

L'ORÉAL



The Premium Review

7 December 2006

L'ORÉAL

- ▶ The L'Oréal Business Model
 - ▶ Growth Perspectives : 4 illustrations
-

L'Oréal Highlights

- ▶ Worldwide leader in Cosmetics
- ▶ 2005 Sales : 14 533 M€
- ▶ A unique expertise :
 - A **Pure Player** in Beauty
 - Focused on **5 added-value categories**



Haircare



Haircolor



Skincare



Make-up



Fragrances

- ▶ Our goal : 6 % to 8 % mid / long-term yearly sales growth

The L'Oréal Business Model

- 1 Long-term sustained growth of the cosmetics market
- 2 Ability to grow faster than the market
- 3 Ability to deliver profit growth through combined top line growth, and margin improvement

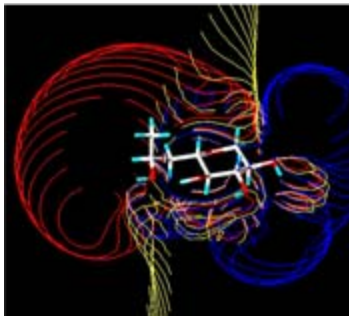
1 Long-term sustained growth of the cosmetics market

- ▶ Beauty, an essential, eternal, universal need.
- ▶ Average annual Growth rate since 1991 : + 4,5 %.
- ▶ “Developed countries” not saturated.
- ▶ Strong potential of new categories and new segments.
- ▶ Huge potential of emerging markets.



2 Ability to grow faster than the market

- Beauty is a supply-driven market.
- L'Oréal : an « innovation machine that never sleeps ».
 - The n°1 force in R&D in the world.
 - The largest network of beauty experts worldwide.
 - Our philosophy : « seize new trends as they emerge ».



- A unique potential of complementary powerful brands,
 - Covering key distribution channels.
- Completed by targeted acquisitions
- A strong international potential.

"A unique and diverse portfolio of powerful brands"

Professional Products



L'ORÉAL
PROFESSIONNEL
PARIS



KÉRASTASE
PARIS



REDKEN
5TH AVENUE NYC



MATRIX



MIZANI

Consumer Products



L'ORÉAL
PARIS



GARNIER



MAYBELLINE
NEW YORK



SOFTSHEEN-CARSON™

Luxury Products



LANCÔME
PARIS



BIOThERM



HR
HELENA
RUBINSTEIN



GIORGIO ARMANI
PARFUMS



RALPH
LAUREN



cacharel



Kiehl's
SINCE 1851



shu uemura



VIKTOR & ROLF

Active Cosmetics



VICHY
LABORATOIRES



LA ROCHE-POSAY
LABORATOIRE PHARMACEUTIQUE



innéov



SKINCEUTICALS®



SANOFLORE®
LABORATOIRE

The Body Shop



THE BODY SHOP.

3 Gradual improvement of margin and cash flows

- ▶ Settlement of subsidiaries mostly complete.
- ▶ Economies of scale through growing brand globalization.
- ▶ « Permanent Restructuration » concept.
- ▶ A strategic vision : enhance the value of products through innovation

