

## Sales at September 30<sup>th</sup>, 2014

### A CONTRASTED MARKET ENCOURAGING PROSPECTS TARGETS CONFIRMED

#### **Sales: 16.56 billion euros**

- +3.3% like-for-like
- -0.4% based on reported figures

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

*"In the third quarter, L'Oréal recorded low growth because of a slight contraction in the Consumer Products Division, as the mass market hit an air pocket in Western Europe.*

*On the other hand, there has been a succession of good news since the end of the summer:*

- a steady mass market improvement in the United States
- continuing market growth in emerging countries
- the resumption of our market share gains in the mass market in Western Europe during the third quarter
- continuing good momentum in our Selective Divisions
- and lastly, the favourable turnaround in the monetary environment.

*In view of these factors, we think the Group's like-for-like growth should reaccelerate in the fourth quarter, particularly in the Consumer Products Division. This trend should be amplified by an extremely positive currencies effect.*

*Meanwhile, we are actively pursuing the strategic strengthening of our portfolio thanks to targeted acquisitions of complementary brands whose development will fuel the Group's like-for-like growth: brands with strong local presence such as Magic in China and Niely in Brazil, and brands with high international potential such as NYX, whose digitally-based business model is also a source of inspiration for our brands.*

*All in all, 2014 should be another year of improved economic performance for L'Oréal, with the Group slightly outperforming the worldwide cosmetics market, improving operating profitability, and increasing its net earnings per share, thanks in part to the accretive impact of the strategic transaction with Nestlé. This transaction will also ensure very strong growth in net income, thanks to a capital gain of about 2 billion euros."*

## A – Sales at September 30, 2014

**Like-for-like**, i.e. based on a comparable structure and identical exchange rates, L'Oréal Group's sales rose +3.3%.

**The net impact of changes in consolidation** was +0.1%.

**Currency fluctuations** had a negative impact of -3.8%. If current exchange rates (i.e. €1=\$1.2583) are extrapolated up to December 31<sup>st</sup>, 2014, the impact of currency fluctuations would be -2.3% for the whole of 2014.

**Growth at constant exchange rates** was +3.4%.

**Based on reported figures**, the Group's sales, at September 30<sup>th</sup>, 2014, amounted to 16.56 billion euros, a decrease of -0.4%.

### Sales by Operational Division and Geographic Zone

The announcement on February 11<sup>th</sup>, 2014, of the disposal of 50% of Galderma leads to account for this business in accordance with IFRS 5 accounting rule on discontinued operations. In accordance with IFRS 11 accounting rule, Innéov has been consolidated under the equity method as of January 1<sup>st</sup>, 2014. All figures for earlier periods have been restated accordingly.

	3 <sup>rd</sup> quarter 2014			At September 30 <sup>th</sup> , 2014		
	€m	Growth Like-for-like	Reported	€m	Growth Like-for-like	Reported
<b><u>By Operational Division</u></b>						
Professional Products	745.3	2.6%	4.1%	2,250.3	2.8%	0.1%
Consumer Products	2,575.9	-0.4%	-0.9%	8,057.5	1.2%	-3.2%
L'Oréal Luxe	1,499.2	4.9%	4.2%	4,402.4	6.5%	3.2%
Active Cosmetics	380.3	11.3%	9.0%	1,301.2	9.0%	4.9%
<b>Cosmetics Divisions total</b>	<b>5,200.7</b>	<b>2.3%</b>	<b>1.9%</b>	<b>16,011.4</b>	<b>3.5%</b>	<b>-0.4%</b>
<b><u>By Geographic Zone</u></b>						
Western Europe	1,794.9	-0.4%	1.0%	5,775.8	1.8%	1.9%
North America	1,323.7	0.8%	0.8%	3,946.0	0.9%	-2.7%
New Markets, of which:	2,082.0	5.8%	3.4%	6,289.6	6.8%	-1.0%
- Asia, Pacific	1,106.6	3.4%	5.0%	3,328.4	5.5%	1.0%
- Latin America	465.5	10.0%	2.7%	1,342.5	8.5%	-5.2%
- Eastern Europe <sup>(1)</sup>	370.1	5.9%	-2.7%	1,194.4	6.1%	-5.2%
- Africa, Middle East <sup>(1)</sup>	139.8	12.4%	11.7%	424.3	13.8%	10.1%
<b>Cosmetics Divisions total</b>	<b>5,200.7</b>	<b>2.3%</b>	<b>1.9%</b>	<b>16,011.4</b>	<b>3.5%</b>	<b>-0.4%</b>
The Body Shop	190.4	1.2%	5.8%	554.2	-0.7%	1.0%
<b>Group total</b>	<b>5,391.1</b>	<b>2.3%</b>	<b>2.0%</b>	<b>16,565.7</b>	<b>3.3%</b>	<b>-0.4%</b>

