



KÉRASTASE and Coiff1rst hair salon team up to offer the best in luxury haircare.

DEAR SHAREHOLDERS,



“2012 was a good year for L'Oréal which once again demonstrated its ability to outperform the beauty market.”

■ The group achieved strong sales growth, and once again demonstrated its ability to outperform the beauty market and to gain market share. 2012 was also a very good vintage in terms of

innovations in each of our divisions and major business segments. 2012 also marked a milestone in the acceleration of the group's internationalisation, as the New Markets became the number one sales zone.

In view of these successes and improvements, which confirm the strength of our business model, we are facing the future with optimism and confidence. Confidence in the positive dynamics of our market. Confidence in the strength of our mission — beauty for all — in our universalisation strategy and in our ambition to conquer one billion new consumers.

And finally, confidence in the fundamentals of L'Oréal: its Research, its ability to innovate and create high quality products, its outstanding portfolio of brands, its business model, which creates both value and cash flow, and lastly the unique strength of its teams.

We are thus well prepared to outperform the market in 2013, and to achieve another year of sales and profit growth.

Jean-Paul AGON
Chairman and CEO of L'Oréal



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L'ORÉAL IN FIGURES
2012 Annual Results

STRONG GROWTH IN SALES AND PROFITS

2012 was a good year for L'Oréal, which once again demonstrated the strength of its business model and its ability to strengthen its leadership of the beauty market.

€22.46_{Bn}

OF SALES **+10.4%** BASED ON
REPORTED FIGURES

■ **OPERATING PROFIT:**
+12.3% AT 16.5% OF SALES

■ **NET EARNINGS PER SHARE⁽¹⁾:**
+13.6% AT €4.91

■ **DIVIDEND⁽²⁾: +15% AT €2.30**

■ **NET CASH FLOW: +26.4%**
AT €2.58Bn

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“
*Thanks to strict
management
of inventories and
customer credit,
cash flow strongly
increased by +26.4%.*
”

CHRISTIAN MULLIEZ
Executive Vice-President
Administration and Finance



1st

*geographic zone:
the New Markets*

■ 2012 marked a milestone in L'Oréal's internationalisation and the conquest of the New Markets. Representing some 40% of cosmetics sales, they have become the group's number one geographic zone. This powerful momentum is in line with L'Oréal's goal of winning a billion new consumers over the next ten years.



**North
AMERICA**
posts growth of +18.3%⁽³⁾

■ The North America zone was extremely dynamic in 2012. In particular, the United States posted strong results, confirming its status as the most solid of the mature markets. L'Oréal plans to make the most of this region's major growth opportunities in order to attain the same level of market share as in Western Europe.

L'Oréal LUXE,
exceptional products

■ In 2012, the division outperformed the market with growth of +16.0%⁽⁴⁾, driven especially by the success of its most strategic brands, LANCÔME and YVES SAINT LAURENT, and by major innovations in all categories (see the Innovation section, pages 4 and 5).

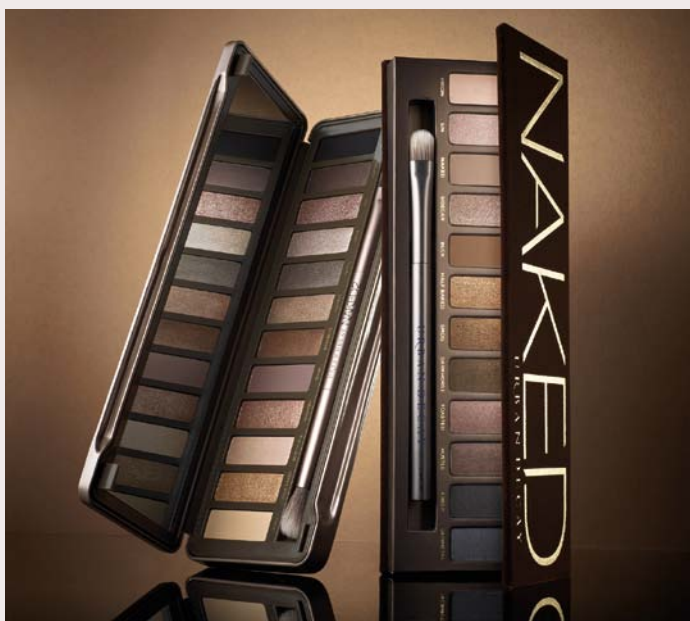


(1) Diluted net earnings per share, based on net profit excluding non-recurring items after non-controlling interests. (2) Proposed at the Annual General Meeting of April 26th, 2013. (3) Based on reported figures, +7.2% like-for-like. (4) Based on reported figures, +8.3% like-for-like.

