

First quarter 2014 sales

AN ENCOURAGING AND CONTRASTED FIRST QUARTER

- **Sales: 5.64 billion euros**
 - +3.5% like-for-like
 - +2.8% at constant exchange rates
 - -2.2% based on reported figures
- **L'Oréal Luxe and Active Cosmetics continue their very good momentum**
- **Professional Products Division accelerates**
- **Consumer Products Division held back by North America**
- **Renewed vitality in Western Europe**

Commenting on the figures, Mr Jean-Paul Agon, Chairman and CEO of L'Oréal, said:

"L'Oréal has made an encouraging start to the year.

The divisions have posted contrasted performances: L'Oréal Luxe and the Active Cosmetics Division are maintaining their very good momentum. The Professional Products Division is confirming its recovery and has returned to growth in Western Europe and the United States.

Lastly, the Consumer Products Division is, as we had forecast and announced, being held back by North America, because of a high comparison base in the first quarter of 2013, linked to two major launches, and a sluggish trend in the mass-market channel over the first few months of the year.

In geographic terms, Western Europe, L'Oréal's historic foothold, is confirming its renewed vitality, particularly in the countries of Southern Europe, which are in growth for the first time in six years, but also in countries such as Germany, where the Group has posted a good performance.

In the New Markets, L'Oréal is recording good growth, particularly in Africa, Middle East and in Latin America.

In an economic context that is still marked by uncertainties, particularly on the monetary front, the start of this year confirms our confidence in our ability to outperform the market once again in 2014 and to achieve another year of sales and profit growth."

A – First quarter 2014 sales

Like-for-like, i.e. based on a comparable structure and identical exchange rates, the sales growth of the L'Oréal group was +3.5%.

The net impact of changes in consolidation was -0.7%.

Currency fluctuations had an impact of -5.0%.

Growth at constant exchange rates was +2.8%. If end of March current exchange rates (€1 at \$1.379) are extrapolated up to December 31st, the impact of currency fluctuations would be -4.3% for the whole of 2014.

Based on reported figures, the Group's sales at March 31st, 2014 amounted to 5.64 billion euros, a change of -2.2%.

Sales by operational division and geographic zone

In accordance with IFRS 11 accounting rules at January 1st, 2014, Innéov has been consolidated under the equity method. In addition, the announcement on February 11th, 2014, of the disposal of 50% stake in Galderma lead to consolidate this business as a discontinued operation, in accordance with IFRS 5 accounting rule. Therefore, Innéov and Galderma's sales are no longer included in our reported turnover and data for earlier periods have been restated accordingly.

€ million	Quarterly sales		Growth	
	1 st quarter 2013	1 st quarter 2014	Like-for-like	Reported
<u>By operational division</u>				
Professional Products	752.6	735.2	3.7%	-2.3%
Consumer Products	2,920.8	2,758.9	1.2%	-5.5%
L'Oréal Luxe	1,422.0	1,460.8	7.2%	2.7%
Active Cosmetics	488.2	507.4	8.7%	3.9%
Cosmetics Divisions total	5,583.6	5,462.2	3.7%	-2.2%
<u>By geographic zone</u>				
Western Europe	1,983.7	2,019.9	2.8%	1.8%
North America	1,371.4	1,295.2	-0.6%	-5.6%
New Markets, of which:	2,228.5	2,147.2	7.5%	-3.6%
- Asia-Pacific	1,188.4	1,166.4	6.8%	-1.9%
- Latin America	456.7	410.9	8.2%	-10.0%
- Eastern Europe ⁽¹⁾	454.2	426.8	6.3%	-6.0%
- Africa, Middle East ⁽¹⁾	129.2	143.1	14.9%	10.8%
Cosmetics Divisions total	5,583.6	5,462.2	3.7%	-2.2%
The Body Shop	181.9	176.4	-3.4%	-3.0%
Group total	5,765.5	5,638.6	3.5%	-2.2%

(1) As of July 1st, 2013, Turkey and Israel, which were previously included in the Africa, Middle East zone, were transferred to the Eastern Europe zone. All figures for earlier periods have been restated to allow for this change.

1) Cosmetics sales

PROFESSIONAL PRODUCTS

At end-March, the Professional Products Division posted growth of +3.7% like-for-like and -2.3% based on reported figures. It has returned to growth in Western Europe and the United States.

