 to 28). (5) "Other" includes sales made by American distributors with brands outside of the group. (6) On January 1st, 2010, the Roger&Gallet activity was transferred from the Luxury Products Division to the Active Cosmetics Division.

A SOLID BALANCE SHEET

(€ millions)



Net debt

	12.31.2009	12.31.2010
Net financial debt ⁽¹⁾ (€ millions)	1,958	41
Net financial debt/Equity	14.4%	0.3%

SHORT-TERM RATINGS

A-1+ STANDARD & POOR'S

NOVEMBER 2010

P-1 MOODY'S

JULY 2010

F1+ FITCH

JULY 2010

THE L'ORÉAL SHARE

(at December 31st, 2010)

€4.01

NET EARNINGS⁽²⁾ PER SHARE

€1.80

DIVIDEND⁽³⁾ PER SHARE

€83.08

SHARE PRICE

€49.93 billion

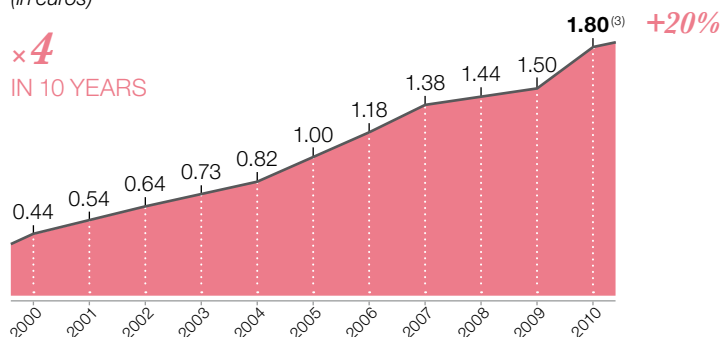
MARKET CAPITALISATION⁽⁴⁾

DYNAMIC SHAREHOLDER RETURN POLICY

A regular increase in the dividend per share

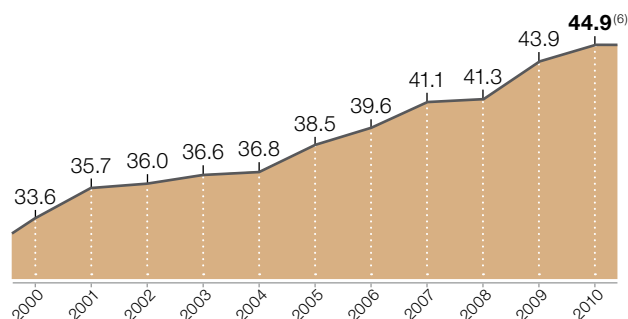
(in euros)

×4
IN 10 YEARS



Share of profits dedicated to dividends⁽⁵⁾

(as %)



(1) Net financial debt = Current and non-current debt - Cash and cash equivalents. (2) Diluted net earnings per share based on net profit excluding non-recurrent items after minority interests. (3) Dividend proposed to the Annual General Meeting of April 22nd, 2011. (4) On the number of shares at December 31st, 2010, i.e. 600,992,585 shares. (5) Dividend distribution rate based on diluted net profit excluding non-recurrent items per share. Taking into account Sanofi-Synthelabo at the dividend level for 2004. (6) Based on the dividend proposed to the Annual General Meeting of April 22nd, 2011.

L'ORÉAL IS COMMITTED TO SUSTAINABLE, RESPONSIBLE AND SHARED GROWTH



Bio-methanisation unit installed at the Libramont plant, the group's first plant to use 100% green energy.

The objective of serving two billion consumers is inseparable from the ambition of making L'Oréal a model corporate citizen, based on sustainable, responsible and shared growth. This approach, which forms part of a long-term vision, and motivates all the group's employees, led to further advances in 2010.

L'Oréal takes the view that each individual must assume his or her responsibilities, so that we can combine economic growth with favourable trends in both natural and societal ecosystems. The group has set itself ambitious economic and societal objectives, and is committed to the sustainable economic development of the communities in which it produces and markets its brands, while respecting their natural environment and their social and cultural aspirations.

It is underpinned by several factors:

- Strong values of integrity, respect and excellence, which are the ethical pillars of the group, and form the basis of its sustainable development strategy.
- A capacity for innovation which contributes to sustainable consumption by offering products adapted to the specific needs, cultures and purchasing power of all consumers, while respecting their environment and biodiversity throughout the product life cycle.
- A policy focused on a diversity of talents, which is a source of creativity in a business founded on understanding and engaging with the most diverse sociocultural aspirations.
- An industrial commitment based on ambitious objectives in environmental terms and relations of mutual trust with local authorities and communities.

RESPONSIBLE AND TRANSPARENT communications

In 2010, L'Oréal changed its approach to sustainable development reporting by publishing its report on the Internet in a format adapted to the different expectations of stakeholders. The www.sustainabledevelopment.loreal.com website features interviews and films which illustrate the scope of initiatives all over the world, and the group's major commitments. L'Oréal also published an abridged version of the report.

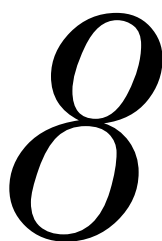
Sustainable development targets for 2015 (group factories and distribution centres)



FIRST-EVER REPORT IN CHINA
L'Oréal is one of the few international groups to have published a Sustainable Development Report in China. Last July, Jean-Paul Agon officially presented the report to the Chinese authorities at the World Expo 2010 Shanghai.

L'Oréal's COMMITMENTS

- 1 L'Oréal's Board of Directors attaches great importance to the quality of corporate governance, closely monitors changes in best practices in this field, and strives to ensure constant progress is achieved.
- 2 As an international group, L'Oréal is committed to ensuring value creating growth for the largest possible number of stakeholders participating in its success.
- 3 L'Oréal is committed to providing innovative products, guaranteeing the excellence of its products, services and advice to consumers, and marketing its products responsibly.
- 4 L'Oréal promotes sustainable innovation by incorporating the principles of sustainable development into its core Research and Innovation activities.
- 5 L'Oréal is committed to reducing its environmental footprint and its use of natural resources through greater eco-efficiency, and where possible, achieving an absolute reduction in its impact, while maintaining health and safety in the workplace.
- 6 The group wants to foster the personal fulfilment of its employees inside a multicultural and stimulating community, rich in diversity and talents, to which everyone contributes with creativity and enthusiasm.
- 7 L'Oréal is committed to creating long-term partnerships with its suppliers based on mutual respect, transparency, regular communication and high standards.
- 8 L'Oréal is committed to being an exemplary, responsible and corporate citizen.



COMMITMENTS

PUT INTO PRACTICE IN EACH OF
THE OPERATIONAL AND
FUNCTIONAL DIVISIONS,
ACROSS ALL ZONES.

FIND OUT MORE

L'Oréal's strategic commitments to sustainable development give rise to tangible and measurable actions. Throughout the Annual Report, look for the main indicators of progress made by the group and find out more about a selection of environmental, solidarity and sustainable innovation initiatives. Each year, L'Oréal publishes a Sustainable Development Report, available at www.sustainabledevelopment.loreal.com

ETHICS ARE AT THE HEART of L'Oréal's commitments

Every entity, brand and employee contributes to implementing the group's ethical commitments, set out in "The L'Oréal Spirit", in their everyday actions.

The group's *Code of Business Ethics* provides guidance to employees on how to behave. The group's Director of Ethics, who reports directly to the Chief Executive Officer, is both a reference—providing advice and the appropriate resources to help employees meet these commitments—and a guarantor if concerns arise.

The "Open talk" policy encourages dialogue to identify and deal with all questions raised with regard to respecting these commitments.

ETHICS DAY

L'Oréal organised an Ethics Day, as it does every year. All the group's employees were able to chat online with Jean-Paul Agon about "The L'Oréal Spirit". Between 15,000 and 17,000 employees followed the event in 2010, when some 800 questions were asked.

ETHICS CORRESPONDENTS

The strengthening of the network of Ethics Correspondents, whose role includes helping country managers to ensure compliance with the *Code of Business Ethics*, is continuing. With 17 appointments in 2010, the worldwide network of Ethics Correspondents means that 93% of employees have a local correspondent.

"L'ORÉAL FOR ETHICS" EXCELLENCE BURSARY

This corporate bursary, unique in Europe, aims to support students who have chosen to include the study of business ethics in their vocational training.

ISO 9001 CERTIFICATION

The Ethics Division is ISO 9001-certified, in recognition of its compliance with the international quality management system.



ONE OF THE WORLD'S MOST ETHICAL COMPANIES

IN 2010, L'ORÉAL WAS RECOGNISED BY THE ETHISPHERE INSTITUTE AS ONE OF THE "WORLD'S MOST ETHICAL COMPANIES", AMONGST THOUSANDS OF COMPANIES IN MORE THAN 100 COUNTRIES AND 36 SECTORS OF ACTIVITY.

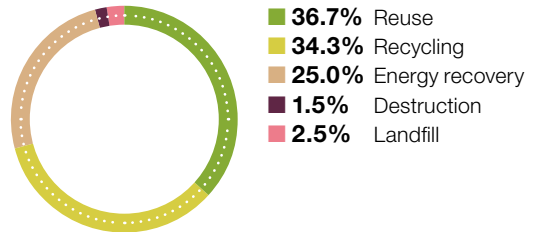
SUSTAINABLE DEVELOPMENT INDICATORS

ENVIRONMENT

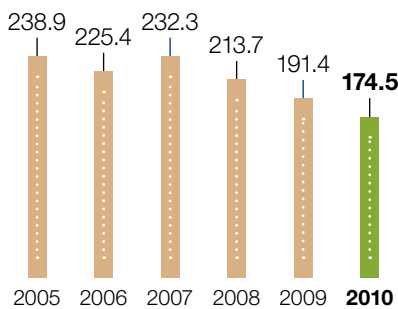
Change in environmental indicators⁽¹⁾

	2009	2010	CHANGE
Water consumption <i>(in litres per finished product)</i>	0.624	0.584	-6.3%
Energy consumption <i>(in kWh/1,000 finished products)</i>	174	158	-9.2%
Waste recovery index <i>(in %)</i>	94.6%	96.1%	+1.5%

Waste by disposal method in 2010⁽¹⁾

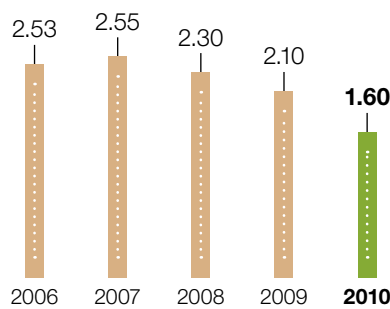


Total CO₂ emissions in thousands of tonnes⁽¹⁾⁽²⁾

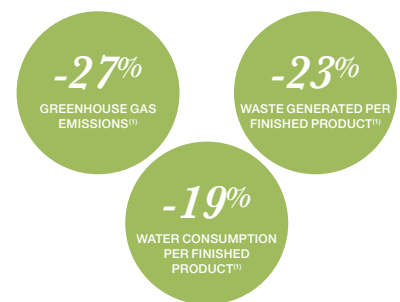


Number of accidents resulting in sick leave⁽¹⁾

per million hours worked for L'Oréal personnel



Environmental performances 2005-2010⁽³⁾



(1) Group factories and distribution centres. (2) Including both direct CO₂ emissions from on-site fossil fuel use (scope 1) and indirect CO₂ emissions from electricity use (scope 2). (3) Reductions calculated on a like-for-like basis. Period 2005-2010.

SUSTAINABLE INNOVATION

40%
of raw materials
ARE
PLANT-BASED

More than **90%** of
cardboard packaging
FOR L'ORÉAL PRODUCTS
COMES FROM RESPONSIBLY
MANAGED FORESTS⁽⁴⁾

More than **500**
raw materials
RESPECT ECOCERT
STANDARDS FOR
THE FORMULATION OF
ORGANIC PRODUCTS

SOCIAL

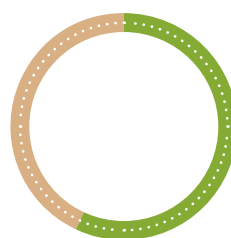
7,230
managers from
all over Europe

ATTENDED A SPECIAL
COURSE ON DIVERSITY
AT THE END OF 2010

2,582
independent
social audits

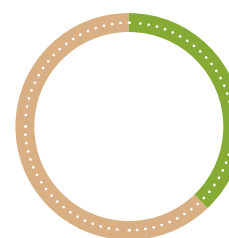
CONDUCTED ON
SUPPLIER SITES
SINCE 2006

Breakdown
of female and
male executives
in 2010⁽¹⁾



■ 58% Women
■ 42% Men

Breakdown of female
and male Management
Committee members
in 2010⁽¹⁾



■ 61% Men
■ 39% Women

ETHICS

93%
of employees

HAVE ACCESS TO
AN ETHICS CORRESPONDENT
IN THEIR COUNTRY

RECOGNITION OF INITIATIVES IN 2010

L'Oréal's sustainable development initiatives received widespread recognition in 2010:

■ For the 4th year running, L'Oréal has been ranked one of the 100 most sustainable companies in the world by the *Corporate Knights* magazine.

■ L'Oréal was designated by Ethisphere Institute as one of the "Most Ethical Companies in the World".

■ The WWF ranked L'Oréal the number one CAC 40 company for its use of cardboard and paper.

■ L'Oréal is included in most of the Sustainable Development indexes: Dow Jones Sustainability Index, FTSE4Good, ASPI Eurozone and Ethibel.

■ L'Oréal is recognised as one of the "Leaders in the Personal and Household Goods sector" by the Forest Footprint Disclosure Project (FFD Project) for its role in the responsible use of wood fibres.

COMMUNITIES

€40
million

THE MULTIANNUAL BUDGET
OF THE L'ORÉAL CORPORATE
FOUNDATION (2007-2011)

1,066
women researchers

HAVE BENEFITED FROM
THE L'ORÉAL-UNESCO
"FOR WOMEN IN SCIENCE"
PROGRAMME SINCE
ITS CREATION IN 1998

Nearly **500,000**
hairdressers

RECEIVE TRAINING
EACH YEAR WITHIN
THE "HAIRDRESSERS
AGAINST AIDS"
PROGRAMME

(1) Global number of executives in the cosmetics branch.

FOR A MORE BEAUTIFUL WORLD

Just over three years after its creation, the L'Oréal Foundation stepped up its action in fields linked to L'Oréal business segments, actively helping the group to meet its corporate citizenship commitments.



L'ORÉAL-UNESCO "For Women in Science" awards ceremony.

GIVING MEANING TO BEAUTY

Whether in promoting science, encouraging Research and communicating knowledge about beauty, restoring people's physical appearance (a major factor in establishing social relations), or implementing prevention initiatives, the choices of the L'Oréal Foundation reflect one ambition: to give meaning to the beauty profession, by developing actions which mirror the group's values of generosity and social responsibility.

With a budget of 40 million euros over five years, the L'Oréal Foundation is today the second largest foundation in France. It has a very proactive philanthropic policy, and in most cases is committed to exclusive partnerships with programmes in three main areas: science, solidarity and education.

EXTENDING THE INTERNATIONAL PROGRAMMES

In all the Foundation's major programmes, 2010 marked clear progress in the global roll-out of initiatives. On the Science front, the launch of the first pan-Arab and pan-African regional fellowships, as part of the L'ORÉAL-UNESCO "For Women in Science" awards programme, extended the scheme to include young women pursuing scientific careers, particularly in countries where L'Oréal is not present.

The international scope of the Médecins du Monde "Opération Sourire" reconstructive surgery programme was once again extended in 2010. In all, 23 missions were carried out, with operations on more than 800 patients whose

appearance had been affected as a result of malformation, disease or accident. Médecins du Monde in Japan and Germany also joined the programme, recruiting new volunteer surgeons to step up the number of operations.

Finally, "Hairdressers against AIDS", the educational HIV prevention programme, set up in partnership with UNESCO, was launched in 2010 in four new countries: Belgium, Lebanon, Malaysia and the United States. The programme is now active in 30 countries, with nearly 500,000 hairdressers receiving training each year, and has set itself the target of 50 countries by 2012, representing a total of three million contacts.



THE INSPIRATIONAL STORY OF AIMEE MULLINS

One year after presenting the book *100,000 Years of Beauty* at the Women's Forum, L'Oréal focused once again on the theme of appearance with a guest of honour at the 2010 closing ceremony. Her name: Aimee Mullins. A model, actress and gifted athlete, this young woman is also disabled, as both her legs were amputated below the knee when she was a child. Her incredible story makes people question their vision of beauty.

"You can be the architect of your own, ever-changing, recreated identity."



A new impetus for HAIRDRESSERS AGAINST AIDS

For some ten years now, hairdressers have been raising public awareness about HIV/AIDS prevention through the “Hairdressers against AIDS” educational programme. In 2010, the programme renewed all its communication tools, with a logo, an emblematic visual style, and a website connected to a dynamic social network.

A new training kit has been designed to support the 3,000 hairdresser training instructors from the Professional Products Division, including four new prevention films to focus on issues such as the transmission of HIV from mother to child, discrimination, contamination risks, and the role of the hairdresser as an information provider.

And to lend even greater impetus to this preventive effort, 12 stars agreed to pose free of charge for the camera of hairdresser John Nollet; all proceeds from the glamorous calendar are used to fund UNESCO’s HIV education programmes.

BEAUTY FROM THE HEART

530,000
L'ORÉAL
PRODUCTS
DONATED IN 2010

L'ORÉAL
FONDATION
D'ENTREPRISE

AS PART OF ITS “BEAUTY FROM THE HEART” PROGRAMME, THE L'ORÉAL FOUNDATION DONATES TO ITS PARTNERS—INCLUDING LES RESTAURANTS DU CŒUR, L'AGENCE DU DON EN NATURE, AND SAMUSOCIAL DE PARIS—“BEAUTY FROM THE HEART” KITS AND OTHER PRODUCTS, SO THAT BENEFICIARIES CAN TAKE CARE OF THEMSELVES, AS HYGIENE IS ESSENTIAL FOR MAINTAINING DIGNITY AND SELF-ESTEEM. WITH THE SAME AIM IN MIND, THE FOUNDATION HAS SET UP MORE THAN 150 SOCIO-AESTHETIC WORKSHOPS IN FRANCE, IN MEDICAL AND SOCIAL ACTION CENTRES.



OPERATIONS FOR OVER
1,500 PATIENTS SINCE 2007 THANKS
TO “OPÉRATION SOURIRE”

In 2010, 23 missions were carried out in nine countries: Bangladesh, Benin, Cambodia, Chad, Madagascar, Mali, Mongolia, Niger and Pakistan. An exploratory mission took place in Pakistan in May 2010 to enable the treatment of young women suffering from acid burns.

“THE FACE IN ALL ITS STATES”

At the end of 2010, the L'Oréal Foundation was the patron of the exhibition “The face in all its states”, created by the Human and Health Sciences arm of the Université Paris Descartes. Attracting more than 7,000 visitors, this exhibition—which showcased 150 original and in many cases unique works—enriches knowledge of appearance and its representations, one of the priorities of the “Meaning of Beauty” research programme initiated by the L'Oréal Foundation.

