





**1. Key figures full year 2010**

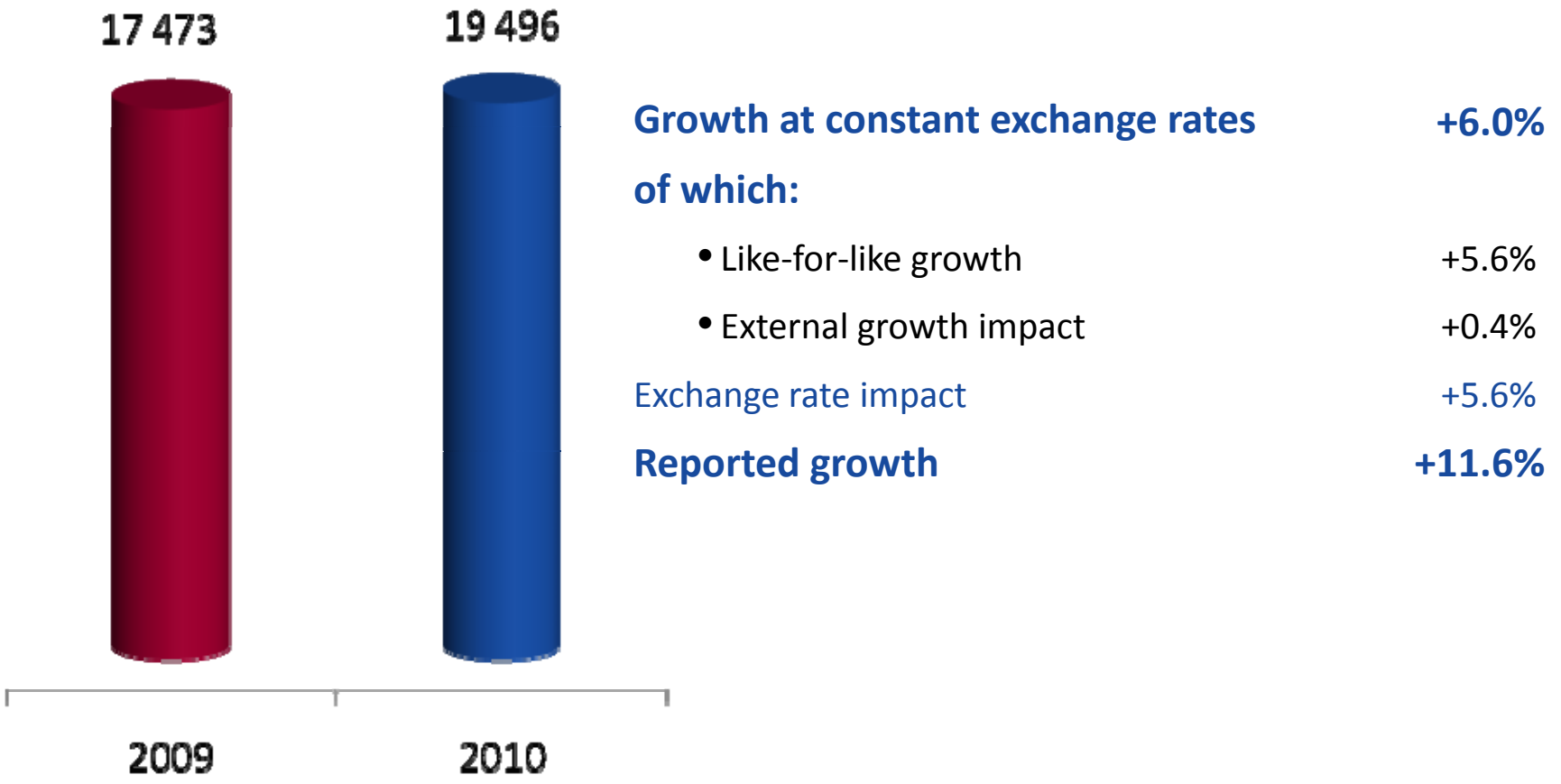
2. The cosmetics market and the sales momentum at L'Oréal