STRATEGY

Heading for the L'Oréal of tomorrow

L'ORÉAL'S RECENT STRATEGIC ADVANCES



2012 was a major year for L'Oréal in terms of transformation, progress and acceleration of its internationalisation.

Focus on the advances made in the second half of 2012.

URBAN DECAY, a strategic acquisition for L'Oréal Luxe

■ L'Oréal announced the acquisition of URBAN DECAY, an American brand specialised in make-up which is accessible in the selective channel. This young and emblematic brand has now joined L'Oréal Luxe, consolidating the group's presence in dynamic distribution channels such as "assisted self-service"⁽¹⁾ and e-commerce. Following the acquisition of CADUM in France and the VOGUE brand, number one in mass-market make-up in Colombia, L'Oréal strengthened its portfolio of complementary brands in 2012 as it pursued its objective: offering the best of beauty for all.

A new Research and Innovation hub in India

■ After opening an Advanced Research centre in Singapore in 2012 and the Global Hair Research Centre at Saint-Ouen, in France, L'Oréal completed its network by inaugurating its fifth regional hub at Mumbai, in India. To establish the closest relationship with local consumers, it will focus on the study of specific skin and hair characteristics, and thus become the innovation laboratory for Indian beauty.



L'Oréal opens a subsidiary in Saudi Arabia

■ After Nigeria and Kenya, L'Oréal opened a subsidiary in Saudi Arabia in 2012, confirming the group's confidence in the growth potential of the Africa, Middle East zone. The subsidiary's task is to develop a portfolio of brands such as L'ORÉAL PROFESSIONNEL, KÉRASTASE, L'ORÉAL PARIS, GARNIER, MAYBELLINE NEW YORK and VICHY.



Two new plants in Mexico and Indonesia

■ In order to provide better service for local markets, L'Oréal is strengthening its production facilities with the opening of two new factories that are amongst the group's largest: a hair colourant plant at San Luis Potosí, in Mexico, and a specialist haircare and skincare factory at Jababeka, in Indonesia (see the Analysis section, pages 6 and 7).

(1) Selective channel, including Ulta and Sephora for example.

INNOVATION

The best of beauty for all

L'ORÉAL, HAILED FOR ITS VINTAGE YEAR OF INNOVATIONS

In recognition of the strength of their scientific innovations and the quality and performance of their products, L'Oréal's brands have received a number of awards. Let's turn the spotlight on some of this year's most remarkable successes.

**ROUGE PUR COUTURE
VERNIS À LÈVRES GLOSSY STAIN - YVES SAINT LAURENT**



2012, a turning point for YVES SAINT LAURENT

■ Since its acquisition by L'Oréal in 2008, YVES SAINT LAURENT has successfully repositioned itself and is now recognised as a major global brand, expert in the three categories: make-up, perfumes and skincare. Voted as brand of the year by the American magazine *WWD*⁽¹⁾, its rise has been fuelled by breakthrough innovations which received the special prize from the *Prix d'Excellence de la Beauté Marie Claire*'s jury⁽²⁾.

The Forever Youth Liberator range, inspired by glycobiology, met with high praise in facial skincare. In make-up, the brand hit the headlines with Rouge Pur Couture Vernis à Lèvres Glossy Stain, issued from the adaptation of a new technology. Finally, the iconic Touche Eclat highlighting pen has been transformed into a new-generation foundation, Teint Touche Eclat, demonstrating YVES SAINT LAURENT's ability to reinvent itself and capitalise on its success.



SKINCARE takes centre stage

■ An innovation from L'ORÉAL PARIS was rewarded by the international journalists jury of the *Prix d'Excellence de la Beauté Marie Claire*⁽²⁾, for its visible efficacy and accessible price: the new Revitalift Laser X3 anti-ageing skincare range. Its secret is Pro-Xylane™, a molecule developed by L'Oréal Advanced Research, at 3% concentration, combined with fragmented hyaluronic acid and LHA. Launched in autumn 2012, it has already taken off in Europe⁽³⁾. The international jury also voted for Redermic [R], an anti-wrinkle skincare product from LA ROCHE-POSAY, as *Prix d'Excellence de la Beauté*⁽²⁾. It owes its success to an innovative formulation, adapted to suit sensitive skin, which ensures gradual release of retinol, the benchmark anti-ageing molecule. Amongst the latest innovations at LANCÔME, Génifique Yeux Light-Pearl™ combines gene science with the remarkable performance of a trailblazing surgical-steel applicator. Already number one in several countries⁽⁴⁾, this eye contour serum, which has created a new beauty ritual, won a *Prix d'Excellence de la Beauté 2013*⁽²⁾.