(1) As of July 1<sup>st</sup>, 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 Divisions sales

## PROFESSIONAL PRODUCTS

**The Professional Products Division posted growth of +2.8% like-for-like and +0.1% based on reported figures. In a market that is still difficult, the Division is improving its market share.**

- Haircare, the number one contributor to growth, is being boosted by the success of *Densifique* and *Discipline* at *Kérastase* and *Biologie* and *Oil Wonders* at *Matrix*. In hair colour, *Inoa* at *L'Oréal Professionnel* and *Color Graphics* at *Matrix* are continuing their expansion. Styling remains dynamic, and the internationalisation of *Essie* is continuing.
- The New Markets (excluding Japan) remain dynamic. The United States, Brazil and India are the main contributors to growth.

## CONSUMER PRODUCTS

**The Consumer Products Division recorded +1.2% like-for-like at end-September and -3.2% based on reported figures. The market is slowing down, held back in particular by poor summer weather in Western Europe.**

- *L'Oréal Paris* achieved growth thanks to the good performance in haircare, particularly with *Fibralogy* and the *Huile Extraordinaire* range, but also thanks to make-up with the success of *Miss Manga* mascara. *Ultradoux* by *Garnier* is maintaining its strong momentum with the *Trésors de Miel* launch. *Superstay Better Skin* by *Maybelline* is performing well and the brand is launching a new category with *Brow Drama*.
- In Western Europe, the Division won market share in the third quarter in a contracting market. In North America, the trend of the Division is favourable and the Division is continuing to gain market share in haircare, with the sustained success of *L'Oréal Paris Advanced Haircare* and the strong dynamism of *Garnier Fructis*. The Division continues to make progress in South Asia. The Middle East and Spanish-speaking America are maintaining their fast growth.

## L'ORÉAL LUXE

**The sales of L'Oréal Luxe grew by +6.5% like-for-like and +3.2% based on reported figures at end-September. The Division is continuing to gain market share.**

- The top performers are the brands *Yves Saint Laurent*, with the promising launch of the *Black Opium* fragrance, and *Giorgio Armani*, particularly with its fragrances *Si* and *Si Intense*. *Urban Decay* is continuing to record double-digit growth, and is launching its new mascara *Perversion*. The swift internationalisation of *Clarisonic* is continuing, and *Kiehl's* is achieving another year of high growth in all zones. *Lancôme* is continuing to prove successful with *La Vie est Belle*, relaunching *Visionnaire LR 2412* and taking the headlines with *Grandiôse* mascara and its revolutionary brush applicator. The Division is growing in all categories, particularly in make-up, which is being prioritised this year.
- The Division is winning market share all over the world, especially in China, the United States and Western Europe. E-commerce activity is also expanding rapidly.

## ACTIVE COSMETICS

**At end-September, the Active Cosmetics Division further improved its performance, with strong growth of +9.0% like-for-like and +4.9% based on reported figures.**

- *Vichy* had a good quarter in Europe with the renewal of its anti-ageing franchise *LiftActiv*, thanks to the launch of *LiftActiv Suprême*, the first daily facelift product. *La Roche-Posay* accelerated during the quarter with the renewal of the flagship product *Lipikar Baume AP+*, a revolutionary product for very dry and atopic skin. *SkinCeuticals* is continuing its international roll-out and the success of its innovative *Resveratrol BE* has been confirmed.
- Driven by the strong momentum of its brands, the Division is accelerating and outperforming the market across all geographic zones.

## Multi-division summary by Geographic Zone

### WESTERN EUROPE

The Group achieved growth of +1.8% like-for-like and +1.9% based on reported figures. In a market that is slowing, particularly in the mass market channel, the Group won market share in the third quarter thanks to its initiatives in haircare, hair colour and make-up. The Group is continuing to recover in Southern Europe even though the economic context is still tough. The good performance of the Selective Divisions is also worth noting, with L'Oréal Luxe and Active Cosmetics continuing to gain market share.

### NORTH AMERICA

L'Oréal posted +0.9% like-for-like and -2.7% based on reported figures. The Professional Products, Active Cosmetics and L'Oréal Luxe Divisions are continuing to win market share, particularly with the American brands *Redken*, *SkinCeuticals*, *Urban Decay* and *Kiehl's*. In a market with a slightly more favourable trend in the third quarter, the Consumer Products Division achieved improved results, notably thanks to *L'Oréal Paris* which is winning market share. The recent acquisition of *NYX*, a brand that is expanding very strongly, is complementing and boosting the product offering of the Consumer Products Division.