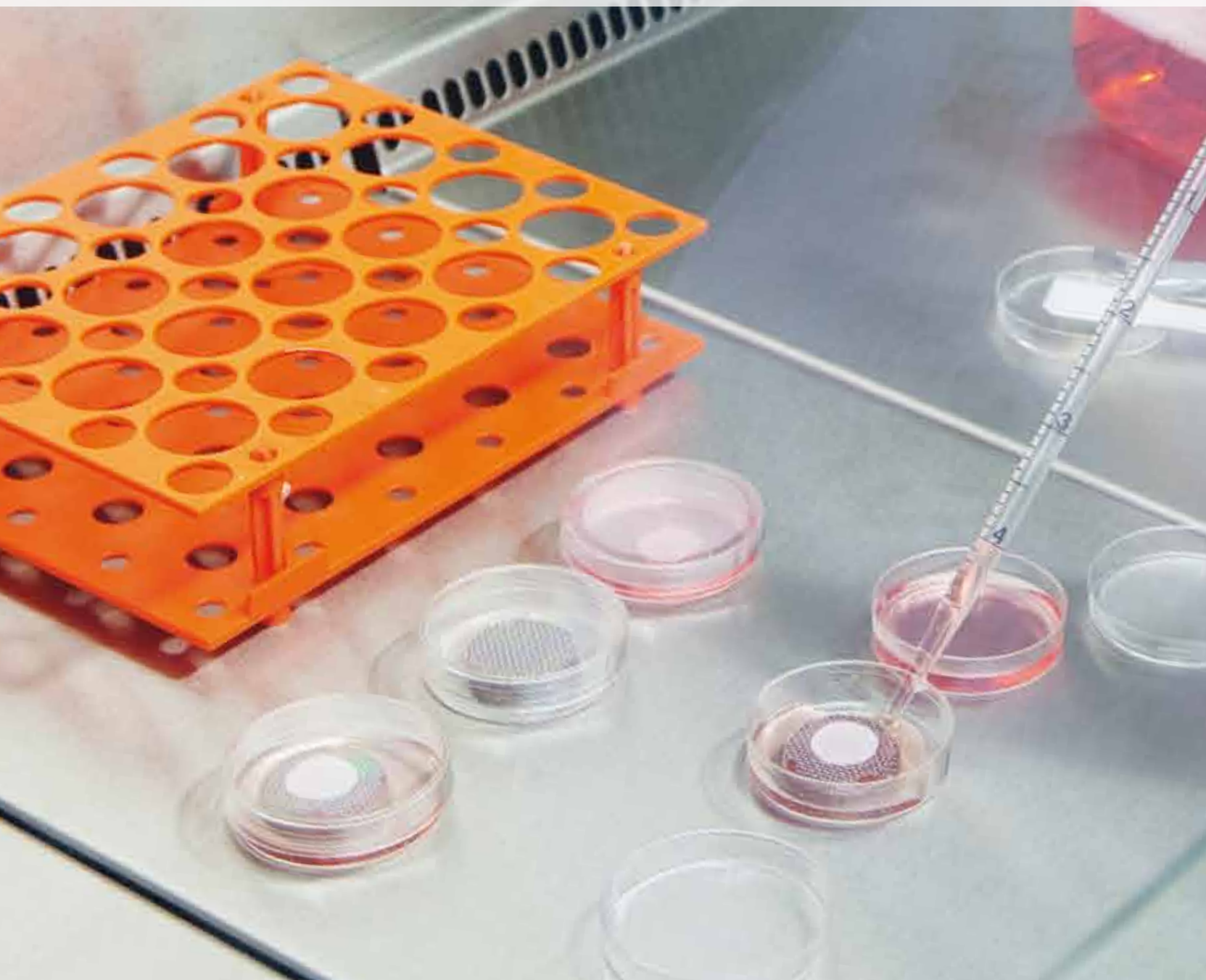




RESEARCH AND INNOVATION

INVENTING COSMETICS THAT MATCH THE WORLD'S DIVERSITY

In 2010, Research underwent a metamorphosis to meet the vast diversity of needs of a new generation of consumers in the emerging markets. With new tools, new structures and new approaches, L'Oréal Research is now ready to take up the challenge of beauty for everyone.







INTERVIEW

“THE BEAUTY OF TOMORROW WILL BE GLOBAL, ACTIVE AND RESPONSIBLE”

LAURENT ATTAL

Executive Vice-President, Research and Innovation

Research has always been the driving force of L’Oréal. How are you going to satisfy the billion new consumers of tomorrow?

Firstly by making sure that the mission and organisation of Research and Innovation (R&I) are consumer-centred. Our ability to innovate for the New Markets is based on a thorough knowledge of the habits, and preference criteria of Chinese, Indian and Brazilian consumers, for example. To gain this knowledge, we have created an International Global Consumer & Market Insight Department. Similarly, we have set up specific expertise R&I hubs in each region of the world, grouping together all Research activities.

Is the way that research is carried out and cosmetics products are created changing?

Fundamentally no, but there are changes in the design stages, as innovation must be conceived where the consumers are: take as the starting point a person’s beauty rituals in the local context, and imagine and then develop innovative products by delivering advances in quality and performance. In India for example, kajal is a traditional make-up product which combines colour and a decongesting effect. For us this is a source of inspiration for the invention of other hybrid products. “Reverse innovation” means taking a locally developed product and adapting its use to another country.

“Innovation is conceived where the consumers are.”

Is creating a cosmetics product to meet the needs of the largest number of people compatible with the concept of cutting-edge research?

Our commitment to innovation is unchanged: to bring to the market formulas which give consumers something extra. We are continuing to invest in new scientific and technological areas, while enriching them with a global dimension. In the field of biology for example, the meteoric rise of genomics, advances in stem cells and the intensive use of multiple reconstructed skin models, help us to better understand the diversity of the mechanisms involved in the ageing of skin and hair types from all over the world, to identify new target cells and molecules, and to screen molecules that could be used in beauty.

How can these new consumer needs be met in performance terms?

In our view, innovation is based on scientifically and clinically proven efficacy, and more than ever, on efficacy perceived by the consumer. The quality of a shampoo lather is not judged in the same way in different cultures. For each consumer expectation, we must combine instrumental evaluation methods measuring clinical efficacy with objective evaluations of the products’ sensorial and emotional performance. This is what gives the adventure of beauty for everyone its real meaning.

Research and Innovation budget

(€ millions, including 50% of Galderma research expenses)



Research employees

(including 50% of Galderma research employees)



Number of patents

(cosmetics and dermatological research)



INNOVATING FOR ASIAN CONSUMERS

IN ASIA L'ORÉAL HAS SET UP A REGIONAL RESEARCH AND INNOVATION POLE GROUPING TOGETHER ALL RESEARCH ACTIVITIES. AN IDEAL ORGANISATIONAL MODEL FOR ACCELERATING INNOVATION IN HIGH-GROWTH MARKETS.

1 2

(1) *Ganoderma* is a mushroom in traditional Chinese medicine used in Yue Sai products for its anti-oxidant properties.
 (2) In China, women are keen on light and extremely glossy lip balms.



1



2

EXPERTISE SYNERGIES

The new Asia division of R&I, set up in 2010, groups together all the activities of the three research centres (in Japan and China) and the five existing evaluation centres (South Korea, China, Japan, Thailand and India), ranging from fundamental research to product development, and including consumer observation. The first objective: to optimise synergies between the vast array of high-level scientific and technological expertise available locally, in which L'Oréal has taken an interest for several years. It was these different kinds of expertise that enabled the creation of an imaging platform in Japan, the first reconstructed Asian skin models in China, and the development of biocellulose masks in Taiwan. They are also contributing to increased local sourcing of raw materials (functional, natural or produced using biotechnologies). These initial investments will continue to be enriched through an Open Research approach, thanks to the development of partnerships with universities and collaboration with local sources of expertise.

EVERYTHING STEMS FROM THE CONSUMER

The second objective: to better understand the consumer. Whatever the country, the most detailed knowledge of the consumer's needs, habits and preference criteria is the crucial ingredient for all successful innovations. Asia is a particularly complex zone in this respect: populations there are extremely varied, and beauty rituals are different in each country for historic and cultural reasons. Looking beyond the study of the physical and biological characteristics of Asian skin and hair, which remains essential, cosmetics science is trying harder than ever to anchor product development in local habits.

PERCEIVED INNOVATION

A thorough understanding of consumers' perceptions makes it possible to offer high-quality, safe and accessible products which are considered effective. This is the case with specific innovations such as light lip balms, whose gloss recalls the moisturising power of water, blemish balm creams, halfway between skincare and make-up, and permanent waves adapted to suit different curl styles. The products will be designed and manufactured in Asia, and then adapted for the rest of the world, wherever consumer observation demonstrates that adaptation would be worthwhile.

FIRST RECONSTRUCTED SKIN IN ASIA

In China, the Advanced Research laboratories developed the first reconstructed skin models in Asia in 2010.

Five years of research have led to the development of several models: a simple epidermis model, a pigmented epidermis model, and a complete skin model with epidermis and dermis.

Used to study pigmentation and ensure product safety, these models have enabled the reproduction of the whole skin irritation protocol, which has been validated in Europe.



SUN PROTECTION PRODUCTS with fewer chemical filters

In conjunction with a team from the CNRS (French National Scientific Research Centre), the laboratories have worked on optimising the sun protection formulas by introducing an emollient oil. The result: a formula whose chemical filter content has been reduced by 18%, while maintaining balanced protection against UVA and UVB rays. Introduced into the Anthélios range by LA ROCHE-POSAY, this new filtering system, Mexoplex®, has been welcomed by the dermatologist community, which strongly recommends high levels of sun protection.

PENETRATING THE SECRETS OF LASTING YOUTH

After ten years of research and a collaborative project with the University of Cleveland, Life Sciences researchers have elucidated one of the keys to youthful skin: the upper dermis is crucial. The papillary fibroblasts which form it play a major role in skin regeneration. This discovery has enabled the researchers to select and patent an active ingredient for skin repair: the natural sugar rhamnose.



PUDONG RESEARCH CENTRE EXTENSION

In China, L'Oréal is considerably extending its research centre at Pudong (Shanghai). Two new buildings were added in 2010. The Advanced Research building, with an area of 3,200 m², houses biology laboratories for tissue engineering, focusing particularly on reconstructed skin models of Chinese origin, and analysis laboratories seeking applications for chemical and plant-based raw materials inspired by or used in traditional Chinese medicine. The technical evaluation building, with an area of 2,200 m², is dedicated to the study of product performance.



A NEW CENTRE dedicated to predictive evaluation

In 2010, L'Oréal decided that the Gerland centre in Lyon should focus on a comprehensive approach to the predictive evaluation of the safety and efficacy of ingredients and products. This ISO 9001 certified centre has doubled in area, its workforce has quadrupled and its output of reconstructed biological tissue (skin and cornea) has exceeded 130,000 units a year.



HAIR PROBIOTIC

THE ORAL COSMETICS LABORATORIES HAVE SELECTED A NEW ACTIVE INGREDIENT, THE PROBIOTIC ST11, WHICH IS THE RESULT OF RESEARCH CARRIED OUT BY NESTLÉ, AND HAS A DEEP AND CONTINUOUS ACTION AGAINST THE MAJOR CAUSE OF DANDRUFF, BY IMPROVING THE SCALP'S BARRIER FUNCTION. THIS INGREDIENT LED TO THE DEVELOPMENT OF THE INNÉOV HAIR HEALTH DS NUTRICOSMETICS LINE.



ETHICAL BEAUTY

WORKING TOWARDS SUSTAINABLE AND RESPONSIBLE INNOVATION IS A PRIORITY FOR L'ORÉAL IN ITS RESEARCH ACTIVITIES.

PREDICTIVE EVALUATION

L'Oréal is continuing to move forward with its safety and efficacy evaluation strategy for new products and ingredients: the aim is to predict, earlier and with greater certainty, the absence of impact on human health and on the planet, while trying to achieve gains in perceived performance.

After gathering knowledge over a period of 30 years, teams are beginning to change course by moving towards predictive evaluation. Alternative methods to animal testing developed by the group, using reconstructed skin, are gradually being incorporated into a predictive test architecture. Since 2008, more than 13,000 formulas have thus been evaluated, and in 2010 the tolerance of more than 435 raw materials was tested for ocular irritation using reconstructed corneas.

ECO-DESIGN APPROACH

Throughout the product life cycle, innovation processes are systematically applying the rules of eco-design: choice of ingredients, robotisation of tests on tiny quantities to limit waste, value enhancement of by-products, manufacturing processes which cut down on energy and toxic solvent use, and recyclable packaging. This approach is being shared with suppliers and partners. To minimise impact on the environment, researchers can make use of green chemistry, to obtain biodegradable ingredients from renewable raw materials, based on respectful transformation processes. They can also apply biotechnologies which use bacteria to produce new substances with recognised properties, such as the biocellulose used in masks. L'Oréal is also continuing to include in its portfolio a growing number of renewable raw materials with a low environmental impact.

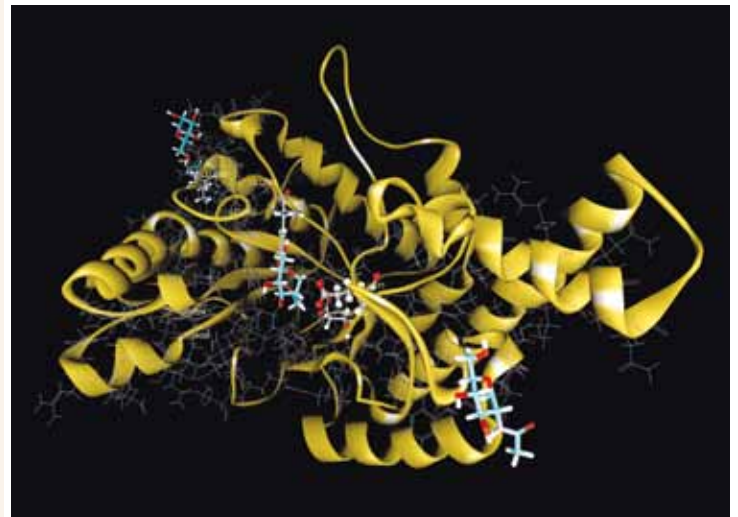
IMPACT ANALYSIS

Finally, before being added to the portfolio, each new raw material is subjected to a detailed analysis of its impact on ecosystems: ecotoxicity in water, soil and the air, bioaccumulation and biodegradability. It is only adopted if its environmental profile is favourable. More generally, this approach is backed up by considering biodiversity protection in a long-term perspective. In 2010, the group focused its attention on the impact of sun protection products on freshwater and seawater ecosystems.

2010 KEY FIGURES

40% OF INTEGRATED RAW MATERIALS ARE PLANT-BASED

26% OF INTEGRATED RAW MATERIALS COMPLY WITH GREEN CHEMISTRY PRINCIPLES



Modelling tools and molecular design are used for predictive evaluation.



The laboratories strive to discover previously unknown active ingredients from the plant world.



INTERNATIONAL

WINNING OVER A BILLION NEW CONSUMERS

The rise of the urban middle classes all over the world is leading to the emergence of new aspirations, including taking care of oneself, which is an essential aspect of the quality of life. L'Oréal's strong presence in emerging markets and the observation of beauty rituals in all cultures, have prepared the group to reach out to these future consumers.





以文明赢得世界

以世博

静安寺

静安寺

静安寺

頤和園

A UNIVERSAL AMBITION BEAUTY FOR EVERYONE

The shift in the world towards the emerging markets constitutes a historic opportunity. L'Oréal is looking to the future, and targeting another billion consumers, doubling today's consumer base.

VAST POTENTIAL

With the combined effects of the natural increase in population, urbanisation, improvements in infrastructure and GDP growth, the population with access to modern cosmetics could increase by around +50% over the next twenty years. In the emerging countries, the rise of the middle and affluent classes is the driving force behind cosmetics market growth. As people in these classes quickly attain a better quality of life, they constitute a vast potential: by 2020, they will number 2.7 billion, with aggregate consumer spending equivalent to that of the United States today⁽¹⁾.

The new consumers are mainly urban, and live in the megalopolises of the Southern part of the world. Shanghai, New Delhi, Rio, Mexico and Jakarta: cities with several million inhabitants, which have embarked on fast-track modernity. Driven forward by the digital revolution, cultures and new fashions cross continents in a click.

DOUBLING THE NUMBER OF CUSTOMERS

L'Oréal currently makes the bulk of its sales with less than 15% of the planet's population. Only one out of two Americans, and one out of three Germans, are consumers of the group's products. In the New Markets, the proportion of the



population which consumes L'Oréal brands is even lower. This is the finding which has triggered our ambition to win over another billion new consumers.

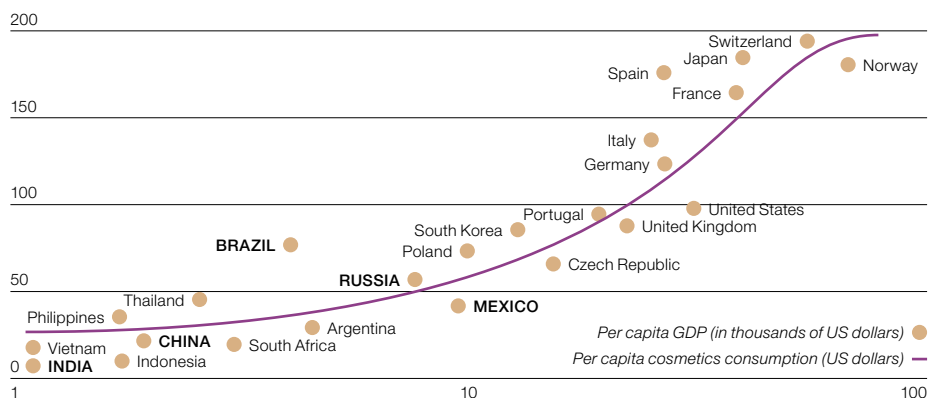
BRIMC	15 GROWTH MARKETS
Brazil, Russia, India, Mexico, China	Poland, Ukraine, Argentina, Colombia, Indonesia, Thailand, Vietnam, Philippines, Turkey, Egypt, Saudi Arabia, Pakistan, Kazakhstan, South Africa, Nigeria

THE BRIMC AND THE 15 GROWTH MARKETS
In the move to win over a billion new consumers, the contribution of the BRIMC countries (Brazil, Russia, India, Mexico, China) is decisive. In addition, L'Oréal has identified 15 "growth markets" with a strong cosmetics potential and high levels of per capita GDP growth.

A VIRTUOUS CURVE

Once fundamental needs have been met, per capita cosmetics consumption grows exponentially to reach a relatively high level in the more developed markets. This trend curve also shows that in the emerging countries, which today on average consume around ten times fewer beauty products than the developed countries, the use of modern cosmetics is still only in the very early stages. In view of the foreseeable acceleration, the contribution of the New Markets should significantly contribute to the growth of the worldwide cosmetics market over the next few years.

GDP growth⁽²⁾ and per capita cosmetics consumption



RETURN TO GROWTH

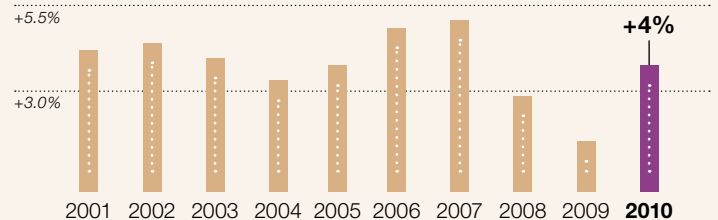
of the global cosmetics market

L'Oréal has set up a unique system for reporting market evaluations for each country, which has enabled it to re-evaluate the cosmetics market at approximately 144 billion euros in 2010⁽³⁾.

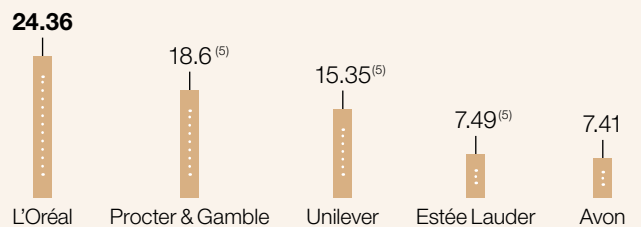
After two years of crisis, it recorded growth of approximately +4% excluding currency effects, which is very close to its historic rate.

In this context of recovery, L'Oréal outperformed the market, thus strengthening its position as the world leader in cosmetics products.

Worldwide cosmetics market⁽³⁾ 2001-2010
(growth as %)

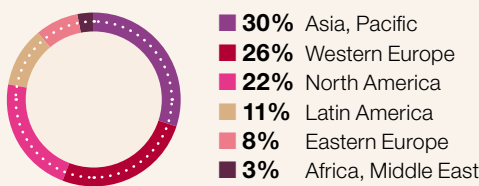


Main worldwide players⁽⁴⁾
(in billions of US dollars)



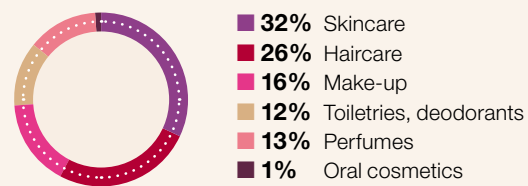
BREAKDOWN OF THE WORLD COSMETICS MARKET

By geographic zone⁽³⁾
(as %)



In 2010, there was a market shift in cosmetics towards the New Markets: 52% of the worldwide cosmetics market is now located outside of Western Europe and North America. The Asian continent, driven by China and India, is the main driving force behind the shift and in value terms has now overtaken Western Europe. Nevertheless, the markets of the major developed countries remain strategic sources of growth.

By product category⁽³⁾
(as %)



In 2010, growth was relatively homogeneous across all categories. Haircare products grew by nearly +3%. Skincare and make-up growth rates were nearly +5%. Perfumes and toiletries were more dynamic with increases of approximately +5%, driven by Latin America.

