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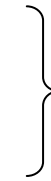
**Fieldtrip
Düsseldorf - Germany**

24 & 25 June 2009



Agenda of the meeting

- The cosmetics market and L'Oréal's positions
Global update & European focus
- Country Profile Presentation : Germany
- Evolution of the German Cosmetics Market
- L'Oréal Deutschland



Thierry Prévot

Udo Springer

« Break »

- The Professional Products Division
- The Consumer Products Division

- The Luxury Products Division
- The Active Cosmetics Division

- Q&A session

Christophe Schmutz
Udo Springer
Frank Kollmar
Rolf Sigmund
Gerd Weiler



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**The cosmetics market and L'Oréal's positions :
Global update & European focus**

Mr. Thierry PREVOT
Group General Manager
Financial Communications



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June 2009



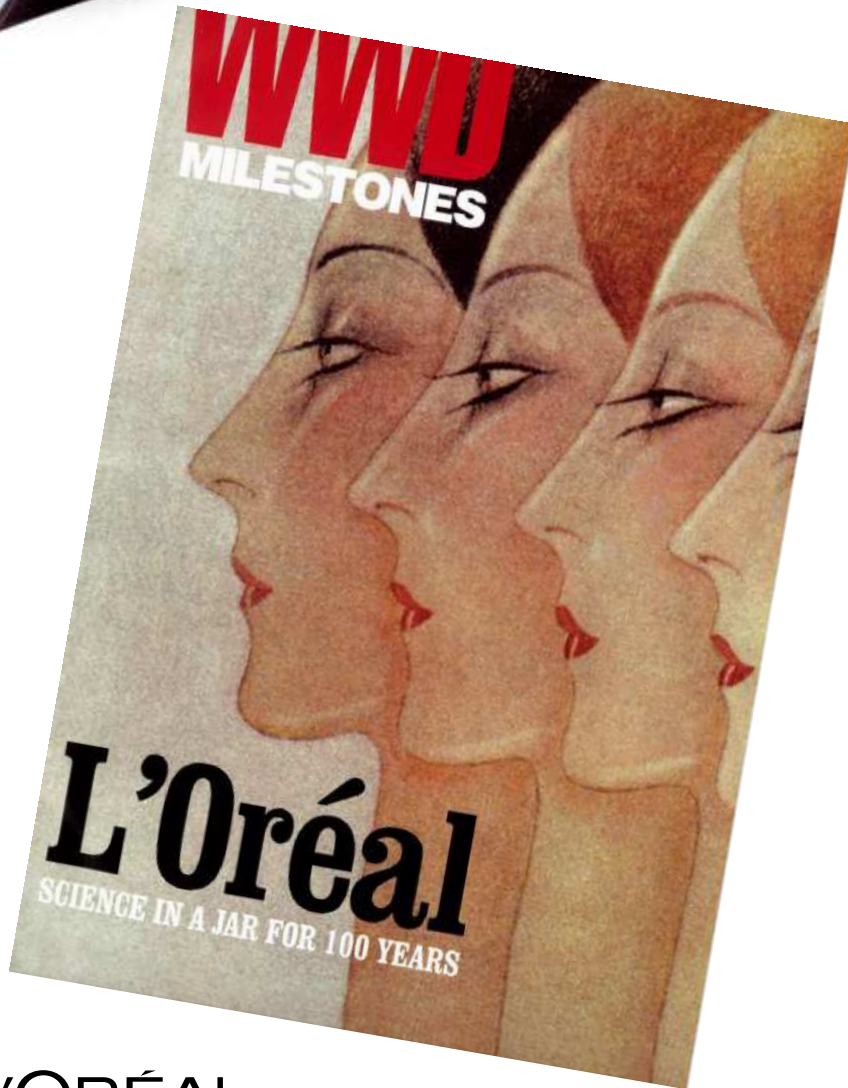
100 years of Inspiration and Creation

► One hundred years of Quest for...

- Innovation
- Excellence
- Diversity
- Talents
- Meaning
- Brands

► To make the world more beautiful





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June 2009



Some of your concerns

▶ **Market dynamics ?**

- Signs of stabilization ? Timing of recovery ?
- Relative competitive position ?
- Recent developments : Temporary / cyclical reactions to the environment ? Or structural shifts of the underlying markets ?

▶ **Relative position of L'Oréal ?**

- Has there been a shift in the relative strength of L'Oréal's business model ?
- Is L'Oréal today more cyclical than historically ?
- Should / can L'Oréal enhance their overall positioning in a world with less growth ?
- Relevance of the model after the crisis ?

▶ **L'Oréal communication ?**

- Quantitative indications about cost-cutting ?
- Increased detail on A&P spending ?
- Guidances ?



A few highlights

1. The worldwide cosmetics market : a story of Growth and Resilience

2. The future : long-term key drivers of the market

3. Consumers in cosmetics : a few facts

4. L'Oréal's positions : Worldwide and in the European landscape

5. A Reminder of L'Oréal's strategy

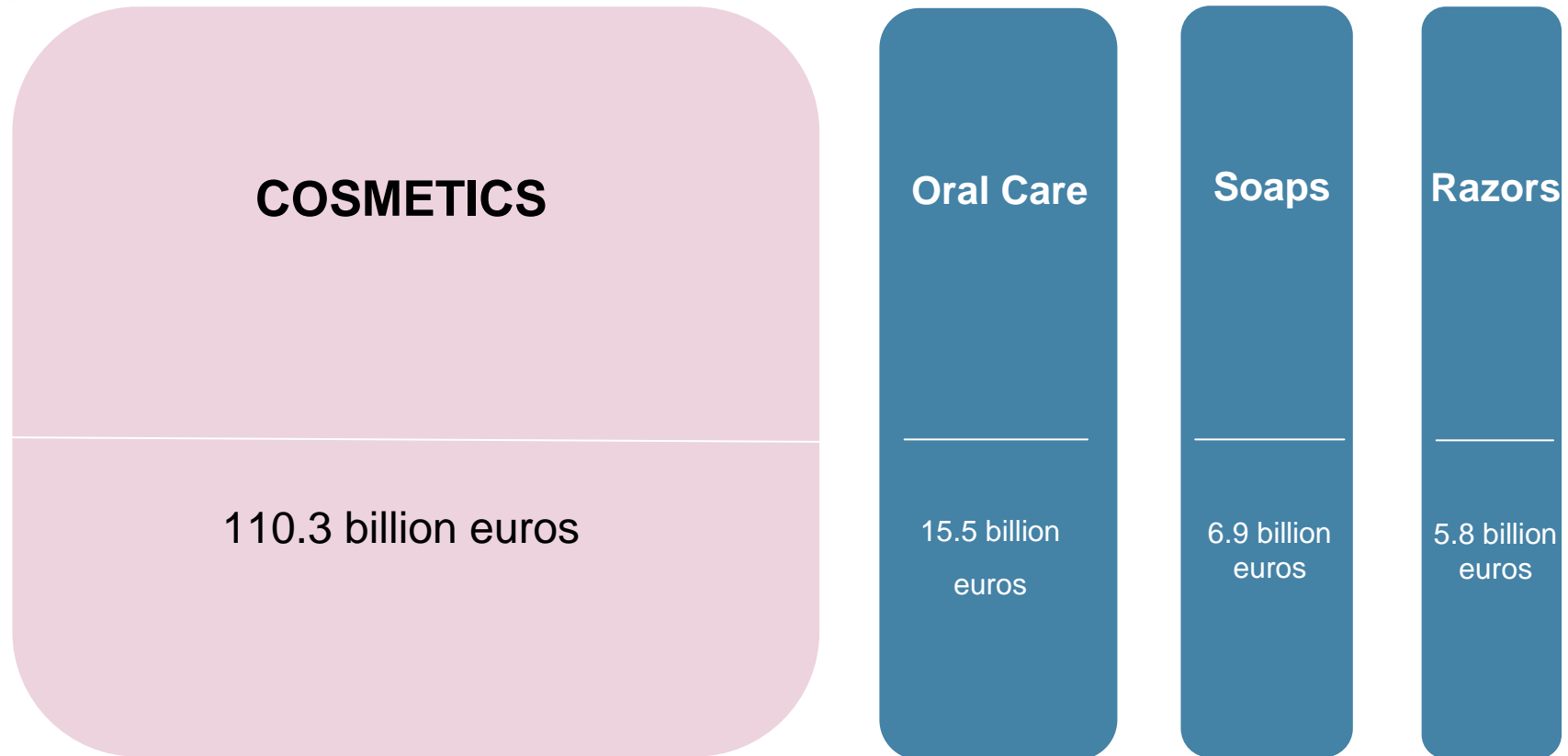


1. The Worldwide Cosmetics Market : A story of Growth and Resilience



The Worldwide Cosmetics Market

Up to 110 billion euros (MSP)



TOTAL : 138.5 billion euros



The Worldwide Cosmetics Market

Sell-in and sell-out



Source : Euromonitor International Estimates - 2008
All categories, excluding soaps, oral care, blades-razors,
technical professional products, luxury value set and Travel Retail



