



L'Oréal's Annual General Meeting was held on 17<sup>th</sup> April 2014 at the Palais des Congrès in Paris.

*The 2014 L'Oréal Annual General Meeting was attended by more than 1,700 shareholders. Year after year, this high participation demonstrates L'Oréal shareholders' interest in the life of the group and their eagerness to be true stakeholders.*

#### The New L'Oréal

■ Jean-Paul Agon, Chairman and CEO, presented L'Oréal's performances and progress achieved in 2013. He also recalled the importance for the group to be able to transform itself and adapt to a world undergoing profound transformation in order to ensure L'Oréal's leadership and success in the future.

Christian Mulliez, Executive Vice-President Administration and Finance, summarised for the shareholders the strategic transaction announced together with Nestlé on 11<sup>th</sup> February 2014.

#### The strategic travel retail market

■ Barbara Lavernos, Managing Director of L'Oréal Travel Retail, shared with the shareholders the travel retail market's challenges and outlook. The group has ambitious targets for this distribution channel, which is proving particularly dynamic.

#### Increased dividend

■ The declaration of the dividend at €2.50 per share, up by +8.7%, was approved by a large majority of shareholders. The continuous rise in the dividend over many years demonstrates L'Oréal's commitment to a dynamic policy in terms of shareholder return.

Shareholders who have held registered shares for more than two years receive a loyalty bonus of +10%<sup>(1)</sup>, and therefore a total of €2.75.

#### High participation

■ More than 13,000 shareholders were present or represented, accounting for 79.92% of the company's share capital with voting rights. All the resolutions put to the shareholders' vote were approved by a very large majority, reflecting shared confidence in the future of the company.

(1) For shareholders who continuously hold their shares in registered form for a minimum of two full calendar years, up to a maximum of 0.5% of the capital for the same shareholder.



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## Excerpts from the Address

by JEAN-PAUL AGON

Chairman and CEO of L'Oréal

### 2013 REVIEW

*“2013 was another good year for L'Oréal.”*

■ “L'Oréal once again achieved growth that outperformed the market and strengthened its positions across all Divisions and regions.”

■ “2013 was also a year of achieving strong growth of good quality in terms of profitability, confirming once again the efficiency of L'Oréal's business model, which is a strong value creator.”

### STRATEGIC CONTINUITY

*“This success is, first and foremost, the result of major strategic continuity.”*

■ **“Continuity in our business.** L'Oréal has always devoted itself solely to one business: beauty.”

■ **“Continuity in our strong commitment to research, innovation and quality.** We have continued to develop our ability to innovate by increasing once again our Research budget. Cosmetics is a supply-driven market where leadership is built up primarily through the attractiveness and superiority of high quality products.”

■ **“Continuity in the development of our brand portfolio.** More than ever, our brand portfolio is the most varied, richest and powerful in the industry. In 2013, it was enriched by further acquisitions; some complement our international brand portfolio, others have a local or regional vocation that reinforce our geographical coverage.”

■ **“Continuity in the priority given to men and women, and our corporate culture.** As stated by our founder, Eugène Schueller, ‘a company is not walls and machines but people, people, people’. We think it is time to universalise our social performance – in France, L'Oréal has always been a company very much ahead of its time – which is the aim of the Share & Care programme we are launching this year” (see box opposite).

■ **“Continuity in our ethical approach** which is one of the key pillars of our company. Covalence rank us first in the cosmetic and luxury products industry. For the fifth consecutive year, the Ethisphere Institute has recognised us as one of the ‘World's Most Ethical Companies’.”