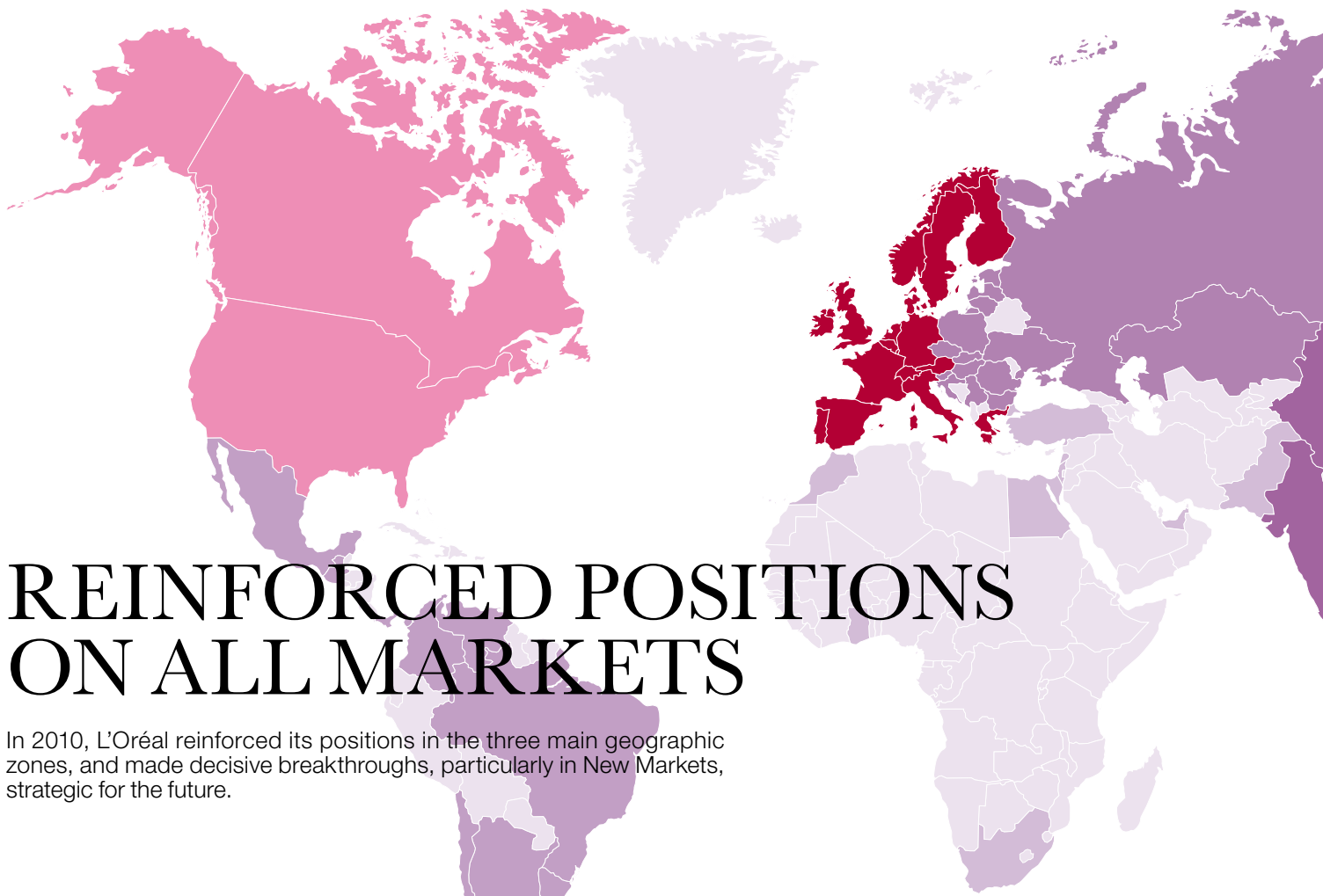


Men's skincare

ASIA STILL LEADING THE WAY

The men's cosmetics market is growing faster than the trend in the worldwide cosmetics market, of which it already represents more than 10%⁽⁶⁾. This figure should increase over the next few years. The market is at its most dynamic in Asia: young consumers in South Korea, China and Thailand have no qualms about checking out cosmetics counters, and use products as sophisticated as moisturising and anti-ageing skincare. Caring about looking good is also an outward sign of modernity, efficacy and exacting standards: beauty has now become a matter for men, and not just for the metrosexuals—or "City Jade Men" as they're known in China—who attract intense media interest.

(1) Source: The Boston Consulting Group—Middle and affluent classes in fast-growing economies: households with a disposable income of more than 15,000 US dollars based on purchasing power parity. Countries included in the analysis: China, India, Indonesia, Pakistan, Thailand, Philippines, Kazakhstan, Malaysia, Vietnam, Russia, Ukraine, Turkey, Brazil, Mexico, Peru, Colombia, Egypt, South Africa, Iran, Nigeria, Algeria, Morocco and Saudi Arabia. (2) Source: L'Oréal estimates—IMF World Economic Outlook. United Nations, Department of Economic and Social Affairs, Population Division (2008). (3) Source: L'Oréal provisional 2010 estimates. Excluding soap, toothpaste, razors and blades. At constant exchange rates and average euro/currency conversion rates calculated for December 2010. (4) Source: "Beauty's Top 100", WWD, August 2010, 2009 sales. (5) WWD estimates. (6) Source: Euromonitor. Excluding soap, toothpaste, razors and blades, based on 2010 estimates of the cosmetics market. Manufacturer selling prices. Excluding the impact of foreign exchange.



REINFORCED POSITIONS ON ALL MARKETS

In 2010, L'Oréal reinforced its positions in the three main geographic zones, and made decisive breakthroughs, particularly in New Markets, strategic for the future.

WESTERN EUROPE



39.6% OF GROUP COSMETICS SALES

The group's growth was very slightly faster than the market trend, particularly in the United Kingdom, Germany, Sweden and France, and in travel retail. All divisions recorded positive growth.

+1.7% Sales growth in 2010⁽¹⁾

+0.8% Market growth in 2010⁽²⁾

€7,181 million Sales⁽³⁾

21.6% Operating profit (% of sales)⁽⁴⁾

NORTH AMERICA



23.6% OF GROUP COSMETICS SALES

2010 brought growth, far exceeding the market growth trend. The Consumer Products Division produced a very strong performance, thanks in particular to the excellent results of MAYBELLINE NEW YORK. The Luxury Products Division continued the recovery which began at the end of 2009. The Professional Products Division had a very good year thanks to the success of Inoa.

+4.1% Sales growth in 2010⁽¹⁾

+2.4% Market growth in 2010⁽²⁾

€4,291 million Sales⁽³⁾

16.5% Operating profit (% of sales)⁽⁴⁾

NEW MARKETS



36.8% OF GROUP COSMETICS SALES

In the new countries, the group grew nearly twice as fast as the cosmetics market, thanks to the acceleration of the brands' globalisation.

+11.3% Sales growth in 2010⁽¹⁾

+6.8% Market growth in 2010⁽²⁾

€6,667 million Sales⁽³⁾

16.9% Operating profit (% of sales)⁽⁴⁾

ASIA, PACIFIC

The group is continuing to win market share, particularly in India, the Philippines, Indonesia, and also in South Korea and Taiwan. L'Oréal China exceeded the one billion euros of sales mark, thus becoming the group's number three cosmetics subsidiary.

17.6% Of group cosmetics sales **+11.2%** Sales growth in 2010⁽¹⁾

+5.4% Market growth in 2010⁽²⁾ **€3,192 million** Sales⁽³⁾



EASTERN EUROPE

Growth remains sustained despite the highly contrasting market trends in different countries. Ukraine and Russia are the most dynamic countries, particularly thanks to make-up, GARNIER, and the continuing advances of the Luxury Products Division.

7.7% Of group cosmetics sales **+8.1%** Sales growth in 2010⁽¹⁾

+4.1% Market growth in 2010⁽²⁾ **€1,399 million** Sales⁽³⁾



LATIN AMERICA

All the major countries in this zone are growing, particularly Brazil and Argentina. Mexico has returned to growth. The Consumer Products Division is the driving force of this expansion, through haircare and deodorants.

8.4% Of group cosmetics sales **+17.5%** Sales growth in 2010⁽¹⁾

+13.1% Market growth in 2010⁽²⁾ **€1,518 million** Sales⁽³⁾



AFRICA, MIDDLE EAST

There were contrasting trends between countries. While the situation remains difficult in South Africa and Turkey, Lebanon and Morocco recorded strong growth.

3.1% Of group cosmetics sales **+4.1%** Sales growth in 2010⁽¹⁾

+5.7% Market growth in 2010⁽²⁾ **€558 million** Sales⁽³⁾



BUSINESSES

OFFERING THE BEST OF BEAUTY IN EACH DISTRIBUTION CHANNEL

Through the richness of its portfolio of international brands, and its expertise in all major distribution channels, L'Oréal has always aimed to offer the widest possible choice. 2010 marked the beginning of a new phase of conquest to ensure that the greatest number of people have access to its 23 global brands.

HAIR SALONS

MASS MARKET

DEPARTMENT STORES,
PERFUMERIES

PHARMACIES,
DERMATOLOGISTS



PROFESSIONAL PRODUCTS⁽¹⁾

- L'ORÉAL PROFESSIONNEL
- REDKEN
- KÉRASTASE
- MATRIX



CONSUMER PRODUCTS⁽¹⁾

- L'ORÉAL PARIS
- GARNIER
- MAYBELLINE NEW YORK
- SOFTSHEEN · CARSON



LUXURY PRODUCTS⁽¹⁾

- LANCÔME • GIORGIO ARMANI
- YVES SAINT LAURENT • BIOTHERM
- KIEHL'S • RALPH LAUREN • SHU UEMURA
- CACHAREL • HELENA RUBINSTEIN • DIESEL



ACTIVE COSMETICS⁽¹⁾

- VICHY
- LA ROCHE-POSAY
- SKINCEUTICALS
- INNÉOV



THE BODY SHOP⁽¹⁾

⁽¹⁾ International brands with annual sales of more than 50 million euros.





L'ORÉAL PROFESSIONNEL
REDKEN
KÉRASTASE
MATRIX
PUREOLOGY
SHU UEMURA ART OF HAIR
MIZANI
KÉRASKIN ESTHETICS

PROFESSIONAL PRODUCTS

As a privileged partner of hairdressers, the Professional Products Division distributes its products in hair salons all over the world. It supports them in every facet of their development, and offers them high-level education. Its portfolio of differentiated brands meets the needs of all types of salon.



INTERVIEW

“WE ARE TRULY ACTING AS A HAIRDRESSING MARKET DEVELOPER”

NICOLAS HIERONIMUS
 Managing Director, Professional Products Division

In 2010, the Professional Products Division significantly strengthened its worldwide leadership. How were these results achieved?

Indeed, the division posted +4.1%⁽¹⁾ growth when the worldwide market trend was estimated at around +1%⁽²⁾, which means there was a significant market share gain, with more than 35,000 additional active salons. These results stem from three strategic choices which have proven their effectiveness. First, we have been strongly innovative in technical products featuring technologies exclusively available via the professional channel, which were publicised to consumers and have generated salon visits. In hair colourants, we had a record year for the number of applications, thanks in particular to the worldwide success of Inoa and of MATRIX. The same applies to the texture category, with long-lasting straightening products such as X-Tenso Moisturist. The second key aspect of our strategy is that we have further accentuated differentiation between our brands, in particular by increasing price differentials to cover as many salons as possible. For example, our hair colourant offering ranges from highly value-added and differentiated products such as Inoa by L'ORÉAL PROFESSIONNEL, to SoColor by MATRIX, whose price per application has been made even more accessible. Finally, we are reaping the benefits of our roll-out efforts in the emerging markets.

How do you approach these markets to achieve growth on this scale?

MATRIX is the spearhead of this growth, thanks to its easy-to-use products and prices which win over salons looking for accessibility. Success

is achieved by building up a specific offering adapted to the needs and expectations of consumers and to the degree of sophistication of salons. Growth also stems from the major efforts made in education. One of the highlights this year was in fact the opening of the first L'Oréal Institute in Rio de Janeiro, whose aim is to supply Brazilian salons with qualified and trained employees, and which will also be rolled out in other cities. By preparing the next generation of hairdressers, we are truly acting as a hairdressing market developer.

You increasingly focus on technical services, going beyond the products themselves. Does this mean that the hairdressing market business model is changing?

In professional beauty, value is added by a combination of high-performance formulas and the know-how of an expert hairdresser. The services we create, such as long-lasting hair-straightening or thickening treatments, are genuine factors

of success for hairdressers, who add value with their technical expertise, and a source of satisfaction for customers. Fiberceutic by L'ORÉAL PROFESSIONNEL or Chronologiste by KÉRASTASE, for example, have been proving very successful. These services which have been generating traffic go beyond hair colour and include texture and haircare services. It is with these products that we ensure the loyalty of our customers and build long-lasting commercial relationships.

“A record number of hair colourant applications.”

KEY FIGURES

2.7
 billion euros
 2010 sales

+4.1%
 Sales growth⁽¹⁾

+6.8%
 Sales growth in hair colourants⁽¹⁾

35,000
 Additional active salons

(1) Like-for-like. (2) Source: L'Oréal estimates, provisional data.

2010 Launches



1



3



4



2

1 SOCOLOR DREAM.AGE MATRIX

A low-ammonia permanent hair colourant technology which provides 100% grey hair coverage for a multi-reflective colour-result.

2 ELIXIR ULTIME KÉRASTASE

The magic of four precious oils is revealed to beautify hair. More than 250,000 units were sold in three months across Europe.

3 STYLE CONNECTION REDKEN

Transforming styling which boosts the hair texture, inspired by New York trendsetters.

4 FIBERCELTIC L'ORÉAL PROFESSIONNEL

The first professional hair-filling service for profoundly damaged hair which solidifies the hair's inner structure. Inspired by glass technology.



Global expansion ACCELERATES

The “Imagine All You Can Be” brand is successfully inspiring hairdressers both in mature markets and emerging zones, thanks to accessible products backed up by large-scale professional training.



**NEW FORMAT
MATRIX SOCOLOR IS
EVER MORE ACCESSIBLE**
With the repositioning of SoColor.beauty in a more attractive format, MATRIX is winning over salons looking for accessibility. In Europe, the brand recorded +33% more SoColor colourant applications and a +9% rise in unit sales of MATRIX hair colourant.



ENVIRONMENTAL INITIATIVES

EXEMPLARY ECO-RESPONSIBILITY IN SALONS

Committed to an eco-responsible approach, the Professional Products Division has introduced ways of passing its ambition on to beauty professionals, not only through the training provided by its Academies, but also through the work spaces available to hairdressers. The “Sustainable Salon” approach—presented in three eco-responsible salon versions—was showcased at the *Mondial Coiffure Beauté* exhibition in Paris: with simple gestures and the use of innovative technologies and materials, these concepts help turn salons into places that are ever more respectful of the environment.

+ 18.5%⁽¹⁾

FOR MATRIX IN THE NEW MARKETS

THE BRAND CONFIRMS STRONG GROWTH IN THE BRIC COUNTRIES (BRAZIL, RUSSIA, INDIA, MEXICO AND CHINA) WHERE IT IS NOW DISTRIBUTED IN OVER 60,000 HAIR SALONS.



STILL A TRENDSETTER 50 years on

REDKEN, present in 40 countries, celebrated its 50th anniversary in 2010. The milestone was marked by educational events and product launches, culminating in a fund-raising “Cut-a-thon” involving thousands of REDKEN hairdressers all over the world.



Premium for men CAPITAL FORCE

When KÉRASTASE launched an offensive on the men’s market, success was immediate, as it targeted a concern affecting 2 out of 3 men⁽²⁾, namely their hair capital. Capital Force, the first daily haircare treatment with its taurine system, boosted salon services thanks in particular to a high-impact advertising campaign.

SUCCESS *story*

HOW **INOA** HAS CONQUERED THE SALONS

LAUNCHED IN SEPTEMBER 2009, INOA HAIR COLOURANT SHOWED ITS FULL POTENTIAL IN 2010, BECOMING A POWERFUL MEANS OF WINNING OVER HAIR SALONS FOR THE L'ORÉAL PROFESSIONNEL BRAND.

ALREADY PRESENT IN MORE THAN 50 COUNTRIES

A breakthrough innovation, Inoa hair colourant is based on a unique Oil Delivery System formulation which can make hair up to three shades lighter. Ammonia- and odour-free, it covers up to 100% of grey hair. One year after its launch, the results speak for themselves: Inoa is used in more than 81,000 salons. The arrival of this hair colourant of the future has enabled the brand to win over large numbers of salons across the globe: nearly 20% of salons using Inoa today did not previously work with L'ORÉAL PROFESSIONNEL. The trend is strong in Western Europe, the brand's largest market, but also in the United States, even though Inoa was not launched there until April. The New Markets, such as Russia, India and Brazil, are also playing their part in the conquest.

UNPRECEDENTED TRAINING EFFORTS

Inoa has also been boosted by the unprecedented scale of its hairdresser training programme. Its ambition: to ensure optimal application quality for a hair colour result that faithfully meets consumer expectations. Since the product launch, no fewer than 370,000 hairdressers have been trained in its use, all over the world. A massive operation which means that today in Europe Inoa is able to boast a 90% satisfaction rate in a survey of professional hairdressers⁽¹⁾.

UNPRECEDENTED COMMUNICATION

This new hair colourant process, which represents a breakthrough on many levels, also stands out in terms of its communication strategy. Boosted by a highly original multimedia plan for a professional product (press, Internet and TV, with commercials broadcast in 30 countries), the communication campaign encouraged women to go into salons and ask for Inoa by name! Success has come very quickly, as Inoa's renown far outshines the norm in this sector, and has been strengthened by numerous international awards, such as the *Prix d'Excellence de la Beauté Marie Claire 2010* and the *Allure Best of Beauty 2010* in the United States.

(1) Source: Cocédal, 269 hairdressers (France, United Kingdom, Germany, Italy), February 2010.



INOA IN 2010

RECOMMENDED BY
MORE THAN **81,000**
SALONS WORLDWIDE

22 MILLION
APPLICATIONS IN 2010

10 PRESTIGIOUS
AWARDS





L'ORÉAL PARIS

GARNIER

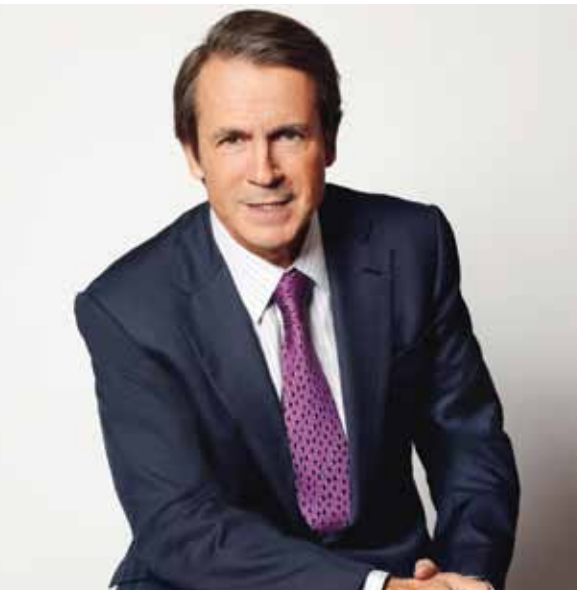
MAYBELLINE NEW YORK

SOFTSHEEN·CARSON

CLUB DES CRÉATEURS DE BEAUTÉ

CONSUMER PRODUCTS

The Consumer Products Division offers the best in beauty innovations at accessible prices in all mass-market retail channels (hypermarkets, supermarkets, drugstores and traditional stores) on every continent.



INTERVIEW

“OUR STRENGTH LIES IN OFFERING MAJOR INNOVATIONS TO ALL”

JEAN-JACQUES LEBEL
President, Consumer Products Division

KEY FIGURES

9.5
billion euros
2010 sales

+5.5%
Sales growth⁽¹⁾

+10.7%
Sales growth in the New Markets⁽¹⁾

+7.5%
Sales growth in make-up⁽¹⁾

The Consumer Products Division posted high growth in 2010. What were the driving forces behind this?

Sales of all our major global brands grew, particularly MAYBELLINE NEW YORK which recorded double-digit growth. North America had a very good year, and we scored spectacular successes in the New Markets, such as India and Brazil. In 2010, out of our six top countries, three were emerging markets: China, Russia and Brazil. Finally, all our strategic categories posted increases, but the most outstanding trend was in make-up, where we recorded large market share gains everywhere. Haircare and skincare have also recorded strong growth rates in most regions.

Is this strong growth in volume the result of your accessible innovation strategy?

You need to have innovation to have accessible innovation. It was our major innovations which drove growth in 2010. Such as Elsève Hydra-Max collagen shampoo from L'ORÉAL PARIS, Caffeine Anti-dark Circles 2-in-1 Eye Roll-on from GARNIER and The Volum' Express Falsies Mascara from MAYBELLINE NEW YORK. Not only do these products provide genuinely high performance, they also sell at prices which appeal to the largest possible number of consumers.

In skincare, our accessible initiatives ensured that we had very good volume growth in 2010. The

roll-out of products such as Triple Active Day by L'ORÉAL PARIS, and Garnier Essentials, the Pure Active skincare range by GARNIER, as well as the new Cleansing Foam formulas in Asia all helped us to win over new consumers, particularly young people.

Alongside these highly competitive products, we are developing higher value innovations in all our categories. For example, in L'ORÉAL PARIS, Ever Pure sulphate-free shampoos and Youth Code skincare, inspired by gene science.

The division has a special role to play in L'Oréal's drive to strongly broaden its consumer base. What is its strategy?