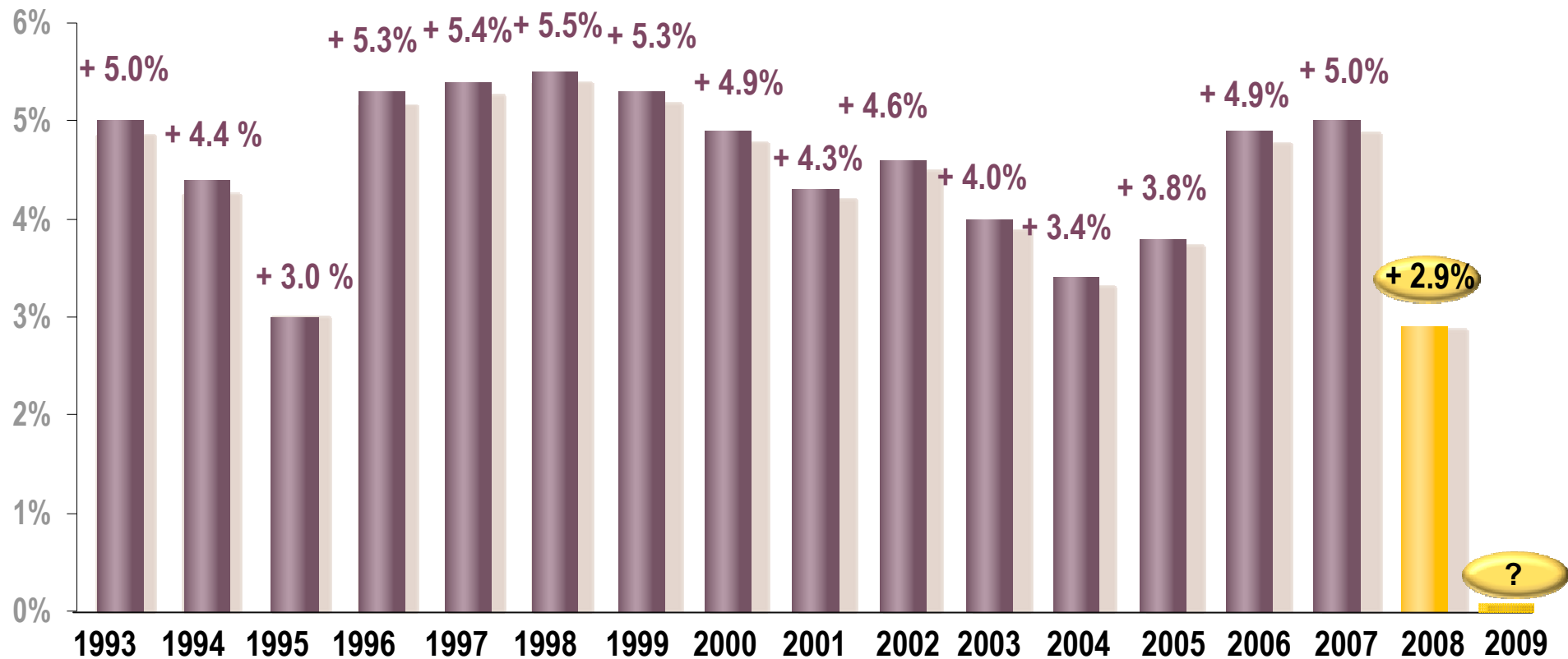
Source : L'Oréal Estimates - 2008
All categories, excluding soaps, oral care, blades-razors



The Worldwide Cosmetics Market 1993 - 2008*

Capacity for long-term growth and resilience...

(Annual growth rate)



Source: L'Oréal estimates

* Excluding soap, toothpaste and razors - Provisional estimates for 2008.

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...But distribution channels unevenly sensitive to the crisis

► The mass-market proves resilient

USA
IRI Retail Panel (excl. Walmart)

► The pharmacy channel proves fairly resilient

Europe 7
Panel IMS

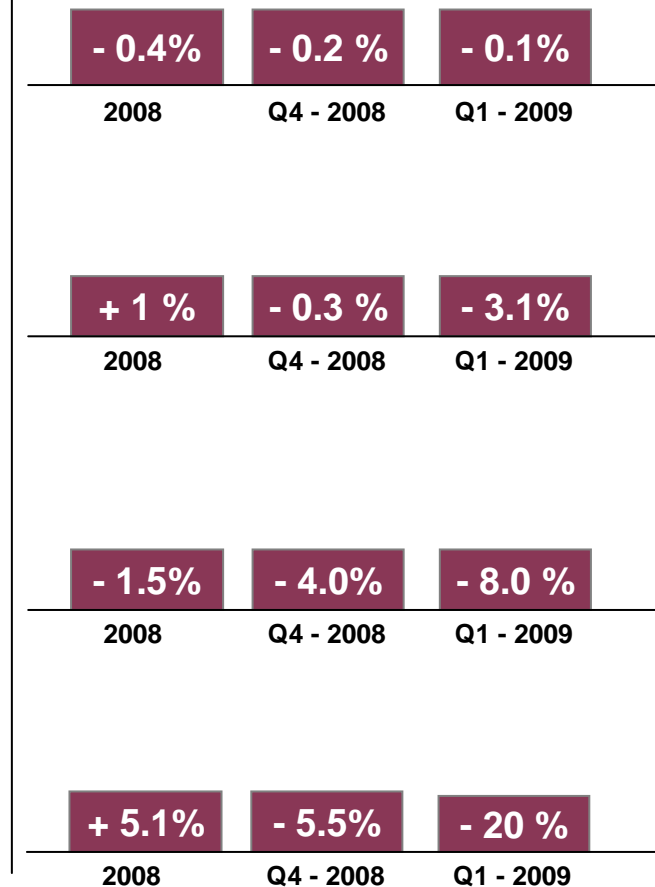
► The situation is more uncertain for hair salons

France
L'Oréal estimates

► The situation is more uncertain for selective distribution

Russia
Panel NPD

Cosmetics market trends





...And contrasted growth rates
by geographic zones

Growth at constant exchange rate

| In billions of euros | 2008** Market | 2007* | 2008** | Q4 2008** | Q1 2009** |
|----------------------|------------------|----------------|----------------|----------------|------------------------|
| Western Europe | 35.6 | + 3.2 % | + 1.4 % | - 0.5 % | - 1% to -2% |
| North America | 21.8 | + 2.9 % | - 0.9 % | - 4.0 % | - 3.5% to - 4.0% |
| Japan | 14.5 | + 0.7 % | - 0.8 % | - 4.0 % | - 6.0% to - 7.0% |
| New Markets | 38.3 | + 10.0% | + 8.2 % | + 6.0 % | +3.0% to + 4.0% |
| TOTAL | 110.3 | + 5.0 % | + 2.9 % | + 0.0 % | - 1.0% to -2.0% |

Source : L'Oréal estimates

* Excluding soaps and toothpastes – Provisional estimate.

**Provisional estimate



The Top10' Worldwide Cosmetics Markets

Germany : The largest market in Europe

| 1998 | | | 2008 | |
|------|----------------|----------------------|----------------|----------------------|
| | Country | Cumulated weight (%) | Country | Cumulated weight (%) |
| 1 | USA | 22.8 | USA | 17.7 |
| 2 | JAPAN | 39.7 | JAPAN | 29.4 |
| 3 | GERMANY | 47.3 | BRAZIL | 38.2 |
| 4 | FRANCE | 54.0 | CHINA | 44.3 |
| 5 | UK | 60.2 | GERMANY | 50.0 |
| 6 | ITALY | 65.4 | FRANCE | 55.6 |
| 7 | BRAZIL | 69.3 | UK | 60.9 |
| 8 | CHINA | 72.8 | ITALY | 65.0 |
| 9 | SPAIN | 75.8 | RUSSIA | 69.2 |
| 10 | CANADA | 78.2 | SPAIN | 72.9 |

Source : Estimations Euromonitor 2008



The European Cosmetics Market* Growth dynamics, by country

| | 2005 | 2006 | 2007 | 2008 |
|-----------------------------------|----------------|----------------|----------------|----------------|
| France | - 1.5 % | + 3.2 % | + 2.3 % | - 0.5 % |
| Germany | + 0.3 % | + 2.9 % | + 1.6 % | + 1.2 % |
| UK | + 2.2 % | + 6.7 % | + 4.6 % | + 3.0 % |
| Italy | - 0.1 % | + 1.9 % | + 2.0 % | + 0.7 % |
| Spain | + 4.7 % | + 4.5 % | + 5.8 % | - 0.4 % |
| Western Europe 5 countries | + 1,1 % | + 3.7 % | + 3.2 % | + 1.4 % |

