



Luxury Products

LANCÔME • BIOTHERM • HELENA RUBINSTEIN • GIORGIO ARMANI •
RALPH LAUREN • CACHAREL • KIEHL'S • SHU UEMURA



Brand boutiques unlock new growth opportunities

The Luxury Products Division posted good growth figures in 2004, particularly in North America, Latin America, travel retail and Eastern Europe, as well as in China and Southern Asia. The economic climate was however more difficult in a number of European countries.

CHALLENGES AND GROWTH STRATEGY

Cultural diversity and the need to adapt products for each geographic zone are generating growing complexity. The Luxury Products Division has responded to this challenge by setting strategic priorities:

- develop the major global products for each brand, and adapt textures and application methods to suit local expectations,
- anticipate demand for products and services by strengthening the close relationship with customers,
- improve responsiveness by listening to the customer and fostering imagination and creativity.

Building on these principles, the Division is determined to strengthen market share gains by continuing its strategic and innovative launches in the flagship brands.

Commercial dynamism and the opening of the group's own boutiques for LANCÔME, BIODERMA and KIEHL'S, combined with modernisation and the strong advertising impact of the brands, will also contribute to growth. Furthermore, the Division will continue to target its customers even more specifically thanks to its portfolio of complementary brands. Lastly, the optimisation of structures and procedures will improve productivity gains at all levels.

This strategy is designed to speed up the international expansion of our brands, while keeping us at the cutting edge of creation, by developing new point-of-sale services, ensuring the loyalty of existing customers and winning over new target groups.

All these aspects form the basis of our sustainable growth strategy.



“The Luxury Products Division recorded another year of growth in 2004, reflecting the success of a large number of products featuring innovative technologies. The Division continued to win market share, particularly in anti-ageing skincare, lipsticks and mascaras, while perfume sales once again rose faster than the global market.

The upturn in the North American and South American markets, and the gathering pace of growth in Eastern Europe, in China and in travel retail all had a favourable impact on our sales growth.”

Gilles Weil,
President Luxury Products

2004 HIGHLIGHTS

- LANCÔME revamped its image and opened its own boutiques.
- GIORGIO ARMANI strengthened its market leader position in men's fragrances with Armani Black Code.
- BIOTHERM launched its innovative new-generation anti-wrinkle product: Line Peel.
- After the success of Polo Blue, RALPH LAUREN launched Ralph Lauren Blue.
- HELENA RUBINSTEIN extended its mascara range with Lash Queen.
- KIEHL's grew strongly by opening new boutiques.
- SHU UEMURA stepped up its growth in Asia and North America.



• The opening of the first LANCÔME boutique in the United States has already won the brand 2,000 new customers since October 2004.

CONSOLIDATED SALES BY GEOGRAPHIC ZONE					CONSOLIDATED SALES BY BUSINESS SEGMENT				
€ millions	2003	2004	% of 2004 sales	Like-for-like growth 2004/2003	€ millions	2003	2004	% of 2004 sales	Like-for-like growth 2004/2003
Western Europe	1,616.8	1,627.0	46.2%	0.5%	Skincare	1,233.4	1,270.7	36.1%	5.4%
North America	1,055.8	1,047.0	29.7%	7.7%	Perfumes	1,358.2	1,365.9	38.8%	4.0%
Rest of the World	768.1	845.6	24.0%	12.1%	Make-up	849.1	883.0	25.1%	6.7%
TOTAL	3,440.6	3,519.6	100%	5.2%	TOTAL	3,440.6	3,519.6	100%	5.2%

• **LANCÔME - Resurface Peel**

Resurface Peel is a resurface peeling kit with glycolic acid combined with Physio-Peel Enhancer™, exclusive to LANCÔME, to stimulate the skin's natural exfoliation process.

• **LANCÔME - Hypnôse**

Leader in the mascara market, LANCÔME invents personalised volume with Hypnôse, a massive international success in 2004. Hypnôse now enjoys number one position worldwide and number two in the United States behind Définitions.



ACTIVITY AND DEVELOPMENTS IN 2004

Lancôme

LANCÔME, the world's number one luxury cosmetics brand, achieved like-for-like growth of +4.3%. Growth was particularly strong in China (up 71%) and Latin America (up 22%). Travel retail sales were also robust with a 15.7% increase.

2004 saw an advertising and merchandising makeover with the development of a new point-of-sale image and the opening of the brand's own boutiques in Hong Kong, Shanghai, Paris and New Jersey (United States).

In facial skincare, a key event was the launch of Resurface Peel, the first skin peeling kit designed for home use. In addition, Aquafusion, a new moisturiser for women aged 20-30, was successfully launched in the fourth quarter.

In make-up, the worldwide success of the new Hypnôse mascara strengthened the brand's leadership of this segment. Lipstick sales increased once again, as Juicy Rouge and Juicy Wear continue the success record set by Juicy Tubes, launched in 2002.

Lastly, the arrival of a new make-up designer, Gucci Westman, will further strengthen the creative impact of the LANCÔME brand.



• **LANCÔME – Juicy Rouge**

Following on from Juicy Tubes, the LANCÔME success story continues with Juicy Rouge, the first lipstick line with a glossy effect.



Biotherm

BIOThERM, the expert skincare brand, is also a gateway to the luxury products universe for young consumers.

In 2004, its worldwide growth reached +9.2%, with very strong increases in Asia (up 24.9%) and Latin America (up 25.6%). The brand was relaunched in the United Kingdom at the start of the year.