The division is the spearhead in our quest to win a billion new consumers, and we already benefit from very solid bases with our three global brands and our geographical presence in high growth countries such as China, India and Brazil, where demographic trends are strong. In some countries, we offer products created by our local teams, for example in India with Fructis shampoo + Oil 2 in 1 by GARNIER.

Our power to attract new consumers also lies in our ability to bring out formats which match local purchasing power, such as shampoo or skincare sachets containing two to five applications. Finally, our move into new categories such as deodorants is another way of attracting new consumers.

“The division is the spearhead of our quest to conquer a further billion new consumers.”

2010 Launches



1 MATTE MORPHOSE L'ORÉAL PARIS

A smoothing foundation with an exceptional soufflé texture which erases imperfections, featuring mati-crystal for a matte and luminous complexion.

2 YOUTH CODE L'ORÉAL PARIS

Marking a new cosmetics era, Pro-Gen™ technology was designed to increase the expression of repair genes and the skin's recovery capacity.

3 THE FALSIES MASCARA MAYBELLINE NEW YORK

The latest addition to the Volum' Express range, it provides a false-lash effect thanks to its "spoon" shaped brush and its Kera-fiber formula.

4 PURE ACTIVE EXFO-BRUSHER GARNIER

The first thermoplastic elastomer-fibre exfoliating brush, featuring a purifying and cleansing formula enriched with 2% salicylic acid, for a non-aggressive deep-cleansing action.

5 VOLUME MILLION LASHES L'ORÉAL PARIS

A volume-enhancing mascara which makes each lash three times thicker, thanks to an ultra-flexible elastomer brush with a multitude of bristles.



INNOVATION IN THE GENES OF L'ORÉAL PARIS

WITH THE LAUNCH OF YOUTH CODE, A GENUINE INNOVATION INSPIRED BY GENE SCIENCE, L'ORÉAL PARIS IS OPENING UP A NEW ERA IN MASS-MARKET SKINCARE, TRUE TO ITS VOCATION AS A TRAILBLAZER IN RESEARCH. YOUTH CODE IS ALREADY A SUCCESS IN EUROPE, AND ITS STAR PRODUCT, DAY CREAM, IS AN EMBLEMATIC FLAGSHIP PRODUCT IN THE ANTI-AGEING SEGMENT.



L'ORÉAL PARIS

Major success for ELSÈVE



Elsève confirmed its worldwide success, with launches in India, China and South-East Asia. In Latin America, following its dual success in key market segments—repair with Reparação Total 5 in 2008 and nutrition with Nutrição 10 in 2009—Elsève enriched its range in 2010 thanks to Hydra-Max with collagen, an active ingredient normally used in skincare for its moisturising properties. Also in this range, a non rinse conditioning spray, specially adapted to the Brazilian market. Designed by the L'Oréal laboratory in Rio de Janeiro to cater for the special properties of Brazilian hair—56% of Brazilian women have very curly to frizzy hair⁽¹⁾—Hydra-Max became the number one haircare franchise for curly hair⁽²⁾ in Brazil.

MEN EXPERT IS NUMBER ONE IN CHINA

In China Men Expert by L'ORÉAL PARIS became number one in the men's skincare market⁽³⁾; skincare products are used by 77%⁽⁴⁾ of young urban men nationwide. The range was also number one in Hong Kong⁽³⁾, Taiwan and Singapore⁽³⁾. At the start of 2010, L'ORÉAL PARIS launched Charcoal Black Foam in the Pure & Matte line, a cleansing mousse specially adapted for Asian men with oily skin. Drawing on its success in Asia, Men Expert by L'ORÉAL PARIS continued its expansion all over the world, and the range is already number one in more than fifteen countries.



GARNIER

AN ACCESSIBLE BRAND to conquer New Markets

GARNIER recorded another year of rapid growth, thanks in particular to market share gains in the United States, and successful initiatives in the deodorants category and in the imperfection-prone skincare category. In 2010, the brand again significantly strengthened its presence in relay markets, particularly the BRIMC countries (Brazil, Russia, India, Mexico and China), whose share of sales has multiplied by five in the last ten years.



no.1

IN MODERN
HAIR COLOURANTS
IN INDIA ⁽¹⁾

GARNIER COLOR NATURALS IS CONTINUING ITS INTERNATIONAL SUCCESS STORY IN THE MIDDLE EAST ZONE. THIS NOURISHING PERMANENT HAIR COLOURANT WITH OLIVE OIL OF NATURAL ORIGIN HAS ACHIEVED DOUBLE-DIGIT GROWTH IN KAZAKHSTAN, MOROCCO AND LEBANON. IT SCORED MAJOR SUCCESSES IN EGYPT AND PAKISTAN, WHERE, ONE AND A HALF YEARS AFTER ITS LAUNCH, IT HAS ALREADY WON SIGNIFICANT MARKET SHARE, THANKS TO ITS EXCELLENT VALUE FOR MONEY AND LOCAL SPOKESPERSONS.



After the success of Garnier Men in India, the brand enters a new category-deodorants.



Garnier Men THE ROAD TO ASIA

Launched in mid-2009 in India with the Powerlight range, Garnier Men rose rapidly to second place in the men's skincare market in 2010⁽²⁾. Building on this rapid success, this launch has been extended to other Asian countries (including, for example, China, Thailand and Malaysia). Accessibility and efficacy are the reasons behind this success: one example is the star range Turbo Light Oil, perfectly adapted to specific needs in unifying skin complexion for people who live in hot and humid countries and tend to have oily skin.



MINI-PRICES AND MINI-FORMATS FOR SOUTH-EAST ASIA
GARNIER is adapting its formats and prices to reach as many new consumers as possible, with products such as Garnier Light skincare sachets in Thailand and Fructis shampoo sachets in India.

(1) Source: Nielsen Panel. Aggregate for January to November 2010, market share value. (2) Source: Nielsen Panel, market share value.



SOFTSHEEN-CARSON

DARK AND LOVELY
strengthening its leadership

Launched in South Africa at the start of the year, the Dark and Lovely Scalp Comfort hair relaxer kit, designed for sensitive scalps, bolstered the brand's position as the unchallenged leader in the ethnic haircare products market⁽¹⁾.

CLUB DES CRÉATEURS DE BEAUTÉ



NEARLY
50%
OF ONLINE SALES
IN FRANCE

WWW.CCBPARIS.FR HAS BECOME THE NUMBER ONE WEBSITE IN THE HYGIENE-BEAUTY CATEGORY⁽²⁾. THE MULTI-CHANNEL STRATEGY ROLLED OUT IN 2010 PAID OFF, AND THE BEST-SELLING PRODUCTS IN FRANCE WERE TEINT OSMOSE BY AGNÈS B, A NEW-GENERATION FOUNDATION WHICH IS BOTH A SKINCARE AND MAKE-UP PRODUCT, AND B.B. CREAM BY AGNÈS B, ONE OF CCB JAPAN'S MUST HAVES. OVERALL, CCB'S WORLDWIDE GROWTH RATE WAS +18%⁽³⁾.

(1) Source: 2010 Nielsen Panel, market share value. (2) Source: Nielsen Netratings Panel. In France. At end-October 2010. Single visits. (3) Like-for-like.



ENVIRONMENTAL INITIATIVES

A GLOBAL APPROACH BASED ON ECO-RESPONSIBILITY AND ACCESSIBILITY

GARNIER has committed itself over the last few years to continuous progress, by minimising its environmental footprint and strengthening its accessibility.

First organic anti-wrinkle skincare products
In 2010 GARNIER launched its first certified organic anti-wrinkle skincare, Bio Active, designed using an eco-responsible approach at each stage of its development. The products contain 95% ingredients of natural origin, and up to 20% organic ingredients, including samphire with anti-ageing properties. The active ingredients are obtained using culture methods which preserve organic matter from the earth and biodiversity. From the ECOCERT-certified industrial process to the cardboard packaging, containing 90% FSC recycled fibres and printed with plant-based ink, Bio Active integrates the principles of environmental-responsibility throughout the whole product chain, from design to development and manufacture.

40% recycled glass
GARNIER's overall eco-responsible approach means increasing the proportion of renewable raw materials in the formulas, manufacturing in ISO 14001 certified factories, and developing packaging based on full life-cycle environmental impact. By the end of 2010, for example, the brand used 40% of recycled glass in its skincare bottles. Finally, GARNIER has also increased the accessibility of its products for deaf and hearing-impaired people by creating an online consumer service, Sourdline™ Garnier, a first in the world of beauty in Europe.

SUCCESS *story*

THE GLOBAL SAGA OF MAYBELLINE NEW YORK

BOOSTED BY DOUBLE-DIGIT GROWTH IN 2010,
MAYBELLINE NEW YORK CONTINUED TO
MAKE ITS MARK AS THE WORLDWIDE LEADER IN
MAKE-UP AND THE BRAND THAT SETS THE AGENDA.

MAKING THE MOST OF INNOVATION IMPACT

Today, the Falsies Mascara, The Eraser foundation, Eye Studio and Color Sensational occupy the top spots in their respective categories. Barely one year after its launch, the Falsies Mascara became the top-selling mascara in the United States⁽¹⁾ and in Europe⁽²⁾. The Eraser foundation is already number one in anti-ageing skincare foundations in France⁽³⁾ and Germany⁽⁴⁾. As for Color Sensational lipstick and Eye Studio eyeshadow, they enabled the brand to take up a key position in the colour segment, which is currently attracting renewed interest. Four hits in 2010 which are a perfect illustration of a strategy based on leading-edge formulas and innovations with immediate consumer appeal.

DARE TO BE GLAMOROUS

Everything is calculated to give women the confidence they need to express their daring and femininity. The increasingly strong connection between MAYBELLINE New York and the fashion world, through partnerships with fashion weeks in New York, Berlin and Moscow, is a highly effective way of achieving this objective. Here again, the brand is in a territory of its own: staying accessible to customers by focusing on everyday, glamorous and urban fashion. In short, taking trends straight from the catwalk on to the sidewalk. And lastly, MAYBELLINE New York's final key asset is its ability to educate consumers, particularly on the Internet, through its "Make-up master-class" session videos or on sites like "We Love Make Up", where thousands of women exchange make-up tips or post videos and photos of new looks.

FROM WEST TO EAST

All these attributes are currently enabling the world's number one make-up brand to achieve record market shares in a number of countries, particularly in the United States, where MAYBELLINE New York is the number one brand in the make-up market⁽⁵⁾. Its growth is just as striking in the United Kingdom, where the brand rose to second place in 2010⁽⁶⁾, and in Russia, where it achieved double-digit growth. Finally, MAYBELLINE New York is expanding very quickly in Asia: it is the number one make-up brand in China⁽⁴⁾, and is rapidly increasing its penetration of the Japanese market, reputed to be one of the most competitive in the world.

(1) Source: Nielsen Panel / IRI Europe 14, 2010 total, market share value.
(2) Source: IRI US, aggregate for June to December 2010, market share value.
(3) Source: Symphony IRI France, 2010 total, market share value.
(4) Source: Nielsen, 2010 retail panel, market share value.
(5) Source: Nielsen / IRI 2010, market share value.
(6) Source: CCSMR - retail panel. Aggregate for January to November 2010.
(7) Like-for-like.

MAYBELLINE NEW YORK IN 2010

- 1ST WORLDWIDE MAKE-UP BRAND
- +13.3% GROWTH IN SALES IN 2010⁽⁷⁾





LANCÔME

GIORGIO ARMANI

YVES SAINT LAURENT

BIOThERM

KIEHL'S

RALPH LAUREN

SHU UEMURA

CACHAREL

HELENA RUBINSTEIN

DIESEL

VIKTOR & ROLF

YUE SAI

STELLA MC CARTNEY

MAISON MARTIN MARGIELA

LUXURY PRODUCTS

The Luxury Products Division brings together a unique set of brands, focusing mainly on three major business segments: skincare, make-up and fragrances. Its brands are sold through selective distribution not only in department stores, perfumeries and travel retail outlets, but also in free standing stores and through e-commerce websites.



INTERVIEW

“WE ARE DESIGNING THE LUXURY OF TOMORROW”

MARC MENESGUEN
President, Luxury Products Division

KEY FIGURES

4.5
billion euros
2010 sales

+7.0%
Sales growth⁽¹⁾

+15.0%
Sales growth in Asia, Pacific⁽¹⁾

+12.2%
Sales growth in skincare⁽¹⁾

The Luxury Products Division took full advantage of the upturn in markets, and ended the year with growth at +7.0%⁽¹⁾. How do you interpret these results?

One year ago, we announced that the appetite for luxury products was keener than ever. In fact the worldwide selective market was the channel which expanded most in 2010. In this favourable context, the division strengthened its market share. This was the result of three key factors. First, our policy of focusing on the strategic priority of skincare, which grew thanks in particular to the worldwide success of Génifique, which was launched in 2009 and doubled its sales in 2010, and also to the outstanding dynamism of KIEHL'S. The second leverage was our breakthrough in Asia, where the division grew one and a half times faster than the market⁽²⁾, with a particularly strong performance in China, South Korea and travel retail. And the final factor, and a source of pride, was the remarkable success achieved by the YVES SAINT LAURENT brand, which recorded double-digit growth, and strengthened its positions on most European markets and in North America.

Can we say that your strategy of concentrating on your major global brands and on iconic products is paying off?

Our strategy is indeed to concentrate our efforts on ten major brands which account for 95% of the division's sales: first of all LANCÔME and our three designer brands—YVES SAINT LAURENT, GIORGIO ARMANI and RALPH LAUREN. Next in line are

four brands whose mission is to conquer new target groups—KIEHL'S, DIESEL, BIOTHERM and VIKTOR & ROLF—which are true growth relays. Finally there are the brands with major regional positions, such as SHU UEMURA and CACHAREL. We are also concentrating our launches on a limited number of strategic products where we are stepping up our advertising investments in a similar way to our approach adopted for Génifique. It is also important to stress the strong growth of the division's profitability, which reflects this concentration strategy, alongside industrial streamlining and enormous efforts to improve our organisational structures.

“The division grew one and a half times faster than the market in Asia.”

The behaviour of luxury product consumers is changing. How do you plan to win over new consumers?

We are designing the luxury of tomorrow by appealing to young people, this year in particular with our fragrance launches such as Trésor in Love by LANCÔME, Acqua di Gioia by GIORGIO ARMANI, Belle d'Opium by YVES SAINT LAURENT and also The Big Pony Collection by RALPH LAUREN. And then through our alternative brands such as KIEHL'S, DIESEL and VIKTOR & ROLF. In distribution terms, we recorded very strong growth in channels which win us new customers, such as travel retail which accelerated strongly this year, and in which we are the world leader⁽³⁾. We are also investing in e-commerce, for example with the www.luxurybeauty.com website which features all our luxury brands in China, and which made an excellent start. And finally, by developing our free standing stores, like at KIEHL'S, where sales per outlet were exceptionally high.

2010 Launches



1



4



6



2



3



5



7

1 HYPNÔSE PRECIOUS CELLS LANCÔME

Lash-by-lash volume, spectacular lengthening, a visibly regenerating effect.

2 ROUGE PUR COUTURE YVES SAINT LAURENT

A moisturising texture for sublime lips in the iconic colours of YVES SAINT LAURENT.

3 TRÉSOR IN LOVE LANCÔME

A reinterpretation of the legendary fragrance through a luminous *eau de parfum*.

4 TEINT MIRACLE LANCÔME

A natural light creator foundation for a perfect nude skin look achieved through ten years of research and seven patents.

5 ACQUA DI GIOIA GIORGIO ARMANI

Crushed mint leaves, a hint of "Limone Primo Fiore Femminello" and water jasmine create a fragrance which celebrates Women and Nature.

6 BELLE D'OPIUM YVES SAINT LAURENT

After the legendary Opium, an oriental fragrance evocative of a bewitching femininity.

7 BIG PONY RALPH LAUREN

A perfumed and colourful quartet of fragrances, each with its own number and style, inspired by the celebrated Polo shirt collection.

LANCÔME

Return of STRONG GROWTH

LANCÔME returned to strong growth in 2010, driven by the skincare category where the brand achieved double-digit growth⁽¹⁾. It changed its communication strategy to achieve stronger impact, a more modern slant and greater emphasis on French style. LANCÔME also began its collaboration with two iconic actresses as its ambassadors: Julia Roberts, who first embodied Hypnôse Precious Cells and then Teint Miracle, and Penélope Cruz, the face of the legendary fragrance Trésor.



MORE THAN

3

MILLION
GÉNIFIQUE
SERUMS
SOLD
WORLDWIDE⁽²⁾



GÉNIFIQUE CONTINUED ITS SUCCESS IN THE MOST EXPERT CATEGORY: SERUMS, AND HAS BECOME LANCÔME'S NUMBER ONE REFERENCE WORLDWIDE. THE SUCCESSFUL LAUNCHES OF ABSOLUE PRECIOUS CELLS AND RÉNERGIE LIFT VOLUMETRY SKINCARE ALSO HELPED BOLSTER LANCÔME'S ANTI-AGEING POSITIONS IN THE SELECTIVE CHANNEL.

DIGITAL boost for make-up

The Luxury Products Division was very active on the Internet, developing its e-commerce and increasing the number of brand initiatives. Like LANCÔME, whose digital innovations are focused on three key principles: expert advice, interactivity and elegance. In 2010, the brand launched its first make-up application for iPad, created Rosebeauty, LANCÔME's first social network in China which has already won over more than four million followers, and provided "How to" videos by celebrated blogger Michelle Phan which have recorded scores of up to 3 million pages viewed.

(1) Like-for-like.

(2) Since its launch. (3) Source: NPD France and Italy: September to December 2010, market share value.

(4) Source: IRI Germany: September to December 2010, market share value. (5) Sell-out. Retail sales.



TEINT MIRACLE, SUCCESS WITHOUT BOUNDARIES

In 2010, LANCÔME invented Teint Miracle, natural light creator. Since its launch, Teint Miracle has enjoyed phenomenal success throughout the world, with more than one million units already sold, and in just a few months it became number one in foundation sales in France⁽³⁾, Italy⁽³⁾ and Germany⁽⁴⁾. It also won the *Prix d'Excellence de la Beauté Marie Claire* 2011.

SPECTACULAR BREAKTHROUGH IN ASIA

With growth of +18.3%⁽¹⁾ in Asia, Pacific excluding Japan, LANCÔME continued its breakthrough in this zone, particularly in skincare. The brand launched UV Expert—BB Base, the first SPF50 skincare line incorporating blemish balm technology, inspired by Korean beauty rituals. UV Expert is now the number one franchise in Asia for winning new customers, with growth of more than +30%⁽⁵⁾.



POWERFUL COLOUR COMEBACK
 After globally establishing two legendary make-up products—*Touche Eclat* in foundation, and *Mascara Volume Effet Faux Cils* in eye make-up—**YVES SAINT LAURENT** has created a new beauty icon with *Rouge Pur Couture*. Its success enabled the brand to achieve double-digit⁽¹⁾ growth in 2010 in the lipstick category.

YVES SAINT LAURENT

A new chapter in **THE OPIUM LEGEND**

The renaissance of **YVES SAINT LAURENT** is underpinned by a new vision and by the powerful momentum of its fragrances, already demonstrated by the global breakthroughs achieved by *Parisienne* and *La Nuit de l'Homme*, which have contributed to sustained growth and significant market share gains over the last two years. With *Belle d'Opium*, **YVES SAINT LAURENT** has reinvented itself, drawing strength and modernity from the Opium legend. The brand is thus winning over a younger generation with a new oriental fragrance, whose ambassador is the actress *Mélanie Thierry*.

GIORGIO ARMANI

AN ASIAN TALE

More than ever before, **GIORGIO ARMANI**'s skincare and make-up are must-haves in Asia. The anti-ageing serum *Crema Nera Extrema* was one of the major successes, enabling the brand to post +76.7% sales growth in China⁽¹⁾, where it opened up eight new sales outlets. On the colour front, very good performance of *Rouge d'Armani* particularly in South Korea, with its high-comfort long-lasting texture and intensive pigments. And its new *Eyes To Kill Excess* mascara is embodied by the captivating actress *Megan Fox*.



ACQUA DI GIOIA A LANDMARK SUCCESS

The brand's strategy of focusing on its leading fragrances produced excellent results. Already the world leader in men's fragrances with its emblematic *Acqua di Gio* and *Code Homme*, the brand invested in women's fragrances and continued to win customers in 2010 with *Acqua di Gioia*. On its launch, the fragrance went to the number one spot in both Spain and Italy⁽²⁾ and ranked amongst the top 10 women's fragrances in the United States⁽³⁾.



3

MILLION UNITS
 OF ACQUA DI GIOIA

WERE SOLD WORLDWIDE
 IN THE FIRST SIX MONTHS,
 AS IT BECAME **GIORGIO ARMANI**'S
 BEST-SELLING
 WOMEN'S FRAGRANCE.

(1) Like-for-like. (2) Source: NPD Spain, women's *eaux de parfums* segment, and NPD Italy, market share value.
 (3) Source: NPD USA, September and October 2010, market share value.