3. The 4 strategic thrusts

4. Strategic prospects



# Consolidated group sales 2010 (in million euros)





## Consolidated profit and loss account: From sales to operating profit (in million euros)

	12.31.2009	% of Sales	12.31.2010	% of Sales	% Change
<b>Sales</b>	<b>17 472.6</b>	<b>100.0%</b>	<b>19 495.8</b>	<b>100.0%</b>	<b>+11.6%</b>
<i>Costs of sales</i>	-5 161.6	29.5%	-5 696.5	29.2%	
<b>Gross profit</b>	<b>12 311.0</b>	<b>70.5%</b>	<b>13 799.3</b>	<b>70.8%</b>	<b>+12.1%</b>
<i>Research and development</i>	-609.2	3.5%	-664.7	3.4%	
<i>Advertising and promotion</i>	-5 388.7	30.8%	-6 029.1	30.9%	
<i>Selling, general and admin. expenses</i>	-3 735.5	21.4%	-4 048.6	20.8%	
<b>Operating profit</b>	<b>2 577.6</b>	<b>14.8%</b>	<b>3 056.9</b>	<b>15.7%</b>	<b>+18.6%</b>



## Net profit – Dividend – Cash Flows

	12.31.2009	12.31.2010	% Change
Net profit excluding non-recurring items after minority interests (M€)	1 996.7	2 370.9	+18.7%
<b>Per share* (in euros)</b>	<b>3.42</b>	<b>4.01</b>	<b>+17.2%</b>
Dividend (in euros)	1.50	1.80	+20.0%
<b>Pay out ratio</b> (% of net profit excluding non recurring items)	<b>43.9%</b>	<b>44.9%</b>	
Operating net cash (M€)	2 596.5	2 625.7	+11.2%
<b>Gearing**</b>	<b>14.4%</b>	<b>0.3%</b>	

\* Diluted net earnings per share based on net profit excluding non-recurrent items

\*\* Net debt / equity



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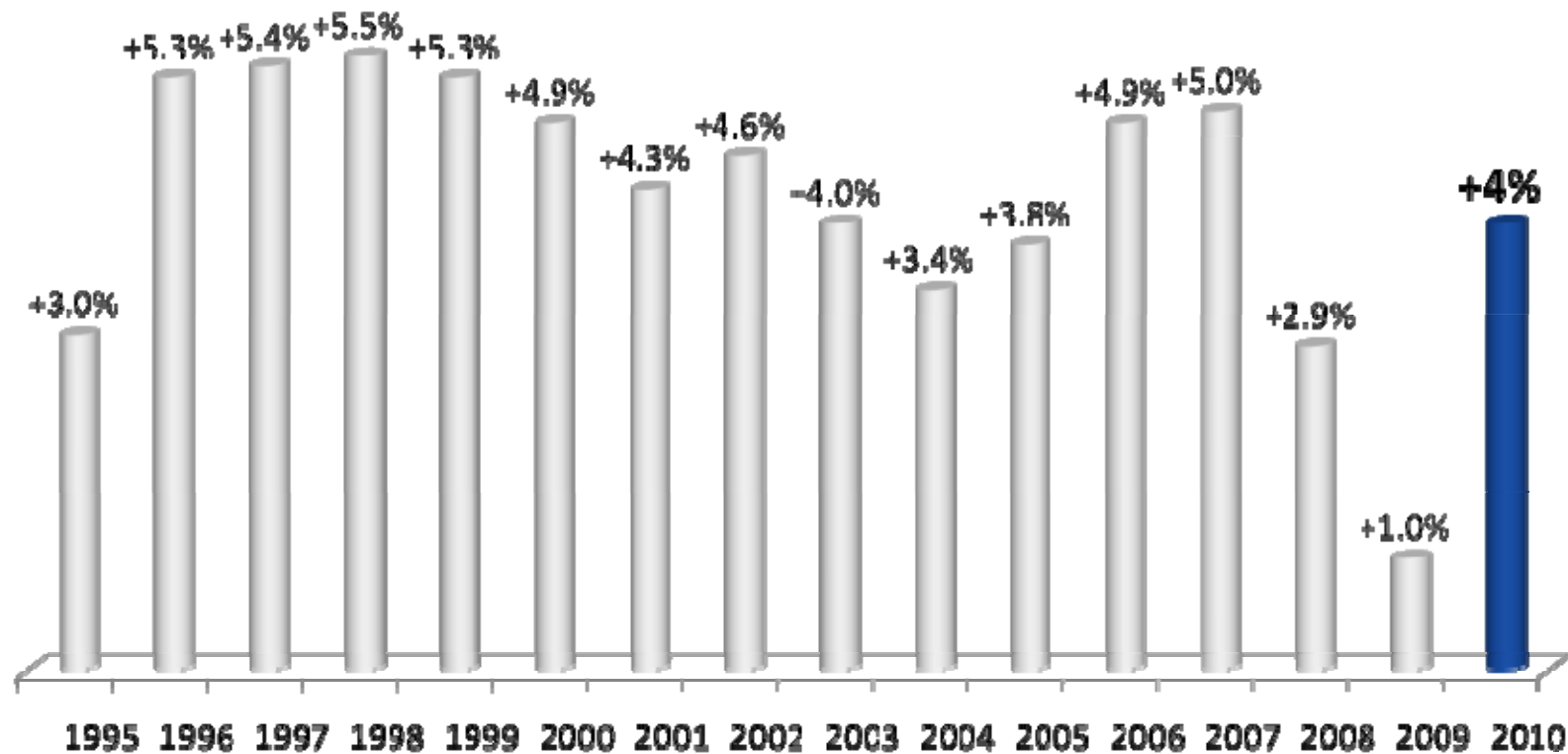
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# Back to the historical market growth trend