Growth Potential : 4 illustrations

- ▶ **Professional Products Division :**

MATRIX

Rapid Globalization
of an acquisition

- ▶ **Consumer Products Division :**

**GARNIER**

A Strong Organic Growth

- ▶ **Luxury Products Division :**

Fragrances Leadership
through focus on Strong Brands

- ▶ **Active Cosmetics :**

Building a brand portfolio

Professional Products Division



L'ORÉAL
PROFESSIONNEL
PARIS



KÉRASTASE
PARIS



REDKEN
5TH AVENUE NYC



MATRIX



MIZANI

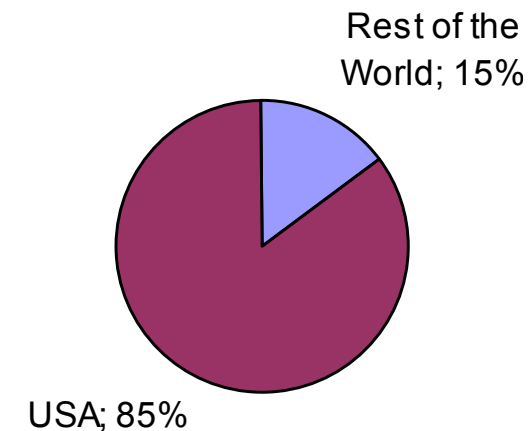
L'ORÉAL
PARIS

► Rapid globalization of an acquisition

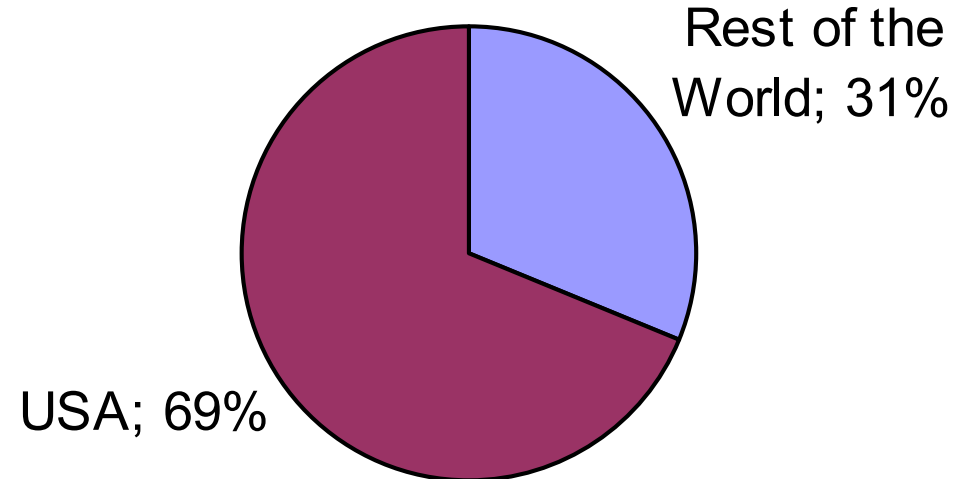
Professional Products Division

Matrix : N° 1 in American Salons, a rapid globalization

- Created in 1980
- Purchased by L'Oréal in 2000



19 countries
120 000 salons



47 countries
255 000 salons

Professional Products Division

▶ Matrix : 32 000 salons in Bric countries, in 3 years



Brazil 2005

14,500 salons



India 2005

5,500 salons



Russia 2003

5,500 salons



China 2004

6,500 salons

Consumer Products Division



L'ORÉAL
PARIS



GARNIER



MAYBELLINE
NEW YORK



SOFTSHEEN-CARSON™

▶ A strong organic growth



New Brand Equity





■ **A fast expansion** : doubles its global sales each 5 years.

■ **From Europe to USA**

- 2003 : launch of Fructis in USA.
- 2006 : n°2 in total market shampoo, conditioner & style.



At the same time :

- From Europe to the Rest of the World
- From Hair to Skin



CATEGORY	WESTERN EUROPE	NORTH AMERICA	BRAZIL	RUSSIA	INDIA	CHINA
Hair Color	N° 3	N° 3	N° 2	N° 2	N° 2	-
Hair Care + Styling	N° 2	N° 2 Launch 2003	N° 2	N° 4	N° 6	-
Skin Care	N° 3	Launch 2007	-	N° 1	N° 3	Launch 2006
Sun Care	N° 2	-	-	-	-	-

Luxury Products Division



LANCÔME
PARIS



BIOThERM



HR HELENA
RUBINSTEIN



GIORGIO ARMANI
PARFUMS



RALPH LAUREN



cacharel



Kiehl's
SINCE 1851



shu uemura



YUE-SAI
西

► Fragrances leadership through focus on strong brands

Luxury Products Division

- ▶ The fragrances selective market : 47 % of the total selective market worldwide
- ▶ L'Oréal Luxury Fragrances : a balanced brand portfolio