HELENA RUBINSTEIN

at the CUTTING EDGE of science

For the first time, Prodigy Powercell used the stem cells of Oceanic Crista. The success of this “youth grafter” exceeded its objectives: one Powercell was sold worldwide every three minutes, and the product won eight beauty awards in Japan. All the indications point towards this being the best launch for HELENA RUBINSTEIN over the last five years.



VIKTOR & ROLF

TOP
10

IN WOMEN'S
FRAGRANCES FOR
FLOWERBOMB
IN THE UNITED STATES⁽¹⁾



SOLIDARITY
INITIATIVES

TAKING ACTION TO HELP
THE MOST VULNERABLE

Convinced that socio-aesthetics helps improve the well-being and self-esteem of vulnerable people, the Luxury Products Division supports CODES⁽³⁾, the only association which provides training for socio-aestheticians and promotes the professional practice of aesthetics care in medical and social environments. In addition to providing financial and material support to the association since 2001, the Luxury Products Division is carrying out a philanthropic initiative to develop skills. In 2010, the 2nd “First Chance for Socio-aesthetics” award scheme enabled group employees to sponsor a medical institution or association geared towards helping vulnerable people, with the company financing the creation of a one-year position for a socio-aesthetician. In two years, a total of ten positions of this type have been created in France.



RALPH LAUREN

THE COLLECTION SPIRIT

The launch of The Big Pony Collection created a worldwide splash, particularly in the brand's original market, the United States, where it came second in the best launches of the year rankings for men's fragrances⁽²⁾. With the slogan “Get in the Game!” this collection of four fragrances, inspired by four young polo players, expresses the passions of the new generation: Sport, Seduction, Adventure and Style. The buzz was amplified in the press, on TV, and also very powerfully on the Internet, particularly thanks to social networks. Meanwhile, the great classics RALPH LAUREN, Polo Blue and Polo Black expanded very strongly.



MAISON MARTIN MARGIELA
“GRAND PRIX STRATÉGIES
DU DESIGN” AWARD

The most exclusive of fashion houses launched its first fragrance: (untitled), an astonishing green perfume in a handcrafted bottle that stands for getting to the essential. Its original approach was acclaimed by the press and consumers alike, for example in Italy, where (untitled) moved into the top 5 in its distribution channel⁽⁴⁾.

SUCCESS *story*

THE KIEHL'S PHENOMENON

WITH GROWTH OF +43.2% IN 2010⁽¹⁾ AND AN IMPRESSIVE SUCCESS STORY IN ASIA, THE ACCESSIBLE LUXURY BRAND KIEHL'S IS CONTINUING ITS RISE BY CULTIVATING ITS SINGULARITY.

A UNIQUE STORE CONCEPT

In the space of three years, KIEHL'S has doubled its sales. A remarkable achievement for this family-based company, founded in 1851 in a small apothecary shop in New York's East Village. Its secret? A subtle mixture of products whose efficacy stems from a long pharmacological tradition, the absolute priority given to the advice of KCRs⁽²⁾, the extraordinary world of the stores, and an innate sense of generosity. The brand has deliberately opted not to use advertising, preferring to rely on extremely generous sampling to enable as many customers as possible to test its emblematic products. These include skincare lines, such as the Midnight Recovery Concentrate anti-ageing range launched in 2010, which recorded exceptionally strong results.

ASIA, A SPEARHEAD FOR GROWTH

The other key to success is that the KIEHL'S format is the same all over the world. Wherever the New York apothecary moves to, it reproduces the same brand ethos. This strategy has proven its value in the 38 countries in which KIEHL'S operates, particularly in Asia, where the brand has taken on cult status. In fact South Korea recently became the number two market for KIEHL'S, and the brand is already in the top 4 of its distribution in China⁽³⁾, one year after starting up. Total sales in Asia are now comparable with North America, where the brand is delivering double-digit growth⁽¹⁾. In 2010, KIEHL'S continued its roll-out in several new countries, including India.

NEW AMBITIONS

For the near future, KIEHL'S is setting itself two new challenges: to extend its conquest of the men's market and to develop e-commerce. Already number three⁽⁴⁾ in men's skincare in the United States, the brand is looking to increase its men's skincare market share substantially and is making sure everything is in place: effective and original formulas, and easy shopping in the store. On the e-commerce front, KIEHL'S already has online stores in some ten countries, and is aiming to be present on the Internet in all its markets.

(1) Like-for-like.

(2) KIEHL'S Customer Representatives.

(3) Source: aggregate figures for department stores, 2010 full-year retail sales.

(4) Source: NPD USA, 2010 full-year, market share value.

KIEHL'S IN 2010

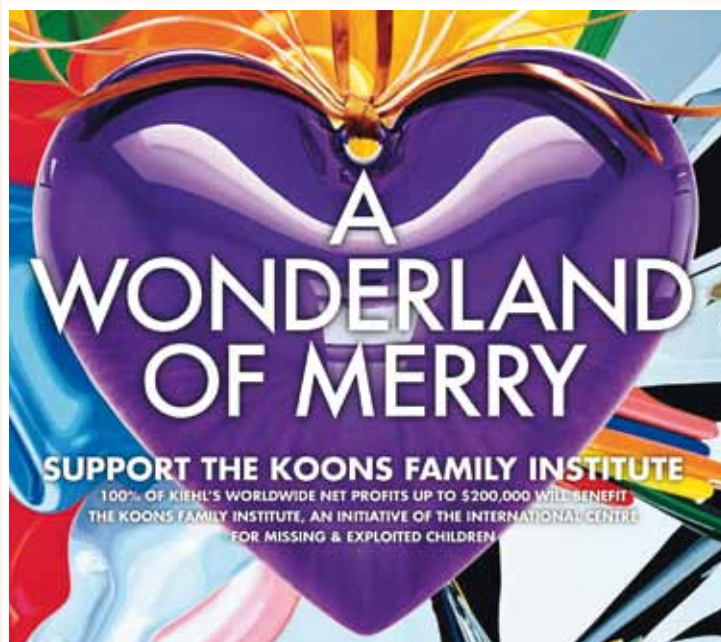
1 760 SALES OUTLETS

1 +66.2% SALES GROWTH IN ASIA, PACIFIC⁽¹⁾

1 FACIAL SKINCARE REPRESENTS 67% OF SALES



The KCRs⁽²⁾, the emblematic sales people of the brand are at the heart of the success of the KIEHL'S model. Above, in front of a store in South Korea.



To mark the year-end festivities, American artist Jeff Koons designed a special decor for Crème de Corps, with all profits from sales given to an association dedicated to helping children.



A brick wall, a vintage motorcycle, and a skeleton display case: the same ethos is presented from Los Angeles to New Delhi.



VICHY

LA ROCHE-POSAY

SKINCEUTICALS

INNÉOV

ROGER&GALLET

SANOFLORE

ACTIVE COSMETICS

The Active Cosmetics Division distributes its products worldwide in all types of health channel, primarily through pharmacies, drugstores, medispas and, in some countries, dermatologists. Its unique portfolio of six brands, meet the need for beauty through the skin's health, and its privileged partnership with health professionals, have made the division world number one in dermocosmetics.



INTERVIEW

“THE SEARCH FOR HEALTH IN BEAUTY IS A GLOBAL QUEST”

BRIGITTE LIBERMAN
Managing Director, Active Cosmetics Division

KEY FIGURES

1.4
billion euros
2010 sales⁽¹⁾

+4.7%
Sales growth⁽¹⁾

+19.2%
Sales growth in Latin America⁽¹⁾

9,000
New pharmacies distributing
LA ROCHE-POSAY products

The Active Cosmetics Division returned to growth in 2010.

What were the key driving factors?

With growth of +4.7%⁽¹⁾, the division bolstered its global leadership in dermocosmetics⁽²⁾. All zones and all brands expanded. LA ROCHE-POSAY was the main driver of this dynamism, and continued its spectacular rise, achieving double-digit growth⁽¹⁾ and gaining more than 9,000 sales outlets in 2010. We also reaped the benefits of our innovation policy in two of the largest pharmacy markets: anti-ageing skincare, with Neovadiol Gf and LiftActiv by VICHY, Redermic [+] by LA ROCHE-POSAY, and sun protection thanks to Anthélios with Mexoplex® by LA ROCHE-POSAY. Another major source of leverage, particularly in Western Europe, was the roll-out of accessible products which won over new consumers attracted by simple, everyday skincare lines embodying the values of safety and tolerance associated with pharmacies, such as Essentielles by VICHY and Hydréane by LA ROCHE-POSAY. We also built up our investments to enhance sales outlets dynamism and train pharmacy personnel. Finally, the relay brands—SKINCEUTICALS, INNEOV, SANOFLORE and ROGER&GALLET—accounted for more than 20% of the division’s growth. They are distributed in 8,000 new pharmacies.

How do you explain the strong breakthrough achieved by the division’s brands in Latin America?

Three key success factors led to this strong growth. The first was the launch of specific

products to suit the local environment, such as the fluid textures of Anthélios suncare products, specially adapted for the humid climate in these regions, and at VICHY, Normaderm cleansing soaps for blemish-prone oily skin—a problem which affects more than half the population—which are made locally, prescribed by dermatologists and sold at very accessible prices. The second point is that we are adapting our business model in the light of local particularities by initiating ad-hoc clinical trials with South American opinion leaders.

“We are adapting our business model in the light of local particularities.”

Finally, we are accelerating the roll-out of our relay brands in order to meet all beauty and health aspirations.

Is the growing health trend in beauty a global phenomenon?

The search for health in beauty is a fundamental and global quest. Today it is being expressed in three ways.

By the need for safety: minimalist formulas, tested on sensitive skin, and free of allergenic ingredients. By the increasing expectation that product responses should be backed up and validated by health experts such as dermatologists and pharmacists. This trend goes hand in hand, amongst others, with the increased incidence of certain skin problems (acne, allergies, pigmentation marks, etc.), linked to factors such as increasingly rapid urbanisation and lifestyle changes, particularly in the emerging countries. Finally, it is expressed in a desire for overall well-being and naturalness, which leads to a preventive and holistic approach that also encompasses hygiene products and nutricosmetics.

(1) Like-for-like. (2) Source: L’Oréal estimates.

2010 Launches



1



3



2



5



4

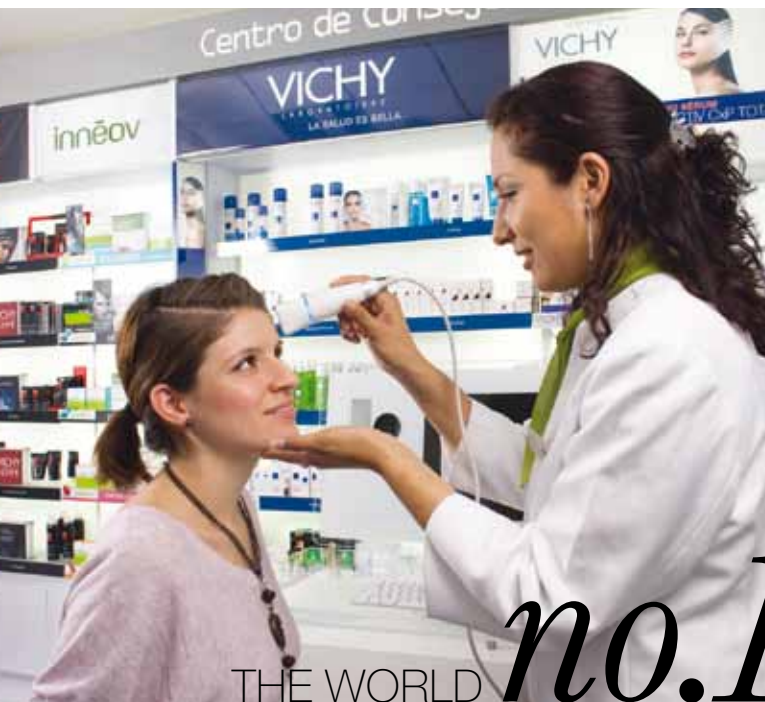
1 NORMADERM TRI-ACTIV VICHY
Anti-imperfection + matte finish + 24h moisturiser: a three-in-one performance in a single gesture, for healthier skin in seven days thanks to a patented combination of three peeling-effect acids.

2 ANTHÉLIOS WITH MEXOPLEX® LA ROCHE-POSAY
Extreme Fluids with MEXOPLEX® provide skin that is sensitive or allergic to the sun with reinforced UVA protection in minimalist formulas, with a reduced chemical-filter content compared with the previous formula.

3 HAIR HEALTH DS INNÉOV
INNÉOV has created Hair Health DS, the first oral anti-dandruff product with patented natural probiotic ST11: a truly thorough treatment for severe and recurrent dandruff.

4 PIGMENT REGULATOR SKINCEUTICALS
SKINCEUTICALS has developed a unique formula for the treatment of pigmentation marks: Pigment Regulator is just as effective as 4% hydroquinone, the benchmark molecule in the United States.

5 NOURISHING REGENERATING HONEY RANGE SANOFLORE
A complete line with organic rockrose essential oil and organic limetree honey: a regenerating balm for dry and sensitive skin, and a richly nourishing balm for the lips.



VICHY

Latin America
SUCCESS ON
EVERY FRONT

VICHY recorded a +18.4%⁽¹⁾ growth rate in Latin America, with outstanding figures in Argentina, Brazil and Mexico. The key to this winning strategy: unique innovations, both in terms of texture and technology, backed up by local clinical trials. As a result, the brand won large numbers of new customers in anti-ageing skincare, thanks to LiftActiv and Neovadiol Gf, with sell-out growing in this segment by +57%⁽²⁾ in Brazil, for example. In addition, Normaderm dermatological soap and Normaderm Tri-Activ skincare for imperfection-prone oily skin are proving successful. Finally, VICHY has reinforced its number one position⁽³⁾ in all major markets in the slimming segment with the launch of Celludestock.

THE WORLD *no.1*

IN PHARMACY ANTI-AGEING SKINCARE⁽⁴⁾, VICHY IS STRENGTHENING ITS LEADERSHIP WITH NEOVADIOL GF AND LIFTACTIV

SKINCEUTICALS

THE GLOBAL EXPANSION
of an American brand

SKINCEUTICALS, the expert anti-oxidant brand, is accelerating its global expansion: following on from Europe, where very strong growth is continuing, the brand was launched in 2010 in China, Brazil and Canada. It is building on the growing development of medispas, by offering dermatologists and surgeons support for their clinical procedures with high-performance cosmetics products.



ROGER&GALLET

First promising steps
WORLDWIDE

The aim of Active Cosmetics with the integration of ROGER&GALLET, number one in France for pharmacy fragrances⁽⁵⁾, is to create a new category for pharmacies worldwide, which will be a source of additional sales: well-being through fragrances. Responding to the growing aspirations for naturalness and sensory pleasure, ROGER&GALLET has already won over more than 2,500 new pharmacies in Western Europe and the initial results are very promising. They are enabling the division to strengthen its positions in two high-potential segments in this channel: *eaux de toilette* and bodycare.



ENVIRONMENTAL
INITIATIVES

CARBON FOOTPRINT REDUCED BY
50% THANKS TO GEOTHERMAL ENERGY

The two French sites which make VICHY and LA ROCHE-POSAY products have been carrying out major projects over the last few years to reduce their energy consumption. This has been achieved by recovering heat from furnaces and wash water, and since May 2010 by the use of renewable geothermal energy. Groundwater is circulated through heat pumps to produce cooling and heating for buildings and for tanks used in the manufacturing tank. These projects—conducted in partnership with EDF, and representing a total of 2.6 million euros—have enabled a 50% reduction in the two sites' annual carbon footprint, representing in 2011 an estimated saving of 2,500 tonnes of CO₂ compared with 2005.

INNÉOV

Nutricosmetics leader
IN SPAIN

When INNÉOV was launched in Spain in 2003, it effectively created the country's nutricosmetics category. Endorsed by dermatologists and nutritionists, the active support of pharmacists and the success of a star product, Hair Mass, with a remarkably high repurchase rate, the brand recorded a growth rate of +16.9%⁽¹⁾ in 2010 in Spain, which has confirmed its position as the brand's number one country⁽⁶⁾.

SUCCESS *story*

LA ROCHE-POSAY IS COMMITTED TO DERMATOLOGY

IN THE SPACE OF 30 YEARS, LA ROCHE-POSAY HAS GAINED WIDESPREAD RECOGNITION AS THE DERMATOLOGIST'S BRAND. ITS GROWTH IN 2010 CONFIRMED THE RELEVANCE OF A BUSINESS MODEL FOCUSED ON MEDICAL VISITS AND PHARMACY ADVICE.

ETHICAL, GENEROUS, ACCESSIBLE

The mission of LA ROCHE-POSAY is to support the development of dermatology around the world, from pathology to aesthetic procedures. Originally prescribed to supplement dermatological treatments, the brand's products have always been focused on providing answers to skin problems with an ethical, generous and accessible approach. This has led to products such as the Lipikar range, especially for dry skin, and Tolériane for intolerant skin. If more than 25,000 dermatologists worldwide are prescribing the brand today, it is also thanks to its clinical trials. The results of these are relayed during the medical visits, providing professionals with proof of the efficacy and tolerance of the formulas. It is a virtuous circle in which advice from pharmacists is essential.

MARKET SHARE GAINS

In 2010, LA ROCHE-POSAY once again made the most of an image synonymous with safety and expertise, to capitalise on the strength of its business model and accelerate its development. This was achieved in particular by winning market share in acne treatments and anti-ageing skincare products. Two key segments in which the brand has gained a strong reputation, with the successful launches of the anti-acne product Effaclar Duo, a corrective and unclogging product for oily skin, and the anti-ageing skincare product Redermic [+], which reduces the signs of ageing in the most sensitive skin types.

A BUSINESS MODEL TAILORED FOR EXPANSION

Drawing on its full range of specific products, the brand is continuing its globalisation. Already present in more than 50 countries, the brand boasted very impressive growth scores in Latin America with +19%⁽¹⁾, particularly in Brazil, its second largest market, where it is number one in the channel for facial skincare and high protection sun care⁽²⁾. The same is also true in Western Europe, where it is continuing to grow. The brand is also moving into new markets such as Russia, China and the United States, where it uses the same keys to success: adapting to local dermatology, both in terms of product responses and clinical trials.



LA ROCHE-POSAY IN 2010

25,000 PRESCRIBING
DERMATOLOGISTS WORLDWIDE

+6.4% SALES GROWTH IN FRANCE⁽¹⁾,
THE BRAND'S NUMBER ONE MARKET

78% OF SALES
ACHIEVED OUTSIDE FRANCE

SALES MULTIPLIED BY 25 SINCE
THE ACQUISITION



(1) Like-for-like. (2) Source: IMS Pharmacy. 2010 value.

LA ROCHE-POSAY provides educational and play workshops for children whose skin has atopic tendencies and training seminars for their parents.

THE BODY SHOP

Founded in 1976 in the United Kingdom by Dame Anita Roddick, The Body Shop is known for its strong ethical commitment and its sensorial products inspired by nature that offer excellent value for money. More than 65% of the products contain Community Fair Trade ingredients.

2010 Launches



1 RAINFOREST
Haircare with Brazilian pracaxi oil, delivering an innovative formulation without silicones, parabens or colourants and no sulphates in shampoos.

2 NATRULIFT
The brand's first firming facial skincare range powered by organic pomegranate, the brand's natural alternative to retinol.

3 DREAMS UNLIMITED™
New fragrance inspired by the personality and beliefs of the brand's founder, Dame Anita Roddick. Based on Community Fair Trade organic alcohol from Ecuador.

4 THE HEMP COLLECTION
The brand's iconic range for people with dry skin, now with Community Fair Trade hemp seed oil.

MORE MILITANT THAN EVER

In 2010, The Body Shop continued the strategic reorganisation of its business which had started in 2009. It reaffirmed its dynamic policy of militant innovation, accelerated its establishment in the New Markets, further maximised its reach to customers through an array of new channels and drove forward its ground-breaking Values campaigns. The company became more streamlined, agile and flexible. The brand recorded good performances in Northern Europe, the Middle East and in several New Markets, particularly in India and in Russia where store numbers continue to grow. There were

contrasting situations in developed countries. With a strong network of more than 2,600 stores in 63 countries, in 2010 The Body Shop opened more than 50 new stores. Global customer research, commissioned by the brand in 21 markets with more than 15,000 people, confirmed the growing demand for natural and organic products and at the same time showed that there is a move towards personal and collective responsibility, encouraging generosity. Staying ahead of the game, The Body Shop, a pioneer in this area, accelerated its development of innovative and militant products in 2010.