### THE WORLDWIDE SHARE & CARE PROGRAMME

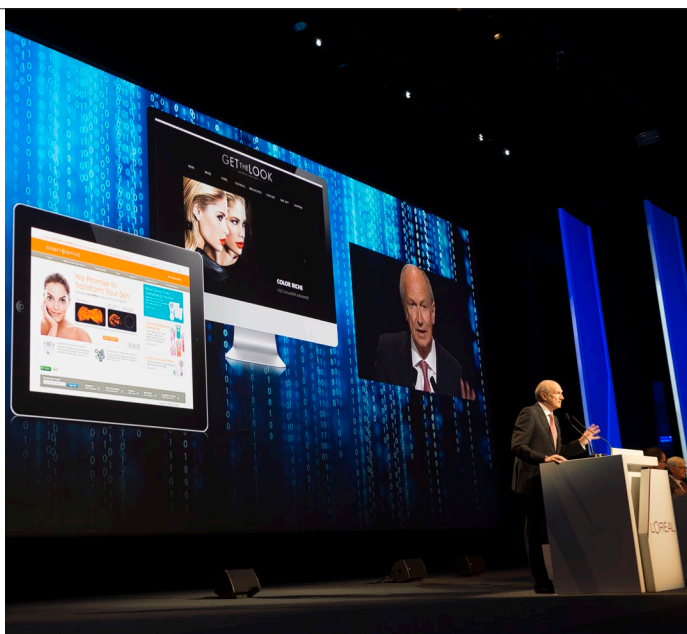


The Share & Care programme will give all employees access to a level of healthcare and social protection coverage amongst the best practices in the countries in which L'Oréal operates.

WATCH THE FILM PRESENTED AT THE AGM  
(IN FRENCH ONLY)

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## THE NEW L'ORÉAL

*“In 2013, we have continued to transform the company, and have added several new cornerstones to help build this New L'Oréal.”*

■ **“We have begun by changing our organisation** to make it more agile and efficient. We have combined under one leadership the selective divisions and organised the global market into eight major uniform strategic regions.”

■ **“We have rethought our marketing models** to leverage the extraordinary opportunities of digital. I am convinced that the mastery of digital will define iconic brands and companies in the years to come.”

■ **“We have created the Sharing Beauty With All programme, in the field of social and environmental responsibility.** It is a new development model for our company which will profoundly transform the way we design, produce and market our products. It will be a key component of our focus on citizenship and performance, and to the sustainability of our economic and financial performance.”

■ **“Finally, a major transformation at the start of 2014 is that of our share ownership.** The strategic transaction with Nestlé is a major and very positive milestone for L'Oréal, its shareholders and employees” (see box opposite).

## GOVERNANCE

*“We want to ensure the lasting success of L'Oréal by building on governance, which we want to be exemplary, and on a close relationship with our loyal shareholders.”*

■ “The quality of governance enables the group to carry on this strategic continuity which will ensure L'Oréal's long-term success. This success has been made possible thanks to the great loyalty of our shareholders, particularly individual shareholders; we are aware that your confidence is a necessary precondition for being efficient in our long-term strategy.”

STRATEGIC TRANSACTION  
BETWEEN NESTLÉ AND L'ORÉAL

*“L'Oréal and Nestlé jointly announced a major transaction on 11<sup>th</sup> February 2014.*

*It concerns the buyback by L'Oréal of 6 billion euros worth of L'Oréal shares from Nestlé. This buyback will be financed through the disposal to Nestlé of L'Oréal's 50% stake in GALDERMA and the payment by L'Oréal to Nestlé of 3.4 billion euros in cash.*

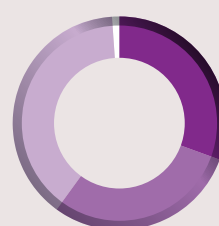
*The financial impact of this transaction is positive for L'Oréal and its shareholders.*

*The L'Oréal shares that will be bought back will be cancelled, and net earnings per share will be increased by 5% on a full-year basis.*

*This transaction leads to a change in shareholding, notably the float will increase from 38% to 42%.”*

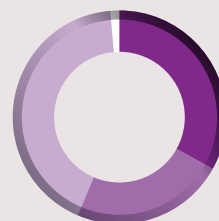
**CHRISTIAN MULLIEZ**

Executive Vice-President  
Administration and Finance

A NEW SHAREHOLDING  
STRUCTUREBEFORE THE TRANSACTION, AS OF 31/12/2013<sup>(1)</sup>

30.64% ● Bettencourt Meyers family  
29.44% ● Nestlé  
38.91% ● Public  
1.01% ● Treasury stock

(1) As a % of share capital based on a total number of shares of 605,901,887 as of 31/12/2013.

AFTER THE TRANSACTION<sup>(2)</sup>

33.31% ● Bettencourt Meyers family  
23.29% ● Nestlé  
42.13% ● Public  
1.27% ● Treasury stock

(2) As a % of share capital based on a total number of shares of 606,059,384 as of 31/01/2014 – after cancellation of the repurchased shares.