Price Positioning Europe ↓ Premium	Classical	Contemporary	Trendy
		GIORGIO ARMANI PARFUMS	VIKTOR&ROLF
Medium	LANCÔME PARIS	RALPH LAUREN EMPORIO ARMANI PARFUMS	DIESEL FOR SUCCESSFUL LIVING
Affordable		cacharel	

▶ Strong profitability

- N° 1 worldwide, with 8 brands (the n° 2 has 32)
- Big synergies between brands

Luxury Products Division

VIKTOR®ROLF

- ▶ **The « avant-garde » Luxury brand**
Ultra-selective distribution.

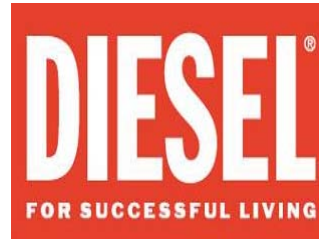


Flowerbomb - 2005



Antidote – 2006 / 2007

Luxury Products Division



Inspiration



2007
Be the coolest of the biggest
?

Active Cosmetics



VICHY
LABORATOIRES



LA ROCHE-POSAY
LABORATOIRE PHARMACEUTIQUE



innēov



SKINCEUTICALS®



SANOFLORE®
LABORATOIRE

► Building a brand portfolio

Active Cosmetics

5 aspirational brands in the dermo-cosmetic market



1954



1989



2003



2005



2006

VICHY
LABORATOIRES

LA ROCHE-POSAY
LABORATOIRE PHARMACEUTIQUE

innéov

SKINCEUTICALS®

SANOFLORE®
LABORATOIRE

Active Cosmetics

SKINCEUTICALS®

- ▶ One of the leading line of dermatology products sold in USA.
- ▶ **Used and distributed** by skin professional in dermatology and aesthetic medical practices.



Médi-spas



Aesthetic Institutions

- ▶ **Mission** : become the n° 1 global brand of Advanced Professional skin care.



- ▶ A pioneer brand in the « Natural-Organic » cosmetics market in France.
- ▶ 20 years of expertise, and a recognized legitimacy :
 - Products labelled « Ecocert ».
- ▶ An integrated company (regional, farming, raw materials, manufacturing).
- ▶ A perfect fit with the Active Cosmetics portfolio.



L'Oréal : a pure player



**Invent
the Beauty of
tomorrow**

L'ORÉAL

<http://www.loreal-finance.com>

-----Avertissement / Disclaimer -----

«Ce document ne constitue pas une offre de vente ou la sollicitation d'une offre d'achat de titres L'Oréal. Si vous souhaitez obtenir des informations plus complètes concernant L'Oréal, nous vous invitons à vous reporter aux documents publics déposés en France auprès de l'Autorité des Marchés Financiers (également disponibles en version anglaise sur notre site Internet www.loreal-finance.com). Ce document peut contenir certaines déclarations de nature prévisionnelle. Bien que la Société estime que ces déclarations reposent sur des hypothèses raisonnables à la date de publication du présent communiqué, elles sont par nature soumises à des risques et incertitudes pouvant donner lieu à un écart entre les chiffres réels et ceux indiqués ou induits dans ces déclarations.»

"This document does not constitute an offer to sell, or a solicitation of an offer to buy, L'Oréal shares. If you wish to obtain more comprehensive information about L'Oréal, please refer to the public documents registered in France with the Autorité des Marchés Financiers (which are also available in English on our Internet site: www.loreal-finance.com). This document may contain some forward-looking statements. Although the Company considers that these statements are based on reasonable hypotheses at the date of publication of this release, they are by their nature subject to risks and uncertainties which could cause actual results to differ materially from those indicated or projected in these statements."