KEY FIGURES

754.9
million euros
2010 sales

2,605
Stores

+30.8%
E-commerce sales growth⁽¹⁾

INDIA, a springboard to New Markets

For several years now, The Body Shop has opened the majority of its new stores in the New Markets. It is in India, where the brand opened the most stores in 2010 and effectively doubled its presence. It now has 55 stores in 23 cities. Its decision to market its range of naturally inspired, 100% vegetarian products, at a price that is accessible to millions of customers across India, received a tremendous response. The brand's core values, based on natural and ethical beauty resonate with Indian customers and set the brand apart. And the story doesn't stop here. The Body Shop has ambitious expansion plans to penetrate medium sized cities.

SEDUCING MORE CUSTOMERS AND FANS

Around the world, The Body Shop reached beyond its stores to appeal to and attract new customers through increasingly innovative ways.

The creation of temporary retail outlets in several countries, along with blogging events, resulted in a boom in social media exposure, attracting many new customers.

The Body Shop also moved into an additional 69 travel retail outlets, offering formats adapted to international airports, and bringing its presence to a total of 93 at the end of 2010.

Moreover, three new e-commerce sites were launched in Germany, France and the Netherlands bringing the total to ten.



93

STORES OFFER

THE BODY SHOP PRODUCTS IN TRAVEL RETAIL, A NEW DISTRIBUTION CHANNEL FOR THE BRAND IN 2010.



ENVIRONMENTAL AND SOLIDARITY INITIATIVES

A pioneering and recognised Community Fair Trade programme

The Body Shop gave customers a unique opportunity to benefit from the highest quality ingredients whilst supporting otherwise disadvantaged communities. The brand added new ingredients and suppliers to its Community Fair Trade programme in 2010: hemp seed oil from the United Kingdom, honey from Beزامarin, Ethiopia and beeswax from Cameroon. Through this programme, The Body Shop sources the highest quality ingredients and accessories from 30 Community Fair Trade suppliers in 22 countries across four continents, directly benefiting more than 25,000 people—in addition to tens of thousands of others in extended families and local communities who benefit indirectly. In 2010, this programme was recognised by the Institute of Marketecology⁽¹⁾.

Powerful and engaging campaigns

After its influential awareness campaign to stop sex trafficking of children and young people, in partnership with the International NGO ECPAT (End Child Prostitution and Trafficking), almost five million people signed petitions in 2010 which aimed to inspire those with decision-making powers to take long term effective measures. In Malta, lobbying of the government helped lead to the signing of the United Nations Barcelona Convention for the protection of children against sexual exploitation and sexual abuse. The International Campaigns Director for The Body Shop was awarded the “United Nations Business Leaders Award to Fight Human Trafficking”.



(1) Independent specialist in quality assurance of eco-friendly products, organic agriculture and fair trade management systems.

GALDERMA

Since its creation thirty years ago, Galderma has focused exclusively on dermatology. In 2010, the company grew nearly twice as fast as the market⁽¹⁾ and sales reached the billion euro mark for the first time. With a 7.5%⁽¹⁾ market share, Galderma reinforced its position as a worldwide leader in its specialty.



- 1 ORACEA®**
First oral treatment approved by the FDA for type II inflammatory rosacea lesions (papules and pustules) in adult patients.
- 2 EPIDUO™**
Innovative combination of two molecules (adapalene and benzoyl peroxide) in a gel formulation for the treatment of acne.
- 3 CLOBEX®**
Available as a spray, shampoo or lotion, the topical corticosteroid, Clobex®, provides fast relief from plaque psoriasis.
- 4 DIFFERIN®**
Discovered in Galderma's laboratories, Differin® is available in a variety of forms (gel, lotion and cream) and strengths (adapalene 0.1% and 0.3%) for the treatment of acne.
- 5 AZZALURE®**
Local muscle relaxant formulated specifically for the temporary correction of vertical frown lines.

DOUBLE-DIGIT GROWTH⁽²⁾ in all major zones

In 2010, Galderma recorded double-digit growth in all main regions and slightly improved geographic balance. In North America, the success of Oracea® (an innovative anti-inflammatory product for rosacea), MetroGel® (rosacea) and Clobex® Shampoo (scalp psoriasis) showed strong growth with an increase of +14.7%⁽²⁾. In Western Europe, sales grew +18.3%⁽²⁾ thanks to good performance in the United Kingdom, France and Germany. Oracea®,

Clobex® Shampoo and Epiduo™ (acne) all became more broadly recognised as important treatment options. In Eastern Europe, Galderma opened a subsidiary in Russia, where it has had a representative office since 2002. Latin America achieved another year of growth with solid sales increase in Brazil. Galderma performed well in Asia, Pacific thanks to Epiduo™ and Loceryl® (onychomycosis) and in Japan thanks to Differin® 0.1% gel (acne).

KEY FIGURES

1.2
billion euros
2010 sales⁽³⁾

+16.1%
Sales growth⁽²⁾

(1) Source: IMS at end of December 2010—MAT data—class D + class J1A oral antibiotics used for acne and rosacea + class J2A oral antifungal treatments used for onychomycosis. (2) Like-for-like. (3) Galderma 100% sales.

Galderma reinforces its presence in **CORRECTIVE DERMATOLOGY**

Thanks to the growth in the field of aesthetic medicine, Galderma continues to make headway in the corrective dermatology segment. Azzalure®, a botulinum toxin type A launched in 2009, continued to be rolled out in 2010 in several European countries. Emervel®, a range of nine hyaluronic acid injectable dermal fillers was pre-launched in Latin America and Europe. This evolution responds well to the increasing patient demand for less-invasive techniques and the emerging trend for doctors to undertake more aesthetic procedures. To complement its portfolio, in December, Galderma announced its offer to acquire Q-Med. This Swedish company specialises in dermal filler injectables, such as the Restylane line, developed using the NASHA technology platform (non-animal stabilised hyaluronic acid). This complete range of aesthetic products will provide doctors with a wide variety of high-quality products focused on helping them to optimize patient outcomes.

AN INCREASED EFFORT IN **RESEARCH**

In 2010, Galderma invested 21.3% of revenue to discover and develop new drugs and access innovative technologies. Galderma submitted 56 new patent applications. Its portfolio now consists of more than 5,000 patents and patent applications, covering molecules, galenic formulations, new dermatology indications and manufacturing processes.



NEW MARKETING AUTHORISATIONS

Galderma obtained 22 new marketing authorisations across the world, and up to 95 including medical devices and therapeutic skincare products specifically formulated for skin diseases.

In total, Galderma currently holds over 1,700 product registrations. This year saw the approval of Differin® 0.1% lotion (first-ever lotion formulation of adapalene for the treatment of acne) in the United States.



2

OF THE 10 FASTEST
GROWING PRODUCTS

IN DERMATOLOGY IN 2010
WERE GALDERMA PRODUCTS⁽¹⁾.



BRAZIL, A COUNTRY FULL OF POSSIBILITIES

Over the last fifteen years, Galderma's diverse product portfolio has allowed the company to become a major player in Brazil, the third largest dermatology market in the world. The subsidiary is currently enjoying double-digit growth and is continuing to win significant market share⁽¹⁾. Each new launch reinforces dermatologists' trust in Galderma and the quality of its products. Dysport®, sold under the name of Azzalure® in Europe, is the lead product. The company has reinforced its presence in the therapeutic segment, thanks to the successful launch of Clobex® lotion, Differin® 0.3% and Epiduo™. In a country where medical awareness is high and the population is predominantly young, acne is a key market. The demand for aesthetic products is also growing rapidly. After making a name for itself in the therapeutic treatments, Galderma is continuing to consolidate its position in the fast growing corrective and aesthetic segment.

(1) Source: IMS at end of December 2010—MAT data—class D + class J1A oral antibiotics used for acne and rosacea + class J2A oral antifungal treatments used for onychomycosis.

EXPERTISE

MOBILISING ALL TALENTS FOR A NEW PHASE OF CONQUEST

During the crisis, L'Oréal enhanced its performance by optimising its organisational structures from every viewpoint: human, industrial and financial. In 2010, the group continued to profoundly transform itself so as to pursue its new ambitions.





L'OREAL
Ημέρα Ψυχής
21.06.2010

Εμπειρία
Φροντίδα



INTERVIEW

“WE ARE ACCELERATING THE GLOBALISATION OF OUR TALENTS”

GEOFF SKINGSLEY

Executive Vice-President, Human Resources

2010 marked a return to growth. What did that mean in terms of recruitment policy?

The upturn in growth enabled us to strongly reaccelerate the recruitment of graduates—the people we refer to as young management trainees—with numbers increasing by +35% in 2010, and even doubling in some regions. I would like to stress that we maintained our management trainee recruiting during the crisis because at L'Oréal we have always focused on managing talent with a long-term perspective. In addition, we are stepping up our policy of taking on experienced people. With this aim in mind, we have created a new position at regional level with Talent Sourcing Directors whose job is to detect potential managers and ensure we have an adequate pool of talent to achieve the group's growth targets in each of the zones.

L'Oréal is accelerating its globalisation. How do you plan to keep up with this trend?

As well as increasing the number of young management trainees, we are also accelerating the globalisation of our talents and international mobility opportunities. In 2010, the number of expatriate postings increased by +13%, not only because of rising demand for experienced profiles in the emerging countries, but also because we have introduced a programme that makes it easier for young people to gain international experience. At the same time, the strong growth in New Markets is creating far more opportunities for local talent to quickly rise to positions of responsibility. Training also has a crucial role to play in

globalisation. This is why we have launched My Learning, a digital platform which provides easier access and opens up training to all L'Oréal employees, for all our businesses worldwide.

How will you attract tomorrow's top talent?

We have the good fortune to be operating in a buoyant market, while offering people a very stimulating challenge: to seek out a billion new consumers. When it comes to recruitment tools, we are once again at the leading edge of innovation with our business games. These fully interactive games enable students to gain direct experience of our different professional activities and to confirm their affinity with the business. In the profiles we seek to attract, we are looking not only for the qualities of drive, daring and tenacity, but also for sensitivity to the product, which is crucially important.

You have published L'Oréal's first-ever Diversity Report in France. What are your ambitions in this area?

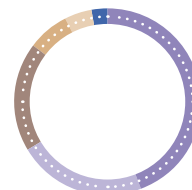
This first report fully reflects the richness and sincerity of L'Oréal's commitment to all kinds of diversity. The ambition is to extend this trend internationally, by establishing global principles to stimulate, measure and report on the efforts made in all our subsidiaries. The universality of our customer base and our brands encourages us to reflect this very great diversity in our teams, particularly as we are convinced that it generates greater creativity, higher performance and a better understanding of our customers.

“We are opening up training to all L'Oréal employees worldwide.”

Change in workforce



Workforce breakdown by geographic zone at 12.31.2010



- 44.4% Western Europe
- 22.2% North America
- 18.7% Asia, Pacific
- 7.3% Latin America
- 4.7% Eastern Europe
- 2.7% Africa, Middle East

MANAGERS PREPARED FOR TOMORROW

IN TERMS OF TALENT DEVELOPMENT, THE CHALLENGE IS QUITE CLEAR: TO IDENTIFY, ATTRACT AND SECURE THE LOYALTY OF THOSE WHO WILL DRIVE OUR GROWTH TARGETS, PARTICULARLY IN THE NEW MARKETS.

A LONG-TERM VISION FOR RECRUITMENT

In 2009, despite the crisis, L'Oréal remained true to its strategy of forward planning: detecting talent with a long-term vision and applying the highest possible standards in terms of candidate profiles. The group maintained its young trainee management scheme during that year, with the recruitment of 416 graduates. In 2010, all our efforts were accelerated to stay on track with our new ambitions: more than 600 young management trainees were recruited, many of them in the BRIC markets (Brazil, Russia, India, China), and in new markets such as Egypt, Pakistan and Vietnam.

FAST-TRACK CAREER DEVELOPMENT

More than ever before, entrepreneurial skills are the first consideration when it comes to detecting talent: daring, courage, drive, resilience, intellectual agility and a willingness to take risks. The group offers a wide range of professional experience and fast-track career development, and is fully prepared to offer management positions to employees under 35. International mobility is also an accelerator of career prospects. In 2010, thanks to the Explorer programme introduced by L'Oréal, more than 100 young managers were offered the chance of international experience.

TALENT HUNTING

To top up the pool of young management trainees (the source of 67% of international brand managers) and make sure that rapid growth targets are achieved in certain zones, L'Oréal is also accelerating its recruitment plan for experienced candidates. Talent Sourcing Directors have been appointed in each of the major zones outside Europe, and their brief is to identify, attract and integrate experienced candidates capable of quickly assuming managerial responsibilities. Laura, a Shanghai-based Talent Sourcing Director, says: "My job is to plan ahead and attract the profiles that provide a good fit with the region's business targets. I am both a headhunter and a networker determined to identify and recruit the best talent for the group".

600
GRADUATES
RECRUITED IN 2010



VISMAY is Indian.

He was recruited in 1994 to work for GARNIER in India. At just 29, he was appointed head of the Professional Products Division in Mumbai where he is today head of the Consumer Products Division.



BELINDA is Chinese.

Twelve years after joining L'Oréal China, she took charge of MAYBELLINE NEW YORK, at the age of 36. At the end of 2010, she became head of L'ORÉAL PARIS, the group's number one brand in China.



ULISSES is Brazilian.

After starting out as a product manager for L'ORÉAL PARIS, he was appointed, aged 35, head of REDKEN and then MATRIX in Brazil. Since September 2010, he has been head of the Professional Products Division in Argentina.

MY LEARNING provides training for all

With its Internet platform, My Learning provides skill development solutions covering all the business lines throughout the world: hands-on learning, e-learning, web conferences and seminars. All employees are provided with a tailor-made development programme, based on their job description and business line, and learning materials which meet the younger generation's expectations, such as films, articles and podcasts. L'Oréal's unique expertise in cosmetics businesses means that specific training can be provided, with modules focusing for example on the meaning of beauty, and 3D skincare training sessions.



L'ORÉAL CULTIVATES ITS HUMAN CAPITAL

L'Oréal was the winner of the Human Capital Trophy 2010, which recognises the overall quality of the Human Resources activities of a CAC 40 company. The group also received the "Employment Management" category award for the quality of the YSL Beauté integration process, in recognition of the group's achievement in conserving the expertise and spirit of YVES SAINT LAURENT, while ensuring the development of its brands and teams in a long-term perspective. In addition, for the seventh year running, L'Oréal was ranked one of the 100 best employers in Canada, where it was also voted one of the top 45 employers for its diversity achievements. In Asia, The Body Shop received an award for "Best Corporate and Employee Citizenship".

3

PLACES GAINED IN THE 2010 UNIVERSUM SURVEY

WHICH RANKS THE "WORLD'S MOST ATTRACTIVE EMPLOYERS IN 2010". FUTURE SALES AND MANAGEMENT GRADUATES RANKED THE GROUP IN 11TH POSITION WORLDWIDE, FOR ALL INDUSTRIES COMBINED, A SIGN OF L'ORÉAL'S EVER-STRENGTHENING APPEAL TO STUDENTS.



REVEAL BY L'ORÉAL A new-generation business game

Designed to appeal to the Internet generation, "REVEAL by L'Oréal", launched in January 2010, enables students and graduates all over the world to find out about the company and gain an insight into all the group's businesses. A powerful diversity driver which is online in 138 countries, "REVEAL by L'Oréal" has already attracted more than 56,000 players. It is also a highly effective way of raising the group's profile: in South Korea, for example, the new online game led to a threefold increase in job applications, and accounted for 100% of internship recruitment.

SUCCESS *story*

DIVERSITY: MAKING HEADWAY

COMMITMENT, MEASUREMENT AND SHARING.
THESE THREE WORDS SUM UP L'ORÉAL'S APPROACH IN
ENCOURAGING DIVERSITY IN ALL ITS FORMS.
WITH A STRONG CONVICTION: DIVERSITY IS ONE OF
THE KEY LEVERS OF ITS PERFORMANCE.

THE FIRST DIVERSITY REPORT

In 2010, L'Oréal published its first-ever French Diversity Report⁽¹⁾, focusing on commitments, initiatives and results in the field. Over the last five years, the group has achieved improvements with regard to several indicators. For example: the diversification of its recruitment sources with 418 young people from Sensitive Urban Areas being taken on for internships, learning programmes, and fixed-term and permanent contracts of employment; the rate of employment of disabled people, which went from 3.5% in 2007 to almost 5% in 2010. Looking beyond the figures, L'Oréal is striving to set up a truly inclusive managerial culture, by ensuring that diversity features in the training and appraisal of its managers. One of the targets for the coming years: to accelerate the global roll-out of this policy.

INITIATIVES FOR SHARING

One of the key levers of this policy remains emulation, combined with the sharing of best practices. The L'Oréal "Disability Initiatives" awards presented in November 2010 recognised practical initiatives carried out by a variety of group entities. The Grand Prix was awarded to the Professional Products Division in France for its partnership with the French Institute for Young Deaf People (INJS), which facilitated the professional insertion of around twenty hairdressing students, and enabled the creation of a pilot hair salon designed to cater for disabled people in optimum conditions.

In Japan, the brand new Saiwai labelling plant that opened in October primarily employs disabled people. The aim is to make it a place where employees are both happy and motivated, while ensuring that quality and efficiency expectations are achieved.

DIVERSITY AND PERFORMANCE GO HAND IN HAND

A recent survey, carried out by the Goodwill Management consultancy firm in 2010 for *IMS-Entreprendre pour la Cité*, in close collaboration with L'Oréal, has shown that diversity in human resources creates both value and enrichment. The survey, the first of its kind in France, confirms the important role played by a diversity management policy in the company's major strategic choices.

(1) www.bilandiversiteloreal.loreal.fr

WOMEN AT THE HELM

43% OF THE INTERNATIONAL BRANDS
ARE HEADED BY WOMEN

WOMEN REPRESENT:

45% OF RECENT EXPATRIATES

39% OF MANAGEMENT COMMITTEE MEMBERS

21% OF EXECUTIVE COMMITTEE MEMBERS



Ghalia El Yacoubi, Professional Products Division General Manager, Morocco. "Women are present at each level of the organisational structure; this clearly reflects the group's determination to offer us every possible career opportunity while enabling us to express our singularity."



The Grand Prix of the L'Oréal "Disability Initiatives" award was given to a programme providing hair salon job opportunities for young deaf people.



The Saiwai labelling plant in Japan, which opened in 2010, primarily employs disabled people.



INTERVIEW

“OPERATIONS⁽¹⁾ CONTRIBUTE TO VALUE CREATION”

JEAN-PHILIPPE BLANPAIN
Managing Director, Operations

In terms of industrial productivity, 2010 was a record year. How was this performance achieved?

Quite clearly, we were able to take advantage of the leverage effect generated by the return to growth in volume terms. But this effect is by no means automatic, and we were able to make the most of this factor because we were prepared for it. The worldwide programme to improve the efficiency of our equipment, launched in 2008 and based on a set of best practices shared by all the sites, has led to an increase of nearly ten basis points in packaging line efficiency and nearly 20% in the capacity of existing equipment⁽²⁾. In addition, the efforts made to pool support functions (such as purchasing, information systems and industrialisation) in the five major zones has considerably enhanced their efficiency, while ensuring that they remain attuned to the specific features of each region. This organisational model is turning out to be productive, highly responsive, and particularly well adapted to our objective of accelerating growth in the New Markets.

—
“A single, solid industrial policy all over the world.”
—

2010 was also marked by the outstanding performance of the purchasing teams. Was this for the same reasons?

In this field too, in addition to a year bolstered by growth in volumes, results were achieved thanks to the careful application of a strategy first introduced several years ago. The grouping of purchasers into four sourcing centres, located at the heart of each region, enabled us to accelerate the build-up in purchasing mass, to adjust better to local particularities, and to grasp the opportunities of each market more quickly, and then transfer similar opportunities to other

regions. Inside each sourcing centre, one buyer (the lead buyer) specialises in each category, providing us with the opportunity to build coordinated purchasing strategies worldwide, and to open up new paths for progress.

How will Operations help L’Oréal to achieve the target of doubling its consumer base?

The various Operations activities are already in battle formation to achieve this aim, and are ready to play their part at three levels: optimising industrial and supply chain costs, controlling risks and contributing to value creation. Considerable progress has already been made towards the first objective, as we have seen.

For the second, we are responding by applying a single, solid industrial policy all over the world, which is subjected to regular audits on all aspects, and by developing our own manufacturing capacities in advance of the early stages. We are also responding to this objective by establishing regional databases of suppliers, selected by a highly exacting screening process, covering all aspects of their performance and their social and environmental responsibilities. Finally, Operations contribute to value creation, by active involvement in the “accessible innovation” strategy, through the technical development of faster launches, better adapted to the real needs of consumers in each market. This is what we are putting in place with prospective packaging units in each zone, new industrial processes and by applying a policy of open cooperation with our regional suppliers in the field of innovation and sourcing.

Cosmetics investments
(production and physical distribution commitments, € millions)



Comparable product purchasing price index
(index base 100: year N-1)



Cosmetics factories workforce productivity index
(index base: 100 in 2002, acquisitions included)



(1) L’Oréal Operations consist of seven activities: purchasing, production, quality, environment, health & safety activities, logistics, packaging and development, and real estate. (2) An increase achieved between the 2007 average and the last quarter of 2010.