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**COSMETICS MARKET**

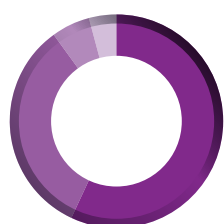
*The travel retail market*

# *The sixth* CONTINENT OF L'ORÉAL



*Travel retail is a buoyant and strategic sector which for L'Oréal resembles a sixth continent, with its own economy, flows and inhabitants.*

*Barbara Lavernos, Managing Director of L'Oréal Travel Retail, shared with the shareholders this distribution channel's challenges and outlook.*



## **The travel retail market**

- 57% ● Airports
- 33% ● Downtown duty-free shops
- 6% ● Airlines
- 4% ● Cruises

■ "Travel retail is the business undertaken in all the shops located in duty-free areas or any areas dedicated to travellers, with more than 50% in airports. A third of sales is made in downtown or border shops – mainly in Asia or Latin America (see chart opposite).

The beauty segment is historically the leading category of this channel, accounting for 30% of total sales and continues to experience strong growth<sup>(1)</sup>. L'Oréal is the historical leader in the beauty category of the travel retail market<sup>(1)</sup>. An ideal location to come into contact with highly selective consumers, it contributes to maximise the exposure of travellers from around the world to our brands, to increase customer loyalty but also to recruit new consumers."





Barbara Lavernos presented to the shareholders the travel retail market.

## Main destinations of global shoppers



"Paris is the first destination outside of Asia for Chinese tourists."

"Many Russians travel to Turkey but in recent years, they have been visiting our shops in the Middle East and Thailand."



"Brazilians' main destinations are Buenos Aires, Miami and Lisbon."

"Nigerians love London."



"The Emiratis are amongst our best customers in India."

"As for Koreans, they travel more and more to South East Asia."



■ "The profile of travellers is evolving from Western businessmen to fashion addict consumers from emerging countries. The global shoppers are travelling consumers who not only shop where they live, they shop where they are: in their local markets, when travelling and in their destination markets. At L'Oréal, we have developed a tailor-made approach, a personalised approach to better engage these global shoppers wherever they are: with beauty consultants who speak their language and offer tailored services, with specific product line-ups that suit their needs, and also by celebrating key cultural events relevant to their nationalities."

■ "The travel retail market is experiencing a new phenomenon: the democratisation of travelling. This new influx of travellers will transform the market, which is now evolving from a business model focused exclusively on the luxury segment towards a more diversified range. Thanks to the strength and diversity of its unique portfolio of brands, L'Oréal is ideally positioned to offer travellers from all over the world all the products they desire, whatever their beauty rituals or purchasing power."

(1) Source: Generation data.

SEE THE MULTIMEDIA ARTICLE  
TRAVEL RETAIL, L'ORÉAL'S SIXTH CONTINENT

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## HIGHLIGHTS

### Annual General Meeting

## All resolutions adopted by a very large majority

■ Approval of the parent company financial statements (99.74%) and the consolidated financial statements for 2013 (99.75%).

■ Allocation of the company's net income for 2013 and declaration of the dividend at €2.50 per share (99.74%).

■ Appointment as director of Ms Belén Garijo (99.61%).

■ Renewal of tenures as director of Mr Jean-Paul Agon (93.49%) and Mr Xavier Fontanet (98.28%).

■ Setting of the annual amount of attendance fees allocated to the members of the Board of Directors (99.69%).

■ Advisory vote on the components of remuneration due or allocated to the Chairman and Chief Executive Officer in respect of the 2013 financial year (94.22%).

**Mr Bernard Kasriel, Chairman of the Human Relations and Remuneration Committee, made a presentation on the structure of the remuneration of the Chairman and Chief Executive Officer, and on the evaluation criteria regarding the variable part. You can read all the details in the 2013 Registration Document, Chapter 2, pages 63 to 73.**

■ Authorisation for the company to buy back its own shares (97.85%).

■ Approval of the buyback agreement concerning the acquisition by L'Oréal from Nestlé of 48,500,000 L'Oréal shares (99.44%) and of the sale contract by L'Oréal to Nestlé of all its stake in the GALDERMA company (99.69%) within the scope of related party agreements procedure.

■ Authorisation to the Board of Directors to reduce the share capital by cancelling shares purchased by the Company (99.70%).

■ Amendment of the Articles of Association to determine the conditions in which the Directors representing the employees are to be appointed (99.81%).

