



**ANNUAL
REPORT
2012**

L'ORÉAL

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
LABORATORIES ADVANCED RESEARCH
AFRICAN HAIR AND SKIN

essie

LANCÔME
PARIS

GIORGIO ARMANI

YVES SAINT LAURENT

BIOHERM

Kiehl's
SINCE 1851

RALPH LAUREN
FRAGRANCES

shu uemura

DIESEL

cacharel

HR
HELENA RUBINSTEIN

clarisonic

VIKTOR & ROLF

VICHY
LABORATOIRES

LA ROCHE-POSAY
LABORATOIRE DERMATOLOGIQUE

SKINCEUTICALS
ADVANCED PROFESSIONAL SKINCARE



innēov
ADVANCED RESEARCH NESTLÉ & L'ORÉAL



1st

**COSMETICS GROUP
WORLDWIDE**

22.5

**BILLION EUROS
OF SALES IN 2012**

130

COUNTRIES

27

**INTERNATIONAL
BRANDS⁽¹⁾**

72,600

EMPLOYEES

611

**PATENTS REGISTERED
IN 2012**

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





BEAUTY *FOR* ALL

For more than a century, L'Oréal has devoted itself solely to one business: beauty. It is a business rich in meaning, as it enables all individuals to express their personalities, gain self-confidence and open up to others.

Beauty is a language.

L'Oréal has set itself the mission of offering all women and men worldwide the best of cosmetics innovation in terms of quality, efficacy and safety. It pursues this goal by meeting the infinite diversity of beauty needs and desires all over the world.

Beauty is universal.

Since its creation by a researcher, the group has been pushing back the frontiers of knowledge. Its unique Research arm enables it to continually explore new territories and invent the products of the future, while drawing inspiration from beauty rituals the world over.

Beauty is a science.

Providing access to products that enhance well-being, mobilising its innovative strength to preserve the beauty of the planet and supporting local communities. These are exacting challenges, which are a source of inspiration and creativity for L'Oréal.

Beauty is a commitment.

By drawing on the diversity of its teams, and the richness and the complementarity of its brand portfolio, L'Oréal has made the universalisation of beauty its project for the years to come.

L'Oréal, offering beauty for all.

*MESSAGE FROM JEAN-PAUL AGON,
CHAIRMAN AND CEO* p.06

BOARD OF DIRECTORS p.10

EXECUTIVE COMMITTEE p.12

BEAUTY IS UNIVERSAL

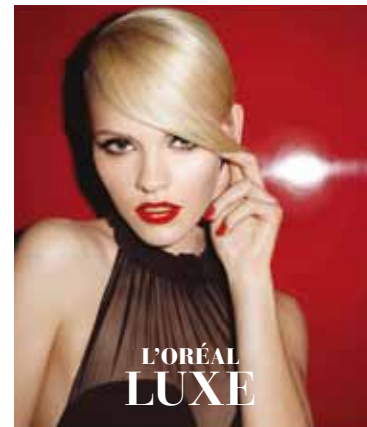
2012 marked a new stage on the road to **UNIVERSALISATION** for L'Oréal.
As the far-reaching transformation of the **BEAUTY MARKET** continued
(p.17), the group continued to **GAIN GROUND WORLDWIDE** (p.18).
To implement this strategy, **THE BRANDS** are taking their inspiration from
local trends to create new products (p.20), while the group speeds up
its **INDUSTRIAL EXPANSION** (p.22) and steps up its **DIGITAL** approach (p.24).
This transformation is driven by a pro-active policy of **GLOBALISING TALENT** (p.26).



L'ORÉAL OFFERING BEAUTY FOR ALL

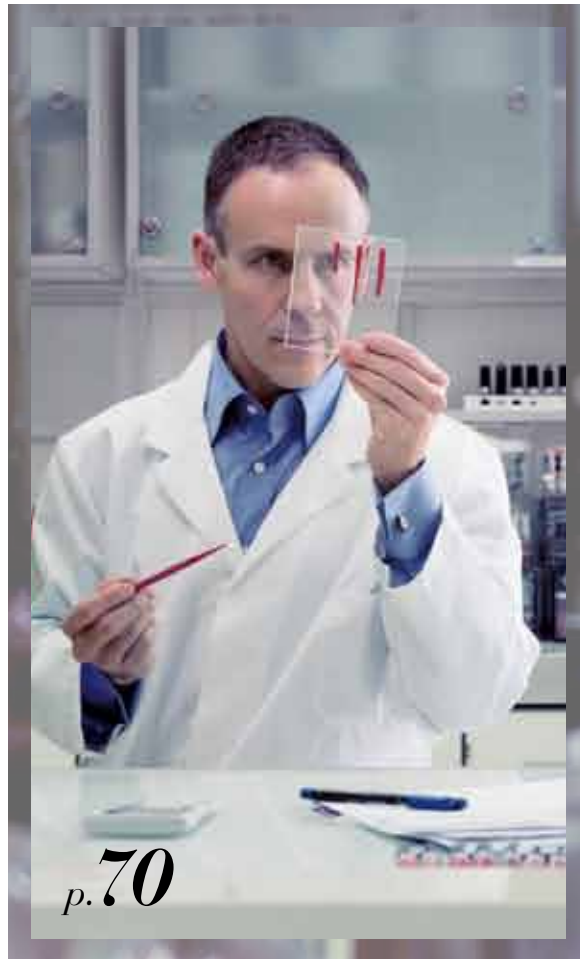
Putting the best of beauty within everyone's reach
is the mission L'Oréal is pursuing with **ITS UNIQUE
PORTFOLIO OF BRANDS ACROSS THE MAJOR DIVISIONS**,
each one an expert in its distribution channel.
In 2012, they continued to broaden
their reach and win over new consumers.

L'ORÉAL LUXE (p.30) **CONSUMER PRODUCTS** (p.40)
PROFESSIONAL PRODUCTS (p.50)
ACTIVE COSMETICS (p.58) **THE BODY SHOP** (p.66)
GALDERMA (p.68)



BEAUTY IS A SCIENCE

In 2012, Research and Innovation strengthened its **WORLDWIDE PRESENCE** and its network to boost innovation (p.73). At the forefront of hair expertise, the group inaugurated **THE WORLD'S LARGEST HAIR RESEARCH CENTRE** (p.74). The year was rich in **SCIENTIFIC INNOVATIONS**, illustrating the unique strength of L'Oréal's laboratories (p.76).



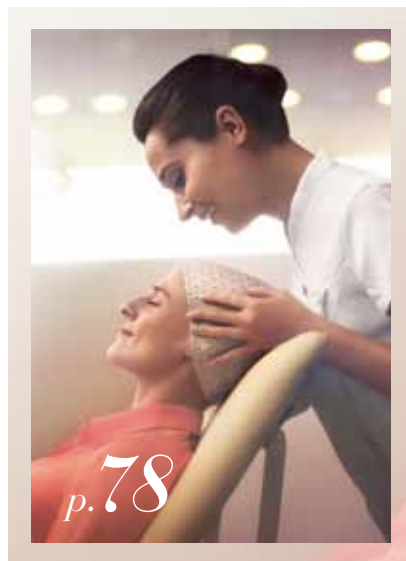
p.70



PROFESSIONAL PRODUCTS



ACTIVE COSMETICS



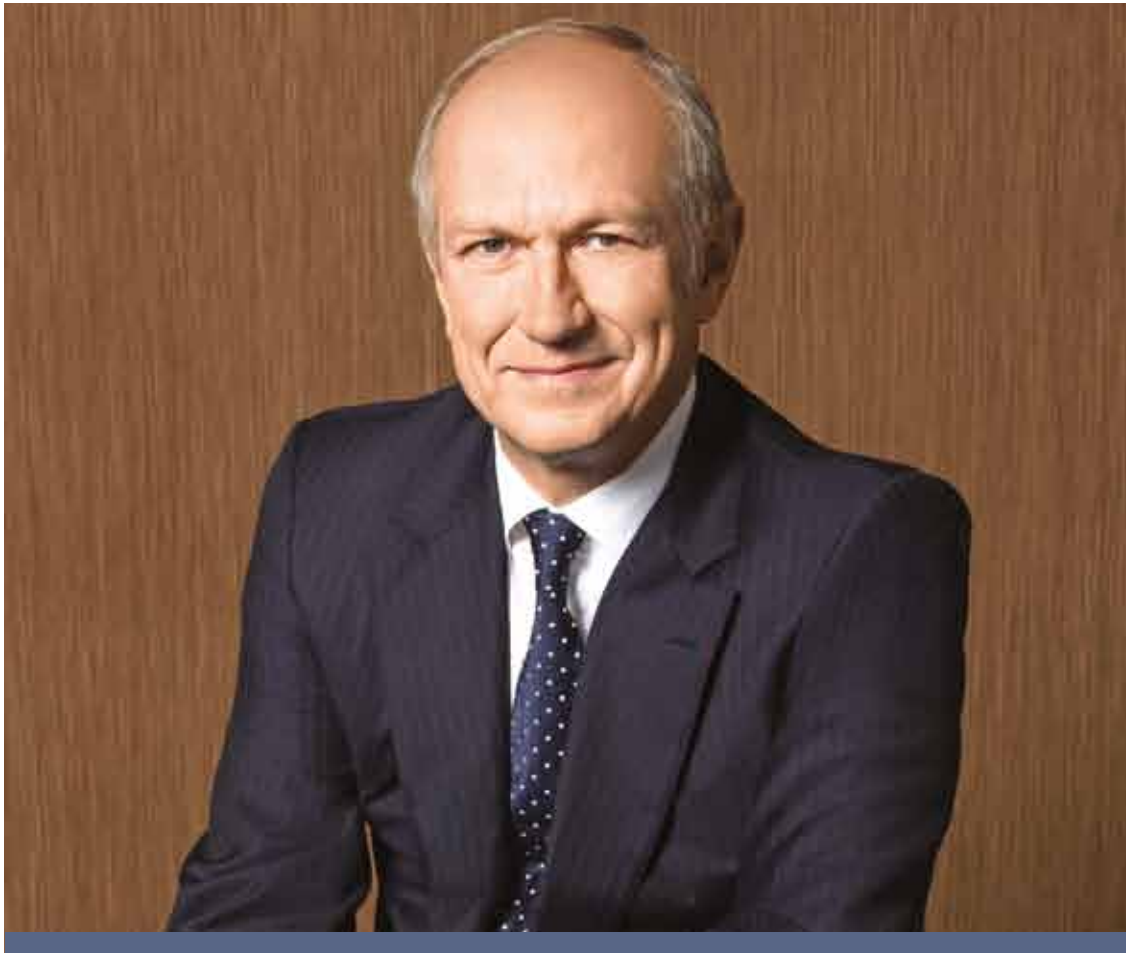
p.78

BEAUTY IS A COMMITMENT

L'Oréal's values, based on making the world a more beautiful place, led to tangible results in 2012, with advances in the field of **CORPORATE SOCIAL RESPONSIBILITY** (p.80). **ADMINISTRATION AND FINANCE** is helping to strengthen the relationship of trust it maintains with all stakeholders, and particularly with the group's **SHAREHOLDERS** (p.84).

KEY FIGURES FOR 2012

THE BEAUTY MARKET (p.87) - L'ORÉAL IN FIGURES (p.88)
CSR INDICATORS (p.90)



In 2012, L'Oréal once again posted strong results. The group has continued to demonstrate its ability to outperform the market and strengthen its worldwide leadership of the beauty sector.

MESSAGE FROM **JEAN-PAUL AGON**
CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF L'ORÉAL

In 2012, L'Oréal once again posted strong results. The group has continued to demonstrate its ability to outperform the market and strengthen its worldwide leadership of the beauty sector.

A very good vintage for innovations

This year was a very good vintage for innovations in our group, which, by creating the finest products in all channels and categories, has revived the product offering and driven the market forward. Innovation is at the heart of our profession. It is the superlative quality and performance of our products that enables us to attract and win ever-growing numbers of consumers, and ensure their loyalty. 2012 was also a year of renewal for some of our major brands, such as LANCÔME, VICHY, GARNIER and THE BODY SHOP. Meanwhile, L'Oréal enriched its brand catalogue—with acquisitions such as CADUM in France, VOGUE in Colombia and URBAN DECAY in the United States—to further intensify its coverage of the beauty market.

Accelerated international development

In geographic terms, L'Oréal has built up its position, even in the most difficult markets, such as Western Europe and the United States, where we have achieved record market share gains. In North America, the group grew roughly twice as fast as the market, driven by the aim of matching our market share level in Western Europe, where we continue to strengthen our position, while also improving our profitability. At the same time, L'Oréal has taken internationalisation to the next level. 2012 marked a major step forward, as the New Markets have become, for the first time

ever, the group's number one sales zone, representing some 40% of total cosmetics sales.

Strong value creation

2012 was also a year of strong value creation and growth in financial results, with our sales growth attaining double-digit figures. Operating profit and net profit reached record levels, and there was a spectacular increase in cash flow. These results illustrate the strength and efficiency of the L'Oréal business model. Thanks to the solidity and quality of our results and the company's very favourable prospects, the Board of Directors will propose a further substantial dividend increase of +15% to 2.30 euros at the next Annual General Meeting.

Balance of power

The quality of our results is also underpinned by the very high standards of governance which we strive to raise year after year. The freedom and independence of the Board of Directors guarantee the balance of power with General Management. The Board holds the resources it needs to deal freely with the questions at hand and in particular to approve, monitor and ensure the implementation of the company's strategic guidelines, while overseeing the good management thereof. The balance of power within the Board of Directors is guaranteed by clearly defining the individual remits of the Chairman and Chief Executive Officer on the one hand, and on the other, the 13 board members, who are free to make their own decisions.

At the Annual General Meeting, the Board will propose the appointment of Mrs Virginie Morgon as a new Board Director. Mrs Morgon is an Executive Board Member of Eurazeo, one of the leading investment companies



listed in Europe. All the directors have been provided with appropriate resources, within the framework of a code of operations, with carefully structured specialist committees whose remits have been broadened. The Board greatly appreciates the quality of the contributions made by the four Committees, whose work is increasingly thorough. L'Oréal's streamlined governance mode simplifies decision-making, which is crucial in the beauty sector, where innovation and adaptation are fundamental requirements.

Preparing L'Oréal for tomorrow's challenges

The Board of Directors actively supports the changes now taking place in the company. On this front, 2012 has been a year of great progress in adapting L'Oréal to a rapidly changing world, and successfully preparing the group for tomorrow's challenges. Research and Innovation has undergone a spectacular modernisation with the inauguration of the largest hair research centre in the world at Saint-Ouen, in France, and a fifth regional research hub at Mumbai, in India, which is essential to our universalisation strategy. Not only have production facilities been modernised, two new plants have been added, in Indonesia and Mexico, to support the conquest of the New Markets. The digital revolution has continued unwaveringly, with growth in digital communications and rapid advances in e-commerce. Digital communications are both a lever for sales growth and a way of strengthening

brand-consumer relationships. Finally, the L'Oréal group has continued to make optimal use of growth drivers (media, etc.), which represent a major economic opportunity for the coming years.

Targeting sustainable, responsible and inclusive growth

Transforming the company also means redefining its position and its role in relation to the social, economic and environmental issues it faces. This is why we have integrated the principles of sustainable development into our business model to make social responsibility a priority and build growth that is sustainable, responsible and inclusive.

In 2012, we continued to progress in all fields of social responsibility in which it is our duty—as a leading company—to excel: social and ethical matters, diversity and environmental issues. We have continued our efforts in innovation and sustainable production in order to guarantee increasingly responsible growth. L'Oréal has thus reduced its CO₂ emissions by nearly 39% since 2005, even though the group's growth has risen substantially over this period.

L'Oréal and its subsidiaries throughout the world are committed to making sure that the social and economic performance of the group go hand in hand. This goal is now part of a worldwide reporting system which allows us to better define action plans for the future and to measure our progress year by year. Furthermore in 2012, more than 70% of the group's

“
A year of great progress in adapting L'Oréal to a rapidly changing world.
”





employees yet again answered an opinion survey conducted by L'Oréal worldwide. The survey reflects the progress made over the last four years, but also identifies areas for further improvement in order to meet the concerns and expectations of each of our employees.

We also want to build growth that fosters inclusiveness and generosity. Through the programmes of the L'Oréal Foundation, our philanthropic initiatives and our "Solidarity Sourcing" project, which encourages social inclusion through purchasing, we are strengthening our commitment to sharing our success with the communities around us every day. Our commitment to corporate social responsibility has led to several awards from ratings agencies, which are a tribute to our efforts and our achievements in these areas.

Confidence in the future

We have confidence in the buoyancy of our profession and our market. Beauty is an essential, timeless and universal need. Cosmetics is both a supply-led market driven by innovation, and a demand-led market, bolstered by the rise of middle classes all over the world. This makes it a structurally dynamic market, and so it will remain in the future.

We also believe in our universalisation strategy, which embodies our essential mission—to offer women and men all over the world the best in beauty, in terms of

quality, efficacy and safety, while respecting their differences—and provides an objective that motivates the whole company: to conquer a billion new consumers over the next ten years.

Finally, we have faith in L'Oréal's fundamental strengths.

Its Research and Innovation, the most powerful in the industry. Its ability to constantly invent high-quality products that boast cutting-edge performance and ensure complete consumer satisfaction. Its unique catalogue of brands, the richest and most comprehensive in the industry. The strength of its business model, which creates value and generates cash flow, and of our very solid financial situation. And above all, we believe in our talented and committed

teams, who all share the culture, spirit and values of L'Oréal.

The great L'Oréal adventure continues.
The future is in our hands.

“
*We have confidence
in the buoyancy
of our profession
and our market.*
”

2012 Annual Results
Scan the code to watch
the interview with Jean-Paul Agon.



THE BALANCE OF POWER WITHIN THE BOARD OF DIRECTORS

“ OUR STREAMLINED GOVERNANCE STRUCTURE SIMPLIFIES DECISION-MAKING AND CLEARLY ASSIGNS RESPONSIBILITY TO ENSURE RESPONSIVE MANAGEMENT OF THE GROUP. ”

JEAN-PAUL AGON CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF L'ORÉAL

Since 2011, Jean-Paul Agon has been Chairman and Chief Executive Officer of L'Oréal. The Board of Directors believes this reunification of the two roles is particularly appropriate for L'Oréal's specific characteristics: a stable and loyal shareholding structure, expertise that is solely focused on the beauty profession, the remarkable loyalty of its senior managers, who have a thorough knowledge of the business, steady international growth and solid economic and financial performances.

This streamlined mode of governance simplifies decision-making in the beauty profession, where requirements in terms of innovation and adaptation are extremely exacting.

Dedicated, vigilant directors

The directors of L'Oréal are constantly kept up to date on all of the company's activities and performances. Highly committed and collectively endowed with

complementary financial, industrial and commercial expertise, they ensure that all measures contribute to the implementation of the strategy devised and applied by the Executive Committee. The work and deliberations of the Board are carried out transparently, on a collegial basis, and each member is free to speak his or her mind.

Expanded remits for specialised committees

Year after year, the work conducted by the four committees continues to grow. In 2012, the directors held in-depth discussions concerning an analysis of the competition, a review of acquisitions, and gender balance in the workplace. They also considered ethics: in line with L'Oréal's ambition to be one of the most exemplary companies worldwide, the Human Resources and Remuneration Committee extended its mission to include all aspects of the group's ethics programme which was also reviewed by the Board of Directors.



A diverse Board of Directors working to offer beauty for all⁽¹⁾

- 1. **Jean-Paul AGON**, Chairman and Chief Executive Officer since March 18th, 2011 (term of office renewed in 2010).
- 2. **Sir Lindsay OWEN-JONES**, Honorary Chairman (term of office renewed in 2010).
- 3. **Jean-Pierre MEYERS**, Vice-Chairman of the Board (term of office renewed in 2012).
- 4. **Peter BRABECK-LETMATHE**, Vice-Chairman of the Board (term of office renewed in 2009).
- 5. **Françoise BETTENCOURT MEYERS** (term of office renewed in 2009).
- 6. **Paul BULCKE** (since April 17th, 2012).
- 7. **Charles-Henri FILIPPI** (term of office renewed in 2011).