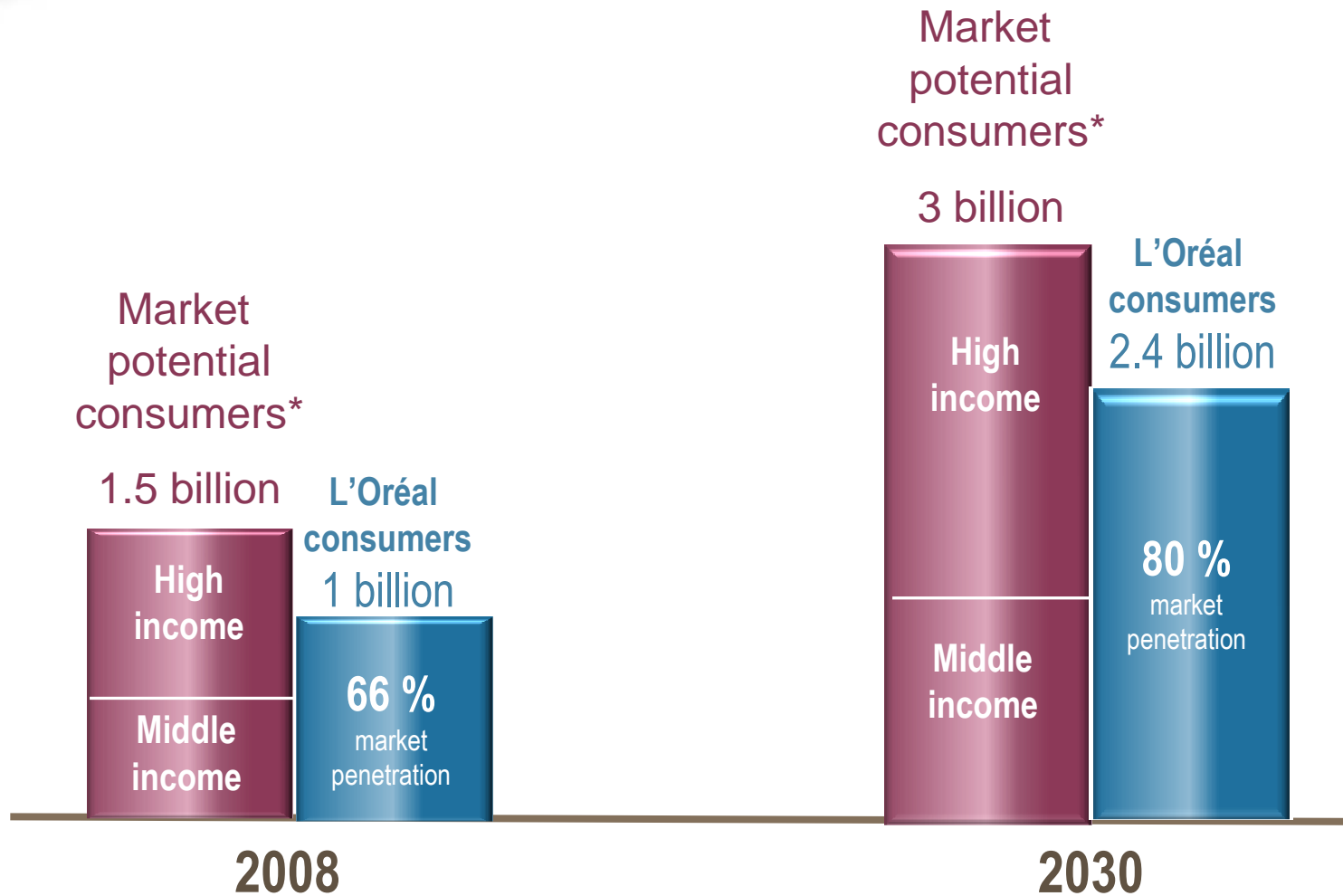
* Excluding soaps and toothpastes - Provisional estimate – Growth at constant exchange rate



2. The future : Strong key drivers of the market



The future of the cosmetics market : Adressing 3 billion potential consumers* in 2030



Sources : World Bank – Global Economic Prospects 2007 - « Managing the Next Wave of Globalization »

* Middle + High Income Consumers Worldwide

The future of the cosmetics market : Strong key drivers of the market

1. Permanent desire for innovation and progress

2. The growth of the men's market

- Twice superior to that of the cosmetics market

3. The ageing of the population

- European women over 60 spend twice as much on facial skincare than women under 25 years old
- 2020 : 1 billion "young seniors"

4. Increasing global urbanization

- 2020 : 60 % of people will live in urban areas
30 megalopolises

5. Globalization of the beauty market

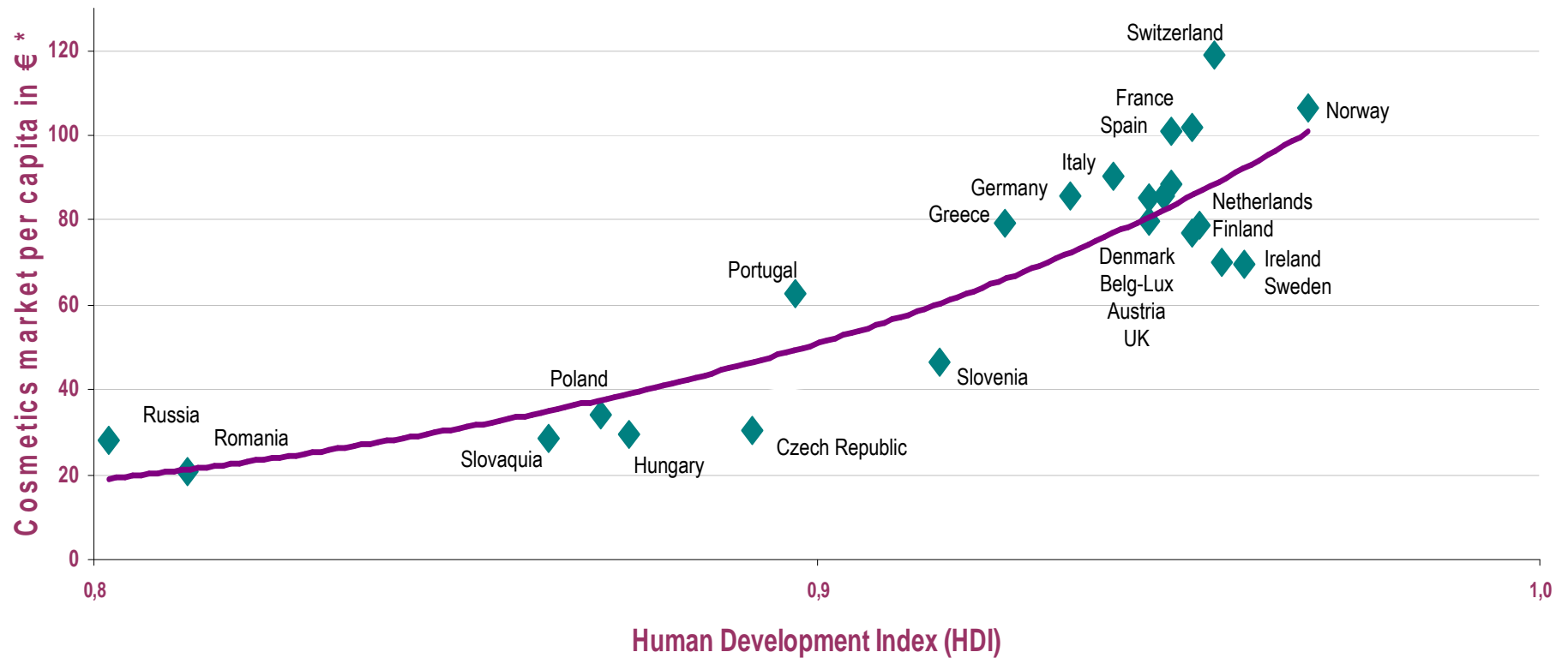
- 2050 : new markets will represent more than 50 % of the global cosmetics market.
- Cosmetics consumption per capita in new markets is 13 times lower than in developed countries





The future of the cosmetics market : Consumption growth supported by the gradual improvement of GDP and living conditions

HDI Index and per capita cosmetics market in Europe *



Sources : Excluding soap, toothpaste and razors. L'Oréal estimates (2007)
UNPD – Human Development Report (2007)



The future of the cosmetics market

Still contrasted penetration rates across Western Europe

Hair Care & make-up – Product Usage- Women

| WOMEN | France | UK | Germany | Italy | Spain |
|--|---------------|-----------|----------------|--------------|--------------|
| Shampoo users > 3 times a week | 49 % | 65 % | 57 % | 29 % | 51 % |
| Conditioner users | 48 % | 67 % | 57 % | 45 % | 58 % |
| Number of hair colour per year, per user* | 6,4 | 5,4 | 5,6 | 9,0 | 8,1 |
| Eye Make-up users | 68 % | 71 % | 63 % | 55 % | 61 % |

Source : IPSOS Health & Beauty Survey 2007 – Regular product usage in the 12 past months – Europe 5 – 17000 women