Worldwide Cosmetics Market 1995–2010\*  
(annual growth rate)



*\*excluding soaps and toothpastes. Source: L'Oréal estimates. 2010 provisional estimates. Excluding exchange rate impact*



# All Divisions outperformed the market in 2010

## Performance by Division

	Market growth 2010*	L'Oréal Growth 2010	
	Estimates	Like-for-like	Reported
Professional Products	+1.5%	+4.1%	+13.8%
Consumer Products	+3.7%	+5.5%	+11.4%
Luxury Products	+5.2%	+7.0%	+11.5%
Active Cosmetics	+2.6%	+4.7%	+8.9%
<b>Cosmetics total</b>	<b>+4.0%</b>	<b>+5.6%</b>	<b>+11.6%</b>

*\*excluding soaps and toothpastes. Source: L'Oréal estimates. 2010 provisional estimate. Excluding exchange rate impact*

*On January 1<sup>st</sup> 2010, the Roger & Gallet activity has been transferred from the Luxury Products Division to the Active Cosmetics Division. All figures for earlier periods have been restated to allow for this change.*

# Highlights by Division

## Professional Products

+4.1%\*

- Good performance in a flat market
- Division's growth driven by *L'Oréal Professionnel* and *Matrix*
- International success of *Inoa*: 35000 new salons recruited to L'Oréal
- Major advances in strategic markets (China, Brazil and India)



## Consumer Products

+5.5%\*

- Market share gains worldwide (North America and New Markets)
- Dynamism of make-up in all regions: *Maybelline* +13.3%
- Quality of international and regional innovations: *Total repair 5* by *L'Oréal Paris*, *Garnier* deodorants, *Garnier Men* and *L'Oréal Men Expert* in Asia...



## Luxury Products

+7.0%\*

- Good growth in the context of an upturn of the market
- Reinforced power of *Lancôme*
- Acceleration of *Yves Saint Laurent* and *Armani (Acqua di Gioia)*
- Spectacular success of *Kiehl's*, with growth of +43.2%.