The opening of three of its own boutiques in Hong Kong, London and California provided an opportunity to renew the brand's merchandising and create a closer relationship with customers.

BIOThERM continued to apply its innovation strategy in 2004:

- in anti-ageing skincare with the anti-wrinkle product: Line Peel,
- in the moisturising market with Oléosome and Aquasource Non Stop,

- in bodycare with Abdo-Choc, an abdomen firming treatment,
- in the men's market with Age Fitness, an active skincare line that effectively protects skin from the first signs of ageing.

Furthermore, the Skin Loving Colors make-up line continued its geographic expansion, and proved its strong appeal for young people.

• **BIOThERM – Light**

BIOThERM's star foundation product in 2004 with a formula that features a soothing, vitalising and protective compound.

• **BIOThERM – Glossy Splash**

At the heart of BIOThERM's Skin Loving Colors make-up range, Glossy Splash is an aquatic moisturising gloss with mirror-like reflections that produce an explosion of light on the lips.

• **BIOThERM – Line Peel**

The latest skincare innovation from BIOThERM is a dual-purpose product for everyday use that smoothes wrinkles and visibly renews the skin.



• **HELENA RUBINSTEIN – Full Kiss**

Full Kiss is a gloss cream that re-plumps the lips and combines make-up and skincare.

• **RALPH LAUREN – Ralph Cool**

A luxurious fragrance with fruit tones, a hedonistic message and brightly-coloured packaging are the hallmarks of Ralph Cool, the latest RALPH LAUREN perfume for the 15-25 age group.



Helena Rubinstein

HELENA RUBINSTEIN increased its anti-ageing skincare expertise with the launch of Life Pearl. The brand also demonstrated its innovative ability, with essential skincare product Hydra Genius, and scored a resounding success in Japan with Pore Genius serum.

In make-up, following the success of Color Clone foundation, the brand strengthened its positions in the mascara sector with Lash Queen and launched the first Full Kiss gloss cream.

HELENA RUBINSTEIN has also built up a high profile creative team, including architect Andrée Putman and make-up artist Charlotte Tilbury, who are helping to project the brand's upmarket image.

Giorgio Armani

The two major launches, Armani Mania for women and Armani Black Code for men, bolstered the growth of GIORGIO ARMANI, which is today the world's number three brand.



• **GIORGIO ARMANI – Armani Black Code**

GIORGIO ARMANI unveils his first-ever Oriental perfume for men: with an enveloping fragrance and a touch of Hollywood glamour, Armani Black Code conjures up elegance and sensuality.

In addition, the Giorgio Armani Cosmetics make-up line has continued its expansion in Asia and has become one of the leaders in the top U.S. specialty stores.

Ralph Lauren

In 2004, RALPH LAUREN continued its global growth with an increase of +7.2%. Following the continuing success of Polo Blue, the launches of Ralph Lauren Blue for women and Ralph Cool for young people gave the brand's sales another boost. At the end of the year, the main event was the U.S. launch of the classic women's fragrance Lauren Style.

Cacharel

CACHAREL enjoyed double-digit growth thanks to the resounding worldwide success of Amor Amor. With more than 5 million bottles sold since the launch, this perfume is now one of the brand's flagship products. In 2004, Anaïs Anaïs was rejuvenated with a new sensual and romantic advertising campaign, embodied by Kate Moss.



Kiehl's

Growth at KIEHL'S gathered speed with a worldwide increase of +40%. The opening of new boutiques and the launch of products such as Abyssine cream, the new anti-ageing skincare product Cryste Marine, and the men's skincare product Facial Fuel contributed to this dynamic performance, while highlighting the brand's "Modern Apothecary" image. The pace of KIEHL'S expansion is increasing, and the brand will be a powerful growth driver for the Luxury Products Division.

Shu Uemura

SHU UEMURA, now controlled by the L'Oréal group, stepped up its globalisation, achieving particularly strong growth in the Asian and American markets. The launch of innovative new skincare and make-up products, based on natural Japanese ingredients, and the brand's introduction in China and in American specialty stores contributed to this dynamic growth trend, which should be even stronger in 2005.

• SHU UEMURA – High Performance Balancing Cleansing Oil

Launched 30 years ago, the cleansing oils of SHU UEMURA are one of the best-kept beauty secrets. At the end of 2004, the brand commissioned a limited edition of product packs from the young Japanese manga artist, Ai Yamaguchi.

• KIEHL'S – Cryste Marine Cream

Cryste Marine firming cream is formulated with a mineral-rich botanical ingredient found on rock formations next to the Mediterranean sea. With a unique ability to absorb nutrients from high waves and sea mist, this unusual flower is known to boost cell renewal.



2005 OUTLOOK

The Division boasts a number of advantages – expertise, a wealth of talent, a diversified product portfolio, innovative strength and a powerful commercial presence – which will help it win market share and boost the success of its brands the world over.

Synergies, combined with reductions in industrial and administrative costs, will provide the resources needed to launch ground breaking and innovative products in a constant effort to improve results.



The Luxury Products Division develops global prestige brands sold in exclusive and selective outlets: department stores, perfumeries, travel retail outlets and the group's own boutiques. Its mission is to offer customers personalised advice and service. The Division markets effective products that incorporate the latest technologies, and whose high added value reflects the quality of L'Oréal's research.