GLOBAL INDUSTRIAL ROLL-OUT

AS AT KALUGA, ITS FIRST FACTORY IN RUSSIA WHICH WAS INAUGURATED IN 2010, L'ORÉAL CONDUCTED A NUMBER OF INDUSTRIAL DEVELOPMENT PROJECTS IN HIGH-GROWTH AREAS.

FIRST FACTORY IN RUSSIA

In September 2010, in response to the strong growth of the local market, L'Oréal opened its first factory in Russia, some 85 km south of Moscow, in the Kaluga region. The products manufactured in this new 10,000 m² factory are intended for the entire geographic zone: Russia, Ukraine and the countries of the Community of Independent States (CIS). Initially set at 120 million units a year, production may be increased by a factor of two or more, depending on increase in demand.

HIGHLY DEMANDING QUALITY AND SAFETY REQUIREMENTS

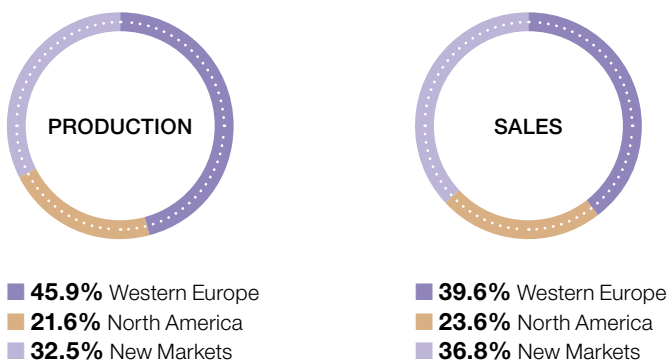
Built in record time, the Kaluga plant complies with all L'Oréal standards in terms of equipment, information systems, quality processes, safety policy and sustainable development. Actively involved in the local economy, the factory is also developing partnerships with schools and universities in Kaluga to optimise its recruitment programmes. In addition, the regional organisation of the group's purchasing will enable it to work primarily with local suppliers and raw materials from the region.

A COMPLETE RANGE OF FACILITIES IN EACH ZONE

The construction of the plant in Russia was not a one-off initiative, but in fact reflects the Operations strategy set up over the last few years: an organisational structure based on major geographic poles, each of which combines all types of professional expertise, production sites and dedicated logistical centres.

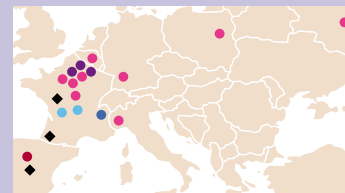
In the same vein, other projects are being rolled out in all high-growth regions in order to accelerate the conquest of new consumers: for example, the construction of new factories in Indonesia and Egypt, a second production unit in Mexico, and the extension of a plant in India. Meanwhile, in Western Europe and North America, factories are increasingly specialising by technology in order to raise production volumes at each site.

Cosmetics branch production and sales by geographic zone in 2010

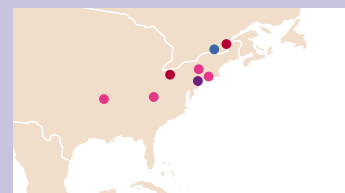


38 INDUSTRIAL FACTORIES THROUGHOUT THE WORLD

- Consumer Products: 23 factories
- Active Cosmetics: 2 factories
- Luxury Products: 5 factories
- Dermatology: 2 factories
- Professional Products: 3 factories
- ◆ Raw materials: 3 factories



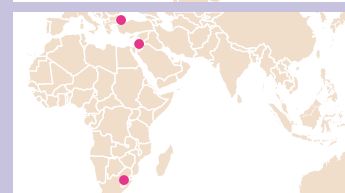
EUROPE
19 FACTORIES



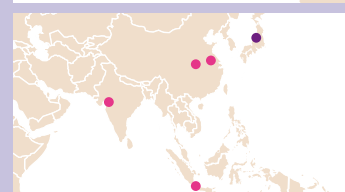
NORTH AMERICA
8 FACTORIES



LATIN AMERICA
3 FACTORIES



AFRICA, MIDDLE-EAST
3 FACTORIES



ASIA, PACIFIC
5 FACTORIES



MORE THAN **10%** PRODUCTIVITY GAINS IN 2010,

REPRESENTING A SPECTACULAR NEW IMPROVEMENT OF EFFICIENCY OF INDUSTRIAL EQUIPMENT.

ADOPT THE ERGONOMIC ATTITUDE

Preserving the health of our employees, and constant efforts to provide them with better working conditions, have led, over a long period, to many ergonomic improvements in our different sites around the world. An Ergonomics Steering Committee has been set up to frame a global proactive strategy aimed at preventive measures and the widespread introduction of the best local practices for all types of professional activity, whether in packaging, manufacturing or administrative roles.

Industrial performance
REWARDED

The continuation of our “Excellence Manufacturing” worldwide programme by operational teams has once again enabled substantial improvements in efficiency, with a gain of more than 4 basis points in packaging and more than 8 basis points in manufacturing. Recognition for this spectacular progress came with the presentation of the “Manufacturing Excellence” award at the European Manufacturing Summit in Dusseldorf. The jury stressed the rapidity of the results obtained and their regular improvement, as well as the innovative and collaborative nature of this approach, based on the sharing of best practices between sites. The development of a veritable “industrial performance culture” is under way, and its objectives are ambitious.

LAUNCH OF “WALL TO WALL”

Initiated in 2010 in several of the group’s factories, the “wall-to-wall” approach consists of setting up, inside the plant, a production unit which belongs to a supplier. This kind of partnership encourages both responsiveness and industrial flexibility, while reducing the need to transport packaging items and minimising the generation of packaging waste.



ENVIRONMENTAL INITIATIVES

In 2010, L’Oréal globalised its environmental programmes to accelerate its performance, and make sure that it achieves its 2005-2015 commitments on time, or slightly ahead of schedule.



Acclaim for “sustainable building” policy
The policy of sustainable building design and construction, introduced by L’Oréal, applies to all new projects worldwide. In 2010, this policy was rewarded by the granting of a large number of certifications. Amongst them was the prestigious LEED GOLD award (Leadership in Energy and Environmental Design) received by the Pudong Research Centre (China), primarily for its geothermal facility and its plant-based treatment of sanitary water. This is the first research centre to have been awarded the label in China.

A guide to eco-design
The group’s Packaging & Environment policy is based on three pillars: respecting the environment and the consumer, reducing packaging weight and volume, and replacing materials by others with a lower environmental impact.

In 2010, the group launched a “Packaging & Environment Guide” for its marketing and packaging teams, to enhance their awareness of eco-design. Major group brands such as GARNIER, VICHY and BIODERMA now incorporate 40% of recycled glass in their skincare jars.

Drastic reduction in water consumption
L’Oréal took part in the first-ever CDP Water Disclosure survey, whose aim was to assess the risks and opportunities of major groups in the field of water use. In 2010, the group set up a programme aimed at reducing water consumption in pilot plants by using all possible leverage, from the use of cooling water to the optimisation of manufacturing facility washing procedures. The results achieved from the first-tests were spectacular, with reductions of more than 50% in water consumption for certain manufacturing tanks. A very successful experiment to be rolled out worldwide.

SUPPLIERS AT THE HEART OF INNOVATION

SUPPLIERS ARE SEEN AS TRUE PARTNERS IN CONQUERING MARKETS, AND ARE DIRECTLY INVOLVED IN L'ORÉAL'S NEW DYNAMISM. IN 2010, THE GROUP DEMONSTRATED ITS DETERMINATION TO MAKE THE MOST OF COLLABORATIVE INTELLIGENCE.

L'ORÉAL FORUM ON PACKAGING INNOVATION

In April 2010, a mini-Packaging Exhibition, totally dedicated to the group, was held at the L'Oréal headquarters. The "Cherry Pack" event, set up by a multi-disciplinary working group bringing together Purchasing, Packaging, Development, Prospective Marketing and Research and Innovation, enabled five international suppliers to propose their latest exclusive innovations. In all, more than a hundred packaging innovations were presented in two days to 350 of the group's international managers. 56 projects were preselected by the brands and Research and Innovation, 33 projects were finally chosen, and ten have already been launched for development in the immediate future.

SHARING THE GROUP'S VISION

A veritable innovation accelerator, this event reflected L'Oréal's determination to strengthen its links with its suppliers by making the most of collaborative intelligence. The aim is to step up progress, but also to provide a unique product on the market, and to better anticipate consumer expectations. Another sign of this collaborative approach was the Supplier's Day in Hong Kong, which brought together more than 140 suppliers from the beauty world in November. The main aims for the next decade were to share the group's vision, ambitions and projects in Asia, to open up a dialogue, and in certain cases to acknowledge suppliers' efforts by presenting them with awards.

A CHAIN OF RESPONSIBILITIES

These recent initiatives are in line with L'Oréal's policy of sustainable partnership with its suppliers. In February 2010, the group continued its commitment in this field by signing, with 19 other groups, the Charter governing relations between large companies and SMBs: "10 commitments for responsible purchasing". L'Oréal is also continuing its rigorous monitoring of its suppliers through 567 new social audits carried out in 2010 on sites all over the world. Meanwhile, over the last three years, the group has invited its closest partners to participate in the Carbon Disclosure Project by measuring and disclosing their greenhouse gas emissions and their strategy for reducing emissions. In 2010, 75% agreed to sign up. In this area too, collaborative intelligence is making great strides forward.

THE FIVE "CHERRY PACK" THEMES

- PRACTICALITY
- APPLICATION AND DIFFUSION SYSTEMS
- FORMULA PROTECTION
- SENSORIALITY
- SUSTAINABLE DEVELOPMENT





INTERVIEW

“ROBUST FINANCIAL HEALTH”

CHRISTIAN MULLIEZ

Executive Vice-President, Administration and Finance

How did the Administration and Finance Division support L’Oréal’s performances in 2010?

The administration, management and finance teams ensured the balance of our financial policy, and their combined efforts helped to strengthen the balance sheet structure. The group’s robust financial health has been achieved through particularly close monitoring of cash flows, which have increased substantially, and continuing efforts to safeguard financing. In addition, we work in close collaboration with the operational teams to improve business control systems by constantly optimising their performance.

How will it contribute to the conquest of another billion consumers?

We are continuing to carry out our mission of providing support to all organisational structures, while focusing our efforts on communicating standards and best practices based on respecting all the group’s rules and principles to New Market entities. With this in mind, Management Control, Internal Audit and the Legal Department play a very important role in helping the subsidiaries with the smooth management of their operational, administrative, financial and legal activities, with the shared goal of strengthening efficiency.

INTERNAL AUDIT: CONTROL, ANTICIPATE AND TRAIN

By carrying out regular missions to verify major processes, the Internal Audit Department helps to ensure compliance with internal control standards, and the global roll-out of best practices across the group.

Extending the scope of the missions
Audit missions change as the group extends its geographical reach and industrial activities. The scope of the missions is thus broadened in order to meet increasingly stringent accounting, legal and management standards. The supply chain missions—covering customer services, central purchasing structures and sales forecasts—have thus been reinforced over the last few years. In all, 44 missions were carried out in 2010, of which 29 related to commercial businesses representing some 31% of group sales, and 5 to plants responsible for producing 18% of worldwide production in unit terms.

Action plans and corrective measures
Through its control, the Internal Audit ensures compliance with standards, which are updated thanks to feedback from teams deployed all over the world. Action plans incorporating

corrective measures and recommendations are drawn up in light of the audit mission findings, and monitoring is then carried out to make sure they are implemented.

Strengthening and communicating management standards
To support the integration of newly created subsidiaries, the Internal Audit Department follows up its control mission by providing training for the teams of recently created subsidiaries, for example in Kazakhstan, Ukraine, Vietnam and Panama, audited in 2010. In addition, cross-functional analyses are carried out to identify areas for improvement, and to encourage the group’s management to tighten up internal control procedures where necessary. In 2010, the group thus made its management standards scheme more comprehensive by implementing a new standard for media purchasing.

AWARD FOR THE BEST CAC 40 COMPANY AGM

The Annual General Meeting is a key moment of the year; the L'Oréal teams spend several months preparing with the utmost care to ensure a high quality meeting for some 8,000 shareholders who are present or represented. These efforts were rewarded in 2010 when L'Oréal received the prize for the Best CAC 40 Company AGM from Capitalcom.

Main strengths: the presentation of the group's business model, the integration of sustainable development as a core part of the strategy and the clear presentation of the composition and functioning of the Board of Directors.

On April 27th, 2010, L'Oréal shareholders met for the Annual General Meeting at the *Carrousel du Louvre* (Paris).



FINANCIAL COMMUNICATIONS: MAINTAINING HIGH-QUALITY DIALOGUE

In 2010, the Financial Communications team kept up the rapid pace of its exchanges with the whole financial community, holding meetings with institutional investors all over the world, while strengthening the long-established dialogue with its individual shareholders. The change in the Articles of Association approved in 2009, providing for the introduction of a preferential dividend, led to a large number of shareholders registering their shares, who thereby demonstrated their loyalty to the company in their support for its long-term development.

MANAGEMENT/CONSOLIDATION

The organisation of L'Oréal's management/consolidation is based on a solid, seamless decision-support information system geared to help precisely anticipate and drive economic performance. Information systems constantly continue to improve responsiveness in providing the very latest financial data, thus giving managers greater flexibility in running the company and adapting decisions in view of the economic environment. The management and accountancy teams are constantly vigilant in cost control, and ensure that the guidelines set out by the General Management are implemented, especially in terms of allocating resources.

TAX

The mission of the Tax Department is to secure and optimise the group's tax obligations and verify compliance with the laws and regulations of the countries concerned.

LEGAL AND INSURANCE

The Legal Department provides advice and exerts control within the divisions to ensure the protection of the roll-out of the businesses, in compliance with laws and regulations. Its missions include in particular creating, managing and defending the group's brand heritage, safeguarding the legal aspects of our business operations, and devising risk prevention, defence and litigation strategies in the event of any legal disputes. In the insurance field, the group continued in 2010 to optimise the global programmes, particularly in third party liability, material damage and operating loss, and transport insurance.

INFORMATION SYSTEMS

In 2010, the global projects launched in 2009 to optimise the group's operational activities (including the supply chain, purchasing and finance) continued, alongside the technical architecture rationalisation programme. 2010 provided the Information Systems teams with an opportunity to accelerate the development of e-commerce platforms for all the brands.

INDIVIDUAL SHAREHOLDERS: DEDICATED AND INTERACTIVE COMMUNICATION

All year round, the Shareholder Relations team provides information and an insight into the world of L'Oréal. In 2010, some 6,000 people came to meet group representatives, at the Annual General Meeting, at shareholder meetings and at the Actionaria shareholder fair. New communication tools are to be introduced at the start of 2011 for even greater interactivity.



A DEDICATED **MULTIMEDIA MAGAZINE** L'Oréal is supplementing its online communication for individual shareholders with a newsletter and a multimedia magazine. This magazine keeps them up to date with group news and helps them understand the challenges of the beauty sector. New sections are also being added to the dedicated website. www.loreal-finance.com.

91% OF INDIVIDUAL
SHAREHOLDERS
SAY THEY ARE SATISFIED WITH
THE COMMUNICATION
PROVIDED TO THEM BY L'ORÉAL⁽¹⁾

PREFERENTIAL DIVIDEND FOR LOYAL SHAREHOLDERS

Since the Annual General Meeting of April 16th, 2009, L'Oréal offers a loyalty bonus. A preferential dividend of +10% is thus offered to all holders of registered shares—whether directly or managed—for at least two years⁽²⁾, to reward the confidence and commitment of those who support the company in a long-term perspective. Shares held in registered form enable L'Oréal to get to know its shareholders better, and to offer them other advantages: automatic issue of notices to attend Annual General Meetings, dedicated publications, and invitations to regional shareholder meetings, together with a shareholder free phone number in France, etc. For further details, visit www.loreal-finance.com/eng/advantages-of-registered-shares.

(1) Survey of a representative sample of 500 individual shareholders, interviewed by TNS Sofres between October 26th and November 6th, 2010. (2) The preferential dividend is subject to a limit of 0.5% of the share capital per shareholder. The first preferential dividend will be paid in 2012 on the dividend for 2011, for shareholders who have continuously held registered shares—whether directly or managed—from December 31st, 2009 until the payment date of the dividend after the Annual General Meeting of 2012.



CONSULTATION COMMITTEE ONE YEAR ON; SHAREHOLDERS EXPRESS THEIR VIEWS

2010 headline news: the creation of L'Oréal's Individual Shareholder Consultation Committee. A new initiative to further advance relations with individual shareholders, better understand their expectations and improve the communication intended for them. At the four meetings held in 2010, the 18 Committee members exchanged views on a variety of subjects—including Annual General Meeting themes, digital communication, extra-financial communication, etc.—with several members of the Executive Committee, including Chief Executive Officer Jean-Paul Agon, and Christian Muliez, Executive Vice-President, Administration and Finance.



SOME 6,000 CONTACTS IN 2010
In 2010, L'Oréal took part in some ten shareholder meetings in France and Belgium, in partnership with the French Federation of Investment Clubs, the CLIFF (French Investor Relations Association) and shareholder associations. Each of these events provides an opportunity to continue a dialogue based on attentiveness and close contact. Several thousand visitors and shareholders visited the L'Oréal stand on November 19th and 20th, 2010, at the Actionaria shareholder fair, in which the group was taking part for the seventh consecutive year.

THE L'ORÉAL SHARE KEY FIGURES

(at December 31st, 2010)

€4.01

NET EARNINGS⁽¹⁾ PER SHARE

€1.80

DIVIDEND⁽²⁾ PER SHARE

€83.08

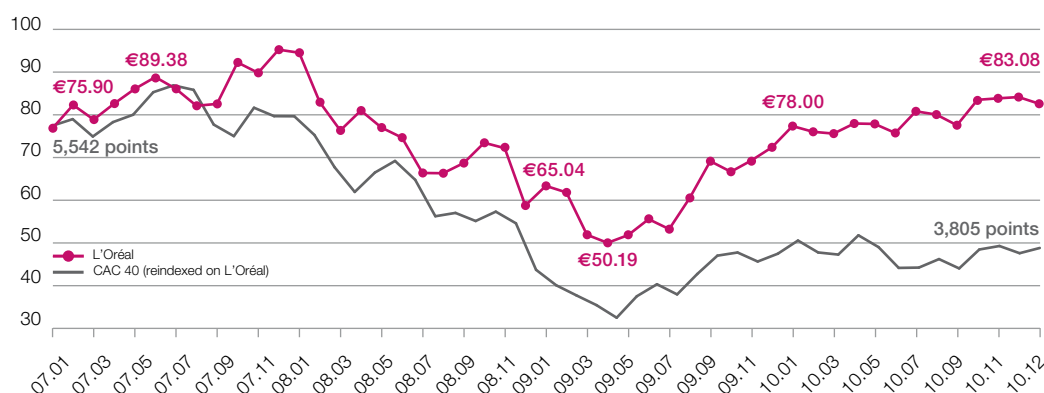
SHARE PRICE

€49.93 billion

MARKET CAPITALISATION⁽³⁾

L'Oréal share price since 2007

(in euros)



+9.5%

Change in the L'Oréal share price since 12.29. 2006

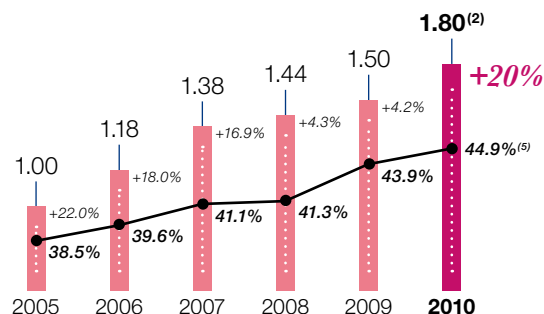
-31.3%

Change in CAC 40 index since 12.29. 2006

Dividend per share

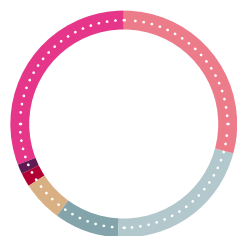
(in euros)

◆ Dividend distribution rate 2005-2010 as % of profit⁽⁴⁾



Breakdown of share ownership

(at December 31st, 2010)



- 30.9% Mrs Bettencourt and her family
- 29.7% Nestlé
- 21.8% International institutional investors
- 9.3% French institutional investors
- 5.7% Individual shareholders
- 1.9% Treasury stock
- 0.7% Employees⁽⁶⁾

A DYNAMIC SHAREHOLDERS REMUNERATION

Investment in L'Oréal shares

OVER 5 YEARS

Initial capital multiplied by 1.47 in 5 years

Total shareholder return: 7.76%

During the same period, the CAC 40 decreased by -0.74% per year⁽⁷⁾

Purchase of 239 shares at €62.80⁽⁸⁾ on December 31st, 2005: €15,009.20

Valuation at December 31st, 2010, including reinvestment of dividends (265 shares at €83.08): €22,016.20

OVER 10 YEARS

Initial capital multiplied by 1.08 in 10 years

Total shareholder return: 0.52%

During the same period, the CAC 40 decreased by -1.23% per year⁽⁷⁾

Purchase of 164 shares at €91.30⁽⁸⁾ on December 31st, 2000: €14,973.20

Valuation at December 31st, 2010, including reinvestment of dividends (194 shares at €83.08): €16,117.52

OVER 20 YEARS

Initial capital multiplied by 16.28 in 20 years

Total shareholder return: 14.61%

During the same period, the CAC 40 increased by +7.86% per year⁽⁷⁾

Purchase of 209 shares at €71.80⁽⁸⁾ on December 31st, 1990: €15,006.20

Valuation at December 31st, 2010, including reinvestment of dividends (2,941 shares at €83.08): €244,338.28

(1) Diluted net earnings per share based on net profit excluding non-recurrent items after minority interests.

