

Western Europe

Sales in the Western Europe zone amounted to -0.3% like-for-like. The market continued to grow but at a much slower pace. It weakened quarter by quarter in France and several southern European countries, especially in luxury distribution channels. Extremely tight inventory management by distributors affected invoicing across all divisions. However, the group's sales trend was favourable in the United Kingdom and Germany, and grew sharply in Northern Europe (the Netherlands, Norway and Sweden). Overall, L'Oréal strengthened its positions in Western Europe with market share gains in its Professional Products and Consumer Products Divisions. The group's strategic advances in the zone included the Consumer Products Division's breakthrough in skincare in Germany.

Germany: a strategic breakthrough in skincare

Already the leader in mass-market make-up, the Consumer Products Division continued its strategic breakthrough in skincare, positioning its two brands—L'ORÉAL PARIS and GARNIER—among the top three of the market. This achievement—the result of many years of innovations and of systematically renewing major franchises—strengthens the division in its ambition to capture top place in the German skincare market.

The first competitive edge of the Consumer Products Division is its portfolio of differentiated yet complementary brands. The combination of the premium L'ORÉAL PARIS range with GARNIER, the accessible, natural brand, enables the division to reach out to different customer profiles and cover all segments and price levels. Through this multi-brand policy, the division is now ranked number 2 in this market.

CARE PRODUCTS FOR EACH AGE GROUP

L'ORÉAL PARIS is perpetuating consumers' trust by developing sustainable franchises such as Revitalift, Age Perfect and Collagen filler, each focused on a specific age group. A recent success, the Derma Genesis range launched at the end of 2007 is already the brand's third largest franchise. UltraLift from GARNIER reached second position in the anti-wrinkle skincare segment, doubling its sales in three years.

Innovations are another decisive asset. They are extremely popular with customers, as was demonstrated by the success of

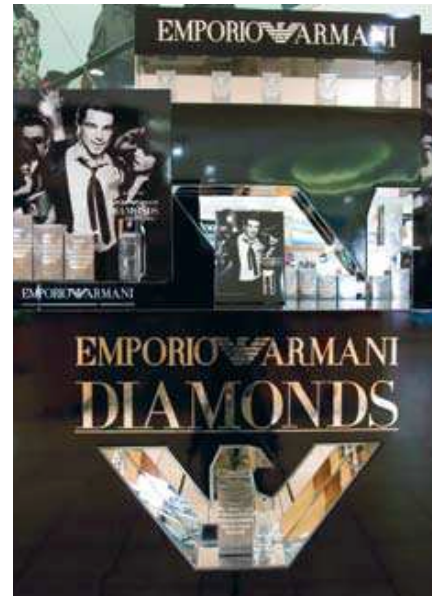


FAST GROWTH IN GERMANY

All of L'Oréal's major international brands are available in this country. In 2007, the group became market leader ahead of established national brands, and 2008 was once again a year of rapid growth for L'Oréal. The Professional Products Division won over 3,000 new hair salons. Its success in the high-end market was driven by the demand for KÉRASTASE and SHU UEMURA ART OF HAIR. L'Oréal is the leader in Luxury Products, and recorded very substantial growth thanks to GIORGIO ARMANI, and BOTHERM, the brand with the fastest growth in the market. The Consumer Products Division achieved the highest growth, boosted by its breakthrough in skincare. The Active Cosmetics Division is ranked first in pharmacies, and rolled out the SKINCÉUTICALS and SANOFLORE brands.



Advice is vital in mass-market distribution. L'ORÉAL PARIS provides consumers with tools to self-diagnose their skin and choose the most appropriate product. As a result, sales have leapt by +20% in shops where these facilities are available.



Emporio Armani Diamonds for Men entered the top 10 best selling of men's fragrances in two of Britain's most iconic department stores.

Caffeine Eye Roll-on care which became the leading eye care product on the market in just a few weeks. And at L'ORÉAL PARIS, a serum was launched in the Derma Genesis line, a product which had never before been available in mass-market distribution. Consumers rapidly adopted this new beauty routine—300,000 serums were sold in one year.

TARGETING MATURE SKIN

In a country where 20% of the population is over 65, seniors represent a major opportunity. Age Perfect and Re-Perfect franchises from L'ORÉAL PARIS grew by +14% in 2008 and the brand took the lead in the mature skin segment. Men represent another promising target, and sales of the Men Expert range rose +26% in 2008, hard on the heels of the market's leading brand after just three years.



The Matrix recipe works in France

Launched in France only four years ago, the MATRIX brand is now sold in 6,000 hair salons around the country, where sales grew by a record +24% in 2008. In Paris, Joffo hair salons, a symbol of Parisian hairdressing are now working with MATRIX.



Positioned as the most affordable, professional brand, MATRIX is seen as an effective anti-economic crisis response for a large number of salons. Today, MATRIX is available in 50,000 salons in Western Europe. One hundred and sixty educators provide local training sessions on using MATRIX products and developing services in salons, and thereby helping to convey the image of an affordable, high-quality, professional channel.

United Kingdom: 3 men's fragrances in the top 10

In 2008, Armani Diamonds for Men strengthened the position of the Luxury Products Division in the fragrance market in the United Kingdom. An instant success at its launch in October, the brand went on to benefit from high visibility in key sales outlets and extensive advertising support during the end-of-year holiday season. Three years ago the brand was outside the "top 10" in men's fragrances, but today three of its fragrances are featured in the list. Armani Diamonds for Men joined Armani Code and Diesel Fuel for Life in the top 10 best-selling fragrances at Debenhams and House of Fraser, two iconic British department stores. GIORGIO ARMANI's success is equally dazzling in women's fragrances, with two perfumes ranked in the top 10 at the same department stores.