- In the luxury haircare segment which remains dynamic, *Kérastase* is maintaining its growth momentum thanks to the relaunch of *Nutritive* which is confirming its global success. Haircare is growing thanks to the promising start made by the new *Biologie* from *Matrix*. Growth in the pillar lines *Inoa* and *Majirel* at *L'Oréal Professionnel* is contributing to the solid performance of hair colourant. Styling sales are growing strongly, driven by *Tecni Art* from *L'Oréal Professionnel* and the styling products of *Redken*.
- The Division is growing in all zones. In the mature markets, the countries of Southern Europe have returned to growth. In the New Markets, the Division remains very dynamic. The main contributors to growth are the United States, Brazil, Russia and India.

CONSUMER PRODUCTS

In the first quarter, the Consumer Products Division posted growth of +1.2% like-for-like and -5.5% based on reported figures, held back in North America by a high launch-related comparison base and a slowing market.

- The Division is reinforcing its haircare growth with *L'Oréal Paris*, thanks to *Elvive Fibrology* in Europe, *Volume Filler* in the United States, and a strong increase in China. Meanwhile, *Olia* hair colourant by *Garnier* is continuing its roll-out, posting a record market share in Europe, and gaining ground in the New Markets.
In facial skincare, the very good start made by *Garnier Miracle Skin Cream* is complementing the continuing global success of *Revitalift Laser* by *L'Oréal Paris*.
In make-up, *L'Oréal Paris* is launching its *Mega Volume Miss Manga* mascara and *Maybelline* is innovating in foundations with *SuperStay Better Skin*.

L'ORÉAL LUXE

L'Oréal Luxe advanced by +7.2% like-for-like and +2.7% based on reported figures in the first quarter of 2014, and is continuing to make worldwide market share gains.

- The Division's five top brands - *Lancôme*, *Yves Saint Laurent*, *Biotherm* and particularly *Giorgio Armani* and *Kiehl's* – are growing. L'Oréal Luxe is accelerating in make-up, in face make-up with *Lancôme* and *Shu Uemura*, with the lip make-up of *Yves Saint Laurent* and *Giorgio Armani*, and thanks to *Urban Decay* which has performed exceptionally well with its *Naked 3* palette. Skincare is being driven by *Kiehl's*, *Blue Therapy* by *Biotherm* and the worldwide expansion of *Clarisonic*. The fragrances *Si* by *Giorgio Armani* and “*La vie est belle*” by *Lancôme* are continuing to prove highly successful. *Viktor&Rolf* is launching the women's fragrance *Bonbon*.
- L'Oréal Luxe is winning market share in a more dynamic Western Europe and in its traditional growth areas: China, the United States and Travel Retail.

ACTIVE COSMETICS

At end-March, the Active Cosmetics Division is maintaining its momentum with sales at +8.7% like-for-like and +3.9% based on reported figures.

- *Vichy* is confirming its renewal, with significant growth, particularly in Western Europe, thanks to the launch of *Neovadiol Elixir*, and is moving on to the offensive in the face make-up segment with *Teint Idéal*. *La Roche-Posay* has made a very good start to the year with strong growth in Asia and in Europe. The same is true of *SkinCeuticals*, with a major antioxidant segment innovation: *Revesratrol BE*, antioxidant night concentrate.

- Across the zones, results are very positive in Europe, while Asia, and China in particular, are maintaining the momentum generated in the second half of 2013.

Multi-division summary by geographic zone

WESTERN EUROPE

The Group ended the first quarter with growth of +2.8% like-for-like and +1.8% based on reported figures. L'Oréal Luxe and the Active Cosmetics Division are outperforming the European markets with good sell-out figures over recent months.

The Group is returning to growth in Southern Europe, with a strong market share gain in Spain. In Northern Europe, Germany and the United Kingdom are maintaining their good momentum.

NORTH AMERICA

L'Oréal posted like-for-like sales of -0.6% and -5.6% based on reported figures. The Professional Products Division, Active Cosmetics and L'Oréal Luxe have started the year well and are winning market shares. *Urban Decay*, with double-digit growth, is confirming its strong dynamism. As anticipated, the Consumer Products Division contracted in the first quarter, because of the high comparison base in the first quarter of 2013 and the flat mass-market trend at the start of this year. *Advanced Hair Care* by L'Oréal Paris and *Fructis* by Garnier are growing strongly and winning market share in hair, while L'Oréal Paris make-up is reinforcing its position thanks to the new *Butterfly* mascara.