- 8. **Xavier FONTANET** (term of office renewed in 2010).
- 9. **Bernard KASRIEL** (term of office renewed in 2012).
- 10. **Christiane KUEHNE** (since April 17th, 2012).
- 11. **Marc LADREIT DE LACHARRIÈRE** (term of office renewed in 2010).
- 12. **Jean-Victor MEYERS** (since 2012).
- 13. **Annette ROUX** (term of office renewed in 2011).
- 14. **Louis SCHWEITZER** (term of office renewed in 2009).

⁽¹⁾ Board members as of 12/31/2012.

For further information, please consult the Corporate Governance chapter in the 2012 Registration Document.

THE EXECUTIVE COMMITTEE



The Executive Committee is L'Oréal's managing body. It implements the strategic guidelines and directs the group's operations worldwide. Its 15 members include the heads of the operational and functional divisions and the geographic zones.

MEMBERS OF THE EXECUTIVE COMMITTEE

- 1. Jean-Paul AGON**
Chairman and Chief Executive Officer
- 2. Nicolas HIERONIMUS**
President L'Oréal Luxe
- 3. Jean-Jacques LEBEL**
President
Consumer Products Division
- 4. Sara RAVELLA**
Executive Vice-President
Communication, Sustainability
and Public Affairs
- 5.**
- 6.**
- 7.**
- 8.**
- 9.**



5. Jochen ZAUMSEIL

Executive Vice-President
Asia, Pacific Zone

6. Jean-Philippe BLANPAIN

Executive Vice-President Operations

7. Frédéric ROZÉ

Executive Vice-President
North America Zone

8. Brigitte LIBERMAN

President
Active Cosmetics Division

9. Christian MULLIEZ

Executive Vice-President
Administration and Finance

10. Alexandre POPOFF

Executive Vice-President
Latin America Zone

11. Laurent ATTAL

Executive Vice-President
Research and Innovation

12. Marc MENESGUEN

Executive Vice-President Strategic Marketing

13. An VERHULST-SANTOS

President
Professional Products Division

14. Jérôme TIXIER

Executive Vice-President Human Resources
and Advisor to the Chairman

15. Geoff SKINGSLEY

Executive Vice-President
Africa, Middle East Zone





L'Oréal has set itself the mission of offering all women and men worldwide the best of cosmetics innovation in terms of quality, efficacy and safety. It pursues this goal by meeting the infinite diversity of beauty needs and desires all over the world.

BEAUTY IS *UNIVERSAL*



2012, A LANDMARK YEAR FOR UNIVERSALISATION

The transformation of the beauty market continues *p.17*

Worldwide advances for L'Oréal *p.18*

Global brands attentive to local trends *p.20*

An evolving industrial model *p.22*

The digital revolution in action at L'Oréal *p.24*

Human Resources at the heart of beauty for all *p.26*

THE TRANSFORMATION OF THE BEAUTY MARKET CONTINUES

The worldwide cosmetics market posted growth of +4.6%⁽¹⁾, a lively increase which demonstrates its solidity. The market is undergoing constant change, reflecting the geographic shift towards countries with strong growth potential, where rising urban middle classes eager for innovation are fuelling an ongoing renewal of cosmetics products and services.

NEW BEAUTY HORIZONS

In skincare, multi-action formulas—such as BB creams, which are halfway between facial skincare and foundation—have become a must. In make-up, feather-light textures that deliver a “nude” effect are taking centre stage, thanks to hybrid products which combine cover with a skin perfecter. Another new development in this category is the appearance of new-generation lip glosses which put an end to the uncomfortable sticky sensation of traditional lipsticks. Thanks to a filmogenic agent, they successfully provide long-lasting colour, shine and comfort. Another category that is changing fast is instrumental cosmetics, and especially the strategic segment of sonic machines and technologies. Brushes of this type are complementary to skincare products and generate a new ritual for cleansing that visibly transforms the skin.

All these innovations and technological breakthroughs were made possible thanks to the fundamental role played by Research and by the creativity and boldness displayed by the brands as they offer products that match new beauty expectations, while also setting the trends. Never before have the brands been so close to their consumers, who are constantly on the look-out for hints and recommendations. Personalised advice and services fuel this new proximity, which is omnipresent: on the Internet, via smartphones and tablets and in sales outlets.

It is through innovation, service, remarkable quality and great performance that L'Oréal, the worldwide market leader, is continuing to win over, recruit and ensure the loyalty of ever-growing numbers of consumers.

MARKET GROWTH LEVERS IN 2012



UNITED STATES

With growth of +4.6%⁽¹⁾ in 2012, the United States confirmed its status as the most solid mature market, for all categories and distribution channels combined.

This momentum is set to continue, thanks to the combined effect of the rise in population and the positive impact of digital media on the vitality of the cosmetics market.



LUXURY AND TRAVEL RETAIL

In 2012, the luxury channel remained the driving force behind the cosmetics market, with growth of +6.3%⁽¹⁾, boosted by the rapid growth of travel retail at around +14%⁽¹⁾. The increase in passenger traffic, the attractiveness of the counters, the quality of service and of the customer experience in sales outlets are contributing to this dynamic trend, with Chinese consumers leading the way.

SKINCARE

Skincare once again asserted its position as the flagship category of the global cosmetics market, both in terms of weight—more than a third of the market⁽¹⁾—and growth. In 2012, this category posted growth of +5.1%⁽¹⁾, with particularly good performances in the New Markets as well as in mature markets such as the United States and Japan.

(1) Source: L'Oréal provisional estimates of worldwide cosmetics market in net manufacturer prices. Excluding soap, toothpaste, razors and blades. Excluding currency effects.

WORLDWIDE ADVANCES FOR L'ORÉAL

In a market of contrasting trends but lively growth, L'Oréal made the most of its rich brand portfolio and the complementarity of its presence in all channels and all regions of the world to strengthen its leadership. L'Oréal once again outperformed the beauty market and made market share gains: the group demonstrated its ability both to strengthen its positions in the New Markets⁽¹⁾, particularly in the Asia and Africa, Middle East zones and to win new consumers in the major mature countries, such as North America, France, Germany and the United Kingdom.

THE NEW MARKETS: L'ORÉAL'S NUMBER ONE GEOGRAPHIC ZONE

2012 also marked a milestone in L'Oréal's internationalisation process, as the New Markets became the group's number one geographic zone in sales terms. The group's top 10 countries already include China (3rd), Brazil (7th) and Russia (8th). This powerful dynamic is fully in line with L'Oréal's goal of winning one billion new consumers over the next ten years.

+7.2%⁽²⁾

NORTH AMERICA

The good results of 2011 were surpassed in 2012. The Consumer Products Division has become number one in its field thanks to strong progress made by GARNIER, MAYBELLINE NEW YORK and ESSIE. The end of the year was marked by the strategic launch of L'Oréal Paris Advanced Hair Care. L'Oréal Luxe outperformed its market, notably thanks to CLARISONIC. The Active Cosmetics Division also significantly increased its presence in drugstores.

+10.4%⁽²⁾

LATIN AMERICA

In 2012, L'Oréal became the market leader in Mexico and expanded its positions in Chile, Argentina and Uruguay. L'Oréal stepped up its roll-out in the countries of Central America and in Colombia, with the acquisition of the VOGUE brand, the mass market make-up leader there. In Brazil, the initiatives of Elvive Arginine Resist, hair oils, and hair colouration products led to an improvement in position. The dynamic position of Active Cosmetics in this zone is also worth noting.



IN 5 YEARS...

... 9 NEW SUBSIDIARIES HAVE BEEN CREATED.

In its efforts to conquer a billion new consumers, L'Oréal is developing new growth relays, particularly through the opening of subsidiaries in all parts of the world: in Europe (Bulgaria), Africa (Kenya, Nigeria and Egypt), the Middle East (Saudi Arabia), Asia (Kazakhstan, Pakistan and Vietnam) and Latin America (Panama).

+0.6%⁽²⁾

WESTERN EUROPE

The European context saw the decline of markets in the southern countries and resilience in the rest Europe. Here L'Oréal has increased its market share especially through the Consumer Products Division which has consolidated its number one position. The group performed well particularly in France, where the acquisition of CADUM fully played its part, the United Kingdom, Germany and Northern Europe.

+3.9%⁽²⁾

EASTERN EUROPE

L'Oréal continued its recovery and is once again growing faster than the market. The turnaround is being driven by the Professional Products Division with its conquest of new hair salons particularly in Russia and Poland, and by the Consumer Products Division, with the success of Elvive Arginine by L'ORÉAL PARIS and Garnier Color Sensation hair colourants.

+9.6%⁽²⁾

ASIA, PACIFIC

L'Oréal is increasing market share in the zone. It strengthens its position with LANCÔME, KIEHL'S and YES SAINT LAURENT. In China, the group grew faster than the market, especially with L'Oréal Luxe, MAYBELLINE NEW YORK and L'Oréal Paris Men Expert. India, Indonesia and Thailand are particularly dynamic, driven by local initiatives such as Colossal Kajal by MAYBELLINE NEW YORK, and the Garnier Men range.

+14.7%⁽²⁾

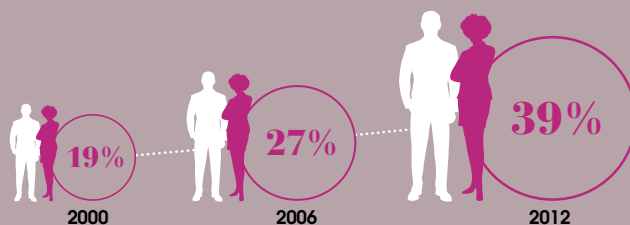
AFRICA, MIDDLE EAST

The Africa, Middle East zone recorded very good performances in Turkey, the Gulf States and the Levant. 2012 was notable for the rising momentum of new subsidiaries in Egypt and Kenya and the opening of a new subsidiary in Saudi Arabia.

IN 12 YEARS...

... THE WEIGHT OF THE NEW MARKETS HAS DOUBLED⁽³⁾.

In 2012, the New Markets became the group's number one geographic zone, ahead of Western Europe and North America. This steady rise, year after year, has led to a remarkable shift, which illustrates the start of a new phase of development for L'Oréal.



(1) The New Markets zone comprises Eastern Europe; Asia, Pacific; Africa, Middle East; and Latin America. (2) Like-for-like. (3) Percentage of total sales growth in the cosmetics branch.

GLOBAL BRANDS ATTENTIVE TO LOCAL TRENDS

To win the confidence of a billion new consumers over the coming years, L'Oréal has chosen not to impose a global vision of beauty, but instead to create products attuned to the needs, beauty rituals and lifestyles in each region of the world. This is the true meaning of the universalisation strategy applied by the group.

EACH COUNTRY PRESENTS NEW TECHNOLOGICAL CHALLENGES

In the past, only the major developed markets created new products, which were then adapted all over the world. Today, products are designed in the places where consumers live and local innovation is becoming a source of worldwide innovation. Responding to local problems linked to climatic conditions, physiology or traditions means that L'Oréal Research is continually innovating as it strives to provide beauty for all. To rise to the challenges set by consumers, researchers are constantly pushing back the boundaries of knowledge to discover new molecules and develop new formulations. Local developments drive advances in knowledge, and can then be applied all over the world, a process known as "reverse innovation". The organisational structure established to take up these challenges is strengthened with each coming year. It combines a strong central system—which embodies the group's strategic vision—with several regional hubs that bring together Research and Marketing expertise. At the heart of the universalisation process, the brands have to combine a strong identity with global reach and attention to local trends. The alchemy between worldwide brands and the local relevance of products is at the heart of L'Oréal's strategy for the coming years.

UNITED STATES

VISIBLY REDUCING
BLEMISHES CAUSED
BY ACNE OR THE SUN



DARK SPOT CORRECTOR BY GARNIER

Women hate blemishes! Dark spots and uneven complexion are two of the most visible signs of ageing. To cope with this specific problem, GARNIER has developed a facial skincare product enhanced with vitamin C, an active ingredient whose anti-blemish properties are widely recognised.

BRAZIL

PROVIDING EFFECTIVE,
NON-OILY SUN
PROTECTION WITH
THE COMFORT OF
A DRY-TOUCH
TEXTURE



ANTHELIOS "TOQUE SECO" BY LA ROCHE-POSAY

Because Brazilian women use sun products as everyday facial skincare, LA ROCHE-POSAY's Anthelios range has specially developed "Toque Seco", a dry-touch gel-cream formula that combines the comfort of facial skincare with the efficacy of a sun protection product.



IN INDIA

... A RESEARCH AND INNOVATION HUB

Present in India for the last 18 years, L'Oréal's growth rate in the country is +23.3%⁽¹⁾, making it one of the most dynamic in the beauty market. The group inaugurated its new Research and Innovation hub, which consists of a Product Development Centre in Mumbai and an Advanced Research centre at Bangalore. Ultimately the hub will employ more than 100 Indian researchers and scientists. The aim is to develop products adapted to the Indian market by drawing on a thorough knowledge of local consumer preferences and on the distinguished local scientific community.

(1) Like-for-like.



INDIA

OFFERING A MODERN KOHL THAT RESPECTS TRADITION FOR INDIAN WOMEN

COLOSSAL KAJAL BY MAYBELLINE NEW YORK

The inspiration came from an ancestral Indian beauty ritual: the application of a black paste that women use to emphasise and care for their eyes. By combining five different ingredients, MAYBELLINE NEW YORK has designed a modern kajal that guarantees intense colour, reduces puffiness and soothes the skin.



JAPAN

DEVELOPING GENTLE, ODOUR-FREE HAIR COLOURANTS

ALLURIA GREY/ALLURIA FASHION BY L'ORÉAL PROFESSIONNEL

In Japan, L'ORÉAL PROFESSIONNEL has reinvented hair colourants to allow for the expectations of women who want gentle products without unpleasant odour. With Alluria Grey and Alluria Fashion, the brand is listening to its consumers and offering them a product that stands out from the competition.

MIDDLE EAST

DRAWING INSPIRATION FROM A RAW MATERIAL HIGHLY PRIZED IN THE MIDDLE EAST TO CREATE A FRAGRANCE



OULD ROYAL BY ARMANI/PRIVÉ

As part of its Mille et Une Nuits collection, Armani/Privé has incorporated exquisite agarwood—an invitation to travel to distant lands. With Oud Royal, a profound and powerful fragrance, the brand spirits us off to an enchanting Orient.

INDONESIA

DESIGNING A LIGHTENING SKINCARE PRODUCT FOR USE IN HOT AND HUMID CONDITIONS



GARNIER MEN TURBO LIGHT OIL CONTROL

In Indonesia and India, men want to lighten their skin. Because of the climatic conditions—hot and humid eight months of the year—skincare tolerance is a difficult issue. Garnier Men Turbo Light Oil Control provides them with a solution for unifying the complexion that is well-suited to the specific needs of oily skin.



“
**PLANT
SPECIALISATION
BY TECHNOLOGY
REMAINS A
SIGNIFICANT DRIVER
FOR PRODUCTIVITY
ACCELERATION.**
”

In parallel with the organization of our industrial facilities by region, our plants are now being specialized by product type worldwide, which is already the case at our 15 sites in Europe. Throughout the zones, each plant specializes in a given expertise for greater efficiency in terms of investment, and to accelerate productivity gains. Advances made in rationalization and automation have resulted in doubling productivity over the last 10 years.

JEAN-PHILIPPE BLANPAIN
EXECUTIVE VICE-PRESIDENT OPERATIONS

AN EVOLVING INDUSTRIAL MODEL

With two new plants in 2012, L'Oréal has accelerated its worldwide industrial roll-out. Located in high-growth countries, Indonesia and Mexico, these two new sites are key to the group's universalisation strategy.

DOUBLING OUTPUT

Winning a billion new consumers means doubling the output of the group's factories. In Operations⁽¹⁾, the universalisation strategy is based on a single industrial policy, organised on a regional basis so as to stay close to markets, seize all opportunities and develop the talents of tomorrow throughout the world.

In 2010, the inauguration of the factory at Kaluga in Russia set the ball in motion. Built in response to the powerful growth of the local market, with a production capacity of more than 100 million units, it also embodied the strategy Operations had put in place: the regionalisation of industrial facilities. With a production capacity of 500 million units, the Jababeka plant, opened in Indonesia



in 2012, is set to become the cornerstone of development in South-East Asia, the zone where growth is highest and where L'Oréal has set itself ambitious targets (see box opposite). Like all the group's other plants, it has been certified in terms of quality, environment and safety.

Inaugurated at the end of the year in Mexico, the San Luis Potosi plant is strategically located to supply Latin America and North America with hair colourants from L'ORÉAL PARIS, GARNIER and SOFTSHEEN•CARSON. In the short term, this factory will adopt the "wall to wall" approach initiated by the group in 2010. This strategy calls for the inclusion of a supplier's packaging production unit on-site in order to reduce response times and increase productivity and flexibility. By 2013, the plant's production capacity will reach 120 million units, and by 2015, it is expected to attain 225 million units.

(1) Operations at L'Oréal covers seven different fields: purchasing, production, quality, environment-health & safety, supply chain, packaging & development, and real estate.



JABABEKA in figures

500 employees
200,000 sq.m. of floor area
€100 million in investments over six years
200 million units per year by 2013
Potential to reach 500 million
The 1st plant in Indonesia to obtain LEED Silver certification (sustainable building)

L'ORÉAL OPENS ITS LARGEST PLANT IN THE WORLD IN INDONESIA

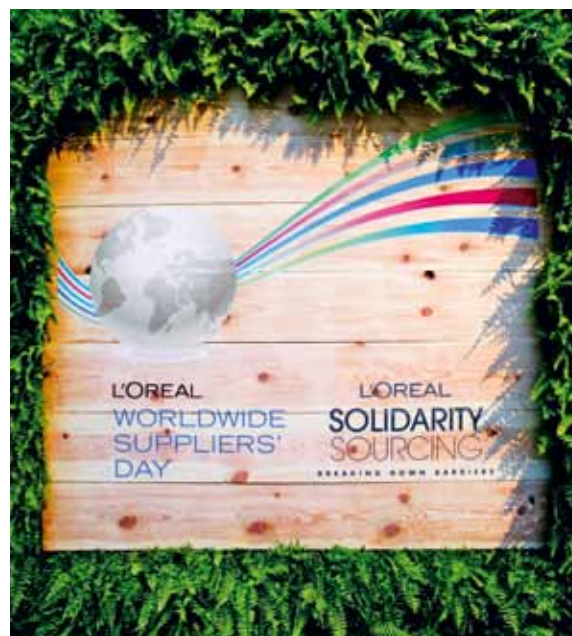
To meet the fast-growing demand in the South-East Asian beauty market, L'Oréal opened a high-tech plant at the end of 2012 in the industrial zone of Jababeka, 60 km from Jakarta. Its goal is to become the haircare and skincare regional production hub for the L'ORÉAL PARIS and GARNIER brands. Indonesia is one of the most dynamic countries in this zone, and in 2012 the group's growth rate there was +33.9%⁽²⁾. This can be explained by the rapid expansion of an affluent middle class and the strong appeal of high-quality, affordable cosmetics suited to the expectations of a population with a highly developed beauty culture. L'Oréal Indonesia's original plant, which was opened in 1986, has now been replaced by a much larger and more modern site. 30% of its production is intended for the Indonesian market, and 70% for other South-East Asian countries. This is a key step forward in the group's universalisation.