* Hair colour in salon or at home



The future of the cosmetics market

Still contrasted penetration rates across Western Europe

Skin Care – Product Usage- Women

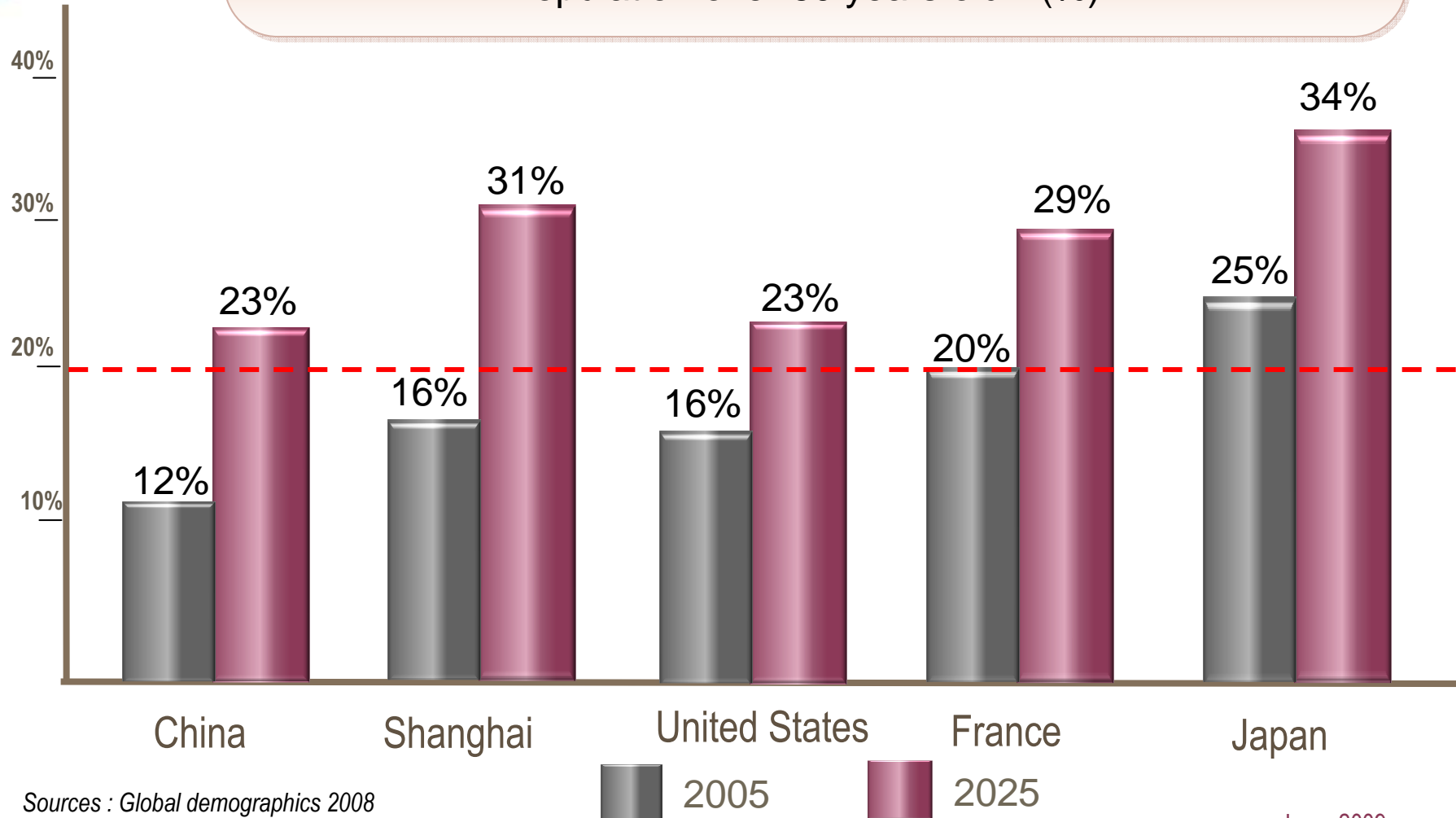
| WOMEN | France | UK | Germany | Italy | Spain |
|--|---------------|-----------|----------------|--------------|--------------|
| Facial skin care users | 85 % | 72 % | 85 % | 72 % | 75 % |
| Nb of products used every morning | 2,4 u | 2,6 u | 2,4 u | 1,7 u | 2,1 u |
| Body Moisturizer users | 62 % | 63 % | 79 % | 55 % | 74 % |

Source : IPSOS Health & Beauty Survey 2007 – Regular product usage in the past 12 months – Europe 5 – 17000 women



The future of the cosmetics market : An aging world

Population over 60 years old * (%)



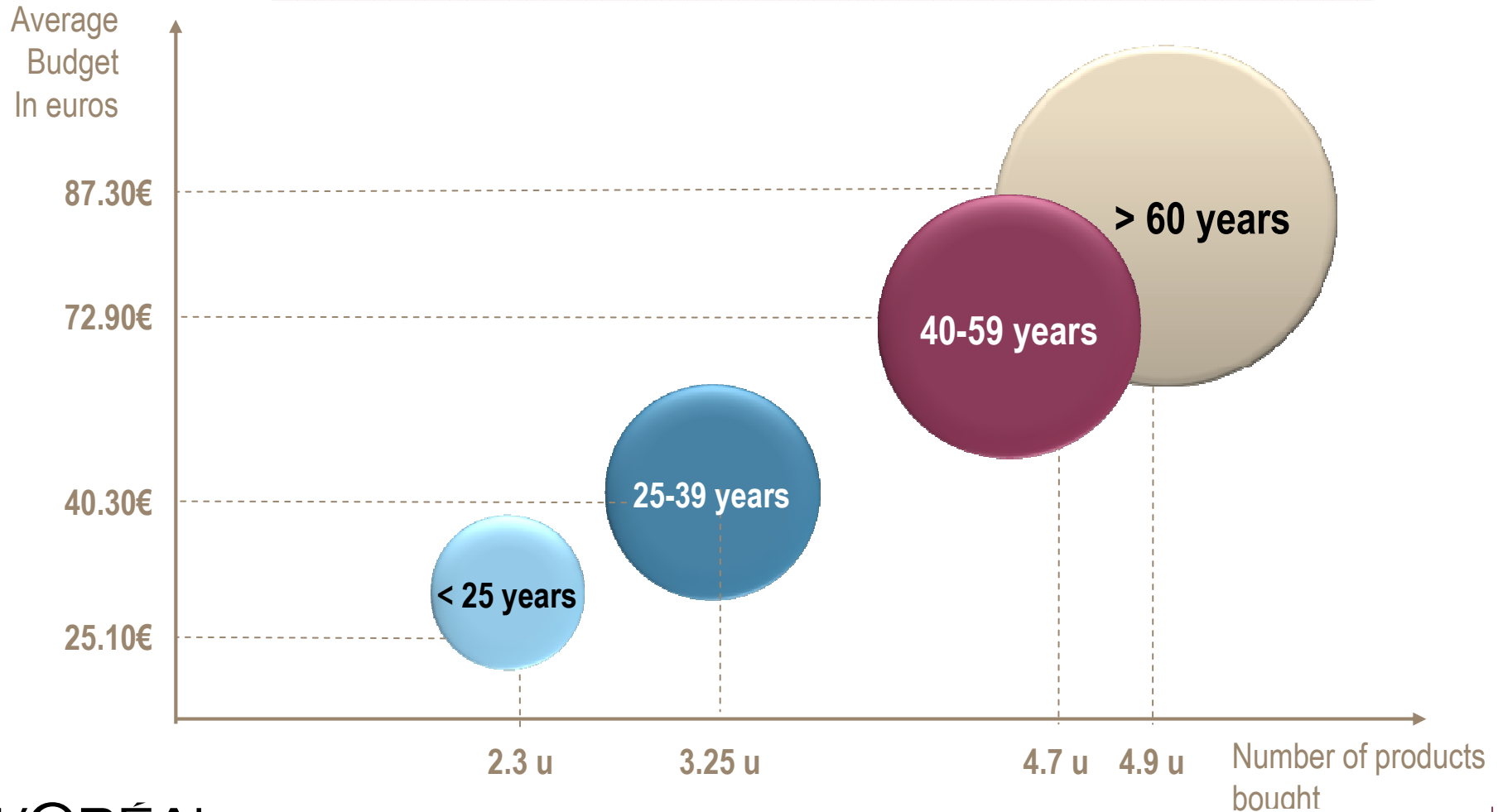
Sources : Global demographics 2008
* 60 years old is not included