## Active Cosmetics

+4.7%\*

- Bolstered position as the world leader in dermocosmetics
- Acceleration of *La Roche-Posay (Redermic +)*
- Spectacular performance in Brazil (+43%) with *LRP* and *Innéov*
- Roll-out of the new brands: *Skinceuticals* (advanced skin care) and *Roger&Gallet* (fragrance toiletries)



\* Like-for-like growth 2010

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## Strong performance of L'Oréal in all Zones

### Performance by Zone

	Market growth 2010*	L'Oréal Growth 2010	
	Estimates	Like-for-like	Reported
<b>Western Europe</b>	<b>+0.7%</b>	<b>+1.7%</b>	<b>+2.6%</b>
<b>North America</b>	<b>+2.4%</b>	<b>+4.1%</b>	<b>+12.5%</b>
<b>Japan</b>	<b>+1.3%</b>	<b>+1.3%</b>	<b>+13.5%</b>
<b>New Markets excl. Japan</b>	<b>+8.7%</b>	<b>+12.1%</b>	<b>+23.2%</b>
Latin America	+13.0%	+17.5%	+32.6%
Asia-Pacific excl. Japan	+9.0%	+13.2%	+24.7%
Africa, Middle East	+5.7%	+4.1%	+13.8%
Eastern Europe	+4.7%	+8.1%	+15.3%
<b>Cosmetics total</b>	<b>+4.0%</b>	<b>+5.6%</b>	<b>+11.6%</b>

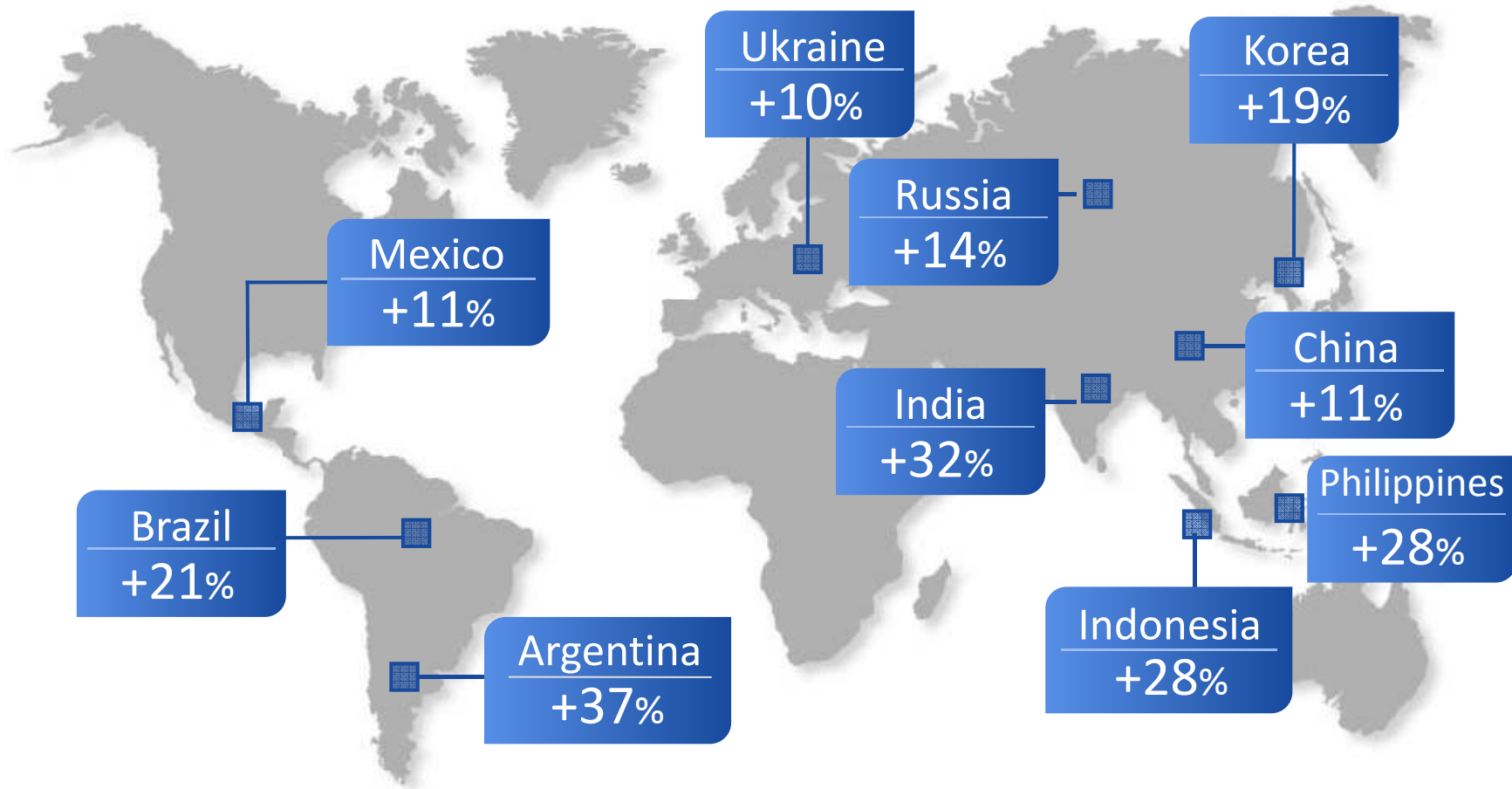
*\*excluding soaps and toothpastes. Source: L'Oréal estimates. 2010 provisional estimate. Excluding exchange rate impact*