ZOOM

STRATEGIC PARTNERSHIPS BETWEEN L'ORÉAL AND ITS SUPPLIERS

In June 2012, L'Oréal held its first global Suppliers' Day in Paris, attended by its 100 most strategic suppliers. This was an opportunity for Jean-Paul Agon not only to share his vision and the L'Oréal road map and strengthen the partnership culture but also to encourage suppliers to participate in the "Solidarity Sourcing" programme, initiated in 2010. In front of an audience of public institutions, NGOs and academics, the group presented this worldwide programme, which aims to open up the sourcing process to companies and communities that are either disadvantaged or excluded from employment. A "toolbox" was given to each supplier to help them set up the programme in their own organisation. Other regional Suppliers' Days have been organised, for example in Hong Kong, where the third edition took place for the Asia, Pacific Zone.



⁽²⁾ Like-for-like.

THE DIGITAL REVOLUTION IN ACTION AT L'ORÉAL

Beauty inspires lively exchanges and creates strong bonds; consumers are always looking to build close relationships and find tips and recommendations. In 2012, L'Oréal took another step forward in its digital revolution: all the group's major advertising campaigns, in all countries and for all brands, now have an integrated digital dimension. Digital thus increases the profitability of media investments. For example, when GARNIER launched its BB Cream, the online campaign generated strong support from the beauty blogger community and awareness of the BB Cream, even before the TV commercial went on air.

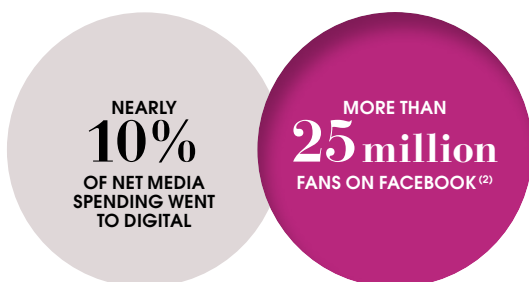
TAKING ADVICE ONE STEP FURTHER, WITH NEW PERSONALISED SERVICES

Digital also brings more creativity. The video clip *Love Your Lips*, created for the launch of Rouge in Love by LANCÔME exclusively for webcasting, generated an incredible viral effect and was viewed 120 million times in China!

Furthermore, digital media paves the way for new forms of personalised advice and services that are even better targeted: for example, the Active Cosmetics Division in China has created an information and advice service for women with sensitive skin, *eskin*, which is proving highly successful. L'ORÉAL PARIS, with its website *Get the Look*, answers the most frequently asked questions on search engines by providing beauty advice in near real time through articles and videos. Finally, in the United States, the L'ORÉAL PARIS brand is developing *Destination Beauty*, the country's first YouTube channel dedicated to beauty.

Another acceleration: e-commerce. KIEHL'S and THE BODY SHOP are pointing the way forward here, and have succeeded in perfect multi-channel integration. Their marketing model, which builds customised relationships, accompanies customers wherever they may be, online and offline, and even on their mobile phones, providing a better understanding of their buying impulses.

Finally in Japan, the trailblazer for m-commerce⁽¹⁾, all the group's Internet sales sites are mobile-compatible, with very promising results for the future. L'Oréal Luxe already makes more than 20% of its total sales *via* e-commerce.



(1) Mobile commerce includes all purchases made using a mobile phone, through an application or directly on a brand or distributor website. (2) Total number of fans of all the brands' Facebook pages in all countries.



“
OUR HIGH-ACHIEVING
DIGITAL HUBS PLAY A MAJOR
ROLE IN CONQUERING
THE NEXT BILLION CONSUMERS.
”

Perfectly attuned to our beauty profession, digital media constitutes a major lever for universalisation. In 2012, the digital revolution moved full speed ahead at L'Oréal, improving the effectiveness of our advertising, creating personalised services and stepping up the power of e-commerce and m-commerce⁽¹⁾.

SPREADING THE WORD ABOUT BEST PRACTICES WORLDWIDE

One of the key missions of Strategic Marketing is to ensure that best practices spread throughout the group. To fulfill this goal, we are developing centres of digital expertise, particularly in the United States, the cradle of the digital revolution; in Japan, where our m-commerce⁽¹⁾ expertise is increasing; but also in new countries such as China, where our digital approach boosts contact with young and digital-native consumers.

MARC MENESGUEN
EXECUTIVE VICE-PRESIDENT
STRATEGIC MARKETING



1,700,000 FACES, GORGEOUSLY LIT REASONS, YOU'RE BORN WITH IT!

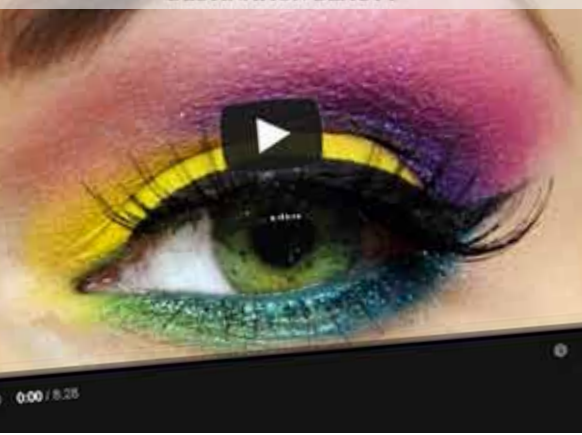


MORE THAN A MILLION FACEBOOK FANS IN INDIA

What's the best way to get people in a country as vast as India talking about Colossal Kajal kohl? For MAYBELLINE NEW YORK, Facebook was the obvious answer: the brand has 1.8 million fans on its Facebook page. After an interactive advertising campaign, sales doubled in the space of a few months. A textbook case that is proving to be very instructive for the group.

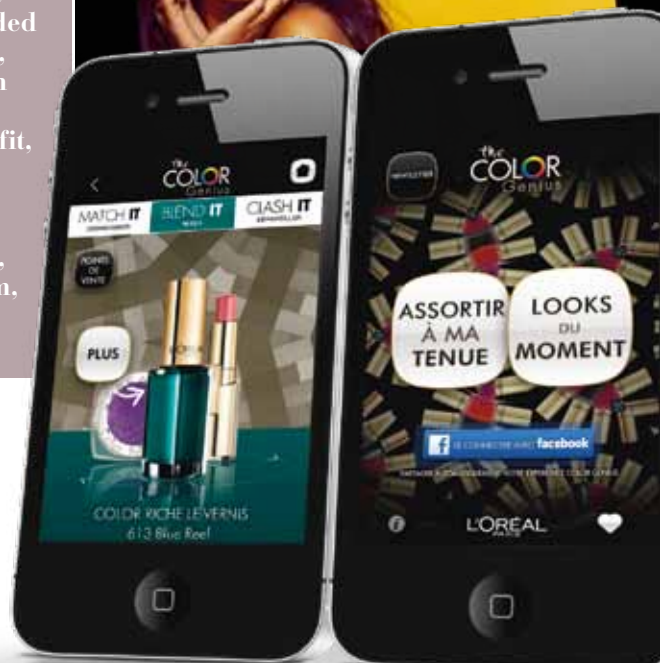


How All Flavors DESTINATION BEAUTY



A BEAUTY APP PRAISED WORLDWIDE

Its name: *The Color Genius*. It can provide instant make-up advice from a photo of what someone is wearing. Downloaded onto a smartphone or tablet, *The Color Genius* application offers three suggestions: make-up that matches your outfit, blends with a tone-on-tone solution, or clashes with it. The app has been launched in the United States, France, Australia, the United Kingdom, India and China.



HUMAN RESOURCES AT THE HEART OF BEAUTY FOR ALL

To conquer the next billion consumers, it is crucial to identify, recruit and develop the most talented individuals, capable of managing worldwide markets, which are rapidly expanding. In 2012, a global needs survey was carried out to identify the major regions in which the group must intensify its recruitment and training initiatives to ensure the best possible support for L'Oréal's growth. This year, a Talent Department was created to ensure that these aims are met. The group has also changed the way it recruits people, adopting a far more pro-active strategy of going after future employees wherever they may be in the world.

REVAMPED COMMUNICATIONS FOR MORE TARGETED RECRUITMENT

The highlight of the year was the launch of the "Employer Value Proposition" campaign to step up local talent recruitment. For the first time



“
L'ORÉAL HAS
ALWAYS STOOD
BEHIND ITS
EMPLOYEES.
”

L'Oréal's quest for universalisation is profoundly transforming the challenges and life of the group worldwide, while at the same time making a pro-active strategy of recruiting international talent essential. Our Human Resources policy is focused on two aspects: detecting talented individuals, in all their diversity, capable of managing the markets of today and tomorrow all over the world, but also ensuring that talents can be expressed in a collective framework that provides them with respect, rewards and career development possibilities. This is a crucial point, because economic success and optimal social performance must go hand in hand. It is our duty to put our values into practice to create a working environment based on respect, solidarity and the recognition of individual merit.

JÉRÔME TIXIER
VICE-PRESIDENT HUMAN RESOURCES
AND ADVISOR TO THE CHAIRMAN



ever, L'Oréal did not only focus its campaign on its image as an employer. The new campaign is a genuine proposition, based on what the group is, and what it offers in terms of professional and personal experience: "A thrilling experience, the culture of excellence".

This tailor-made communications approach emphasized the diversity of business models used in the group and attracted the highly talented individuals that L'Oréal needs to support its growth and attain its goal. This campaign was underpinned by a key message: joining L'Oréal means embarking on a personal and professional adventure. Moreover, the campaign was designed to be adaptable to local circumstances. Each country was given the freedom to choose the terms and images most relevant to local candidates. The result is a worldwide recruitment policy that is more targeted, more pragmatic and more direct, particularly thanks to the use of social networks. In China for example, the personal accounts and photographs of L'Oréal China employees, illustrating their real-life experiences, had a powerful impact on thousands of students at a dozen universities, enabling the group to collect more than 13,000 applications.

World TALENTS

In order to attract a billion new consumers, it is even more important to develop local talents and favour internal mobility. Here are some emblematic career paths and accounts.



“ I HAVE BEEN VERY FORTUNATE TO GAIN SUCH GOOD KNOWLEDGE OF THE BRITISH MARKET.”

Gayle is British. She joined the group 13 years ago. After holding various positions, particularly in Paris, she was appointed on returning to London to her current position as General Manager L'Oréal Paris United Kingdom and Ireland.

GAYLE GENERAL MANAGER OF L'ORÉAL PARIS
UNITED KINGDOM AND IRELAND

“ HAVING LOCAL EXPERTISE IS CRUCIAL IN A MARKET AS COMPLEX AS INDIA.”

Aseem is an Indian national. He joined the group 18 years ago. After gaining experience with the Consumer Products Division, he joined the Professional Products Division, and today he is General Manager for India, Bangladesh and Sri Lanka.

ASEEM GENERAL MANAGER OF PROFESSIONAL PRODUCTS DIVISION INDIA



“ L'Oréal has given me the opportunity to see the world, to learn, and to contribute to growth in different countries.”

After serving as Director of the Controlling Department at L'Oréal Paris Italy from 2007 to 2011, Ido is now Financial Director at the Taiwanese subsidiary.

IDO FINANCIAL DIRECTOR
TAIWAN



“ MY EXPERIENCE IN FRANCE AND BRAZIL ENABLES ME TO COMBINE MY LOCAL KNOWLEDGE WITH FRENCH CULTURE.”

Bianca is Brazilian. She teamed up with the group in 2005 as a senior Product Manager in hair colourants. In 2008, she was transferred to Paris, before becoming the Marketing Director of L'Oréal Paris in Brazil in 2009.

BIANCA MARKETING DIRECTOR OF L'ORÉAL PARIS
BRAZIL







By drawing on the diversity
of its teams, and the richness and
the complementarity of its brand portfolio,
L'Oréal has made
the universalisation of beauty
its project for the years to come.

L'ORÉAL
OFFERING
BEAUTY
FOR
ALL



L'ORÉAL LUXE

L'Oréal Luxe offers both men and women throughout the world an array of prestigious and modern international brands with a unique heritage. The brands of L'Oréal Luxe strive to promote the different specialities of luxury beauty: skincare, make-up, fragrances and haircare. They also set out to offer high-quality products through a selective distribution channel, and provide excellent service that respects the diversity of its consumers.

**LANCÔME
GIORGIO ARMANI
YVES SAINT LAURENT
BIOTHERM
KIEHL'S
RALPH LAUREN
SHU UEMURA
CACHAREL
HELENA RUBINSTEIN
CLARISONIC
DIESEL
VIKTOR&ROLF
YUE SAI
STELLA McCARTNEY
MAISON MARTIN MARGIELA
URBAN DECAY**

CREATING *EXCEPTIONAL* MOMENTS



“
DRIVEN BY 'TWIST CULTURE',
THE ROLL-OUT OF AN AMBITIOUS STRATEGY AND
MOTIVATED TEAMS, 2012 WAS A REMARKABLY
SUCCESSFUL YEAR FOR L'ORÉAL LUXE.
”

“TWIST CULTURE”

The brands of L'Oréal Luxe share an ambitious vision of luxury beauty which always focuses on being original and extraordinary. In-house, this is what we call “twist culture”. This means having high standards in terms of innovation, product differentiation and originality in the marketing and commercialisation of our cult brands.

Driven by twist culture, the roll-out of an ambitious strategy and motivated teams, 2012 was a remarkably successful year for L'Oréal Luxe.

THE RIGHT GROWTH LEVERS

In 2012, L'Oréal Luxe expanded by using its strongest growth levers: the rapid development of skincare and women's fragrances, key categories with strong potential for the division; scientific innovation; expansion in the most dynamic zones, such as Asia and the United States; the quality of the customer experience for all its brands; the most modern and lucrative distribution channels, such as Asian department stores, the selective free access channel in the United States, travel retail, and e-commerce. LANCÔME's staggering success, with +10.1%⁽¹⁾ growth, and YVES SAINT LAURENT's new positioning as a global multi-segment brand are also key highlights from the year.

DYNAMIC GROWTH WORLDWIDE

In 2012, L'Oréal Luxe maintained dynamic growth internationally, with market share gains in Western Europe, North America and the New Markets. In Western Europe, and in particular France, Germany, the United Kingdom and Scandinavia, the division achieved growth in a sluggish market. In North America, the division posted double-digit growth and made market share gains, thanks in particular to the rapid growth of CLARISONIC, the expert instrumental cosmetics brand acquired by L'Oréal in 2011. YVES SAINT LAURENT, KIEHL's and the designer brand VIKTOR&ROLF also contributed to these good results.

In the New Markets, growth was very strong, particularly in Asia, and especially in China, where it reached double-digits with the expansion of KIEHL's, LANCÔME's solid success, and a promising year at YVES SAINT LAURENT, which is benefiting from its skincare launch.

+16.0%

L'ORÉAL LUXE SALES
GROWTH BASED ON
REPORTED FIGURES

+47.3%⁽¹⁾

CLARISONIC SALES
GROWTH FOR ITS
FIRST YEAR WITHIN
L'ORÉAL LUXE

(1) Like-for-like.

NICOLAS HIERONIMUS
PRESIDENT
L'ORÉAL LUXE



1. MIDNIGHT ROSES COLLECTION

Make-up designed around the colour purple, a symbol of mystery and elegance.

2. ABSOLUE L'EXTRAIT

This elixir features concentrated LANCÔME rose stem cells, whose properties improve the regenerative potential of the skin.

LUXURY ACCORDING TO LANCÔME

At the heart of the worldwide breakthrough of the new-look LANCÔME: a concept of luxury based on demonstrating the efficacy of its products, and a radiant and multi-faceted take on femininity.

In skincare, the brand's core business, LANCÔME draws on the development of products at the cutting edge of scientific innovation to attract women in search of excellence. The brand's goal is to share the best of science with consumers through products featuring a high concentration of active molecules that provide immediately visible results. This approach led to the launch of the Génifique serum in 2009 and Visionnaire with LR 2412 in 2011.

Cutting-edge science and premium services

Following in the wake of these iconic products, 2012 was notable for the launch of Génifique Yeux Light-Pearl™ for eye contours. Already a market leader in several countries⁽¹⁾, this serum combines gene science with a trailblazing surgical steel applicator. LANCÔME also demonstrated its hyperluxury expertise with the creation of Absolue L'Extrait. This cream, developed with an expertise in growing native plant cells, and rose cells in particular, stands out because of its texture, its fragrance and its vintage design. It boosted the sales of the Absolue franchise in 2012 and performed extremely well in Asia. To highlight its launch, counters were set up to showcase the range and offer personalised treatments and consultations. For LANCÔME's vision of luxury goes beyond innovation; it also means accompanying women in their beauty rituals and creating a lasting bond with them by delivering premium services in sales outlets and on the Internet.

(1) Source: Eyecare segment, NPD France MTD October and November and Spain MTD November and December panels, market share value 2012.



An optimistic take on femininity

For LANCÔME, femininity is radiant and optimistic, a far cry from empty stereotypes. The brand's mission is to make women's lives more beautiful. With "La vie est belle", LANCÔME has launched a major women's fragrance that embodies its new image and values. The joint creation of three celebrated perfumers, this luscious iris fragrance incorporates all the marks of true luxury: a formula containing natural raw materials, a bottle worthy of the LANCÔME hallmark, a commercial featuring the dazzling smile of Julia Roberts, and the creation of a prestige edition. "La vie est belle" made the headlines as the top fragrance launch worldwide in 2012⁽¹⁾.

Finally, to drive its development, LANCÔME can count on the "Maisons Lancôme", which are showcases for its expertise and its own particular concept of luxury. Since 2012, they have unveiled a new identity, created with the help of the architect Peter Marino. Inspired by French architecture, these innovative spaces offer a multisensory and transversal experience with perfume room, make-up boudoir, skincare alcove and a variety of services. The first "Maison Lancôme" opened its doors in April 2012 in Hong Kong.

(1) Source: Women's fragrance segment, aggregate NPD France, Italy, United Kingdom, Spain, USA and IRI Germany panels, full year 2012, market share value.

LA VIE EST BELLE

The star launch of 2012, this women's fragrance delivers a concentrated dose of the new LANCÔME image and values.



1. MANIFESTO

An incredibly bold fragrance by YVES SAINT LAURENT, embodied by its ambassador, the actress Jessica Chastain.

2. TEINT TOUCHE ÉCLAT

A unique alchemy that combines the "magical light" of Touche Eclat with a new-generation foundation.

IN PRAISE OF AUDACITY

YVES SAINT LAURENT

The year 2012 was a landmark year for YVES SAINT LAURENT, acquired by the group in 2008. The European brand with a focus on make-up and fragrances has become a major global, multi-segment brand, thanks to the launch of a new skincare line and a significant revival in Asia. As the most subversive of the Parisian couture brands, it has taken a series of bold gambles, setting itself the ultimate goal of becoming one of the top luxury cosmetics brands in the world. The brand outperformed the market⁽¹⁾, with particularly outstanding performances in the United States and Asia. These results are the reward for a highly eventful year of bold moves by YVES SAINT LAURENT, which notably include the strategic launch of its Forever Youth Liberator anti-ageing skincare. This major innovation, the result of years of research in the field of glycobiology, is opening the doors to the Asian market. At the heart of the range, the serum has proved a resounding success and brought new life to the brand, particularly in Japan.

Breakthrough innovations in all categories

Traditionally well-established in the make-up category, YVES SAINT LAURENT hit the headlines with Rouge Pur Couture Vernis à Lèvres Glossy Stain, an innovative product, developed from gloss technology originally invented for the food industry,



**ROUGE PUR COUTURE
VERNIS À LÈVRES
GLOSSY STAIN**

Its unique formulation, based on a suspension of ethylcellulose, delivers long-lasting colour and shine.

which has proven successful in Europe⁽²⁾. In the foundation market, a key segment for success in Asia and the United States, YVES SAINT LAURENT capitalised on its iconic Touche Eclat highlighter with the launch of Teint Touche Eclat, a new-generation fluid foundation which has been successfully released in international markets. The brand's creativity has also been bolstered by talented make-up artist Lloyd Simmons.

Manifesto, a new and emblematic women's fragrance

In fragrances, 2012 was a year in which YVES SAINT LAURENT established its position in the masculine segment with the L'Homme franchise, but above all it was marked by the launch of Manifesto in the women's market. The goal: to win over new consumers and create another core fragrance alongside the legendary Opium. With its bold scent, its couture-inspired bottle, and its slogan, "Daring is an art", Manifesto has made a very strong start since its launch in Europe in September-October⁽³⁾.