The future of the cosmetics market : The ageing of population in Europe

Average skin care expenses per consumer, per age

Source : TNS Worldpanel France - 2008

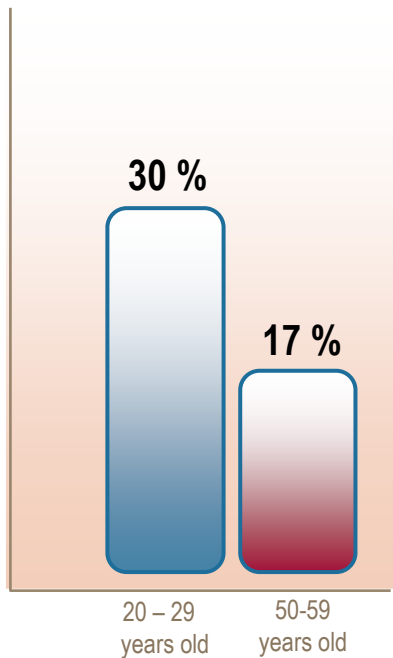




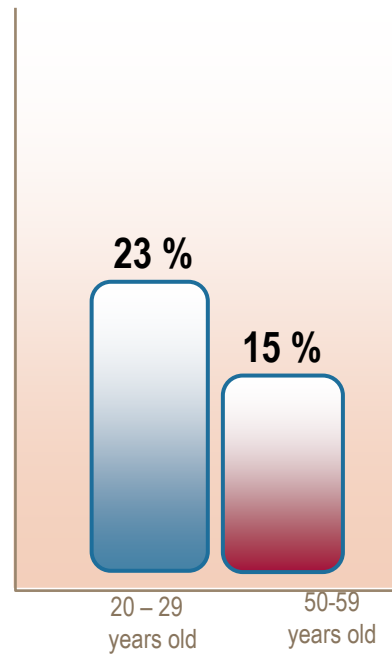
The future of the cosmetics market

Men : the power of the new generation

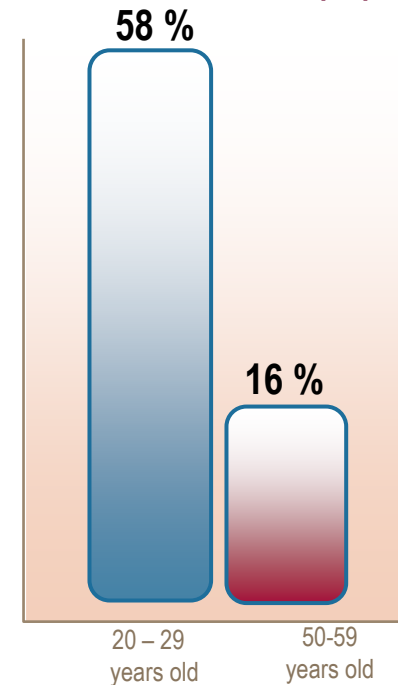
**Cleansing
Products users (%)**



**Moisturizing
day cream users (%)**



**Styling
Products users (%)**

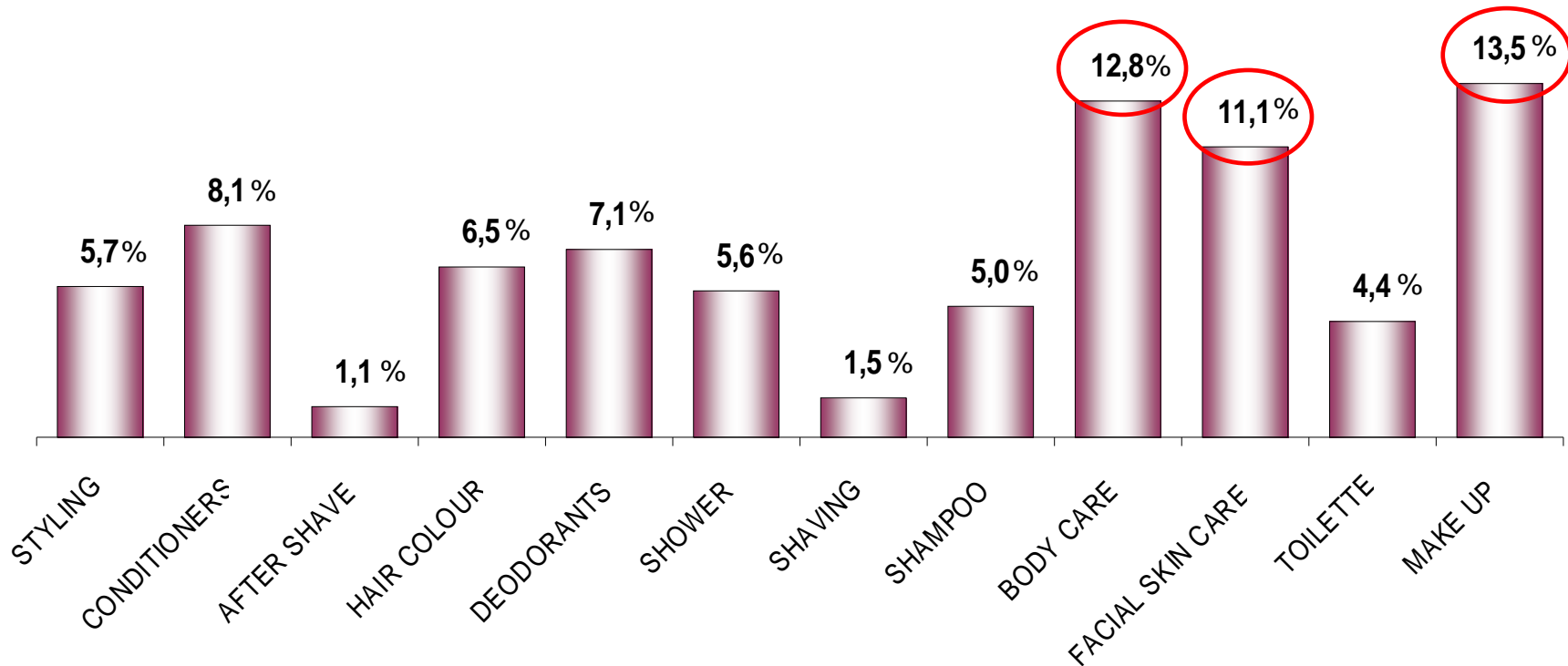


Cosmetics' usage, by age and by category
European Health & Beauty Survey – Men - 2007 - IPSOS



Stimulation by the offer : 1. Key role of innovation...

Weight of innovations in Hygiene and Beauty Sales*, by category (%)
France - 2008



Source : IRI

* Hygiene and Beauty Sales – in value – Mass-Market – France- 2008



Stimulation by the offer : 2. Combined to a qualitative distribution offer

The role of the distribution Evolution of the make-up market – in value

| | Europe 15 countries | France | Germany | UK |
|-----------------------------|----------------------------|---------------|----------------|------------------------|
| Full year 2008 | + 7,7 % | + 4,7 % | + 8,2 % | + 11,7 % |
| YTD April 2009 | + 5,8 % | + 0,5 % | + 11,0 % | + 6,0 % |
| Type of distribution | | <i>Food</i> | <i>Drug</i> | <i>Food & Drug</i> |