**QUESTIONS & ANSWERS**

**Shareholders' views**

# Shareholders GIVE THEIR VIEWS



*Jean-Paul Agon and Christian Mulliez spent an hour answering questions from shareholders. Excerpts.*

**PROFITABILITY**

**“The L'Oréal Luxe operating margin leapt up in 2013. Will this last?”**

■ **Jean-Paul Agon:** The operating margin of L'Oréal Luxe grew significantly in 2013, from 19.3% to 20%. I would say that it is good and positive for the future. We think we can keep driving our profitability thanks to the success of our brands, such as KIEHL'S and URBAN DECAY, which are very profitable. Thanks also to major products, such as the fragrance “La vie est belle”, which bring great profitability. We are also confident thanks to travel retail, which was presented by Barbara Lavernos, Managing Director of L'Oréal Travel Retail, and which is also a profitable market.

**INNOVATION**

**“What are the reasons for the success of BB creams by GARNIER? Do you think hybrid products will become more widespread?”**

■ **Jean-Paul Agon:** We invented BB creams two or three years ago. It was a great success,

because we were the first to seize the idea and market it around the world. It is a product that offers good value for money, and which gives you all-in-one skincare at a reasonable price. This is what people want, so this is an opportunity for us. There is indeed a development of hybrid products that are at the boundary between two different categories, for example make-up and skincare. It is a development approach that we are monitoring very closely.

**ACQUISITION**

**“Could you give us some information about the ROGER&GALLET and CADUM acquisitions?”**

■ **Jean-Paul Agon:** We acquired ROGER&GALLET with YVES SAINT LAURENT Beauty; it is a fine brand you are familiar with in France and the only pleasure hygiene and perfumery brand to be found in pharmacies. We are attempting to launch the brand in all European countries where there are pharmacies. It is going well and we are very confident about it. CADUM is a company we acquired two years ago. It was the first time in decades that we have acquired a company in France, for



France. We are very glad as it enabled us to bolster our position.

#### REGISTERED SHARES

**“You have put in place a dividend increase for registered shareholders, for loyalty purposes. Could you give us the results to date?”**

■ **Christian Mulliez:** At the time the programme was brought in – notably with the increased dividend for registered shareholders – there were 1,800 registered shareholders, and four years later there are 26,000. The 1,800 registered shareholders held just under 5 million shares, and today the 26,000 registered shareholders have more than 13 million shares. It is a strong sign of loyalty.

**Receive the loyalty bonus!**  
A dividend increase of 10% for shareholders having held registered shares for more than two years <sup>(1)</sup>.

(1) For shareholders who continuously hold their shares in registered form for a minimum of two full calendar years, up to a maximum of 0.5% of the capital for the same shareholder.



#### THE L'ORÉAL FINANCE APP: ESSENTIAL INFORMATION FROM L'ORÉAL FINANCE AT YOUR FINGERTIPS!

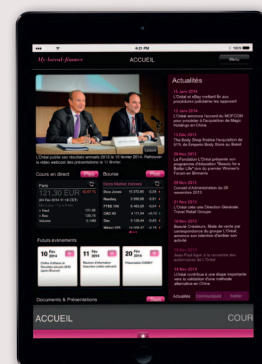


A special “L'Oréal Finance App” demonstration introduced shareholders to the application's main features and downloading instructions.



#### The L'Oréal Finance App services designed for shareholders and investors:

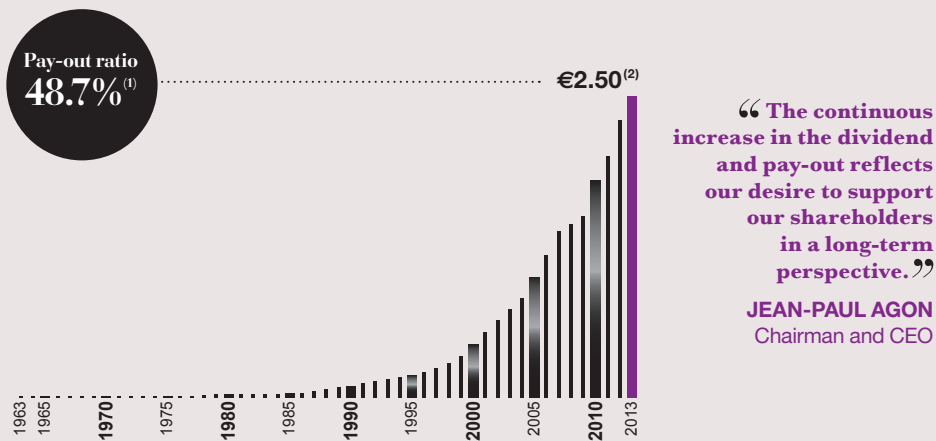
- Up to the minute share price and Stock Exchange information;
- Shareholding calculator;
- Events calendar;
- Presentations and webcasts;
- Direct access to the L'Oréal Finance Mag digital magazine.