(1) Source: Sell-out panels and distributor feedback. (2) Source: Lip gloss segment, NPD France, Italy, United Kingdom, Spain and IRI Germany panels, full year 2012, market share value. (3) Source: EDP women's segment, NPD France, Italy, Spain panels, market share value.



1



2

THE PERFUMER'S ART

Drawing on its rich palette of major designer brands of all origins and artistic sensibilities, L'Oréal Luxe cultivates the perfumer's art.

Creating a fragrance for a major couturier is always a magical adventure. The story of an encounter between a vision and different forms of expertise, between two creative worlds: fashion and perfume. Just like his or her creations, each fragrance designer's olfactory style is unique and identifiable. In the world of fragrances, more than in any other, imaginative inspiration must be matched by irreproachable technique and respect for the essential components of luxury fragrances: superior raw materials, quality perfumes and traditional craftsmanship. The example of Flowerbomb, which required 289 proposals of different floral accords, 3,000 tests and two years of work, speaks volumes. 2012 once again reflected the painstaking craftsmanship of L'Oréal Luxe, the perfumer.

Designers take centre stage

When it created Armani/Privé Parfums in 2004, **GIORGIO ARMANI** wanted to embody the spirit of its haute couture and share a vision constructed around rare and precious raw materials. In 2012, in partnership with Saint-Louis Crystal Works, **GIORGIO ARMANI** created the Edition Cristal, limited to only 100 bottles worldwide. For its second edition, limited to 1,000 bottles, Armani/Privé Nacre takes its inspiration from haute couture collections.

The olfactory adventure of the **VIKTOR&ROLF** brand offers another style altogether. After Flowerbomb, one of the top-selling women's fragrances (number six on the market) in the United States⁽¹⁾, **VIKTOR&ROLF** pays tribute to masculine fragrances with Spicebomb. Like its sister perfume, Spicebomb strikes a perfect balance between moderation and excess, sophistication and modernity. Eight months after its launch, Spicebomb was already in the top two in its distribution channel in the United States⁽²⁾.

A third take on designer fragrances is offered by **RALPH LAUREN**, who designs his perfumes like his clothing. For each of his creations, **RALPH LAUREN** writes a story. Like an author, he develops his characters and their personalities, what they do, what they wear... and their fragrance. In 2012 he won over young women with the launch of the Big Pony Fragrance Collection for Women.

(1) Source: NPD USA panel, full year 2012, market share value. (2) Source: NPD USA Fine Department Store, full year 2012, market share value.



1. ARMANI/PRIVÉ

Nacre embodies exclusive craft perfumery, with its iris absolute fragrance and mother-of-pearl signature plaque.

2. BIG PONY COLLECTION

Sporty, sensual, free-spirited or stylish: four RALPH LAUREN fragrances to suit every woman's lifestyle.

3. ONLY THE BRAVE

The adventure of the original Only the Brave fragrance by DIESEL continues with Tattoo.

4. SPICEBOMB

VIKTOR&ROLF launches Spicebomb for men, an explosion of spices.

5. LILLY

STELLA McCARTNEY unveils her emotionally charged fragrance, inspired by the English countryside.

6. CATCH ME

For the latest fragrance from CACHAREL, "Seduction is a game".

7. REPLICA

MAISON MARTIN MARGIELA, a collection of three women's fragrances which evoke childhood memories.



1



3



5



7



1



2

1. MAESTRO

A new-generation skin perfector, based on the use of five carefully chosen oils.

2. ACQUA DI GIÒ ESSENZA

The rise of Acqua di Giò continues with Essenza, a new growth relay.

GIORGIO ARMANI: WHEN STYLE BECOMES *LEGEND*

In 2012, the brand that is synonymous with refinement and high performance switched its focus towards its fragrances, lending them an even greater level of sophistication and elegance.

It consolidated its move into men's fragrances with a flourish, by launching Armani Code Ultimate and Acqua di Giò Essenza. Thanks to Essenza, the Acqua di Giò franchise improved its performance by more than 20% in Europe⁽¹⁾, rising from fifth to fourth place in the men's segment in 2012⁽²⁾.

Essenza was a growth relay for Acqua di Giò, world number one among men's fragrances⁽³⁾, which took advantage of the impact of the new advertisement by the renowned photographer Bruce Weber.

A new-generation skin perfector

In make-up, another key area for the brand, GIORGIO ARMANI released the magnificent and innovative Maestro Fusion Makeup. Drawing on technological advances in the use of volatile oils, this new-generation skin perfector meets women's expectations for natural radiance and a "bare-skin" sensation. At its launch, Maestro was in the top three in department store foundation rankings in France and the United States⁽⁴⁾.

(1) Source: Sell-in, total Europe. (2) Source: Men's fragrances segment, aggregate NPD France, Italy, United Kingdom, Spain and IRI Germany panels, market share value. (3) Source: Euromonitor, 2011 ratings. (4) Source: NPD France MTD September and October 2012 and NPD USA, Fine DS, liquid foundation segment, MTD panels, October 2012.



A UNIQUE CUSTOMER EXPERIENCE

One of the ambitions of L'Oréal Luxe is to make each encounter between the brand and its customers a unique and memorable experience. It considers this aspect of luxury as fundamental for ensuring future growth. Visual communications at the point of sale and on e-commerce websites, the quality of customer service, and the training and coaching of advisors are all developed to this end. In 2012, the division created a Retail Department to implement these standards, and to ensure brand coherence all over the world. Several initiatives have been taken, such as the new counters and the "Absolue Bar", with its dedicated services at LANCÔME, the new point-of-sale identities for YVES SAINT LAURENT and BIODERMA, the HELENA RUBINSTEIN premium service, the Privé spaces for GIORGIO ARMANI and the latest KIEHL'S stores. The digital media experience is also an important focus. With +36%⁽¹⁾ growth in 2012, the luxury brands' e-commerce sites alone offer customers state-of-the-art features and a unique customer experience.

The KIEHL'S model becomes a reference

At KIEHL'S, the customer experience is one of the brand's founding values. It has created a highly original atmosphere and, thanks to its product advisors, delivers customer service in line with its reputation for excellence. The KIEHL'S model has become a textbook example at L'Oréal Luxe. Continuing its remarkable international expansion, KIEHL'S is moving into Brazil and is growing strongly in Japan, following successes in South Korea and China.

CLARISONIC BOLD LEAPS FOR A SMALL BRUSH

The group's first instrumental cosmetics brand, CLARISONIC, was acquired by L'Oréal in December 2011. Initially, the CLARISONIC brush was designed for use with problem skin, and for preparation before skincare. Since then, it has created a new ritual not only for cleansing but also for visibly transforming the skin, which has given the brand a real boost. In its traditional market, the United States, sales are growing strongly in selective distribution channels such as department stores and self-service outlets, and in professional distribution (dermatologists and spas).

Rapid international success

Elsewhere, L'Oréal subsidiaries have successfully incorporated the brand in Japan, Singapore, Hong Kong, Australia, Canada, Mexico and the United Kingdom. In the last quarter of 2012, it was launched in France, at Sephora, where it has already become the chain's leading skincare product⁽²⁾. In its first year as part of L'Oréal Luxe, CLARISONIC recorded sales growth of +47.3%⁽¹⁾.

⁽¹⁾ Like-for-like. ⁽²⁾ Source: Distributor feedback, products data MTD panel, December 2012.



PATENTED TECHNOLOGY

Thanks to CLARISONIC, L'Oréal Luxe holds a strategic position in the market for sonic devices and technology in skincare applications.



LANCÔME'S "ABSOLUE BAR", CHINA
This luxury area at the Beijing airport is dedicated to expertise and service for customers from all over the world.



THE NEW ERA OF GLOBAL SHOPPING

In 2012, the number of international tourists is estimated to have exceeded one billion⁽¹⁾. This figure is constantly increasing, and is linked to the phenomenon of global shopping, which is driven by Chinese travellers. Luxury brands must now consider their customers not only in their local markets, but everywhere throughout the world where they purchase goods. This is particularly the case in airport stores and the flagship department stores of the world's capitals. Global shopping has become a major venture for the luxury beauty segment. Among duty-free buyers, Chinese customers are the clear leaders (their growth is also the strongest) followed by the Russians, Indonesians, Japanese, Americans and Brazilians. To win over these global consumers, we have to know them well, not

only their beauty routines but also the specific details of their travel shopping behaviour. Generally speaking, the global beauty shopper is looking for luxurious settings, expertise and quality service, as offered by the "Absolue Bar" LANCÔME created at the Beijing Airport, with its Express zoning and Luxury zoning services. This shopper is also eager for advice, which means that the brands must recruit beauty advisors who are fluent in Chinese or Russian, and design point-of-sale visuals in the visitors' languages. KIEHL'S, which is "best in class" in terms of service, is the pacesetter for the L'Oréal Luxe division, and has also successfully applied its "service circle" to travel retail. It is capable of meeting the requirements of this most demanding category of global customers.

The global beauty shopper is looking for a luxurious atmosphere, replete with expertise and services.

(1) Source: World Tourism Organization Barometer.



CONSUMIER

PRODUCTS

The Consumer Products Division offers the best in cosmetics innovation to the greatest number of people on every continent. Its brands are available in mass-market channels (hypermarkets, supermarkets, drugstores and traditional stores). The division is the spearhead of the group's quest to win over a further billion consumers.

L'ORÉAL PARIS
GARNIER
MAYBELLINE NEW YORK
SOFTSHEEN•CARSON
CLUB DES CRÉATEURS DE BEAUTÉ
ESSIE

THE BEST OF INNOVATION FOR EVERYONE



“
IN ALL THE GEOGRAPHIC ZONES,
OUR BRANDS CONTINUE TO STAND OUT THANKS TO
INNOVATIONS WITH AN ADDED VALUE THAT
IS CLEARLY PERCEIVED BY CONSUMERS.
”

INNOVATION DRIVING BUSINESS

In the dynamic beauty market of consumer products we have grown faster than the market thanks to an exceptional range of innovative products.

These include: Revitalift Laser X3 by L'ORÉAL PARIS, Elvive Arginine Resist shampoo and Olia, the new home hair colourant by GARNIER. Hair oils that create new beauty rituals can also be counted.

These cutting-edge innovations, combining technological prowess with enjoyment for the user, help us to win over new consumers.

BRAND REINFORCEMENT

In 2012, all our brands reinforced their brand territories and positions on their respective markets. GARNIER for instance, found a new field of expression, “smart beauty”, with its incredibly successful BB Cream range, which continues to develop throughout the world, but also with hair colourants such as Nutrisse and Color Naturals which are continuing to win over the New Markets. L'ORÉAL PARIS has gained market shares in all the regions⁽²⁾ thanks in particular to the progress of hair products. MAYBELLINE NEW YORK has done well on the American continent and in Asia.

SOLID GROWTH ACROSS ALL ZONES

We have gained market shares in many regions and most of all in Western Europe, North America and Asia⁽³⁾. The largest contributor to this dynamism was the United States, whose +8.2%⁽¹⁾ growth in 2012 was exceptional.

In Western Europe, France, Great Britain and Germany are making very important gains in market shares and reaching their highest levels recorded so far.

In Asia, we have also obtained market shares in India, Thailand and Indonesia. In Eastern Europe and Latin America we registered strong growth at the end of the year.

+7.1%

GROWTH IN
THE NEW MARKETS⁽¹⁾

+5.8%

GROWTH IN HAIRCARE
AND STYLING⁽¹⁾

(1) Like-for-like.

(2) In volume. (3) Source: Nielsen/IRI Panels, market share value.

JEAN-JACQUES LEBEL
PRESIDENT

CONSUMER PRODUCTS DIVISION

FACIAL SKINCARE THE GROWTH DRIVER FOR L'ORÉAL PARIS AND GARNIER

With the flying start made by Revitalift Laser X3, the latest product developed at L'ORÉAL PARIS anti-ageing research and the success of the BB Creams and the Dark Spot Corrector by GARNIER, the division made major advances in facial skincare in 2012.

Innovations that make a difference

Revitalift Laser X3 skincare, launched in the autumn, has made a spectacular start in Europe, with record performances in the anti-ageing sector in France, the United Kingdom, Germany and Italy⁽¹⁾. Its secret is Pro-Xylane™, a molecule of natural origin at 3% concentrate and the result of 14 years of research, combined with fragmented hyaluronic acid and LHA. Symbol of a new generation of skincare products inspired by aesthetic medicine, Revitalift Laser X3 claims a triple action on lines, skin and the facial contours.

BB Cream, by GARNIER, with its five benefit actions in one single application and its instant visible results, has been diffused worldwide. Furthermore,

in Western Europe GARNIER launched three new varieties in the range (Oil Free, Sensitive Skin and Anti-Ageing) and special formulas have also been adapted for the USA, the Middle East and India. Another major success is Dark Spot Corrector by GARNIER: this simple and effective skincare product with pure vitamin C hydrates the skin while reducing all types of blemishes. Having met with great enthusiasm in the United States, its country of origin, this skincare is now winning over Europe with impressive performances.

1. REVITALIFT LASER X3

New anti-ageing skincare from L'ORÉAL PARIS, featuring highly concentrated Pro-Xylane™.

2. BB CREAM

by GARNIER, with three new formulas in 2012, continues to take the world by storm.

3. DARK SPOT CORRECTOR

by GARNIER, a blemish corrector tested under dermatological control, is proving its worth in mass-market retailing in the United States and Europe.



1

2

3

(1) Source: P13 2012 retail panels.



FOCUS ON MAKE-UP IN THE UNITED STATES

MAYBELLINE NEW YORK, L'ORÉAL PARIS and ESSIE have all contributed to an exceptional year in make-up for the Consumer Products Division in the United States. Each of these brands has a colourful story to tell.

Always at the forefront of innovation and fashion, the world number one in make-up⁽¹⁾, MAYBELLINE New York is attracting an ever-growing number of consumers. The keys to its success: innovative formulas that are immediately perceptible to consumers, high-impact communications and fashion colours inspired by the shows that take place during the New York Fashion Week. Mega Plush, the latest addition to the Volum' Express mascara family, is a resounding success: its gel-mousse formula, which contains far less wax than a traditional mascara, meets the needs of women who want both volume and supple lashes. Several million units of Mega Plush Volum' Express, with its unique ultra-soft flexible brush, have already been sold in the United States in 2012⁽²⁾. Since 2010, the market share of MAYBELLINE New York mascaras has been growing steadily⁽²⁾.

1. SUPERSTAY 14 HOURS

This lipstick from MAYBELLINE New York combines colour with a feather-light texture.

(1) Source: Euromonitor, 2011 data.

(2) Source: IRI retail panel, United States, 2012.



A cocktail of trendsetting innovations

Also in eye make-up, MAYBELLINE New York's Color Tattoo 24 hours eye shadows have met with great success. They use a highly original gel-cream formula based on concentrated pigments to create a bold, iridescent ink effect on the eyelid. They have been tested and largely commented on by beauty bloggers. Color Tattoo 24 hours eyeshadows thus generated an extremely positive buzz and have won over many new consumers for MAYBELLINE New York. Finally SuperStay 14 hours lipstick manages to combine remarkable colour hold with a feather-light feel on the lips, thanks to a technology based on flexible resins that coat the pigments with a long-lasting film.

2. MEGA PLUSH VOLUM'EXPRESS

An innovative mascara by MAYBELLINE New York with a gel-mousse formula and flexible brush.

3. COLOR TATTOO 24 HOURS

These eye shadows are based on a brand new gel-cream formula, with highly concentrated pigments.



TRUE MATCH BY L'ORÉAL PARIS A NEW DYNAMIC

From the initial idea to the brand's new publicity campaign the True Match foundation by L'ORÉAL PARIS is a model of universal innovation. Destined for every woman, whatever her complexion or skin type.



Every woman should be able to find her ideal foundation colour. This was the challenge taken up by L'ORÉAL PARIS, which developed 96 shades for its True Match foundation in order to meet all its consumers' desires.

The True Match concept was inspired by the diversity of the American population, and is an expression of its rich mixture of origins and cultures. Based on a study conducted in 57 countries, True Match offers a palette of colours organised into three families, to offer a range of choices that is as wide and relevant as possible.

The advertising campaign features four ambassadors who embody this universal concept and bring it to life: Beyoncé Knowles, Jennifer Lopez, Liya Kebede and Aimée Mullins. To guide women in their choice of the "right" shade, the brand has devised a playful app, "True Match Maker", to help them identify the foundation to suit their complexion. One million consumers have already found their True Match online. This new approach to foundation has been well received by women and is a shining example of universal innovation.





HAIRCARE REVOLUTION

The Consumer Products Division results in haircare have been particularly good this year with spectacular breakthroughs in some countries.

In 2012, European consumers responded very positively to the division's many brand initiatives. Charmed by innovative textures, they incorporated new products—such as hair oil, a new product category—into their haircare rituals. The haircare market has been truly transformed and continues to grow in value as it moves from hygiene towards a greater focus on beauty.

Elvive: successful make-over

The Elvive range by L'ORÉAL PARIS, whose packaging and formulas were totally revamped at the end of 2011, beat its previous market share record in Europe as a whole, strengthening its position as the haircare leader⁽¹⁾. For the first time it was number one in the United Kingdom⁽²⁾. The Arginine Resist X3 range, launched in 2011 and distributed worldwide in 2012, took centre stage. Nutri-Gloss



ELVIVE EXTRAORDINARY OIL

Extraordinary Oil, which is the product of a harmonious combination of six precious floral extracts, provides hair with nutrients, shine and vitality without weighing it down. It has a multitude of uses: it heightens shine, makes hair easier to manage and provides protection.

Cristal, a hit with a younger target group, the Instant Miracle mask, and above all the Extraordinary Oil range, whose success is already spreading beyond Europe's borders into Japan for example. Elvive is equally making progress in Latin America, Eastern Europe and Africa, Middle East, as well as making a strong start in India.

The boom in hair oils

With Extraordinary Oil by Elvive (L'ORÉAL PARIS) and Nourishing Hair Oil by Ultra Doux (GARNIER), hair oil is the success story of the year. Thanks to its nutritive properties, it makes hair more beautiful without weighing it down. It is a truly universal product that can be used as a mask, as a blow-dry aid or for a glossy finish. Praised by women and generating a very positive buzz on the web, hair

(1) Source: Nielsen and IRI retail panels, 2012. (2) Source: P13 retail panels, 2012.



ELVIVE NUTRI-GLOSS CRISTAL

A range for normal to fine hair in need of extra shine. Its secret? With its rich, sparkly gel texture, it nourishes hair without weighing it down.

oils are a new haircare category in mass-market retail outlets and represent an increase in sales growth for the brands.

Dry or sulphate-free: reinventing shampoo

Another big hit product adopted by consumers has been GARNIER's Ultra Doux dry shampoo with lemon, a new step in their daily routine. For Fructis, the Oil Repair 3 line is the first stage in a complete renewal of the range, and is already delivering excellent performances, particularly in Germany, Austria and Spain⁽²⁾. Finally, in the mass-market haircare premium segment, L'ORÉAL PARIS has launched its sulphate-free⁽³⁾ haircare range L'Oréal Haute Expertise in Europe, with three lines: EverPure, EverLiss and EverForce. This technology has already met with great success in the United States. Sulphate-free L'Oréal Haute Expertise formulas preserve the integrity of the hair fibre and ensure total colour protection.

HAIR COLOURANTS THE OLIA REVOLUTION

Thanks to Olia by GARNIER, home-use hair colourants will never be the same. Three years after the Inoa innovation from L'ORÉAL PROFESSIONNEL, ODS (Oil Delivery System) technology has been adapted for home-use hair colourants sold in mass-market outlets (learn about the science behind the product on p.75). Ammonia-free and odourless, Olia also stands out because it is extremely pleasant to apply and offers a palette of 22 shades. Since its launch in the autumn, more than 1.1 million units of Olia have been sold in France, Switzerland and the United Kingdom⁽¹⁾.