Source : Panels Nielsen – IRI – Europe 15 countries

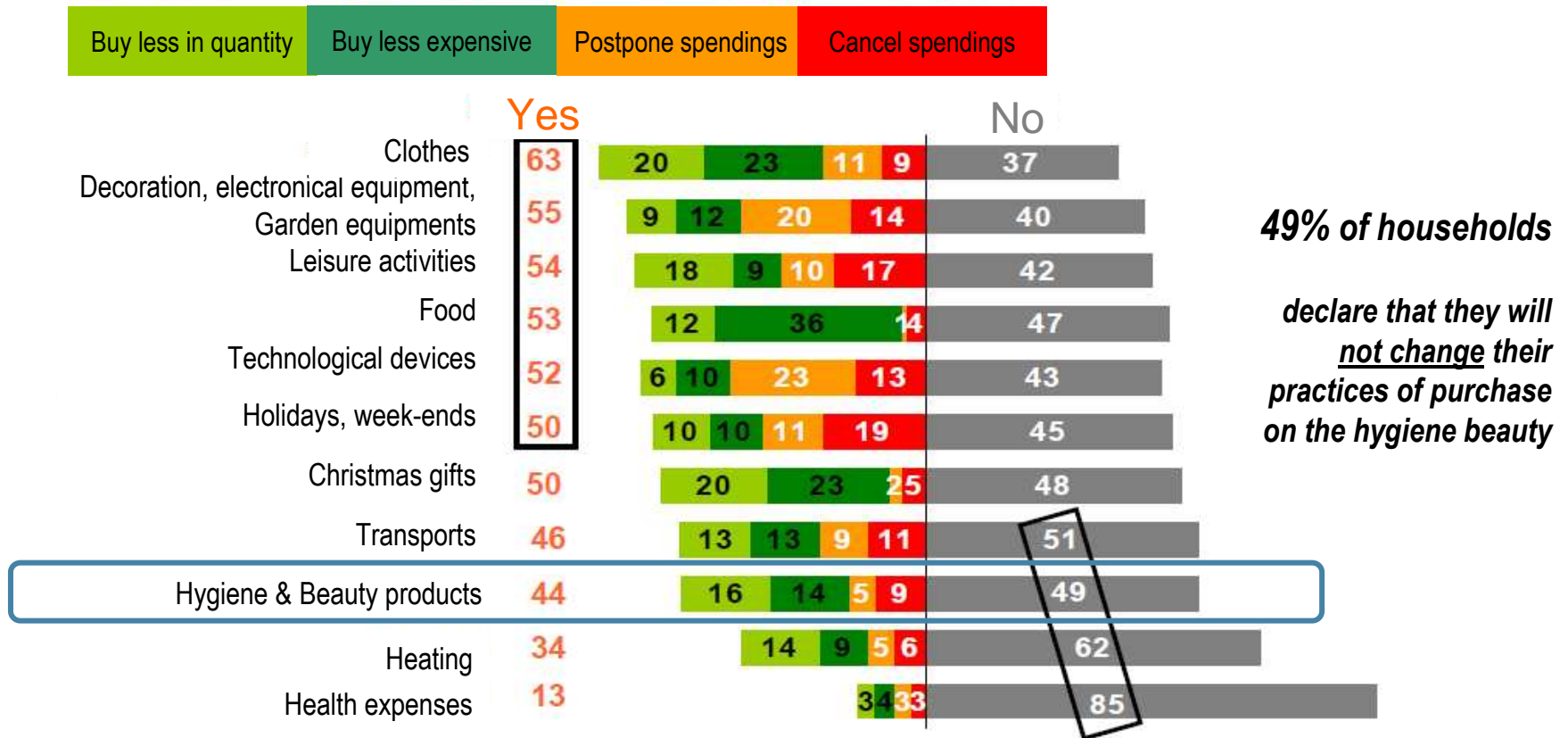


3. The cosmetic consumer's behaviour : some highlights



The french example :

Because of the current economic downturn, for which of the spending listed below would you say you have changed or you are likely to change your shopping practices ?



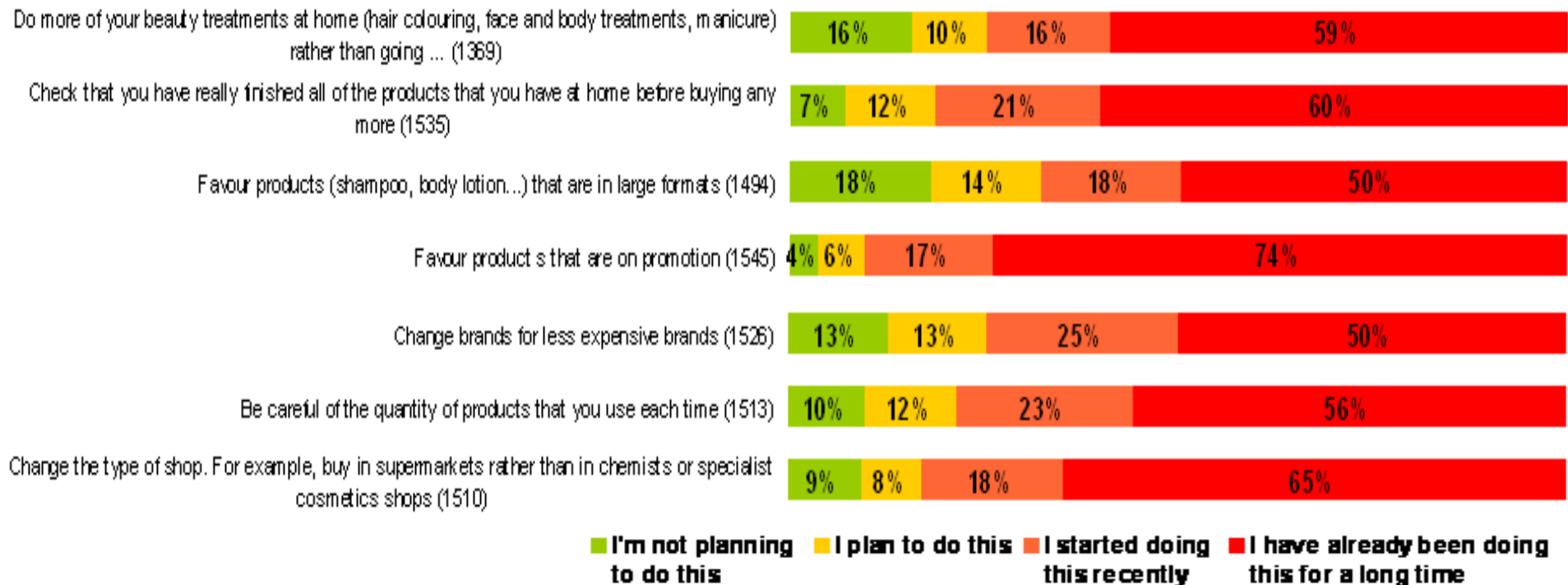
Source : TNS Sofres
 Survey realized by telephone with a national sample of 950 persons, representative of the population of 18 years old and more.
 Interviews realized on November 4th and 5th, 2008 - France



Things done to adapt to the crisis or to make savings Europe 5 Countries

Base : Women intending to cut or having cut their spendings on beauty products and treatments

Here are some things that one can do to adapt to the crisis or to make savings. For each one of them, which of the following answers corresponds the best to your attitude?





European Cosmetics Market Evolution (2005 - 2009)

Evolution of volume and value

Cosmetics Mass-Market by category (2007-2009)

Europe- 15 countries

| | 2007 | 2008 | | YTD April 2009 |
|---------------------------------------|---------|---------|---------|-------------------|
| | | H1 | H2 | |
| Mass-Market Hair Color | | | | |
| <i>Units</i> | + 3.7 % | + 1.1 % | + 1.7 % | + 2.7 % |
| <i>Average price / Unit</i> | - 0.3 % | - 0.8 % | - 0.2 % | + 0.3 % |
| Mass Market Skin Care + Toilet | | | | |
| <i>Units</i> | + 4.4 % | + 3.4 % | + 1.5 % | + 1.0 % |
| <i>Average price / Unit</i> | + 2.4 % | + 1.1 % | - 0.1 % | + 0.8 % |
| Mass-Market Make-Up | | | | |
| <i>Units</i> | + 7.3 % | + 8.6 % | + 5.8 % | + 6.2 % |
| <i>Average Price / Unit</i> | + 1.3 % | + 1.1 % | + 0.5 % | - 0.4 % |
| Mass-Market Haircare | | | | |
| <i>Units</i> | + 0.8 % | + 0.6 % | - 0.6 % | - 1.3 % |
| <i>Average Price / Unit</i> | + 1.7 % | + 3.3 % | + 2.3 % | + 0.9 % |

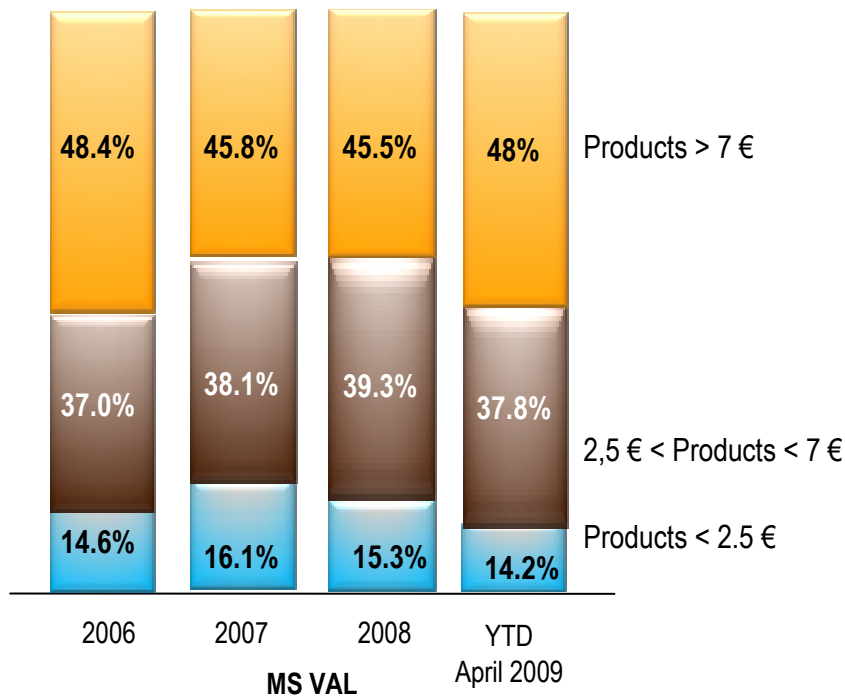
Source: Nielsen et IRI - Europe 15 countries