*As of January 1<sup>st</sup> 2010, The Travel Retail business of YSL Beauté, which was previously recorded 100% under Western Europe, has been broken down between the different geographic zones. The Rest of the World zone has become the New Markets zone. All figures for earlier periods have been restated to allow for these changes.*



# L'Oréal's performance in the "New Markets": +11.3%\*

New Markets: +11.3%\*



L'Oréal cosmetics sales, like-for-like growth in 2010.

\* Including Japan



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# 1. Concentrating on high value added worldwide innovations at accessible prices (trading right)

Professional Products	Consumer Products	Luxury Products	Active Cosmetics
			

**L'ORÉAL**  
PROFESSIONNEL  
PARIS

**INOA**

MAYBELLINE  
NEW YORK

**Volum Express  
Falsies**

**LANCÔME**  
PARIS

**Génifique**

**Essentielles**

## 2. Extending to new product categories

### Men cosmetics: Garnier and L'Oréal Paris Men Expert



**GARNIER MEN**  
India, Southern Asia, China

**L'ORÉAL PARIS MEN EXPERT**  
N°1 in China  
N°1 in Western Europe

## 2. Extending to new product categories

### Deodorants: now launched in Western Europe

Latin America



Q2- 2008

Eastern Europe



Q2- 2009

Western Europe



2010

GARNIER BI O

GARNIER MINERALS

### 3. Accelerating globalisation of brands

1

Strengthening the penetration of the existing brands in the new markets



Matrix: more than 60,000 salons in the BRIMC countries

2

Launching relay brands in more countries