(1) Source: Distributor feedback.
 (2) Source: Nielsen retail panel, 2012.
 (3) Without sulphated surfactant.

L'ORÉAL PARIS' *INDIAN ADVENTURE*

The Indian adventure, which has historically been linked with GARNIER, took on the colours of L'ORÉAL PARIS in 2012. The brand recorded strong growth and market share gains in haircare. Total Repair 5, which was voted "Product of the Year 2012" in the damaged hair category, meets the Indian consumers' need for smooth, shiny and healthy-looking hair. Fall Repair 3X shampoo with arginine, which makes hair more resistant, has also attracted customers with its striking packaging and a highly effective advertising campaign led by Indian actress and the brand's ambassador, Sonam Kapoor.



FALL REPAIR 3X

A big hit in Europe, this shampoo—which nourishes hair and makes it more resilient—was adapted to the Indian market in 2012.



SOFTSHEEN • CARSON *SHINES IN AFRICA*

Afrikan hair is often particularly brittle and fragile, which is one reason why only 20% of women use hair colourants in South Africa⁽¹⁾. With Color Intensity, SOFTSHEEN • CARSON, world number one in the ethnic haircare market⁽²⁾, came up with an expert solution: an intense colour formula using a technology developed by its Chicago-based Advanced Research laboratories. This formula, enriched with olive oil, nourishes the hair fibre, and the specific combination of pigments provides vibrant highlights on dark hair, while the cream-gel texture makes application easy. Following its successful launch in hair salons and retail outlets in South Africa, Color Intensity is now winning over markets on the rest of the continent.

(1) Source: U&A survey carried out among 1,000 women in South Africa, 2008. (2) Source: 2012 Nielsen panel, South Africa, 2012 IRI USA.



ESSIE WEINGARTEN

Essie Weingarten, who founded the brand that bears her name in 1981, draws on her talent and imagination to design nail varnishes in an infinite range of colours.



THE BEAUTY OF COLOUR

C

olour is one of the keys to the beauty market. This was the finding of a study of 12,000 women in 12 countries conducted by L'Oréal at the end of 2012. More than 80% said colour was an important aspect of beauty, regardless of their age or nationality. More than 95% of the women who use colour do so to be more attractive (United States), more feminine (Europe and Brazil) or more self-confident (China). The make-up market represents 5.5 billion units worldwide, and has nearly doubled in size over the last 15 years. This growth has spread to all geographic zones, even though affinities with colour vary greatly depending on beauty habits. In this market, the nail varnish category has skyrocketed

Over more than 30 years, ESSIE has created 826 colours, including 53 new shades in 2012.

over the last five years. Now a must-have fashion item, nail varnish is often the first beauty product young girls experiment with. The remarkable success of the American brand Essie, acquired by L'Oréal in 2010, has been emblematic, contributing to the expansion of this segment. Its strength? Its amazing palette of colours—with highly evocative names, such as “Ballet Slippers”, “Eternal Optimist” and “Sand Tropez”!—and the talent of its founder, Essie Weingarten, in imagining new shades and setting new trends. After doubling its sales in 2012, Essie is continuing its internationalisation in 19 new countries and expanding into the professional and mass-market channels.



PROFESSIONAL PRODUCTS

*Thanks to first-class education
and the most advanced innovations in haircare
products and services, the Professional Products
Division makes sure that with each passing day more
and more people can take advantage of the highest
standards of quality and expertise from beauty salon
professionals all over the world.*

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

REINVENTING PROFESSIONAL BEAUTY



“
OUR AMBITION IS TO PUT THE MAGIC BACK
INTO HAIR SALON BEAUTY IN MATURE MARKETS,
AND TO SUPPORT ASPIRATIONS FOR
PROFESSIONAL QUALITY IN THE NEW MARKETS.
”

PLACING THE CONSUMER AT THE HEART OF OUR STRATEGY

Hairdressing is one of the few professions that can truly transform a woman's appearance. It is an extremely demanding profession because it touches on style, personality, intimacy and culture. It touches the very core of human nature. Our mission is to inspire this vast network of beauty professionals, to encourage salon visits and to win over new consumers. In 2012, our brands focused on creating real desire by putting the customer at the heart of their strategy. L'ORÉAL PROFESSIONNEL, KÉRASTASE and MATRIX were amongst the brands to revamp their image and launch new services and innovations into different markets.

MAKING HAIRCARE INTO A BEAUTY RITUAL

As in 2011, 2012 ended with solid progress in haircare, boosting the growth of the division as a whole. This success is driven by the performance of all the brands, especially KÉRASTASE, and the international success of the hair oils. It is also the result of the reinvention of haircare, making it into a beauty ritual that combines a sensory experience with high performance. As for cosmetic devices, they demonstrated the powerful role they can play in conquering markets in

France and elsewhere, with the successful introduction in 20 countries of the Steam-pod hair straightener from L'ORÉAL PROFESSIONNEL. In all, our division posted a +2.1%⁽¹⁾ increase in sales, in a professional haircare market which grew by +1.4%⁽²⁾. We are proactively continuing the internationalisation of our business. This year, India was the largest contributor to growth at +34.2%⁽¹⁾, ahead of Russia and China, both of which also recorded double-digit growth.

NEW TERRITORIES

Our development in the New Markets remains a priority in order to balance our brands' geographical presence and find new growth relays. The strong performances in 2012 in Asia, Eastern Europe, Africa and the Middle East illustrate this strategy at work. We are also determined to continue our diversification into professional nail care and nail colour, to support the many new global beauty concepts springing up in response to women's desire for well-being. The new Essie nail bars are part of this initiative.

AN VERHULST-SANTOS
PRESIDENT
PROFESSIONAL PRODUCTS

+10.5%

GROWTH IN ASIA,
PACIFIC⁽¹⁾
(EXCLUDING JAPAN)

+34.2%

GROWTH IN SALES
IN INDIA⁽¹⁾

(1) Like-for-like. (2) L'Oréal provisional estimates 2012.



NEW-GENERATION HAIR COLOUR

L'Oréal business began with professional hair colour and they remain a cornerstone in the division's strategy for growth. The comfort of the application and the wide variety of colour possibilities available in professional salons ensure customer loyalty and valued service in this channel.

In 2009, the industry was revolutionised with the launch of Inoa by L'ORÉAL PROFESSIONNEL, a breakthrough innovation that lightens hair by up to three shades and covers up to 100% of grey hair thanks to an innovative oil-based formula that is ammonia- and odour-free. Since then, the division has pursued its new-generation colour offensive



1. INOA 2
After its initial launch in 2009, Inoa has kept up its momentum in 2012 with the new ODS² formula for simpler and more effective use.

2. COLORINSIDER
With its ODS² colour injection system, Colorinsider optimises the colour process.

and extended its ODS (Oil Delivery System) technology to its other two major brands, REDKEN and MATRIX. Together they offer unrivalled service in terms of colour quality and salon experience for the consumer.

Market transformation

The products have met with considerable success. In 2012, ODS colour helped to drive the growth of both the division and the category. The successful launches of Colorinsider by MATRIX and Chromatics by REDKEN have added to the success of Inoa which, three years after coming onto the market, is continuing to win over hairdressers and their customers.

KÉRASTASE HAIRCARE AT ITS BEST

The division's luxury haircare brand moved up a gear in 2012. Its roll-out strategy is based on innovation, the recruitment of new consumers, and a constantly increasing emphasis on luxury and seduction.

In 2012, KÉRASTASE was the brand which made the largest contribution to the division's growth. In some 20 countries, KÉRASTASE achieved double-digit growth. In China, in particular, its sales leapt upwards by +33.3%⁽¹⁾. In this market, offering a vast reservoir of potential growth, KÉRASTASE opened its first department store counter in Shanghai, where it promotes its expertise, particularly in scalp diagnosis. This is a magnificent showcase which will help the brand win over new consumers looking for high-end products. In the United States, the second-largest growth contributor for the brand, its expansion accelerated substantially, with sales rising by +14.9%⁽¹⁾. This success reflects the policy of focusing on salon services and products to boost consumption, while also developing online sales, which accounted for 9% of sales.

New face, new message

The international roll-out of KÉRASTASE is based on a conquest strategy that emphasises high quality and focuses on innovation, the recruitment of new consumers, and an ever-growing focus on luxury and seduction in both services and products. In 2012, the road map featured three major events which contributed to the success of the brand and its sales growth in salons.

There was the launch of the Cristalliste range for long hair, the first haircare product concentrated in "liquid light", which extended

ELIXIR ULTIME

In 2012, KÉRASTASE expanded the range of its most precious oil, Elixir Ultime, and launched its new exceptional haircare 24 Carats and its Grands Crus.

⁽¹⁾ Like-for-like.



THE COIFF1RST HAIR SALON IN PARIS

KÉRASTASE and COIFF1RST join forces to offer the best in luxury haircare.



INITIALISTE: THE MUST IN HAIRCARE

A genuine beauty serum for hair, Initialiste has inspired a new haircare ritual in salons. Its emulsion formula includes ingredients developed through biotechnology. It has become a part of all haircare routines and results in stronger hair and a healthier scalp.

the brand's appeal to younger consumers. This new range was first launched in Europe and the United States. Today, it is being distributed successfully in Latin America, and Asia is set to follow in 2013. This major launch marked the start of the new KÉRASTASE advertising campaign, still in black and white, with even more vivacious and assertive ambassadors, and a message centred on seduction and beauty.

Hair oils take the world by storm

The brand also owes its development to the planetary success of its hair oils and its rising luxury profile, based on Elixir Ultime. This oil, launched in 2010, is symbolic of the new KÉRASTASE: a combination of professional expertise and sensorial excellence working together for more beautiful hair. In 2012, the franchise was rolled out internationally in a variety of forms, with the summer launch of Grands Crus, three oils for dry,

fine or damaged hair, with elegant fragrances, and the autumn launch of a beauty routine combining the Bain and Masque in a luxury package. In salons, the brand unveiled Elixir Ultime 24 Carats, a tailor-made ritual that showcases hairdressers' professional expertise while ensuring the loyalty of their customers.

Creating beauty rituals

Finally, KÉRASTASE confirmed its vocation as a creator of hair beauty rituals with the launch of Initialiste skincare for the scalp. This beauty serum is based on strong scientific foundations. L'Oréal Research discovered two reservoirs of stem cells in hair follicles, leading to the development of a product that promotes natural hair growth at its source. The result is a universal new-generation product that has become a part of all haircare routines, both for salons and home use.

HAIRDRESSING AT THE HEART OF FASHION

Hairdressing operates in cyclical markets closely connected to the latest trends, which have a notable impact on how often customers use a hairdresser's services for a cut, a colour or a new hairstyle.

In 2012, the links between the division and the fashion world were stronger than ever before. With REDKEN, L'ORÉAL PROFESSIONNEL and ESSIE, it is present at the major fashion shows in Paris, Milan and New York, and benefits from great visibility with consumers eager for style pointers.

As the official partner of the Paris Fashion Week, L'ORÉAL PROFESSIONNEL has its finger on the creative pulse each season. Present at more than 400 fashion shows worldwide, the brand sharpens its creative vision and expertise through its close relationship with designers all over the world. Professional hairdressers then take their inspiration from the brand's collections to offer their customers the latest trends. The division is also supported by REDKEN in this field, the New York urban brand with a strong backstage presence, which provides a different slant from L'ORÉAL PROFESSIONNEL in terms of colour and cut. In its artistic director, Guido Palau, one of the most in-demand hairstylists amongst celebrated designers, the brand has a talented ambassador who fully plays his role as a trendsetter.



THE NAIL BAR PHENOMENON

The current trend is for perfectly cared and coloured nails, creating skyrocketing demand in the professional channel: hair salons, institutes and spas. Driven by the nail bar phenomenon, the division is present in this market with ESSIE. This brand, which joined the group in 2010 and is a favourite with many stars, originated in hair salons on the other side of the Atlantic. Present backstage during fashion shows, it has built its success on a palette of fashionable colours and an ultra-high-performance formula. In 2012, ESSIE strengthened its presence in the professional channel in Europe and expanded widely in international markets, doubling the number of salons selling its products. It has also opened three emblematic nail bars: in New York in 2011, and in Mexico City and Paris in 2012. ESSIE is the ultimate manicure experience.





MATRIX BIOLAGE
OILSPA SERVICES

Imagine... professional sensual **oil-in-cream** intense treatment result: complete **nourishment** from **root-to-tip** exclusive: only in **MATRIX** salons

New
oil-thérapie
NOURISHING & STRENGTHENING
OILSPA SERVICE

MATRIX
PROFESSIONNEL

BIOLAGE
The Biolage range of hair oils has been particularly successful in India, where this form of haircare is given pride of place.



1,001 WAYS TO CHARM ASIA

In 2012, India was the largest contributor to growth in professional products, followed by Japan and China. These are strategic countries for the division, which is eager to speed up its development in the New Markets. To continue to grow in Asia, where beauty customs are infinitely diverse, premium and more accessible brands are developing a customised offering attuned to each culture. In Japan, L'ORÉAL PROFESSIONNEL has reinvented hair colour technology, adapting it to the codes of a market that rejects products if they are not odour-free and extremely gentle. With this approach, the brand recorded double-digit growth with Alluria Grey and Alluria Fashion. In Korea, a country that is extremely attentive to fashion trends, L'ORÉAL PROFESSIONNEL has adopted Parisian charm as the keynote for its permanent wave collection, Paris Glamour, and called in the Korean artist

To expand in Asia, the brands are developing a customised offering attuned to each culture.

Hyung-Tae Kim to create a series of new looks. His collection was presented to more than 5,000 hairdressers throughout Asia. In India, the top contributor to the growth of MATRIX in 2012, the brand made the most of the success with Biolage oil rituals, inspired by local beauty customs. However the greatest advance for 2012 was in hair colour, with Wonderblack, a special line created through the combined efforts of the International Marketing Division in New York, the laboratories in China and the marketing team in India; testing then followed in China and India. Launched in August, the product has already proved to be a great success in many hair salons. This achievement was furthered by the MATRIX buses, which hit the country's roads to assist salon development, even in the most rural areas, and provide training for a new generation of Indian hairdressers.



ACTIVE COSMETICS

The Active Cosmetics Division meets the needs of “borderline” skin, which is halfway between healthy and problem skin, through all types of health channels worldwide: pharmacies, beauty and health retailers, drugstores and medi-spas. Thanks to its highly complementary brands, and its close links with health professionals, dermatologists, paediatricians and doctors practising aesthetic medicine, the division is world number one in dermocosmetics⁽¹⁾.

VICHY
LA ROCHE-POSAY
SKINCEUTICALS
INNÉOV
ROGER&GALLET
SANOFLORE

A NEW VISION FOR *HEALTH AND BEAUTY*



“
INTERNATIONALISATION MEANS
ACCOMMODATING THE DIVERSITY OF APPROACHES
TO HEALTH AND BEAUTY AND FORGING A BROADER
PARTNERSHIP WITH PLAYERS IN THE MEDICAL FIELD.
”

A TURNING POINT IN THE INTERNATIONALISATION PROCESS

2012 was a historic year for Active Cosmetics. The division grew twice as fast as the market, with market share gains in its major zones⁽²⁾. Driven by its international development, Active Cosmetics is quickly gaining ground in the United States and is also growing in Western Europe, the division's traditional market, which for the first time accounted for less than 50% of total sales. The top six growth drivers now include countries such as Brazil, China and the United States. This is a real turning point, which augurs well for very strong performances all over the world, the reward for far-reaching transformation at Active Cosmetics.

ACCOMMODATING THE DIVERSITY OF APPROACHES TO HEALTH AND BEAUTY

The division no longer defines its offer through distribution channels, with pharmacies leading the way. Instead it is establishing more widely based partnerships with all types of players in the medical field, such as dermatologists, paediatricians, general practitioners, aesthetic surgeons and patients' associations. Similarly, international expansion of the division means we must adapt to the diversity of approaches to health and beauty and varying degrees of medical knowledge. Cultures around the world must become our source of inspiration. It is our job to combine nature with technology to develop major

breakthrough innovations. Finally, we need to focus on the consumer experience: high-quality advice and services both in sales outlets and on the Internet.

A PORTFOLIO OF INTERNATIONAL BRANDS

In 2012, the brands' performances reflect the way these new approaches have gradually been adopted. LA ROCHE-POSAY performed well in all geographic zones. VICHY confirmed its recovery, with a communications makeover and the successful launch of Idéalia skincare and Dercos Neogenic hair redensification treatment. The division's relay brands recorded double-digit growth overall. ROGER&GALLET, which celebrated its 150th anniversary in 2012, is continuing its European expansion with the success of L'Eau des bienfaits. SKINCETICALS, the division's premium brand, is expanding internationally, particularly in the New Markets, and is still extremely dynamic in the United States, its home market. Skincare is clearly set to become the number one category in the worldwide beauty market over the next few years. It is up to us to capitalise on our expertise and our powerful brand portfolio to seize this opportunity!

BRIGITTE LIBERMAN
PRESIDENT
ACTIVE COSMETICS

+5.8%

SALES GROWTH
FOR THE DIVISION⁽¹⁾

39.6%

WEIGHT OF NEW
MARKETS IN SALES

(1) Like-for-like. (2) Source: Panels and L'Oréal 2012 provisional estimates.



THE NEW VICHY

Premium, Health and Beauty.
Three pillars which symbolise
the repositioning of the
brand in 2012. Its new vitality
is already paying off.

“**I**deal skin is no longer just a dream”. VICHY’s new mission statement is backed by a global renewal of the brand on every front: communications, innovation and point-of-sale service.

A new image

In 2012, VICHY asserted its new identity with a positive and upbeat communications approach, supported by a strong advertising campaign and more attractive packaging. It was all summed up in an emblem: a capital letter “V”. The brand has also reinvented its image in sales outlets all over the world, with an emphasis on merchandising that highlights product textures through sampling. The underlying aim? To combine safety, efficacy and femininity in order to win over distributors and pharmacists, and attract new consumers. To deepen its approach, which is based on advice and support, VICHY is strengthening its presence on the Internet with the launch of a completely new digital platform: Ideal Skin Blog, which brings together expert recommendations, videos, explanations and advice.

1. IDÉALIA

The first skincare product launched by VICHY in 2012 is a symbol of the brand’s renewal.

2. LIFTACTIV SERUM 10

This serum has a high concentration of rhamnose (10%), a plant-based sugar inspired by L’Oréal’s dermatology expertise to reveal beautifully youthful skin.

3. DERCOS NEOGENIC

Stemoxydine, a new molecule from L’Oréal Research, is at the heart of this hair redensification treatment.





High-profile launch for Idéalia

It all began with an exploratory ethnographic study, in which women the world over were asked about their perception of ideal skin: healthy skin without visible pores, blemishes or wrinkles. The answer to these women's expectations was Idéalia, the first skincare product to create "ideal skin" by refining its texture, unifying the complexion and smoothing out lines and wrinkles. The powerful ingredient at the heart of the formula is kombucha, a thousand-year-old active health ingredient produced by the biotechnological fermentation of black tea. This flagship launch has already secured a following: Idéalia is in the top five on the anti-ageing skincare market in European pharmacies⁽¹⁾.

Dercos Neogenic: the Stemoxydine revolution

In 2012, VICHY launched the hair redensification treatment Dercos Neogenic with Stemoxydine, a patented high-performance molecule designed to stimulate the stem cells that generate new hair. The product, sold as a lotion in single-dose vials

inside a strikingly modern box, was launched exclusively in European pharmacies, and chalked up record sales in France, Spain and Italy⁽²⁾.