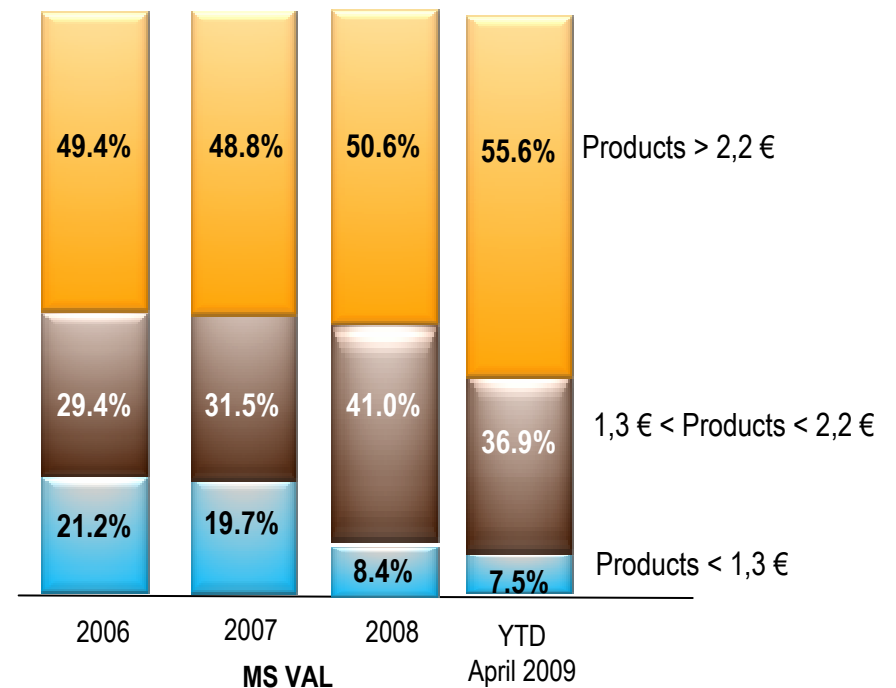
Consumers demand evolution Per price segmentation - Germany

No obvious radical change

Example : Moisturizers



Example : Shampoos



Source : Nielsen



Evolution of private labels Mainly driven by Spain

Mass Market – 15 European Countries

| Market share | 2007 | 2008 | 2009 YTD April |
|------------------------|--------------|--------------|-------------------|
| Haircare | 6,1 % | 6,5 % | 6,7 % |
| Hair styling | 8,8 % | 8,4 % | 8,7 % |
| Facial care | 9,6 % | 10,3 % | 10,8 % |
| Total cosmetics | 8,5 % | 8,9 % | 9,2 % * |