### NEW MARKETS

- **Asia, Pacific:** At end-September, L'Oréal achieved growth of +5.5% like-for-like and +1.0% based on reported figures. If Japan is excluded, like-for-like growth reached +6.1%. Markets remain buoyant, although they are slowing. The Group is strengthening its positions, thanks to the very good performance of its brands *Kiehl's*, *Yves Saint Laurent*, *Giorgio Armani*, *La Roche-Posay* and *Clarisonic*. Amongst the countries, growth is high in India, Hong Kong and Australia. Magic Holdings, the acquisition made in China in the first half, is performing well.
- **Latin America:** L'Oréal recorded +8.5% like-for-like and -5.2% based on reported figures. The Professional Products, Active Cosmetics and L'Oréal Luxe Divisions confirmed their good first-half performance, driven by *L'Oréal Professionnel*, *Lancôme*, *Giorgio Armani*, *La Roche-Posay* and *Vichy*. Growth in the Consumer Products Division is being driven by *Maybelline*, thanks especially to the kiosks initiative in Brazil, and by *L'Oréal Paris* with *Elsève*.
- **Eastern Europe:** The zone posted +6.1% like-for-like and -5.2% based on reported figures. L'Oréal Luxe and the Professional Products Division are continuing to achieve dynamic growth across the whole zone. The Consumer Products Division is increasing its total market share in the zone, with very good performances in deodorants, driven by the *Garnier Neo* launch, and in hair colour.
- **Africa, Middle East:** The Group posted growth of +13.8% like-for-like and +10.1% based on reported figures. The brands are winning market share and proving extremely dynamic in South Africa, the Gulf states and Egypt, while there are contrasting situations in the Levant region.

Amongst the categories, the Group has made breakthroughs in make-up, hair colour and, with L'Oréal Luxe, fragrances.

## 2) The Body Shop sales

At end-September, The Body Shop recorded sales of -0.7% like-for-like and +1.0% based on reported figures. Business is improving, with slight growth in the third quarter. Innovations are boosting the strategic skincare category. At September 30<sup>th</sup>, 2014, The Body Shop has 3,056 points of sale, including those of Emporio Body Store in Brazil.

## **B – Important events during the period 07/01/14 to 09/30/14**

- On July 8<sup>th</sup>, 2014, L'Oréal finalised the strategic transaction with Nestlé announced on February 11<sup>th</sup>, 2014: the buyback by L'Oréal of 48.5 million of its own shares and the disposal by L'Oréal to Nestlé of its stake in Galderma. The sale of Galderma will result, in the second half, in a capital gain net of tax of about 2 billion euros.
- On July 30<sup>th</sup>, 2014, the acquisition of NYX Cosmetics, a mass market brand rooted in professional make-up artistry with its headquarters in Los Angeles, was finalised.
- On September 8<sup>th</sup>, 2014, L'Oréal announced that it had signed an agreement to acquire Niely Cosmetics, the largest independent hair colour and hair care company in Brazil, with a net revenue of 140 million euros in 2013. The closing is subject to the usual regulatory approvals.

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*“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](http://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 news release of the Sales at September 30<sup>th</sup>, 2014 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)

The announcement on February 11<sup>th</sup>, 2014, of the disposal of 50% of Galderma leads to account for this business in accordance with IFRS 5 accounting rule on discontinued operations. In accordance with IFRS 11 accounting rule, Innéov has been consolidated under the equity method as of January 1<sup>st</sup>, 2014. All figures for earlier periods have been restated accordingly.

	2013	2014
<u>First quarter:</u>		
Cosmetics Divisions	5,583.6	5,462.2
The Body Shop	181.9	176.4
<b>First quarter total</b>	<b>5,765.5</b>	<b>5,638.6</b>
<u>Second quarter:</u>		
Cosmetics Divisions	5,390.0	5,348.5
The Body Shop	186.9	187.4
<b>Second quarter total</b>	<b>5,576.9</b>	<b>5,536.0</b>
<u>First half:</u>		
Cosmetics Divisions	10,973.6	10,810.8
The Body Shop	368.8	363.8
<b>First half total</b>	<b>11,342.4</b>	<b>11,174.6</b>
<u>Third quarter:</u>		
Cosmetics Divisions	5,103.2	5,200.7
The Body Shop	179.9	190.4
<b>Third quarter total</b>	<b>5,283.1</b>	<b>5,391.1</b>
<u>Nine months:</u>		
Cosmetics Divisions	16,076.8	16,011.4
The Body Shop	548.7	554.2
<b>Nine months total</b>	<b>16,625.5</b>	<b>16,565.7</b>
<u>Fourth quarter:</u>		
Cosmetics Divisions	5,211.7	
The Body Shop	287.0	
<b>Fourth quarter total</b>	<b>5,498.7</b>	
<u>Full year</u>		
Cosmetics Divisions	21,288.5	
The Body Shop	835.8	
<b>Full year total</b>	<b>22,124.2</b>	