Further advances in international development

Traditionally strong in Europe, the brand has continued to gain market shares there in anti-ageing facial skincare, its core business, thanks to the combined success of the new Idéalia franchise and of Liftactiv Serum 10, with highly concentrated rhamnose. VICHY is now also stepping up its internationalisation. In Asia, new distribution channels such as drugstores and stores are proving very promising. In Brazil, the sales model, which is based on dermatological prescription of sun care and anti-ageing skincare, is highly effective. Finally, in the United States, a market that is just as recent for the brand, VICHY is helping to found the dermocosmetics sector.

A VICHY SALES OUTLET IN HEBEI PROVINCE, CHINA

For VICHY, the new distribution channels in Asia are extremely promising.



1. REDERMIC (R)

Anti-wrinkle skincare with a gradual retinol release formula.

2. ANTHELIOS AC

A specific product for oily skin that is prone to acne and sun-sensitive.

(1) Source: IMS Pharmatrend panel, anti-ageing products Europe 8, 2012 market share value. (2) Source: IMS Pharmatrend anti-hairloss market, September-December 2012, France, Italy, Spain, market share value.



LA ROCHE-POSAY *NUMBER 1* *IN BRAZIL*⁽¹⁾

For LA ROCHE-POSAY, Brazil is the promised land for health and beauty. Brazilian women are particularly interested in well-being and aesthetics.

LA ROCHE-POSAY, the brand recommended by 25,000 dermatologists worldwide⁽²⁾, took a historic step forward in 2012 by becoming the top dermo-cosmetics brand in Brazil, its second largest market after France, where health and beauty are a way of life. With growth of +15.4%⁽³⁾, the brand has shown that its business model is more relevant than ever before: a virtuous circle centring on medical visits and products specially designed for Brazilian consumers.

A special relationship with dermatologists

Thanks to the talents of its medical visitors, LA ROCHE-POSAY, which has been distributed in Brazil since 2000, has built a solid reputation with Brazilian dermatologists, and become a must-have prescription brand both for skin-care and aesthetic purposes. On average, out of every four products prescribed, three are dermocosmetics⁽⁴⁾; which means the brand has an extraordinary growth opportunity. This demonstrates Brazilian women's intense interest in the health of their skin, which they consider as essential for their well-being.

Products designed for Brazilian women

Attentive to the expectations and needs of Brazilian consumers, LA ROCHE-POSAY draws on the expertise of the



Rio de Janeiro Research and Innovation centre to offer effective products adapted to suit the Brazilian market. One symbolic example is the extension of the Anthelios franchise, whose sun-care range is already well established. Since Brazilian women use photoprotection products as facial skincare on a daily basis, LA ROCHE-POSAY has developed Anthelios AE (Anti-Envelhecimento), a fluid sunscreen that also protects against photo-ageing. Another innovation is Anthelios AC Toque Seco, a gel-cream specially designed for a dry-touch texture, developed for Brazil and soon to be marketed in Europe.



(1) Source: IMS Brazil panel, dermocosmetic market, 2012 market share value. (2) Source: Across country dermatological study, 2012. (3) Source: Like-for-like. (4) Source: Dermatological studies in Brazil, August 2012.



SKINCEUTICALS *A TRAILBLAZER IN PROFESSIONAL DERMOCOSMETICS*

S KINCEUTICALS, the division's premium medical and professional brand, is continuing to demonstrate its upward mobility. The key to its success is integrated skincare: SKINCEUTICALS products are an integral part of plastic surgery procedures, both before and during the operation, and enhance their effects through home use on a daily basis. This global approach is underpinned by the trust of the medical community, which recognises the products' optimum formulation and appreciates the high concentration of active ingredients as well as the brand's remarkable scientific expertise. One example is C E Ferulic, a triple antioxidant serum, which has benefited from the findings of scientific publications demonstrating its efficacy after laser treatments.

The medi-spa phenomenon

SKINCEUTICALS is also benefiting from the growing development of luxury medi-spas exclusively dedicated to skincare, which use a combination of aesthetic medicine and high-tech products. Already present in more than 3,000 doctor's offices and medi-spas in the United States, the brand now plans to continue to develop this professional high-end beauty channel in Europe, Asia, South America and the Middle East, where it is expanding rapidly, particularly in Hong Kong, Brazil and Lebanon.

C E FERULIC

This patented combination of antioxidants prevents and treats signs of natural and environmental skin ageing.





LA ROCHE-POSAY AND VICHY SALES COUNTER AT WALGREENS
Advisors give expert advice on the brands' health and beauty products in modern, exclusive surroundings.

BREAKING INTO THE AMERICAN MARKET

For Active Cosmetics, one of the highlights of the year was the spectacular breakthrough achieved in North America. VICHY and LA ROCHE-POSAY were the spearheads behind this achievement, along with the strong reputation already enjoyed by two American brands: SKINCEUTICALS and DERMABLEND. The +16.9%⁽¹⁾ growth rate posted by the division in 2012 not only indicates the recognition of the health and beauty category in the United States, but also represents the culmination of a strategy: opening up distribution to American drugstores by establishing Dermatological Skincare Centers. Thanks to this approach, Walgreens, one of the main drugstore chains in the United States, has become an essential partner for VICHY and LA ROCHE-POSAY. With 1,500 new sales outlets in 2012, the health and beauty offer of the two brands has earned its legitimacy as a high-quality complement to the products traditionally available. Advisors trained by the

The division's breakthrough is the sign of recognition by the health and beauty sector in the United States.

division offer expert advice, and a touch-screen tablet provides access to "Dermatologists by your side", a platform developed by LA ROCHE-POSAY. Launched in 2012, it offers dozens of short videos in which dermatologists answer frequently asked questions. This powerful roll-out is backed by major public relations initiatives that aim to raise the profile of the two brands and highlight the efficacy of the products to North American consumers, as well as healthcare professionals and specialised media outlets. This strategy has proven very successful, as demonstrated by the Allure US Award presented to LA ROCHE-POSAY for Redermic (R), whose special formulation for the United States, with gradual release of retinol, is suited to even the most sensitive skin. The list of prizes won in the United States in 2012 is impressive: 12 Beauty Awards went to LA ROCHE-POSAY, the brand recommended by dermatologists!

⁽¹⁾ Like-for-like.



THE BODY SHOP SETS ITSELF APART

2012 for THE BODY SHOP: a springboard year that saw an acceleration in its transformation and growth, a result of strong strategic decisions: innovative products, new store openings and an integrated digital strategy.



DROPS OF YOUTH YOUTH ENHANCER

This certified organic face serum uses the latest technological discoveries in plant stem cells.

Innovative, sensorial products

Sensoriality was an important theme in this year's innovations, particularly with Chocomania and its 13 Community Fair Trade ingredients. This amazing bodycare line, which set social networks buzzing, is a real success. The All-in-One BB Cream, launched at the end of 2012, also boasts a highly original texture that transforms to match the skin upon application. Another star product launched in 2012, Drops of Youth, unites the virtues of nature and science. This youth enhancer is a certified organic face serum that uses the latest technological discoveries in plant stem cells. Its launch strengthens the beauty credentials of THE BODY SHOP and reinforces its position in the strategic category of facial skincare.

WE CAN'T RESIST CHOCOLATE!

With no fewer than 13 Community Fair Trade ingredients and a delicious chocolatey fragrance, Chocomania bodycare was the top star product of 2012. The combination of sensorial ingredients and the compelling unique story behind them successfully attracted large numbers of customers and generated significant growth for THE BODY SHOP stores.



Global roll-out of new concept stores

THE BODY SHOP is transforming itself visibly. Particularly with the 2012 roll-out of some 340 concept stores known internally by the codename "Pulse". Initiated in 2010, and first tried out in 2011 in pilot stores in London, "Pulse" is a new way of expressing just what makes THE BODY SHOP different: "Beauty with Heart". The emotional connection with customers is a major focus of this new brand platform and of its expression in the point-of-sale experience.

"Pulse" is based on the powerful idea of "story selling". Everything stems from a central table, around which customers are invited to discover the innovations, to take the time to try out the sensorial products, and to learn about the story behind ingredients from the four corners of the world. Two "Values" areas immerse the visitor in THE BODY SHOP's commitments and news: one wall shows the brand's partnerships with local producers as part of its pioneering Community Fair Trade programme; another wall sets out the store team's actions in the community. After just one year of existence, "Pulse" has already given the brand new momentum.

Winning new customers offline and online

Digital communication is a strategic tool for transforming THE BODY SHOP and plays a central role, both as a driver of customer recruitment—by generating traffic into the stores—and as a distribution channel in its own right. The brand has worked hard on the competitiveness of its 21 e-commerce sites, and has sharpened up its e-marketing approach to establish closer relationships with its customers and win new ones. Online sales have increased this year by more than 40%⁽¹⁾. Meanwhile, store customers are invited to tap into on-line reviews and can call up detailed information by scanning the products' QR codes. The fluidity of the purchasing paths between brick-and-mortar and on-line strengthens customers' engagement with the brand and creates a powerful synergy between the two channels.

ZOOM

THE ADVENTURE IN THE NEW MARKETS CONTINUES

To continue expanding in the New Markets, THE BODY SHOP has been targeting growth potential where it already operates in markets such as India, Indonesia and the Middle East, where products inspired by nature and the brand's values are in tune with deep-seated aspirations. Saudi Arabia, for example: with 180 stores and an annual growth rate of +12.8%⁽¹⁾, this market is already the brand's fifth largest and was a key growth driver in 2012.



(1) Like-for-like.



RISING TO NEW CHALLENGES *AT GALDERMA*

World number one in dermatology⁽¹⁾, GALDERMA made the most of 2012 by redefining its mission statement, striking the right balance in its growth drivers and continuing its international expansion.

Operating in more than 70 countries in three segments—prescription drugs, self-medication products, and aesthetic and corrective solutions—GALDERMA is actively continuing its expansion throughout the world. Its priorities include consolidating its partnership with dermatologists and strengthening its privileged relationship with a wider circle of healthcare professionals, while expanding in the New Markets. To remain at the cutting edge of Research and Innovation, the laboratory is continuing to make long-term investments in Research & Development, allocating around 19% of its annual sales, while setting up new research partnerships. GALDERMA aims to strengthen its presence with patients and healthcare professionals by means of a vast portfolio of innovative medical solutions for everyone, at every age. The laboratory's organic



growth strategy is complemented by its external growth strategy. For example, in December, the brand announced the acquisition of the Swiss laboratory Spirig, the dermatology market leader in Switzerland⁽²⁾.

EPIDUO™

Since the end of 2011, Epiduo™ has become the acne treatment most prescribed by dermatologists worldwide⁽³⁾. Originally launched in 2008, the prescription gel is available in 25 countries. In 2012, it was introduced in Russia, Mexico and India.

(1) Source: IMS D+J1A+J2A (dermatology only), MAT data, May 2012. (2) Source: IMS Midas in the dermatology market (D+J1A+J2A classes), Q4 2012 data. (3) Source: IMS Midas, all countries chosen in the anti-acne topical treatment market, data November 2011 to November 2012 town market prescriptions, sales ex-manufacturer estimated in dollars. (4) Like-for-like.

1. RESTYLANE®

In the aesthetics segment, GALDERMA is focusing on the development of the Restylane® skinboosters range. These new products provide deep hydration for the skin and improve dermal density, thanks to the micro-injection of stabilised hyaluronic acid.

Five of the 20 top-selling products in the dermatology market⁽¹⁾

In 2012, GALDERMA sales increased by +5.9%⁽⁴⁾, with particularly good results in Germany, China (see box) and Australia. In the prescription segment, the laboratory recorded a good growth rate, thanks to Epiduo™ gel, the number one acne treatment prescribed worldwide⁽³⁾. Five GALDERMA products are ranked in the top 20 in the dermatology prescription segment⁽¹⁾. However, the overall development of this segment has been affected by the rise of generic drugs, particularly in the United States and France. Given this context, GALDERMA is focusing on developing its portfolio of self-medication treatments. In Germany, sales of Loceryl® have risen sharply since this treatment for fungal nail infections was made available over-the-counter in pharmacies and starred in a vast multimedia advertising campaign aimed at the general public.

Strong growth for self-medication products and aesthetic and corrective dermatology solutions

Overall, GALDERMA recorded strong growth in the self-medication segment at +15.9%⁽⁴⁾, a score made possible by Loceryl® and Cetaphil®, a range of products used in association with dermatology prescribed treatments. As for the aesthetic and corrective dermatology product portfolio, this once again provided an impressive platform for growth. Held back by the economic crisis in Europe, it is expanding spectacularly in the New Markets. In order to continue growing, GALDERMA can rely on a complete spectrum of solutions for medical practitioners in aesthetic and corrective dermatology; with its hyaluronic acid-based dermal fillers (Restylane® and Emervel®), a botulinum toxin type A (Azzalure®), and complementary products such as Pliaglis® topical anaesthetic cream, and the photosensitiser Metvix® (for non-melanoma skin cancer).



2. CETAPHIL®

In 2012, the Cetaphil® range and its key products, Restoraderm® (atopic skin) and Dermacontrol® (acne), continued to gain ground in several different countries.

3. LOCERYL®

Sales of the anti-fungal product Loceryl® have shown a significant rise since it became a self-medication product in pharmacies.

ZOOM

CHINA'S TREMENDOUS POTENTIAL

By 2015, China will be the second-largest pharmaceutical market in the world. GALDERMA has been operating there for several years, and 2012 marked the beginning of its expansion in this area, with the inauguration of a subsidiary to develop its three segments. Last year, GALDERMA doubled its sales in this market, which is driven by self-medication and dermal fillers. The laboratory recorded double-digit growth in all segments. Boosted by very strong internal demand, growth is particularly robust for medical solutions in aesthetic and corrective dermatology, thanks to Restylane®'s wide reputation in this market. Self-medication drug sales are also a powerful growth reservoir. GALDERMA is counting on its Cetaphil® range, which is growing rapidly, to help it conquer market share and then establish the rest of its portfolio.







Since its creation by a researcher, the group has been pushing back the frontiers of knowledge. Its unique Research arm enables it to continually explore new territories and invent the products of the future, while drawing inspiration from beauty rituals the world over.

BEAUTY IS A *SCIENCE*

INVENTING FOR ALL KINDS OF BEAUTY WORLDWIDE



“
TO SEIZE THE OPPORTUNITIES OFFERED
BY UNIVERSALISATION, WE MUST GAIN A BETTER
UNDERSTANDING OF BEAUTY EXPECTATIONS
AND LEARN MORE ABOUT SCIENTIFIC ADVANCES.
”

SYNERGY BETWEEN BEAUTY EXPECTATIONS AND SCIENCE

Innovation has always been essential for L'Oréal, and the group has built its success on an ongoing dialogue between Research and Marketing. To optimise this interaction, we have created an Innovation and Consumer Insights Department, whose mission is to interpret consumer needs and transform them into innovative products. When, why and how does an Indian woman apply oil to her hair? How does a hot and humid climate change the performance of a cosmetics product? This quest to better understand consumers has led to the construction of a worldwide network of research centres.

POWERFUL INNOVATION LEVERS

Research and Innovation has three levers at its disposal to preserve our leading position in innovation. Firstly, the active ingredients, such as Mexoryl filters, LR 2412 and more recently Stemoxydine, a molecule that improves hair density, are designed by our chemists, and owned by the group. They have a very long life cycle and reinforce the position of some of the group's top products. The second lever is formulation, which involves taking product efficacy to a higher plane and changing the market codes. Once the amonia-free Oil Delivery System had

been optimised, it became possible to launch the technology in 2012 in a home-use hair colourant product: Olia by GARNIER.

WINNING OVER THE CONSUMERS' PREFERENCE

Evaluation, the final lever, enables earlier prediction and the scientific demonstration of product efficacy. Our goal is to win over consumers' preference by focusing on technical criteria, and practical and emotional benefits. Evaluation becomes a source of ideas for inventing the products of tomorrow.

611

PATENTS REGISTERED
IN 2012

3,817

L'ORÉAL RESEARCH
EMPLOYEES⁽¹⁾

(1) 50% of whom are employed by GALDERMA Research.

LAURENT ATTAL
EXECUTIVE VICE-PRESIDENT
RESEARCH AND INNOVATION



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RESEARCH AND INNOVATION STEPPING UP WORLDWIDE COVERAGE

To accelerate innovation all over the world, Research and Innovation draws on its worldwide presence and its global network, which fosters interaction with consumers, brands and the scientific community.

1. Global centres and regional hubs for constant innovation

In 2012, L'Oréal's 22 Research and Innovation centres are located in six regions of the world: France, the United States, Japan, China, India and Brazil. The global centres for Advanced Research and for the three business segments (haircare, skincare and make-up) are located in France. They create and define the group's worldwide strategy and set the agenda for the innovation portfolio. Meanwhile the regional hubs adapt the worldwide strategy to suit the specifics of their market and locally develop products which may then inspire other regions of the world. Each regional hub is in charge of an ecosystem of innovation that includes consumers, local scientific partners, in-house talents and suppliers of raw materials.

2. Singapore, a new strategic centre

In 2012, L'Oréal opened an Advanced Research centre in Singapore as part of the Institute of Medical Biology (IMB). Singapore had a number of arguments in its favour: the dynamism of its scientific community and its multi-ethnic population make it an ideal observatory for biological study of the diversity of Asian skin types. The centre covers different kinds of expertise, such as skin engineering and the biological response of skin to external stimuli such as UV rays.

3. An evaluation centre in Russia

How can a product be developed to meet consumer needs perfectly? It all begins with an observation of consumers' everyday beauty rituals. In 2012, L'Oréal opened its 17th evaluation centre in Moscow, which will both deepen the group's knowledge of the skin and hair of local populations and study the specifics of Russian beauty routines. The data collected will be used to design products that meet Russian consumers' expectations.

AT THE CUTTING EDGE OF HAIR EXPERTISE

In 2012, L'Oréal inaugurated its Global Hair Research Centre at Saint-Ouen, just outside Paris. Exclusively dedicated to hair, its role is to provide a continuous flow of innovations in the three main business segments: hair colourants, haircare and styling.

The Saint-Ouen Hair Research Centre represents an investment of 100 million euros, one of the largest ever made by the group in the field of Research and Innovation. Five hundred employees of different nationalities—including chemists, physical chemists, opticians, metrologists, rheologists, IT specialists and statisticians—work there together, generating strong synergies. The centre is organised into collaborative platforms, which foster interdisciplinary cooperation by breaking down the barriers between different professions.

Technologies of the future

The new centre also places cutting-edge methods and tools at the disposal of the researchers, enabling them to explore the unlimited possibilities of formulation and evaluation more thoroughly. To accelerate the flow of innovations for example, robots carry out routine tasks (such as weighing colourants) or simulate the application of products on locks of hair. Digital modeling tools are used for the virtual evaluation of formulas, so that only those corresponding most closely to consumers' expectations are developed.

The Saint-Ouen centre also develops the sensory evaluation protocols that are applied by expert technicians in each of the hubs. The data gathered from consumers in this way helps to inspire the innovations of tomorrow.

1. A researcher at L'Oréal measures hair density using a phototrichogram.

2. The Hair Research Centre at Saint-Ouen, on the outskirts of Paris, unveiled in March 2012.





THE SECRET TO HAIR DENSITY

Until now, all hair-loss research had been focused on prolonging the hair life cycle. But discoveries in the field of hair stem cells have opened up new pathways. L'Oréal researchers have demonstrated that these cells are directly involved in hair regeneration. They developed a highly efficient molecule, Stemoxydine, which simulates a favourable environment for the revival of hair follicles in dormancy. This molecule is at the heart of the hair redensification treatment Dercos Neogenic, launched by VICHY in 2012.



HOME-USE HAIR COLOURANTS IN THE ODS ERA

In 2009, L'ORÉAL PROFESSIONNEL launched a ground-breaking innovation in hair colourants with Inoa, an odourless, ammonia-free product based on ODS (Oil Delivery System) technology, a totally new approach for salons. It was initially a three-part product, but in 2012 researchers succeeded in the difficult task of making it just two, meaning that ODS technology could move into the mass-market retail channel with GARNIER Olia home-use hair colourants. Moreover, the product's texture has been perfected to facilitate application, prevent dripping and ensure uniform coating.