YTD April- 09 : MDD : + 7.6 %
• Spain : + 24.0 %

Source : Panels Nielsen – IRI

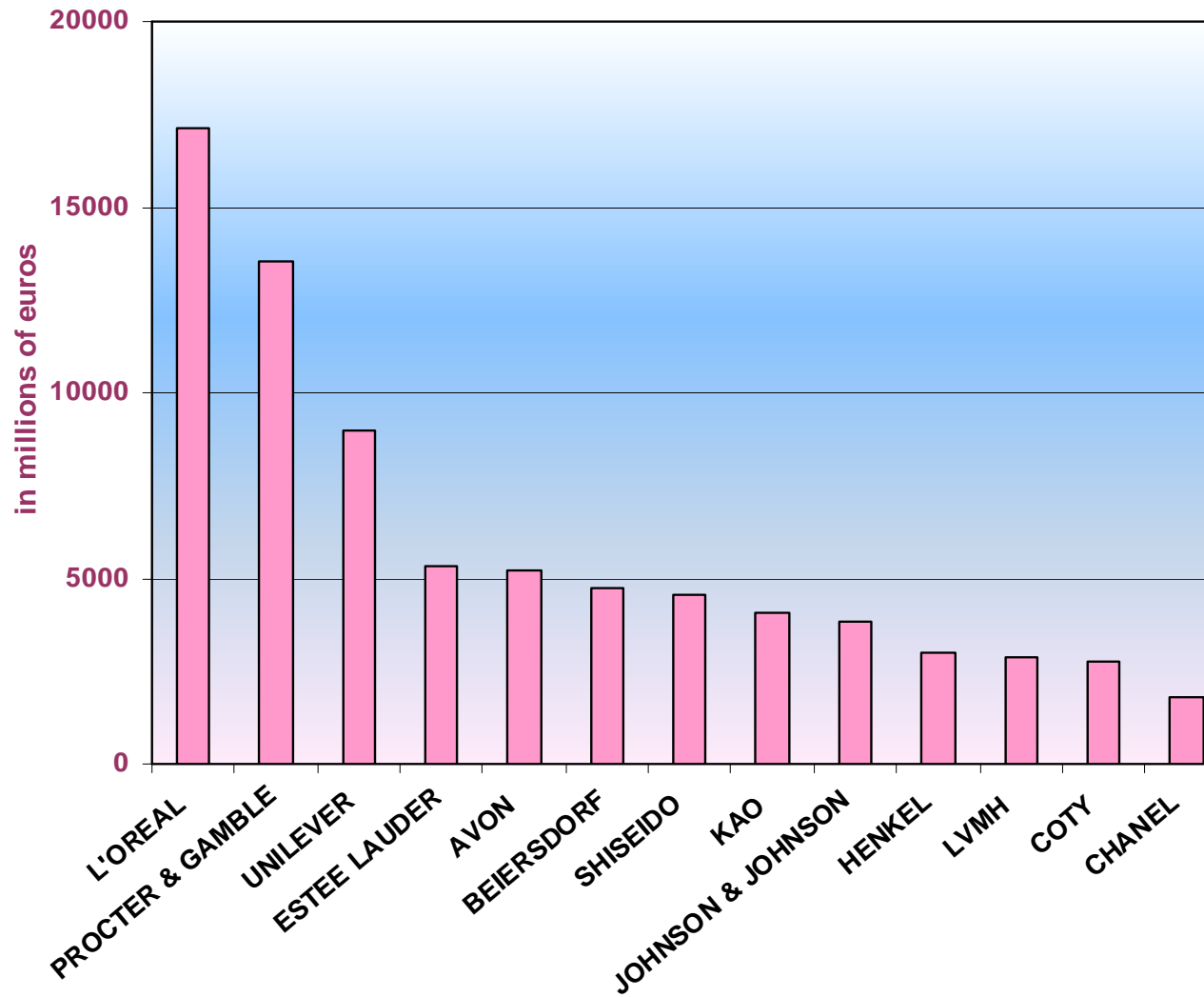


4. L'Oréal's positions : Worldwide and in the European Landscape



L'Oréal in the Worldwide cosmetics market

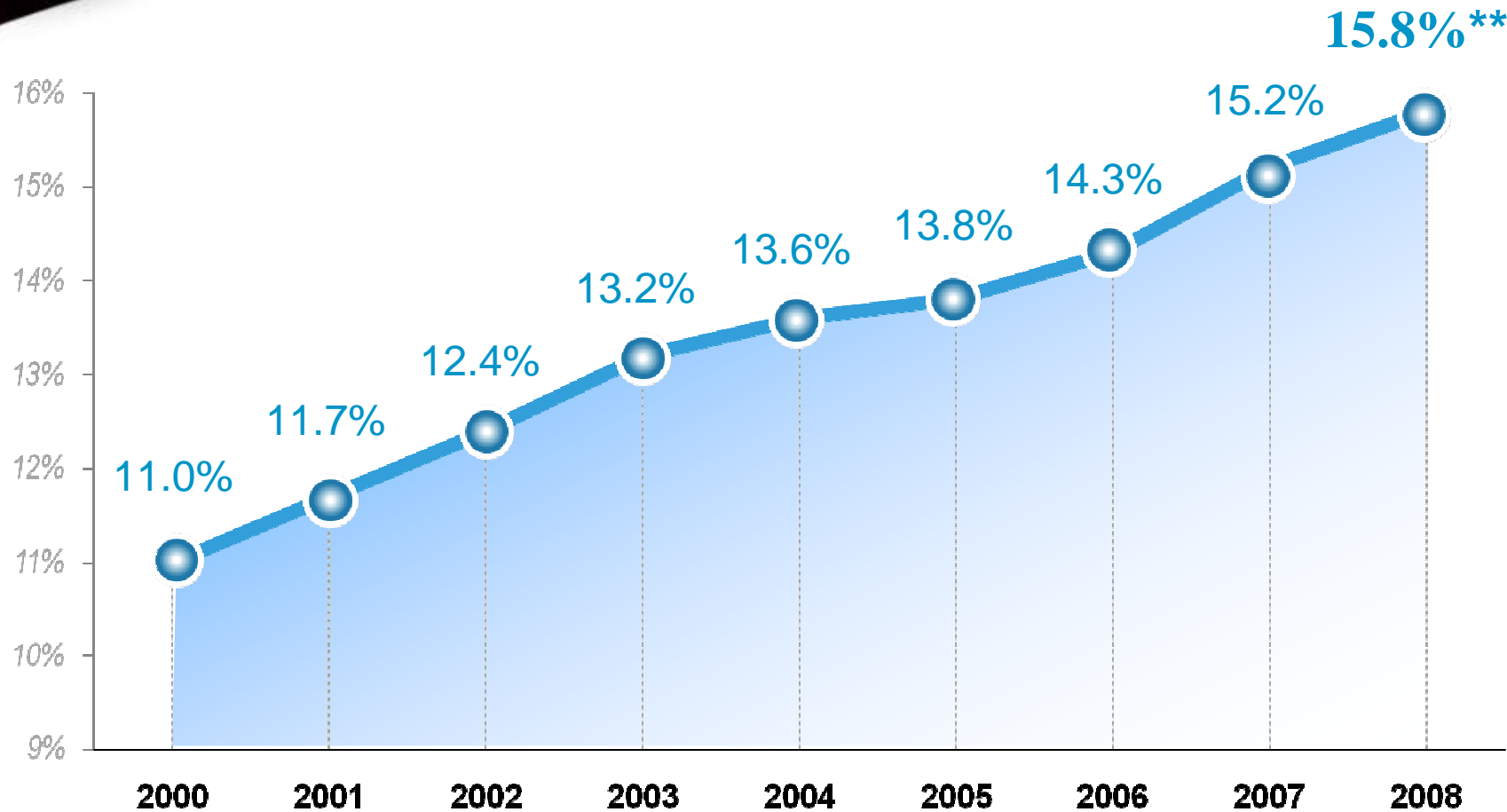
Main competitors





L'Oréal market share* 2000 - 2008

Based on estimates of the worldwide cosmetics market updated in 2007

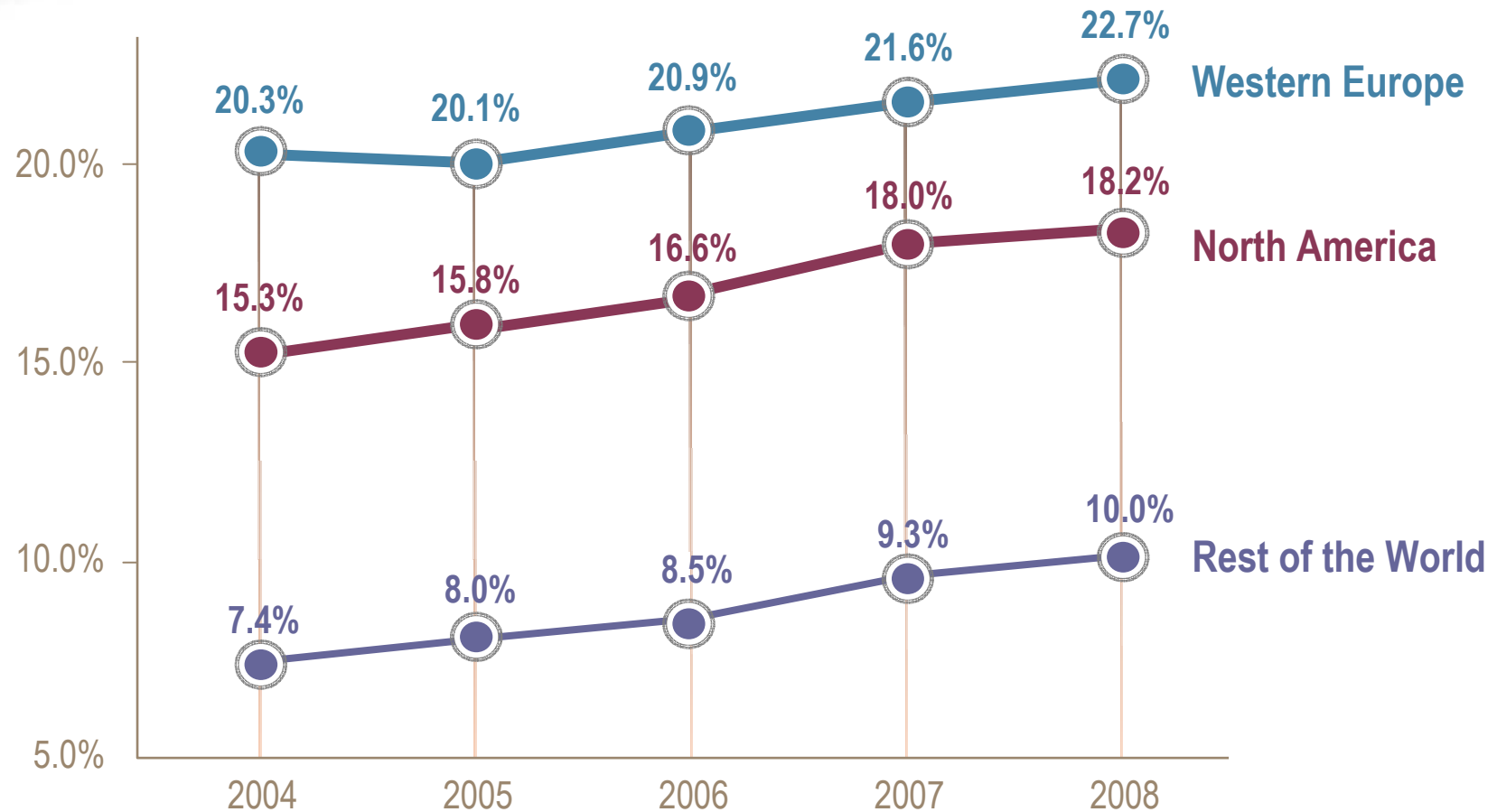


* Excluding soap, toothpaste and razors. Provisional estimates for 2008. Source: L'Oréal estimates.

** 2008 with YSL Beauté over a full year



Market share by geographical zone*



* L'Oréal sales excluding dermatology



Main competitors Ranking per country

Euromonitor RSP

| Western Europe 2008 | France 2008 | UK 2008 | Germany 2008 | Italy 2008 | Spain 2008 |
|------------------------|----------------|------------|-----------------|---------------|---------------|
| L'Oréal | L'Oréal | L'Oréal | L'Oréal | L'Oréal | L'Oréal |
| P & G | LVMH | Unilever | Beiersdorf | Beiersdorf | P & G |
| Beiersdorf | Beiersdorf | P & G | P & G | P & G | Puig |
| Unilever | Unilever | E. Lauder | Henkel | Unilever | Beiersdorf |
| Henkel | Yves Rocher | Boots | Coty | Bolton | Coty |

Source : Euromonitor International

Company Shares by global brand owner – RSP - % breakdown

Men's toiletries, pre-shave & after-shave, deodorants, baby care, hair care, colour cosmetics, sun care, fragrances, talcum powder, skin care, body wash & gel shower, bath additives



Hit-Parade Western Europe Market share per Division

| PPD | | CPD | | LPD | | CAI | |
|----------------|----------------|-------------------|-------------------|----------------|----------------|-----------------|-----------------|
| 2006 | 2008 | 2006 | 2008 | 2006 | 2008 | 2006 | 2008 |
| L'Oréal 27,4 % | L'Oréal 28,2 % | L'Oréal 30,9 % | L'Oréal 31,3 % | L'Oréal 17,0 % | L'Oréal 20,4 % | L'Oréal 19,9 % | L'Oréal 19,3 % |
| P & G nsp | P & G 23,3 % | P & G 12,9 % | P & G 12,5 % | LVMH 12,7 % | LVMH 13,5 % | P. Fabre 14,0 % | P. Fabre 14,5 % |
| Henkel nsp | Henkel 7,8 % | Beiersdorf 11,1 % | Beiersdorf 10,9 % | Lauder 12,4 % | Lauder 11,3 % | J & J 6,7 % | J & J 5,1 % |

Internal estimation

*Panel IRI Nielsen 15 countries
Haircolor, haircare & styling,
Skincare (face, body, sun)
Make-Up*

*Panel European Forecast
9 countries
L'Oréal incl. YSLB*

*IMS Europe 7
+ internal datas
Derma&Nutri cosmetics*



L'Oréal Market Shares – Europe 15

Focus Mass Market :
Very contrasted positions by country

| | « Development opportunities » | Total Europe 15 |
|-----------------------------|---|-----------------|
| Haircare | <ul style="list-style-type: none">– UK : 10.9 %– Greece : 13.6 % | 27.2 % |
| Facial cleansing & skincare | <ul style="list-style-type: none">– Austria : 20.3 %– Germany : 20.5 % | 26.1 % |
| Make-Up | <ul style="list-style-type: none">– UK : 27.7 %– Netherland : 30.9 % | 38.3 % |

Source : Panels Nielsen – IRI – Europe 15 countries - 2008



5. Reminder of L'Oréal's strategy



L'Oréal's assets

The Six fundamental pillars

1. **A resilient and sustainable market**
2. Constant quest for **innovation & quality**
3. Unique portfolio of **powerful and diversified brands**
4. Presence in **all distribution channels**
5. Presence in **all markets**
6. **A healthy and solid** financial situation



L'Oréal's strategy

Five strategic decisions to adapt the model

1. **Accessible** innovation
2. Extending to **new categories**
3. **Accelerating** globalization
4. **Sustained advertising & promotional** investments
5. **Reducing costs** and streamlining organizational structures



Thierry Prevot
Directeur Général de la Communication Financière
Group General Manager, Financial Communications
Tel. : + 33 1 47 56 86 22
Fax : + 33 1 47 56 74 93
email : tprevot@dgaf.loreal.com

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

Caroline Millot
Directeur des Relations avec les Investisseurs
Head of Investors Relations
Tel. : + 33 1 47 56 86 82
Fax : + 33 1 47 56 74 93
email : cmillot@dgaf.loreal.com

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