Successful launch in 2010 of Kiehl's in China

3

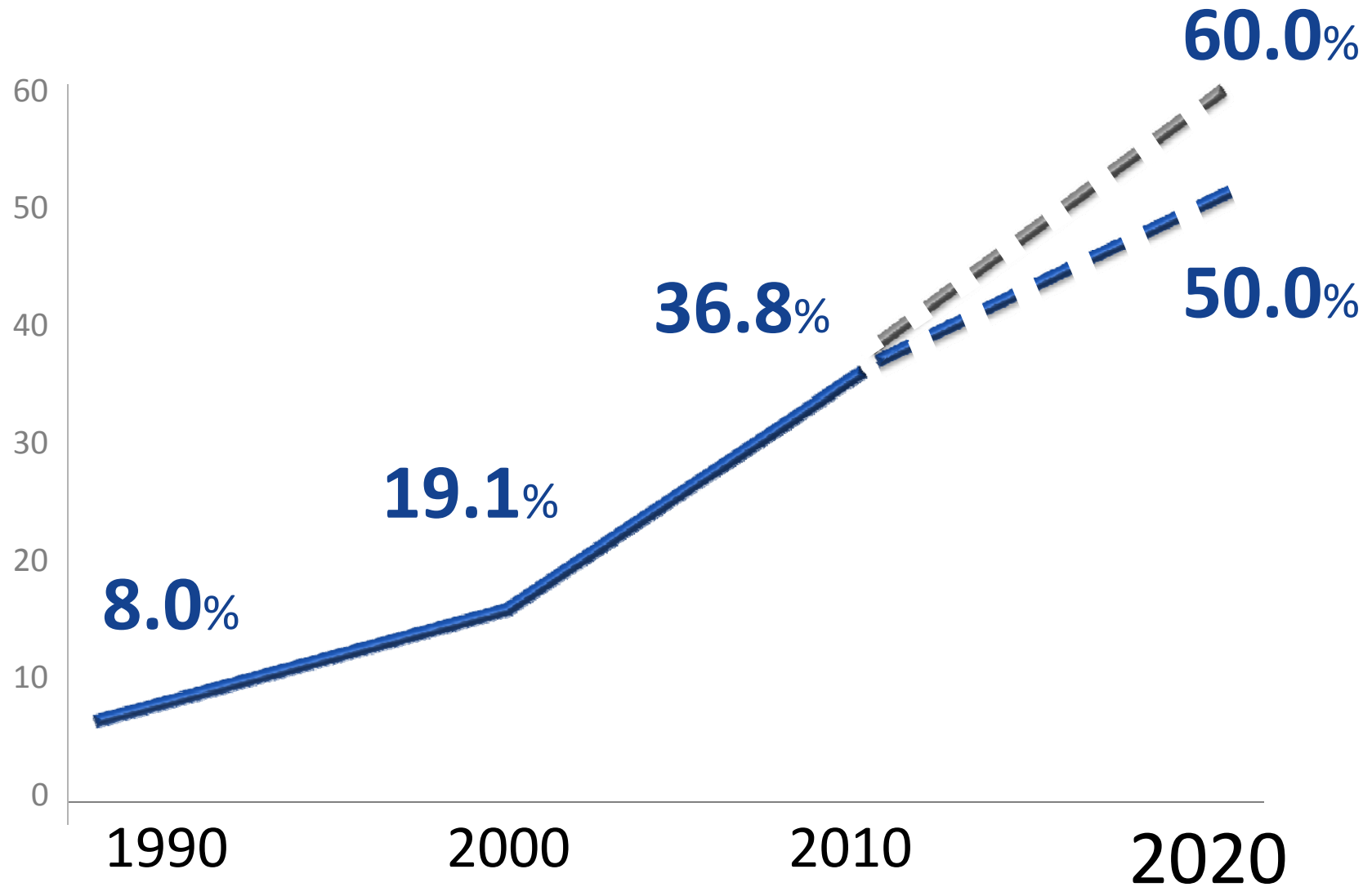
Establishing L'Oréal's presence in new countries



2010: Egypt, Pakistan and Kazakhstan  
2011: Nigeria, Saudi Arabia



## Weight of New Markets in cosmetics sales



## 4. Sustained investments in R&D and A&P



(as a % of sales)	2008	2009	2010
Research & Development	3.3%	3.5%	3.4%
Advertising & Promotion	30.1%	30.8%	30.9%

## Steadily improving operational efficiency



- Productivity: +10 points of productivity in 3 years (+20% of capacity gain using existing facilities)
- Coordinated purchasing strategies worldwide: 4 sourcing centres, specialisation of lead buyers
- Constant process of optimising organisational structures and strict cost control

(as a % of sales)	2008	2009	2010	Evolution 3 years
Cost of goods	29.6%	29.5%	29.2%	-40 bps
SG&A	21.5%	21.4%	20.8%	-70 bps



# Well balanced levels of profitability in Divisions and in Zones

## Cosmetics – Operating profit (as a % of sales)

### Operational divisions

	2010
Professional Products	20.3%
Consumer Products	18.5%
Luxury Products*	17.5%
Active Cosmetics*	20.1%
<b>Cosmetic divisions Total**</b>	<b>18.7%</b>

### Geographic zones

	2010
Western Europe	21.6%
North America	16.5%
New Markets	16.9%***
<b>Geographic Zones Total**</b>	<b>18.7%</b>

\* On January 1<sup>st</sup> 2010, the Roger & Gallet activity has been transferred from the Luxury Products Division to the Active Cosmetics Division.  
All figures for earlier periods have been restated to allow for this change.