ZOOM

NEW DIRECTIONS FOR RESEARCHERS

On the **colourant** front, researchers' efforts are focused on making application easier, more pleasant and more sensorial, while offering an ever wider choice of colours and textures. As for **styling**, the aim is to achieve the right trade-off between effective hold and natural movement and feel. Brazilian women, for example, have provided researchers with a challenge: they want their hair to be perfectly smooth, but with clearly defined curls. In **haircare**, researchers are concentrating on repairing brittle hair and split ends, as well as scalp health, and on overcoming greasy hair and dandruff.

CREATIVE RESEARCH FOR RADICALLY NEW PRODUCTS

2012 saw a flurry of advances in all categories. These innovations illustrate the diversity of the L'Oréal Research teams' approaches.

1. "Varnish" for the lips

This is the story of a collaborative effort between chemists, physical chemists, formulators, evaluators, and packaging and industrial engineers, who combined their talents to take up a challenge: the development of a lipstick capable of delivering colour, long-lasting properties, gloss and comfort.

A delicate balance had to be achieved to ensure that the lipstick was long-lasting, without being sticky or unpleasant to wear. The solution they found was ethyl cellulose, a filmogenic agent used in the pharmaceutical and food industries for the coating of pills and sweets. L'Oréal contacted a supplier who had developed a suspension of small particles of ethyl cellulose to which pigments and oils were added to provide gloss and smoothness. The result: an ultralight, fluid, liquid texture, a "wet lips" effect, long-lasting colour and total comfort. This technology lies at the heart of Rouge Pur Couture Vernis à Lèvres Glossy Stain by YVES SAINT LAURENT.

2. Deodorant: a clean scent

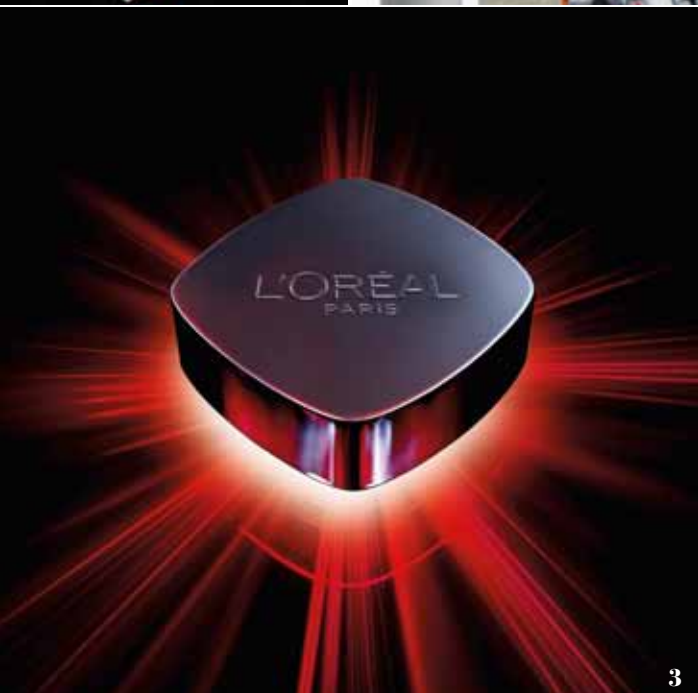
Developing a deodorant is a very complex process. It must deliver long-lasting antiperspirant and deodorant efficacy so that the skin is left feeling dry, clean and soft.

In order to meet these requirements, the laboratories chose a combination of high-performance active ingredients: perlite, a highly absorbent powder, and an association of mineral salts that effectively combats odours. For the first time, L'Oréal's Research and Innovation teams carried out a worldwide study (United States, Brazil and Europe) in which 15 "clean scents" were tested by 1,800 women. The goal was to find a fragrance that evoked cleanliness across cultures. The research process ultimately led to the roll-on and aerosol formulas of Clean Sensation by GARNIER.





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ZOOM

AT THE ORIGIN OF RESPONSIBLE INNOVATION

Green chemistry plays a vital role in L'Oréal's commitment to sustainable development. Particular attention is paid to producing ingredients from plant-based raw materials, to limiting the analytical process, and to the reduction of solvent and energy consumption as well as the production of waste. The Pro-Xylane™ molecule is an example of this action in continuous progress.

3. Pro-Xylane™: increased efficacy

Pro-Xylane™, a molecule developed by L'Oréal's Advanced Research and first used in 2006, still holds the secret to a number of anti-ageing properties. The distinctive feature of this molecule is that it was designed in accordance with the principles of green chemistry. Starting with a renewable raw material, natural beechwood sugar, researchers carried out a very clean chemical synthesis, generating little waste and just using water as a solvent. From the outset, Research focused on extending the range of its proven efficacy on skin. In the new Revitalift Laser X3 skincare product by L'ORÉAL PARIS, Pro-Xylane™ is used at a concentration of 3% with two other active ingredients, lipohydroxy acid (LHA) and fragmented hyaluronic acid for a triple-action benefit.

4. Complexion perfector

When it comes to foundation, women have contradictory expectations. They want a foundation to be transparent while at the same time providing coverage. At first glance, these two characteristics seem incompatible. To resolve the problem, researchers took their inspiration from a range of sources. They began by observing the beauty rituals of Japanese women who, in the summer, use ultra-light products, usually made with a light oil base. Then the new generation oils, dry oils, which are already used by L'Oréal in sun protection, opened up new possibilities.

The researchers took a combination of five oils with different degrees of volatility, which evaporate gradually in the course of application. They created a perfectly liquid formula which has suspended pigments. Used for the first time in Maestro Skin Perfector by GIORGIO ARMANI, this texture leaves behind an extremely fine and velvety veil for a "bare-skin" sensation while effectively unifying the complexion.





Providing access to products that enhance well-being, mobilising its innovative strength to preserve the beauty of the planet and supporting local communities. These are exacting challenges, which are a source of inspiration and creativity for L'Oréal.

BEAUTY IS A *COMMITMENT*

BUILDING RESPONSIBLE, INCLUSIVE GROWTH



“
WE WANT SOCIETAL
AND ENVIRONMENTAL
RESPONSIBILITY TO GUIDE
ALL OUR ACTIVITIES.
”

At L'Oréal, we want Corporate Social Responsibility (CSR) to guide all our activities. Since beauty is our profession, it is our duty to preserve the beauty of the world by means of eco-designed products manufactured in environmentally friendly ways and to raise consumers' awareness of the importance of sustainable development. Because our company is inseparably linked to the communities around it, we strive to combine economic performance with the creation of value for everyone. Our philanthropic initiatives pursue this goal, of course, but our inclusive business models and our policy of constant dialogue with all our stakeholders also help us to fully play our role as a responsible corporate citizen.

SARA RAVELLA
EXECUTIVE VICE-PRESIDENT COMMUNICATION
SUSTAINABILITY AND PUBLIC AFFAIRS

ZOOM

L'ORÉAL RANKED AMONG THE MOST RESPONSIBLE COMPANIES

In 2012, Vigeo, Europe's number one social analysis and rating agency, published a list of the companies that had demonstrated the strongest commitment to social responsibility over the past 10 years (based on a set of 35 sustainability criteria). L'Oréal was ranked number one in France, number four in Europe and number five worldwide. This ranking is a reward for its ambitious policy, which is making progress each year in terms of both initiatives and results⁽¹⁾.

L'ORÉAL SUPPORTS THE UNITED NATIONS GLOBAL COMPACT

L'Oréal has adhered to the principles of the United Nations Global Compact since 2003. This major United Nations initiative encourages companies to integrate the 10 fundamental principles on Human Rights, labour standards, environmental norms and fight against corruption within their operations. L'Oréal is one of the 5% of signatory companies to have reached the "Advanced" reporting category, demonstrating the thoroughness in the communication of its actions and commitments.

 (1) CONSULT ALL THE GROUP'S COMMITMENTS AND INITIATIVES IN THE 2012 SUSTAINABLE DEVELOPMENT REPORT.

INNOVATING, PRODUCING AND CONSUMING SUSTAINABLY

The first key component of L'Oréal's CSR policy is its commitment to innovating throughout the product life cycle to ensure products meet the wide range of consumer needs while respecting the environment.

Research: the challenge of eco-design

The Research and Innovation teams are committed to including the principles of sustainable development and safety at all stages of the product life cycle. They are dedicated to progressing in the responsible acquisition of raw materials, to finding the perfect balance between the eco-design of formulas and their efficacy, to increasing reliance on green chemistry, and to improving predictive evaluation of ingredients and products without resorting to animal testing.

Operations: attaining environmental excellence

For many years, L'Oréal has been striving to reduce the environmental footprint of its industrial facilities. This is a constant concern, which affects both new plants and existing facilities with initiatives including worldwide programmes for saving water and recycling waste, and increased investment in renewable energies. The Jababeka plant for example, opened in 2012, is the first factory in Indonesia to be LEED-certified. The aim is to respect the commitments made for the 2005-2015 period: to halve water consumption, waste and greenhouse gas production per unit of finished product. To create a virtuous circle, L'Oréal is getting its suppliers involved through the Carbon Disclosure Project (an independent NGO), which managed to involve over 130 partners in 2012.

Brands committed to sustainable consumption

The brands are actively promoting sustainable consumption through the eco-design of products, responsible communications (the group made a formal commitment on this point by signing the Cosmetics Europe Guiding Principles), and the education of consumers on topics including recycling and water use. For example, in 2012 LA ROCHE-POSAY reduced the weight of its Lipikar tube by 40%, and was awarded the *Trophée du Point Vert* by Eco-Emballages and Adelphe. BIODERM, which is already heavily committed to eco-design, is financing a marine reserve in the Ross Sea (Antarctic) through Mission Blue, a worldwide organisation dedicated to protecting marine areas, and the introduction of educational materials to raise consumers' awareness.



1. THE SUZHOU PLANT, IN CHINA

This plant is working hard to reduce CO₂ emissions.

2. LIPIKAR

LA ROCHE-POSAY has reduced the weight of its Lipikar tube by 40%.

WORLDWIDE FORUMS TO BRING STAKEHOLDERS TOGETHER

Because CSR challenges are dealt with differently from country to country, L'Oréal has set up forums all over the world to foster local dialogue with stakeholders in Brazil, China, the United States, the United Kingdom or India. The most recent forum held in Johannesburg, in South Africa, brought together 29 local and international organisations to consider environmental and social questions, such as animal protection or access to education for the most disadvantaged communities. NGOs continue to act as experts on implementing local initiatives at working meetings covering fields such as responsible raw material sourcing and waste management.

SHARING BEAUTY

L'Oréal has made sharing its growth and expertise the second major aim of its CSR policy.

Business teams up with social integration

By creating a worldwide "Solidarity Sourcing" programme, L'Oréal wanted to make its purchasing power a lever to generate solidarity wherever it buys. This global sourcing programme, started in 2010, aims to open up L'Oréal's purchasing process to two groups of companies: firstly, those that employ people excluded from the labour market, disabled people or small producers in disadvantaged regions (e.g. companies promoting social integration), and secondly, small companies or companies from different origins, that have difficulty accessing major contractors. This approach is applied worldwide by all the group's buyers and enables previously marginalized people to obtain long-term employment. The same inclusive business approach is used in distribution. For example, by creating a community of distributors in Brazil and providing support with a micro-credit scheme and educational programme, the MATRIX brand is building up its hair salon network, while enabling women in vulnerable situations to become entrepreneurs.

Local initiatives wherever the group operates

L'Oréal has always been careful to put down roots in local communities. The group believes that integration into the local economic fabric for all its sites—administrative buildings, plants and research centres—means setting up local partnerships and initiatives. Chimex, in France, is a perfect example. A specialist producer of cosmetics ingredients using chemistry and biotechnology, this L'Oréal subsidiary has established a close relationship with local stakeholders. The initiatives it has launched include teaching children about science and sustainable development in primary schools and promoting skills-based sponsorship. Another example is its partnership with a pallet supplier in south-west France, to replant a woodland area destroyed during the great storm of 1999. The subsidiary has also made efforts to raise the awareness of young people about everyday water use. In all these ways, the L'Oréal group demonstrates its commitment to being a responsible corporate citizen.



1. MATRIX IN BRAZIL

The brand, which is behind the "Imagine All You Can Be" initiative, has launched a micro-distribution programme for professional products among communities in Rio de Janeiro.

2. THE CHIMEX PLANT, IN FRANCE

This plant located in the Pyrenees is particularly active in the protection of the environment and launched the "Protect My Forest" project in collaboration with a local pallet supplier.

THE L'ORÉAL FOUNDATION launches its beauty education programme in France

September 10th, 2012 was the first day of classes for the cohort of students in a beauty profession training course at the professional secondary school at Thiais, near Paris. The course consists of two years of intensive training leading to a professional diploma (CAP)⁽¹⁾. This initiative stems from a partnership between the L'Oréal Foundation and the Fondation des Apprentis d'Auteuil, which provides support to more than 13,000 disadvantaged young men and women, to help them find their place in society. The initiative is part of the international "Beauty for a Better Life" programme, which trains disadvantaged people to work in the beauty sector, and in hair salons in particular.

Since 2009, 12 countries, including India, Vietnam, Brazil and the Philippines, have launched similar initiatives for women who have been victims of violence, people excluded from employment or young people who no longer attend school. These projects demonstrate the extent to which beauty is a shared value: in Vietnam, in just two years, the programme has trained 150 young women, who have been given a second chance as fully fledged members of society and have considerably increased their income. In Brazil, 130 young people from underprivileged areas of São Paulo and Rio de Janeiro have been trained, and many of them have been able to enter the job market.

ZOOM

A CONSTANTLY RENEWED COMMITMENT

The L'Oréal Foundation has committed to a new five-year mandate and has increased its activity in the fields of science and beauty; areas in which its professional expertise can be used to the common good. The Foundation's star science initiative is the L'Oréal-UNESCO "For Women in Science" programme, which encourages and acknowledges women in scientific careers worldwide. Several beauty programmes work to restore the dignity and self-esteem of people facing hard times and help them rebuild their social ties.



“
OUR SUSTAINABLE
GROWTH HAS ALWAYS
BEEN BUILT BY PLACING
PEOPLE AND THEIR
DIVERSITY AT THE HEART
OF OUR BUSINESS.
”

JÉRÔME TIXIER
EXECUTIVE VICE-PRESIDENT
HUMAN RESOURCES AND ADVISOR
TO THE CHAIRMAN

DIVERSITY, a fundamental value at L'Oréal

L'Oréal is already the signatory of seven diversity charters in Europe and continues to develop employee awareness through "Diversity Workshops", in which over 10,000 of them have already participated in 20 different countries. New in 2012: the publication of the first *Encyclopedia of Diversity*, an academic publication that collates the expertise of Human Resources personnel, teachers, researchers and social auditors, with the participation of the AFMD (French Association of Diversity Managers).

Promoting disability awareness

2012 witnessed the first worldwide edition of the L'Oréal "Disability Initiatives" Trophies, attended by Jean-Paul Agon. This venture, which focuses on the employment of handicapped people, provides a special opportunity to bring countries together around a key subject for L'Oréal and to promote and share best practices.

(1) Certificat d'Aptitude Professionnelle (Certificate of Professional Competence).

CONTINUING TO BUILD CONFIDENCE



“
STRONGLY COMMITTED TO THE BUSINESS,
OUR TEAMS ARE HELPING TO BUILD
AND MAINTAIN A RELATIONSHIP OF
SOLID TRUST WITH ALL OUR STAKEHOLDERS.
THIS TRUST IS ABSOLUTELY CRUCIAL FOR
THE GROUP'S SUSTAINABLE GROWTH.
”

2012 was notable for the favourable trend in results, the virtuous structure of the profit and loss account, and a particularly robust balance sheet. The administration, controlling and finance teams play an active role in the group's economic solidity and contribute to its long-term development.

CONTRIBUTING TO THE SUSTAINABLE GROWTH OF L'ORÉAL

The administration, controlling and finance teams work together to manage the company's business and financial interests, and to strengthen the relationship of trust that binds the group to all its stakeholders: customers, suppliers, bankers, market authorities, rating agencies and shareholders. They also support the work of the Board of Directors and its committees, while meeting exacting transparency and governance requirements. In 2012, advances were also made in the fields of internal control, internal audit and resource allocation management.

CHRISTIAN MULLIEZ
EXECUTIVE VICE-PRESIDENT
ADMINISTRATION AND FINANCE

Trust and vigilance go hand in hand

Trust is gained through constant vigilance. Close monitoring of cash flows and continuing efforts to safeguard financing help to further strengthen the company's good financial health. The relationship of trust we share with our suppliers and customers is underpinned by the high standards of professionalism and ethics maintained at all our subsidiaries.

Expertise and teams focused on modernisation

Administration and Finance is supporting the group in its efforts to conquer a billion new consumers. To further raise efficiency, it ensures that the group's standards and best practices are communicated to all the entities, particularly in the New Markets. In 2012, it made significant contributions to the development of a recently-created subsidiary in Saudi Arabia. The controlling and internal audit teams, and the legal department, were called on to help the subsidiary in conducting its operational and financial activities. The group regularly carries out training and audit missions in subsidiaries all over the world.

Building the L'Oréal of tomorrow through strategic acquisitions

The Legal, Economic Affairs and Acquisitions departments have combined their efforts to make several acquisitions, while ensuring that these operations successfully bolster the group's strategy. They have done so by basing their decisions on strict financial, operational and prudential criteria. This year, CADUM, a well-known French brand established more than a century ago; EMILIANI ENTERPRISES, which completes the Professional Products division's distribution network in the United States; the VOGUE brand in Colombia for mass-market make-up; and URBAN DECAY, the Californian make-up brand, have joined the group.



1



2



3



Worldwide management tools

The Information Systems teams work in close conjunction with operational staff to create worldwide business control systems in fields as varied as purchasing, contract follow-up and supply chain. As part of this mission, 2012 saw the launch of an innovative system enabling the management of the whole supply chain from the purchase of raw materials up to finished product delivery. In addition to optimising inventories and controlling costs, the system enhances the flexibility and responsiveness of production, while facilitating communication between the various internal and external players. Currently launched in France and Europe, this new system will be rolled out on an international scale.

www.loreal-finance.com, mobile applications, the multimedia magazine and the letters to shareholders.

Join the L'Oréal adventure

Thanks to its economic performance and the solidity of its financial balance-sheet, L'Oréal creates value for its shareholders. For example, the group paid out 46.8%⁽¹⁾ of profits through a dividend in 2012, which has never declined since the first listing of the share in 1963. Being a L'Oréal shareholder means investing in a solid growth stock, and sharing in the ambitious goal of universalisation and beauty for all.

ZOOM

SHARE BUYBACK PROGRAMME

In accordance with the authorisation granted by the Annual General Meeting, the Board of Directors, which met on August 28th, 2012, decided to carry out buybacks of L'Oréal shares for a maximum amount of 500 million euros. This programme was carried out during the second half of 2012.

A relationship of trust based on dialogue

The financial communications teams provide fair, accurate and accessible information about the activity, prospects and strategy of L'Oréal. Through their many contacts, they maintain a relationship of trust with individual shareholders, investors, financial analysts and SRI experts. With a transparent and pedagogical approach, they focus on improving the quality of dialogue and the group's information tools, such as the Annual Report, the website

1. FINANCIAL INFORMATION MEETINGS

Major meetings held by General Management to present the results to analysts and journalists.

2. AND 3. THE INDIVIDUAL SHAREHOLDER CONSULTATION COMMITTEE

Discussion, contact and sharing of ideas: every ISCC meeting is an opportunity to exchange on the shareholder relation.

4. ANNUAL GENERAL MEETING 2012

This highlight of the year was ranked the second best Annual General Meeting among CAC 40 companies by Capitalcom.



4

(1) Distribution rate based on the dividend proposed to the Annual General Meeting on April 26th, 2013.