## L'ORÉAL AND YOU

Close relationship with our shareholders

### A DIVIDEND THAT INCREASES REGULARLY (IN €)

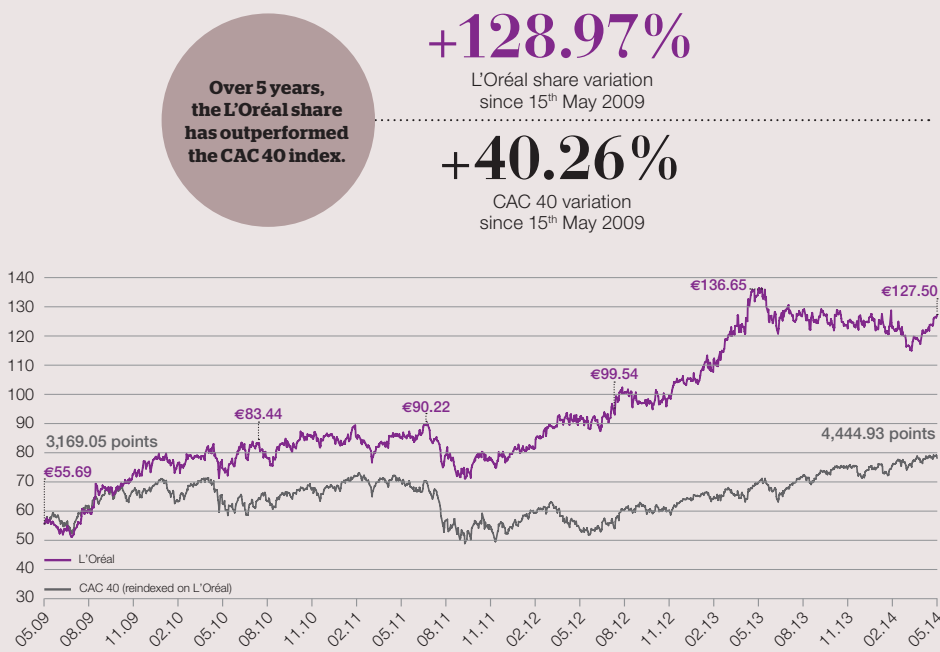


(1) Pay-out ratio based on the dividend approved at the Annual General Meeting of 17<sup>th</sup> April 2014.

(2) Dividend approved at the Annual General Meeting of 17<sup>th</sup> April 2014 for the 2013 financial year.

### L'ORÉAL SHARE versus CAC 40

From 15<sup>th</sup> May 2009 to 15<sup>th</sup> May 2014.



### YOUR NEXT SHAREHOLDER MEETINGS

**Annecy** on 25/09  
**Lille** on 29/09  
**Cannes** on 17/11  
**Nantes** on 24/11  
**Dijon** on 09/12

[www.loreal-finance.com/eng/shareholder-meetings](http://www.loreal-finance.com/eng/shareholder-meetings)

### An encouraging and contrasted first quarter 2014

**€5.64 bn**

OF SALES

**+3.5% LIKE-FOR-LIKE**  
**-2.2% BASED ON REPORTED FIGURES**

- L'ORÉAL LUXE AND ACTIVE COSMETICS DIVISION CONTINUE THEIR VERY GOOD MOMENTUM
- PROFESSIONAL PRODUCTS DIVISION ACCELERATES
- CONSUMER PRODUCTS DIVISION HELD BACK BY NORTH AMERICA
- RENEWED VITALITY IN WESTERN EUROPE

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### Video highlights of 2013

Visit your L'Oréal Finance Mag digital magazine to see 10 topics from the 2013 Annual Report, featuring interviews with senior managers, videos and exclusive links.

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Eric Pélzer  
Président de L'Oréal



C'est pourquoi je dis toujours que le Murumuru est le nouvel Argan des femmes Brésiliennes.