(2) Dividend proposed to the Annual General Meeting of April 22nd, 2011.

(3) On the number of shares at December 31st, 2010, i.e. 600,992,585 shares.

(4) Dividend distribution rate based on diluted net profit excluding non-recurrent items per share.

(5) Based on the dividend proposed to the Annual General Meeting of April 22nd, 2011.

(6) In L'Oréal's employee savings plan.

(7) Reinvested dividends; source: Datastream.

(8) Non-adjusted share price.

RESULTS

Sales and operating profit by branch⁽¹⁾

CONSOLIDATED SALES

	€ millions	Growth Like-for-like	Published figures
Cosmetics	18,139	+5.6%	+11.6%
The Body Shop	755	-1.1%	+3.9%
Dermatology ⁽²⁾	602	+16.1%	+23.0%
TOTAL GROUP	19,496	+5.6%	+11.6%

OPERATING PROFIT

	€ millions	Weight	Growth based on published sales	% of sales
Cosmetics	2,872	94.0%	+17.8%	15.8%
The Body Shop	65	2.1%	+21.4%	8.7%
Dermatology ⁽²⁾	119	3.9%	+40.2%	19.8%
TOTAL GROUP	3,057	100%	+18.6%	15.7%

Sales and operating profit by division

CONSOLIDATED SALES

	€ millions	Growth Like-for-like	Published figures
Professional Products	2,717	+4.1%	+13.8%
Consumer Products	9,530	+5.5%	+11.4%
Luxury Products ⁽⁴⁾	4,506	+7.0%	+11.5%
Active Cosmetics ⁽⁴⁾	1,386	+4.7%	+8.9%
TOTAL COSMETICS SALES	18,139	+5.6%	+11.6%

OPERATING PROFIT

	2009		2010	
	€ millions	% of sales	€ millions	% of sales
Professional Products	477	20.0%	552	20.3%
Consumer Products ⁽³⁾	1,577	18.4%	1,765	18.5%
Luxury Products ⁽⁴⁾	612	15.1%	791	17.5%
Active Cosmetics ⁽⁴⁾	255	20.0%	278	20.1%
TOTAL COSMETICS DIVISIONS	2,921	18.0%	3,385	18.7%
Non-allocated ⁽⁵⁾	-482	-3.0%	-513	-2.8%
TOTAL COSMETICS SALES	2,439	15.0%	2,872	15.8%

Sales and operating profit by geographic zone

CONSOLIDATED SALES

	€ millions	Growth Like-for-like	Published figures
Western Europe	7,181	+1.7%	+2.6%
North America	4,291	+4.1%	+12.5%
New Markets, of which:	6,667	+11.3%	+22.4%
Asia, Pacific	3,192	+11.2%	+22.9%
Eastern Europe	1,399	+8.1%	+15.3%
Latin America	1,518	+17.5%	+32.6%
Africa, Middle East	558	+4.1%	+13.8%
TOTAL COSMETICS SALES	18,139	+5.6%	+11.6%

OPERATING PROFIT

	2009		2010	
	€ millions	% of sales	€ millions	% of sales
Western Europe	1,472	21.0%	1,552	21.6%
North America	555	14.5%	708	16.5%
New Markets	894	16.4%	1,125	16.9%
TOTAL GEOGRAPHIC ZONES	2,921	18.0%	3,385	18.7%
Non-allocated ⁽⁵⁾	-482	-3.0%	-513	-2.8%
TOTAL COSMETICS SALES	2,439	15.0%	2,872	15.8%

Sales by business segment

CONSOLIDATED SALES

	€ millions	Growth Like-for-like	Published figures
Skincare	4,936	+6.7%	+12.7%
Haircare	4,017	+3.0%	+8.8%
Make-up	3,846	+6.6%	+12.4%
Hair Colourants	2,716	+4.7%	+11.8%
Perfumes	1,815	+3.8%	+5.9%
Other ⁽⁶⁾	809	+15.8%	+30.5%
TOTAL COSMETICS SALES	18,139	+5.6%	+11.6%

(1) The group's business is composed of the cosmetics and the dermatology branches and The Body Shop.

(2) Group share, i.e. 50%.

(3) After reclassification of the "Distance selling" activity under the Consumer Products Division heading.

(4) On January 1st, 2010, the Roger&Gallet activity has been transferred from the Luxury Products Division to the Active Cosmetics Division. 2009 figures have been restated to allow for this change.

(5) "Non-allocated" items consist of the expenses of functional divisions and of fundamental research, and of stock option costs, which are not allocated to the cosmetics divisions. This item also includes activities not forming part of the group's core businesses, such as insurance, reinsurance and banking.

(6) "Other" includes sales made by American distributors with brands outside of the group.

CONSOLIDATED SALES BY GEOGRAPHIC ZONE AND BY BUSINESS SEGMENT

CONSOLIDATED SALES BY GEOGRAPHIC ZONE

€ millions	2009	2010	% of 2010 sales	Growth 2010/2009 Like-for-like	Published figures
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Professional Products Division

Western Europe	930.7	965.1	35.5%	+2.3%	+3.7%
North America	825.2	982.7	36.2%	+2.5%	+19.1%
New Markets	632.6	769.3	28.3%	+8.6%	+21.6%
TOTAL	2,388.5	2,717.1	100%	+4.1%	+13.8%

Consumer Products Division

Western Europe	3,583.5	3,664.9	38.5%	+1.3%	+2.3%
North America	1,943.1	2,167.4	22.7%	+4.7%	+11.5%
New Markets	3,028.6	3,697.6	38.8%	+10.7%	+22.1%
TOTAL	8,555.2	9,529.9	100%	+5.5%	+11.4%

Luxury Products Division⁽¹⁾

Western Europe	1,758.4	1,798.7	39.9%	+1.9%	+2.3%
North America	933.7	1,016.4	22.6%	+4.5%	+8.9%
New Markets	1,349.3	1,691.4	37.5%	+14.9%	+25.4%
TOTAL	4,041.4	4,506.6	100%	+7.0%	+11.5%

Active Cosmetics Division⁽¹⁾

Western Europe	725.5	752.3	54.3%	+3.1%	+3.7%
North America	111.3	125.0	9.0%	+2.8%	+12.3%
New Markets	435.3	508.3	36.7%	+7.7%	+16.8%
TOTAL	1,272.0	1,385.6	100%	+4.7%	+8.9%

The Body Shop

RETAIL SALES ⁽³⁾ € millions	2009	2010	% of 2010 sales	2010/2009 Like-for-like growth
Western Europe	535.2	508.8	39.3%	-4.9%
North America	192.8	177.8	13.8%	-7.8%
New Markets	600.6	607.7	46.9%	+1.2%
TOTAL	1,328.7	1,294.4	100%	-2.6%

SALES	€ millions	2010	2010/2009 Like-for-like growth
Retail sales ⁽³⁾		1,294.4	-2.6%
Retail sales with a comparable store base ⁽⁴⁾		1,147.8	-4.0%
Consolidated sales		755	-1.1%

NUMBER OF STORES	At December 31 st , 2009	At December 31 st , 2010	Variation in 2010
Company owned stores	1,089	1,088	-1
Franchisees	1,461	1,517	+56
TOTAL NUMBER OF STORES	2,550	2,605	+55

CONSOLIDATED SALES BY BUSINESS SEGMENT

€ millions	2009	2010	% of 2010 sales	Growth 2010/2009 Like-for-like	Published figures
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Hair colourants	846.8	973.8	35.8%	+6.8%	+15.0%
Styling and textures	323.3	340.8	12.5%	-1.0%	+5.4%
Shampoos and haircare	1,218.4	1,402.6	51.6%	+3.6%	+15.1%
TOTAL	2,388.5	2,717.1	100%	+4.1%	+13.8%

Hair colourants	1,582.3	1,742.5	18.3%	+3.5%	+10.1%
Haircare and styling	2,241.2	2,428.6	25.5%	+3.2%	+8.4%
Make-up	2,380.3	2,712.9	28.5%	+7.5%	+14.0%
Skincare	2,023.0	2,212.6	23.2%	+4.0%	+9.4%
Other	328.4	433.2	4.5%	+26.4%	+31.9%
TOTAL	8,555.2	9,529.9	100%	+5.5%	+11.4%

Skincare	1,473.3	1,753.9	38.9%	+12.2%	+19.1%
Perfumes	1,615.5	1,730.4	38.4%	+4.1%	+7.1%
Make-up	952.7	1,022.2	22.7%	+3.7%	+7.3%
TOTAL	4,041.4	4,506.6	100%	+7.0%	+11.5%

Skincare	972.1	1,056.1	76.2%	+4.0%	+8.6%
Haircare	98.9	103.3	7.5%	+1.0%	+4.4%
Make-up	85.6	100.6	7.3%	+14.5%	+17.5%
Other	115.4	125.6	9.1%	+11.0%	+8.9%
TOTAL	1,272.0	1,385.6	100%	+4.7%	+8.9%

Galderma⁽²⁾

€ millions	2009	2010	% of 2010 sales	Growth 2010/2009 Like-for-like	Published figures
Western Europe	215.2	260.6	21.7%	+18.3%	+21.2%
North America	580.4	700.6	58.2%	+14.7%	+20.7%
New Markets	182.6	242.2	20.1%	+17.8%	+32.7%
TOTAL	978.2	1,203.4	100%	+16.1%	+23.0%

(1) On January 1st, 2010, the Roger&Gallet activity was transferred from the Luxury Products Division to the Active Cosmetics Division. 2009 figures have been restated to allow for this change.

(2) 100% of Galderma's sales.

(3) Total sales to consumers through all channels, including franchisees.

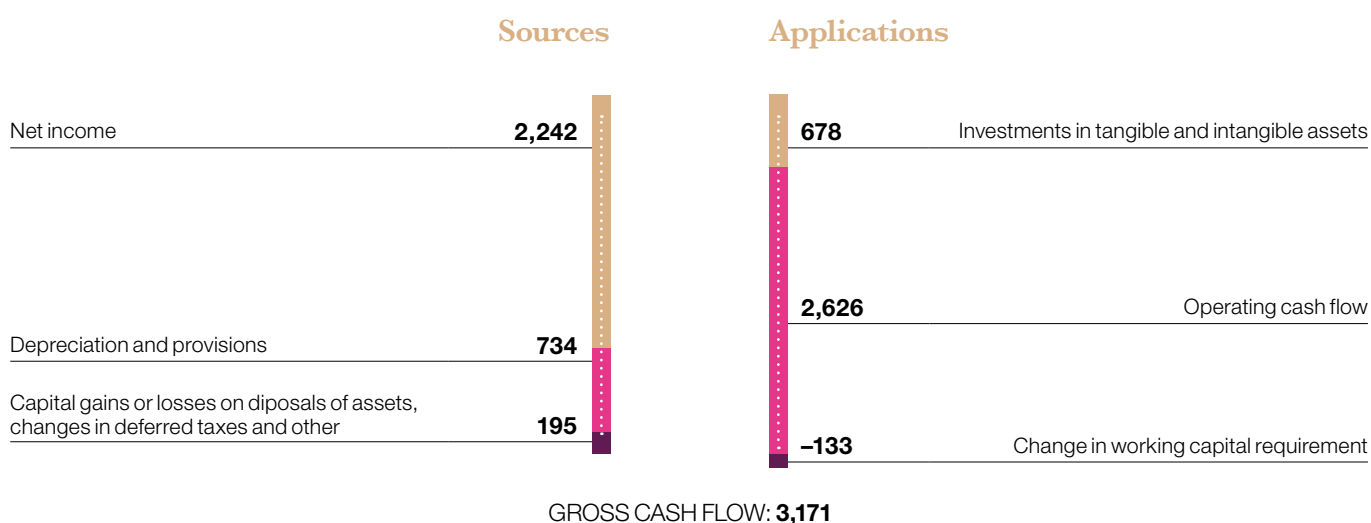
(4) Total sales to consumers by stores which operated continuously from January 1st to December 31st, 2010 and over the same period in 2009, including franchisees.

SIMPLIFIED CONSOLIDATED PROFIT AND LOSS ACCOUNT

€ millions	At December 31 st , 2009	At December 31 st , 2010	% of sales
SALES	17,472.6	19,495.8	100.0%
GROSS PROFIT	12,311.0	13,799.3	70.8%
Research and Development	-609.2	-664.7	
Advertising and Promotion	-5,388.7	-6,029.1	
Selling, general and administrative expenses	-3,735.5	-4,048.6	
OPERATING PROFIT	2,577.6	3,056.9	15.7%
OPERATIONAL PROFIT	2,299.9	2,903.7	
Finance costs excluding dividends received	-89.0	-35.6	
NET PROFIT EXCLUDING NON-RECURRING ITEMS AFTER MINORITY INTERESTS	1,996.7	2,370.9	
Non-recurring items	-204.5	-131.2	
NET ATTRIBUTABLE PROFIT	1,792.2	2,239.7	
Diluted net profit attributable to the group per share (euros)	3.07	3.79	
Net profit excluding non-recurrent items attributable to the group per share (euros)	3.42	4.01	

SOURCES AND APPLICATIONS OF FUNDS

(€ millions)



FINANCIAL RATIOS

	2009	2010
(% of sales)		
Operating profit/Sales	14.8%	15.7%
(% of shareholders' equity)		
Net profit excluding non-recurrent items after minority interests/Opening shareholders' equity	17.3%	17.4%
(% of shareholders' equity)		
Net gearing ⁽¹⁾	14.4%	0.3%
Gross cash flow/Investments	4.4x	4.7x

(1) Net gearing = $\frac{\text{Current and non-current debt} - \text{Cash and cash equivalents}}{\text{Shareholders' equity after minority interests}}$

L'ORÉAL 2004-2010

€ millions	2004	2004 ⁽¹⁾ pro forma	2005	2006	2007 ⁽²⁾	2008 ⁽²⁾	2009	2010
RESULTS								
Consolidated sales	13,641	13,641	14,533	15,790	17,063	17,542	17,473	19,496
Operating profit	2,089	2,089	2,266	2,541	2,827	2,725	2,578	3,057
As a percentage of consolidated sales	15.3	15.3	15.6	16.1	16.6	15.5	14.8	15.7%
Pre-tax profit excluding non-recurrent items	2,334	2,187	2,370	2,638	2,896	2,788	2,749	3,305
Net profit excluding non-recurrent items after minority interests	–	1,486	1,639	1,833	2,039	2,064	1,997	2,371
Net profit attributable to the group	3,970	1,439	1,972	2,061	2,656	1,948	1,792	2,240
Total dividend	554	554	659	739	843	862	899	1,082
BALANCE SHEET								
Non-current assets	15,734	15,734	18,686	19,155	17,030	16,380	17,350	17,048
Current assets	4,075	4,075	4,537	4,847	5,015	5,450	4,768	5,446
Cash and cash equivalents	576	576	663	781	1,087	1,077	1,173	1,550
Shareholders' equity ⁽³⁾	11,825	11,825	14,657	14,624	13,463	11,563	13,598	14,866
Net current and non-current debt	1,568	1,568	2,217	3,329	2,373	3,700	1,958	41
Gross cash flow	1,923	1,923	2,130	2,410	2,720	2,746	2,758	3,171
PER SHARE DATA (€)								
Diluted net profit excluding non-recurrent items after minority interests	–	2.29	2.60	2.98	3.36	3.49	3.42	4.01
Net dividend ⁽⁴⁾⁽⁵⁾	0.82	0.82	1.00	1.18	1.38	1.44	1.50	1.80 ⁽⁶⁾
Share price at December 31 ^{st(4)}	55.85	55.85	62.80	75.90	97.98	62.30	78.00	83.08
Highest share price during the year	69.90	69.90	67.45	84.05	99.97	99.26	79.32	88.00
Lowest share price during the year	51.50	51.50	54.50	62.30	74.25	53.32	46.00	70.90
Diluted weighted average number of shares outstanding	649,598,404	649,598,404	630,892,470	615,723,220	606,012,471	590,920,078	583,797,566	591,392,449

IFRS

(1) For comparison purposes, pro forma profit and loss accounts are restated in order to reflect the deconsolidation of Sanofi-Synthélabo at January 1st, 2004:

– by replacing the share in net income of Sanofi-Synthélabo, €293.5 million, by the received dividends, €145.9 million,

– and by neutralising the net of tax dilution capital gain relating to these shares, €2,854.5 million before any deduction and €471.1 million of taxes.

(2) The 2007 and 2008 balance sheet has been restated according to changes in accounting policies relating to advertising and promotion expenses, customer loyalty programmes and the immediate recognition in shareholders' equity of actuarial gains and losses linked to employee benefits.

(3) Plus minority interests.

(4) The L'Oréal share has been listed in euros on the Paris Bourse since January 4th, 1999, where it was listed in 1963. The share capital is fixed at €120,198,517 at December 31st, 2010: the par value of one share is now €0.2.

(5) The dividend is fixed in euros since the Annual General Meeting of May 30th, 2000.

(6) Dividend proposed to the Annual General Meeting of April 22nd, 2011.

2010 REFERENCE DOCUMENT

Detailed financial data can be found in Volume 2 of the Annual Report filed with France's securities regulator (AMF). This document can be downloaded online at www.loreal-finance.com and is available on request by phone or by mail: L'Oréal, 41 rue Martre, 92117 Clichy – France.
From outside France: +33 1 40 14 80 50



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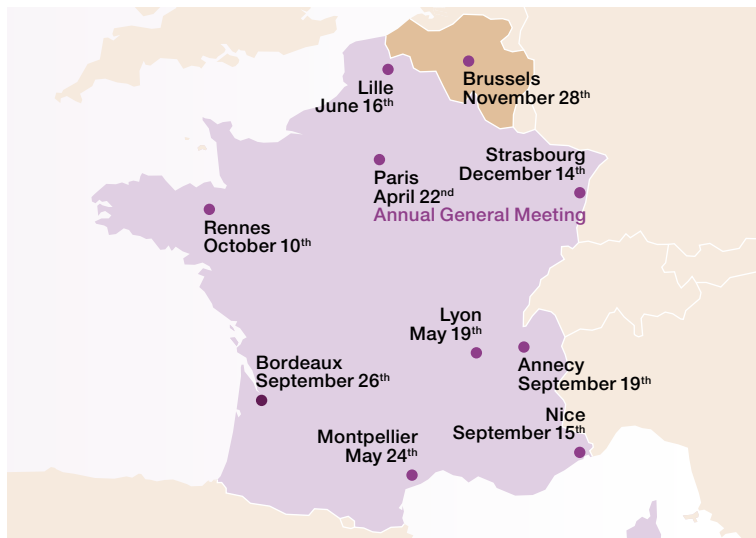
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KEY DATES FOR 2011

SHAREHOLDERS MEETINGS



Register for shareholder meetings at www.loreal-finance.com

FINANCIAL CALENDAR

- February 11th, 2011 2010 Annual Sales and Results
- May 4th, 2011 Payable date of the dividend⁽¹⁾
- August 30th, 2011 Half-year Results

(1) Subject to approval by the Annual General Meeting of April 22nd, 2011.

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INFORMATION ON THE L'ORÉAL SHARE

Market:
Euronext Paris (Compartment A)

Codes

- ISIN: FR0000120321
- Loyalty bonus code – dividend +10% in 2012: FR0010833269
- NYSE Euronext: OR.PA
- Bloomberg: OR:FP
- Reuters: OREP.A

Index

- Share index: CAC 40
- Social responsibility index:
 - FTSE4Good
 - ASPI Eurozone®
 - Ethibel Excellence Sustainability Index
 - Dow Jones Sustainability Index

Eligible

- For the Deferred Settlement Service (SRD)
- For the PEA (share savings plan)

At December 31st, 2010

- Market capitalisation: €49.93 billion
- Total number of shares: 600,992,585

Published by the Administration and Finance Division and by the Corporate Communications and External Affairs Division of L'Oréal group.

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

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Photo accessories p.13: Conran shop, Habitat, Muji.

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