2012 HIGHLIGHTS

The beauty market *p.87*

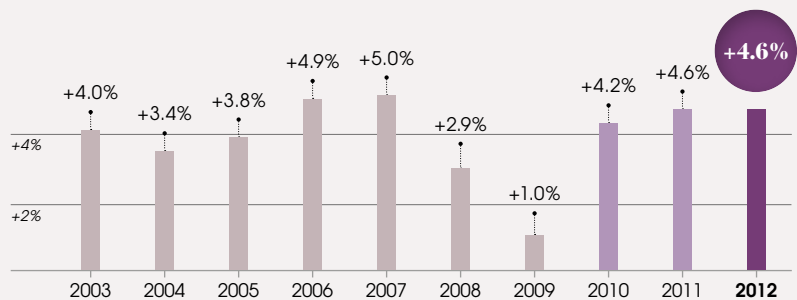
L'Oréal in figures *p.88*

Corporate Social Responsibility Indicators *p.90*

THE BEAUTY MARKET

A SOLID AND DYNAMIC MARKET

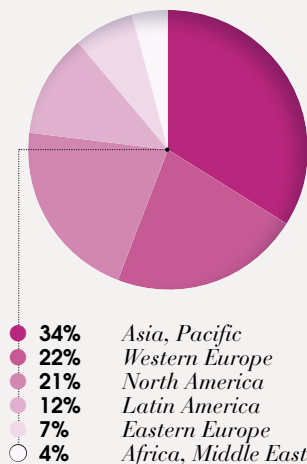
WORLDWIDE COSMETICS MARKET FROM 2003 TO 2012⁽¹⁾
(annual growth rate as %)



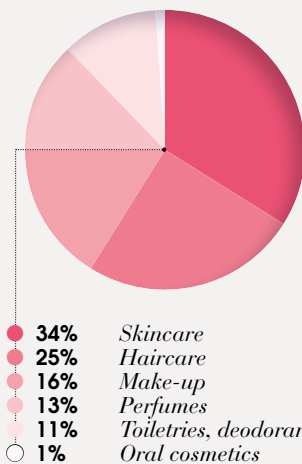
In 2012, the cosmetics market has remained solid and dynamic. The market has grown by some +4.6%⁽¹⁾, in line with 2011 and with the historic average. This overall growth rate is once again the result of extremely contrasting rates of growth across the regions and distribution channels.

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

BY GEOGRAPHIC ZONE



BY PRODUCT CATEGORY



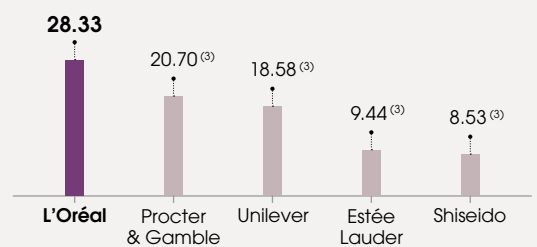
In 2012, the good dynamics in North America have continued and the New Markets have continued to drive the growth of the worldwide market. In terms of categories, skincare is asserting itself once again as a key category, as it represents over a third of the cosmetics market.

TOP 10 BEAUTY MARKETS⁽¹⁾

- 1 / UNITED STATES
- 2 / JAPAN
- 3 / CHINA
- 4 / BRAZIL
- 5 / RUSSIA
- 6 / FRANCE
- 7 / GERMANY
- 8 / GREAT BRITAIN
- 9 / ITALY
- 10 / SPAIN

MAIN WORLDWIDE PLAYERS⁽²⁾

(in billions of US dollars)



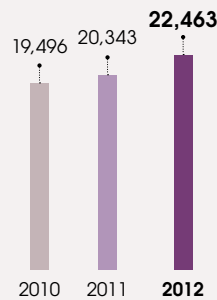
(1) Source: L'Oréal provisional estimates of worldwide cosmetics market based on net manufacturer prices excluding soap, toothpaste, razors and blades. Excluding currency fluctuations.
(2) Source: "Beauty's Top 100" WWD, August 2012, 2011 sales. (3) WWD Estimates.

L'ORÉAL IN FIGURES

STRONG SALES GROWTH

■ With sales at 22.46 billion euros, 2012 was a good year for L'Oréal: +5.5% like-for-like and +10.4% based on reported figures. The group achieved strong sales growth, and once again demonstrated its ability to outperform the beauty market, and to gain market share, even in the more difficult markets of Western Europe and the United States. 2012 was also a very good vintage in terms of innovations in each of our divisions and major business segments. The group reached a new milestone in terms of internationalisation, as the New Markets became the number one geographic zone.

CONSOLIDATED SALES
(€ millions)

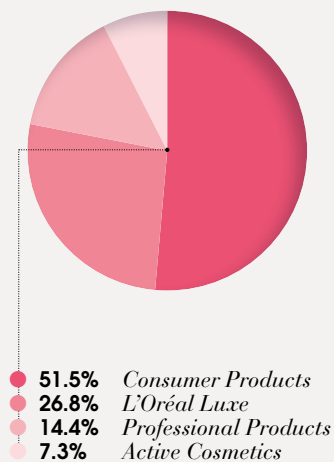


CONSOLIDATED SALES
BY BRANCH⁽¹⁾
(€ millions)

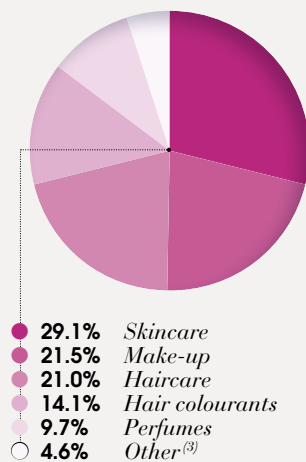


2012 CONSOLIDATED SALES OF THE COSMETICS BRANCH (as %)

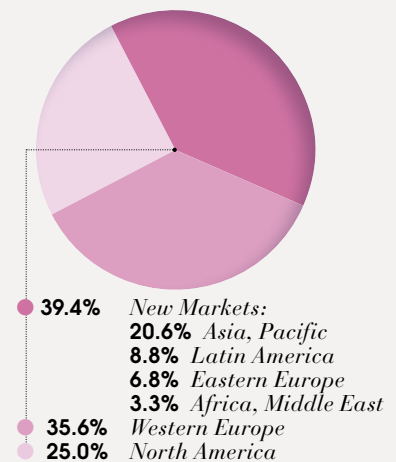
BY DIVISION



BY BUSINESS SEGMENT



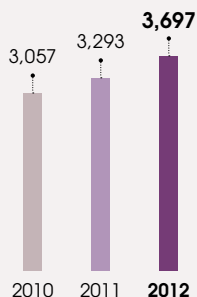
BY GEOGRAPHIC ZONE



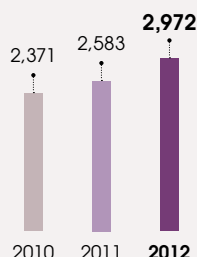
(1) The group's business is composed of the cosmetics branch, THE BODY SHOP and the dermatology branch. (2) Group share, i.e. 50%. (3) "Other" includes hygiene products, sales made by American distributors with brands outside of the group.

STRONG GROWTH IN PROFITS

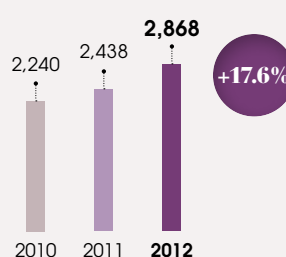
OPERATING PROFIT (€ millions)



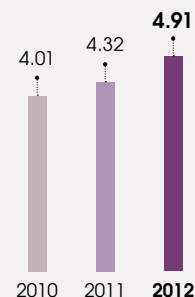
NET PROFIT EXCLUDING NON-RECURRING ITEMS AFTER NON-CONTROLLING INTERESTS⁽¹⁾ (€ millions)



NET PROFIT AFTER NON-CONTROLLING INTERESTS (€ millions)



NET EARNINGS PER SHARE⁽²⁾ (in euros)



Profits and cash flow have grown very strongly, reaching record levels, and confirming the power of L'Oréal's business model. Gross profit increased by +9.5%, reaching 70.7% of sales. Operating profit, at 3,697 million euros, has increased by +12.3%, reflecting a significant improvement in profitability compared with 2011. Net earnings per share, at 4.91 euros,

increased by +13.6%. Net profit after non-controlling interests amounted to 2,868 million euros. Advertising and promotional expenses remained at a high level; reaching 30.2% of sales. Efficiency in this area increased, benefitting from new methods of communications as well as the opportunities provided by digital media.

A SOLID BALANCE SHEET

The balance sheet structure is very solid. The reinforcement of shareholders' equity compared with end-2011 is mainly the result of profit allocated to reserves and the net increase in value of the Sanofi shares, valued at market price. After dividend payment and acquisitions (mainly CADUM and URBAN DECAY), the group recorded a net cash surplus.

NET CASH FLOW:
+26.4%
AT 2.58 BILLION EUROS

NET CASH SURPLUS OF
1,575
MILLION EUROS

CAPITAL EXPENDITURE
4.3%
OF SALES

A STRONG VALUE CREATION

(At December 31st, 2012)

NET EARNINGS⁽²⁾ PER SHARE
€4.91

DIVIDEND⁽³⁾ PER SHARE
€2.30

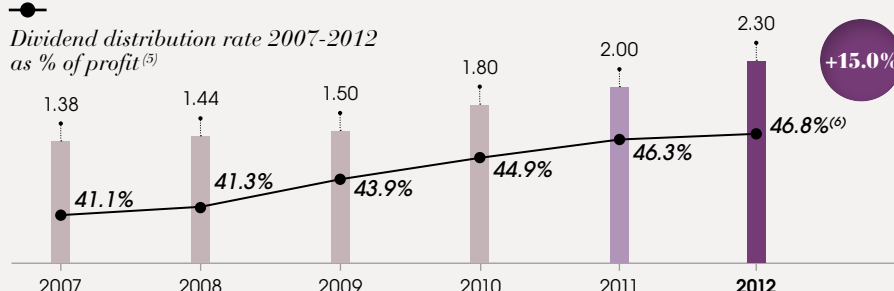
SHARE PRICE
€104.90

MARKET CAPITALISATION⁽⁴⁾
(IN BILLIONS OF EUROS)
63.86

By suggesting a +15% increase in dividend per share to €2.30⁽³⁾, the Board of Directors has clearly expressed its confidence in the group's future. This increase in dividend means a further increase in the pay-out ratio, which comes out this year to 46.8%⁽⁶⁾, demonstrating L'Oréal's commitment to a dynamic policy in terms of shareholder returns.

DIVIDEND PER SHARE

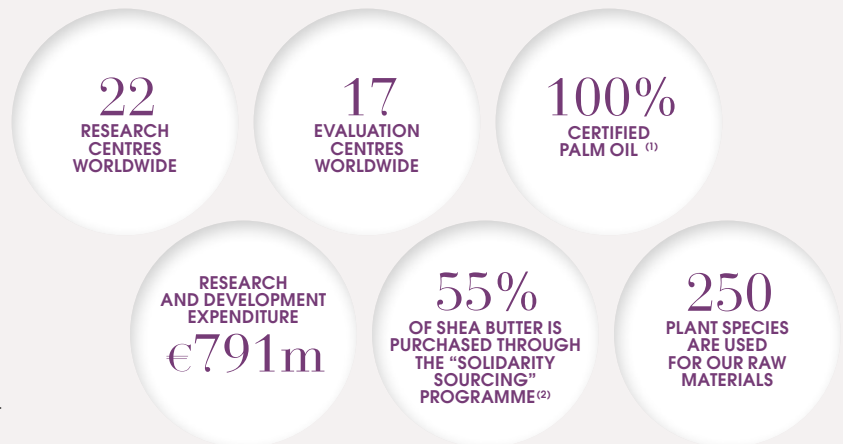
Dividend distribution rate 2007-2012
as % of profit⁽⁵⁾



(1) Non-recurring items include mainly capital gains and losses on long-term asset disposals, impairment of long-term assets, restructuring costs and elements relating to identified operational incomes and expenses, non-recurring and significant regarding the consolidated performance. (2) Diluted net earnings per share excluding non-recurring items, after non-controlling interests. (3) Dividend proposed to the Annual General Meeting of April 26th, 2013. (4) On the number of shares at December 31st, 2012, i.e. 608,810,827 shares. (5) Dividend distribution rate based on diluted net profit excluding non-recurring items per share. (6) Based on the dividend proposed to the Annual General Meeting of April 26th, 2013.

CORPORATE SOCIAL RESPONSIBILITY INDICATORS

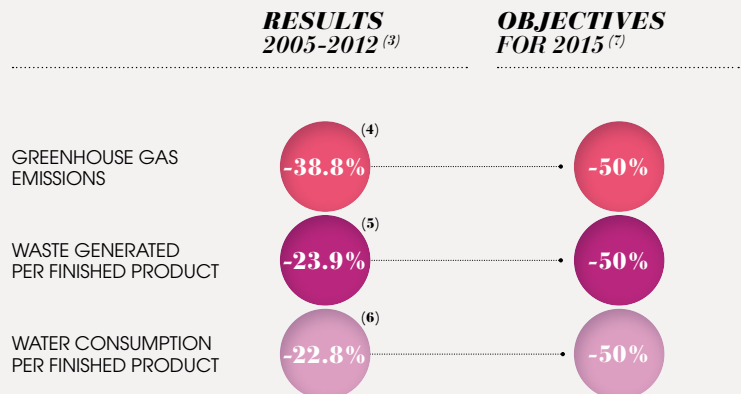
SUSTAINABLE INNOVATION



■ L'Oréal is committed to constant innovation in order to offer products that are both suited to the world's diverse needs and sustainable for the environment throughout their life cycle. The Research and Innovation teams make further advances in eco-design, green chemistry and predictive evaluation every single day, in a bid to develop safe, effective formulas that also respect the environment.

SUSTAINABLE PRODUCTION

■ In 2009, L'Oréal set itself environmental objectives for 2015: to halve its greenhouse gas emissions (in absolute terms), as well as its water consumption and waste generated per finished product. All the factories and distribution centres worldwide are actively involved in this effort. For example, at the São Paulo factory, in Brazil, they are using biofuel "flex" boilers, and at the Suzhou plant, in China, they have installed new and improved water recycling systems. Each year, examples like these demonstrate the active involvement of production sites all over the world in stepping up innovation to meet these goals.



(1) Certified by the RSPO (Roundtable on Sustainable Palm Oil). (2) Enabling 13,000 women to obtain employment as shea butter producers. (3) L'Oréal's factories and distribution centres. These reductions are calculated on a like-for-like basis. Period 2005-2012. (4) In absolute value (direct and indirect metric tons of CO₂) on a constant-structure basis in accordance with the GHG Protocol. (5) Grams per finished product in factories and distribution centres, including returnable packaging. (6) Litres per finished product. (7) L'Oréal's factories and distribution centres. Period 2005-2015.

ZOOM

COMMITMENTS ACCLAIMED IN 2012

The sustainable development initiatives taken by L'Oréal were widely acclaimed in 2012.

- L'Oréal was ranked by Vigeo as the leading company in France in 2012 in terms of CSR, number four in Europe and number five worldwide.
- L'Oréal was acclaimed in 2012 as the best company in its category for its sustainable sourcing system by the Forest Footprint Disclosure Project.
- In 2012, L'Oréal was the only cosmetics company to be identified as a leader by the Carbon Disclosure Project Leadership Index, for its carbon emissions management.
- L'Oréal was named leader in its category in Interbrand's Best Global Brands 2012 ranking.

SOCIAL RESPONSIBILITY

■ L'Oréal has developed a responsible human resources policy in which individual and collective performance are closely linked: L'Oréal is increasing its workforce and is actively developing the potential of men and women within the company using a dynamic process of continuous improvement, the key factor behind the group's social and economic performance.

43%

OF MANAGEMENT
COMMITTEE
MEMBERS ARE
WOMEN

47,969

EMPLOYEES
RECEIVED
TRAINING
IN 2012

PHILANTHROPY

■ L'Oréal has stepped up its commitments as a responsible corporate citizen considerably over the past few years. Through the initiatives of its Foundation, its brands and its subsidiaries, the group is striving to share its success and contribute to the well-being of neighbouring communities.

L'ORÉAL FOUNDATION

€40

MILLION
MULTI-ANNUAL
BUDGET

FOR WOMEN IN SCIENCE PROGRAMME

1,500

WOMEN IN SCIENCE
FROM MORE THAN
100 COUNTRIES
HAVE RECEIVED
SUPPORT

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

L'Oréal has been designated one of the World's Most Ethical Companies by the Ethisphere Institute for the third time.

A modern company has a duty to be exemplary not only in the way it conducts its business, but also as an employer and corporate citizen of the world.

L'Oréal is proud to support the principles of the United Nations Global Compact.

The senior management and employees of L'Oréal are guided by the group's ethical principles—Integrity, Respect, Excellence, Courage and Transparency—

by The L'Oréal Spirit and by the Code of Business Ethics, which raises awareness and provides guidance to each entity, brand and employee on how to behave. The "Open Talk" policy encourages dialogue to identify and handle all questions raised with regard to respecting these commitments. Reporting

directly to the Chairman and Chief Executive Officer, the SVP, Chief Ethics Officer has access to all information and documents, and can draw on all

the group's teams and resources to carry out his mission.

22,000

GROUP EMPLOYEES
TOOK PART
IN ETHICS DAY

A NETWORK OF

57

ETHICS
CORRESPONDENTS
WORLDWIDE

TO FIND OUT MORE

Consult the whole range of group publications



THE ANNUAL REPORT

L'Oréal in 2012, with its divisions, brands and countries, driven by its mission: the universalisation of beauty and beauty for all.

Beauty is universal / L'Oréal offering beauty for all / Beauty is a science / Beauty is a commitment



THE REGISTRATION DOCUMENT

This document includes the 2012 financial statements, the Management Report of the Board of Directors, the Annual Financial Report and a section on Social and Environmental Responsibility.

Presentation of the group / Corporate governance / Key figures and comments on the financial year / Consolidated financial statements / Parent company financial statements / Corporate social, environmental and societal responsibility / Stock market information / Share capital / Annual General Meeting / Appendix



THE SUSTAINABLE DEVELOPMENT REPORT

Presentation and concrete examples of the group's sustainable development strategy.

Sustainable Innovation / Sustainable Production / Sustainable Consumption / Shared Development

These documents can be downloaded at www.loreal.com and at www.loreal-finance.com, and are available on request from the Image and Corporate Communication and the Financial Communications Departments.



GO FURTHER ON THE WEB

Check out L'Oréal videos, multimedia and interactive contents, exclusive articles and business reviews dedicated to the 2012 Annual Report in L'Oréal Finance Magazine.



FINANCIAL COMMUNICATIONS: LET'S KEEP IN TOUCH!

Browse through the various L'Oréal Finance communications tools: www.loreal-finance.com where you will find all the latest information about the group (press releases, presentations and webcasts, regulated information, etc.), the shareholders' e-magazine, L'Oréal Finance Mag and our "My loreal-finance" applications. Keep informed by signing up for our newsletter, L'Oréal Finance News, to receive live updates on the world of L'Oréal.

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Printed on paper awarded the EU Ecolabel

EU Ecolabel : FR/011/003

ENVIRONMENTAL CALCULATOR⁽¹⁾

size
22 x 30.5 cm

quantity
7,700

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

TEXT PAGES

brand
Cocoon Gloss

grammage
150g/m²

number of pages
92

COVER PAGES

brand
Cocoon Gloss

grammage
300g/m²

number of pages
4

3,577 kg of landfill

388 kg of CO₂ or the equivalent of:

3,875 km travel in the average European car

8,792 kWh of energy

93,388 litres of water

8,813 kg of wood

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⁽¹⁾ Carbon footprint data evaluated by FactorX in accordance with the Bilan Carbone methodology. Calculations are based on a comparison between the recycled paper used versus a virgin fibre paper according to the latest European BREF data (virgin fibre paper) available. Results are obtained according to technical information and subject to modification.

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