NEW MARKETS

- **Asia-Pacific:** L'Oréal has posted growth of +6.8% like-for-like and -1.9% based on reported figures. Market trends in this zone, except in South Korea and Thailand, remain favourable, and the Group is continuing to make market share gains. The first quarter was marked by the very good performance of L'Oréal Luxe, particularly in Greater China, driven by *Kiehl's*, *Clarisonic* and *Giorgio Armani* in particular. The Consumer Products Division is expanding in China, thanks to the strong growth in hair and the rapid development of e-commerce, as well as in India and Australia where it started the year well.
- **Latin America:** L'Oréal recorded figures of +8.2% like-for-like and -10.0% based on reported figures. The Consumer Products Division is recording good growth, driven by *Elsève* from L'Oréal Paris and *Fructis* by Garnier, along with L'Oréal Paris skincare. L'Oréal Luxe has posted a good first quarter thanks to the success of its launches. The Active Cosmetics Division has made a strong start in Brazil.
- **Eastern Europe:** This zone has posted growth of +6.3% like-for-like and -6.0% based on reported figures, with a strong momentum in Turkey. L'Oréal Luxe is continuing to win market share, thanks to the success of the women's fragrances, particularly *Si* by *Giorgio Armani* and "*La vie est belle*" by *Lancôme*. The Professional Products Division is posting strong growth thanks to *Matrix* and winning over new salons. The Consumer Products Division, although feeling the impact of a slowdown in Russia and the situation in Ukraine, is advancing in hair colourants, with *Olia* by *Garnier*, and in deodorants thanks to the launch of *Neo* by *Garnier*.
- **Africa, Middle East:** This zone has recorded growth of +14.9% like-for-like, and +10.8% based on reported figures, thanks in particular to strong growth in Saudi Arabia and in the Gulf states. L'Oréal Luxe is making market share gains in the Middle East with a good performance in fragrances, and the Active Cosmetics Division's brands are growing strongly. In the Consumer Products Division, *Maybelline* is accelerating in this region with its accessible and aspirational offering.

2) The Body Shop sales

At end-March, The Body Shop recorded sales of -3.4% like-for-like and -3.0% based on reported figures. Business in North America, Eastern Europe and the Nordic countries has made a good start, but in Asia and the United Kingdom the beginning of the year has been difficult.

The greater priority given to facial skincare, along with the success of the *Serum-in-Oil* launch in the *Vitamin E* range, have accelerated growth in this key category in all the countries where the product has already been launched.

At March 31st, 2014, The Body Shop has 3,031 points of sale, including those of Emporio Body Store.

B – Important events during the period 01/01/14 to 03/31/14

- On January 9th, L'Oréal obtained the approval of the Ministry of Commerce of the People's Republic of China to proceed with the acquisition of all the shares of Magic Holdings International Ltd., a company listed on the Hong Kong stock exchange.
- On February 11th, L'Oréal and Nestlé announced a strategic transaction under which L'Oréal is to buy 48.5 million of its own shares from Nestlé (representing 8% of L'Oréal shares), under the suspensive condition of the sale by L'Oréal of its stake in the pharmaceutical laboratory Galderma. The transaction may be closed before the end of the first half of 2014.
- On February 19th, L'Oréal and Shiseido signed the contract for the acquisition by L'Oréal of *Decléor* and *Carita*. The transferral of ownership will be effective on April 30th, pending remaining approvals from competition authorities.
- On March 20th, L'Oréal's Board of Directors authorised the sale of Galderma to Nestlé after the employee representative bodies issued their opinion. The share purchase agreement was signed on March 21st. The completion of the sale is conditional upon the approval of the sale by the competition authorities.
- On March 24th, the General Meeting of Magic Holdings shareholders approved the acquisition by L'Oréal of all the shares in Magic Holdings International Ltd. The transaction was completed on April 7th.

"This news release 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, also available in English on our Internet site www.loreal-finance.com.

This news release 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."

This a free translation into English of the First quarter 2014 sales news release issued in the French language and is provided solely for the convenience of English speaking readers. In case of discrepancy, the French version prevails.

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C - Appendix

L'Oréal group sales 2013/2014 (€ millions)

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	2013	2014
<u>First quarter:</u>		
Cosmetics	5,583.6	5,462.2
The Body Shop	181.9	176.4
First quarter total	5,765.5	5,638.6
<u>Second quarter:</u>		
Cosmetics	5,390.0	
The Body Shop	186.9	
Second quarter total	5,576.9	
<u>First half:</u>		
Cosmetics	10,973.6	
The Body Shop	368.8	
First half total	11,342.4	
<u>Third quarter:</u>		
Cosmetics	5,103.2	
The Body Shop	179.9	
Third quarter total	5,283.1	
<u>Nine months:</u>		
Cosmetics	16,076.8	
The Body Shop	548.7	
Nine months total	16,625.5	
<u>Fourth quarter:</u>		
Cosmetics	5,211.7	
The Body Shop	287.0	
Fourth quarter total	5,498.7	
<u>Full year</u>		
Cosmetics	21,288.5	
The Body Shop	835.8	
Full year total	22,124.2	