\*\* Before non allocated

\*\*\* to be compared with 13.5% in 2005





# The world is today facing three major upheavals

**1**

**Economic and demographic  
shift**



**2**

**Digital revolution**



**3**

**Societies' and citizens'  
expectations about major  
companies**



# 1. The economic and demographic shift of the world



## In 20 years time...

- Worldwide population: **+25%**
- Cosmetic population: **+50%**
- Middle classes in emerging countries: from 1Bn to **2.7Bn** people\*
- Asia, Latin America, Africa: from 36% to **70%** of the of the middle-class spending

*\* Sources : OECD and The Boston Consulting Group.*

*Middle-Affluent class in Rapidly Developing Economies : households with disposable income > \$15k in the US adjusted at PPP*

*Countries included: China, India, Indonesia, Pakistan, Thailand, Philippines, Kazakhstan, Malaysia, Vietnam, Russia, Ukraine, Turkey, Brazil, Mexico, Peru, Colombia, Egypt, South Africa, Iran, Nigeria, Algeria, Morocco, Saudi Arabia*



# A historical opportunity for L'Oréal in a changing world: from 1Bn to 2Bn consumers

## The World of L'Oréal Consumers

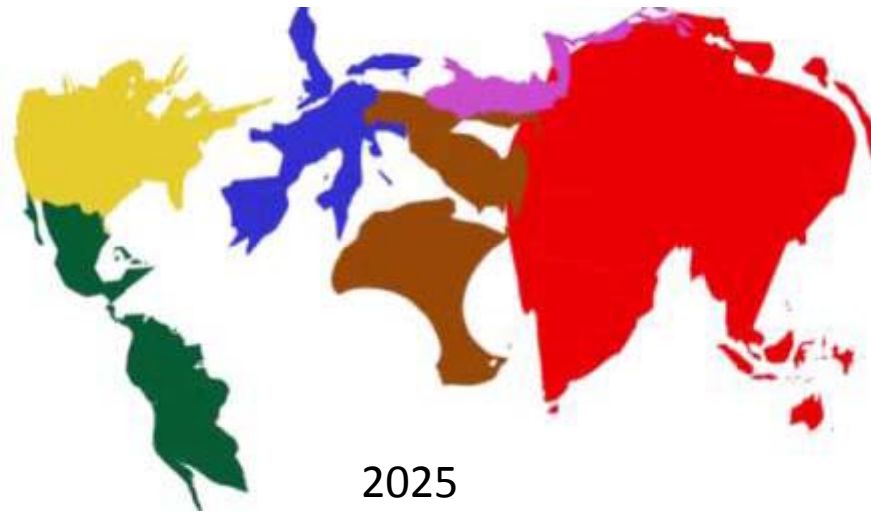
**7 Billion**  
inhabitants



2010

**1 BILLION**  
L'Oréal  
consumers

**8 Billion**  
inhabitants



2025

**2 BILLION**  
L'Oréal  
consumers

Source: L'Oréal estimates – Strategic Prospective – December 2010

L'ORÉAL

# Conquering one billion new consumers: a pragmatic and structured quest, step by step

## Mature markets



L'Oréal: 16.2% m.s.

- United States
- Western Europe (Germany, UK)

## BRIMC



L'Oréal: 10.2% m.s.

- China, India
- Brazil, Mexico
- Russia

## « Next 15 growth markets »

Wave (1)

Wave (2)



L'Oréal: 9.6% m.s.

- Argentina, Colombia
- Indonesia, Thailand
- Poland, Ukraine
- Turkey, South Africa



L'Oréal: < 5% m.s.

- Vietnam, Philippines
- Pakistan, Kazakhstan
- Egypt, Saudi Arabia
- Nigeria

Source: L'Oréal estimates – Strategic Prospective – December 2010

## 2. The digital revolution



**Profound transformation of the relationship between brands and consumers...**

- New communication formats: richer, more effective, bounderless
- New shopping experiences: expert advice, consumer service, personalisation, higher degree of interactivity
- New distribution channels (e-commerce)

### 3. The change in societies' and citizens' expectations about major companies



#### Being an exemplary corporate citizen in all fields:

- Sustainable development
- Environmental matters
- Ethical behaviour and diversity
- Solidarity

#### Targets for the period 2005-2015:

- 50% greenhouse gas emissions<sup>(1)</sup>
- 50% water consumption per finished product<sup>(1)</sup>
- 50% waste generated per finished product<sup>(1)</sup>

(1) The reductions will be calculated on a like-for-like basis.







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