1. GÉNIFIQUE YEUX LIGHT-PEARL™ - LANCÔME
2. REVITALIFT LASER X3 - L'ORÉAL PARIS
3. REDERMIC [R] - LA ROCHE-POSAY



2

3

FIND OUT MORE

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(1) Source: 2012 WWD Beauty Inc Awards, February 2013. (2) Source: Prix d'Excellence de la Beauté 2013, Marie Claire, February 2013. (3) Source: Retailers panel P13 2012. (4) Source: Eye care segment, NPD France MTD panel, October and November, and Spain MTD panel, November and December 2012, market share value.

*The HIGH-PROFILE
LAUNCH of
“La vie est belle”*

■ This year saw the global breakthrough of LANCÔME and its radiant and upbeat vision of femininity. “La vie est belle”, voted best fragrance of the year in the selective channel by the American magazine WWD⁽¹⁾, was also established as **the largest global perfume launch in 2012⁽⁵⁾**.



(5) Source: Women's fragrances segment, aggregate NPD France, Italy, United Kingdom, Spain, United States and IRI Germany panels, total for 2012, market share value.

ANALYSIS

Universalisation in action

How L'Oréal is CONTINUING ITS EXPANSION IN INDONESIA



Point of sale in a traditional store in Jakarta.

Indonesia was one of the
top 10
countries contributing to
the worldwide cosmetics
market's growth in 2012⁽¹⁾.



In each "L'Oréal Finance Letter", find out more about the advances of L'Oréal's beauty universalisation strategy. The focus this time is on Indonesia, which is spearheading growth in South-East Asia.

A fast-growing beauty market

■ The Indonesian cosmetics market is one of the most dynamic in the Asia, Pacific region. In 2012, L'Oréal recorded a growth rate there of +35.7%⁽²⁾, driven by the rise of an affluent middle class and by the eagerness of Indonesian consumers to buy high-quality, accessible cosmetics that fulfill their beauty expectations.

L'Oréal, a dynamic player in the Indonesian cosmetics market

■ Since entering the Indonesian beauty market in 1979, L'Oréal has become one of its leading players. It is also the only cosmetics company present in all distribution channels. While the L'ORÉAL PARIS and MAYBELLINE NEW YORK brands remain the most emblematic, GARNIER has scored a great success with its Garnier Light Complete range, designed specifically for Indonesian skin. Meanwhile, the L'ORÉAL PROFESSIONNEL brand has taken its inspiration from Indonesian hair beauty rituals, such as traditional cream baths, to develop its Original Hair Spa range.

Largest factory in the world inaugurated in Indonesia

■ Indonesia is also an important manufacturing hub for L'Oréal, which set up its first production centre there in 1986. In late 2012 L'Oréal opened a new high-tech factory, the group's largest, in the industrial zone of Jababeka, 60 kilometres from Jakarta, to meet strong demand from South-East Asia. Backing up the goal of conquering a billion new consumers, this factory is set to become the production platform for L'ORÉAL PARIS and GARNIER haircare and skincare products for the whole region.

FIND OUT MORE

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(1) Source: L'Oréal provisional estimates. (2) Based on reported figures, +33.9% like-for-like.



JABABEKA FACTORY

500
EMPLOYEES

200 million
UNITS PER YEAR
BY 2013

200,000 m²
SURFACE AREA

1st
LEED SILVER CERTIFIED
FACTORY IN INDONESIA
(SUSTAINABLE BUILDING)



The promising men's cosmetics market

In Indonesia, the men's cosmetics market is growing fast. Following the success of L'Oréal Men Expert, launched on the Indonesian market in 2009, L'Oréal is now offering a wider range of men's products with L'Oréal Professionnel Homme and Garnier Men, which was one of the best-sellers in 2012.



TESTIMONIES

“As we have been successfully operating a factory in Indonesia since 1986, the country is therefore the clear choice for L'Oréal's ASEAN⁽³⁾ production hub. Building our largest factory in Indonesia once again demonstrates our dedication to provide products with superior quality and value for the consumers of this region.”

JEAN-PHILIPPE BLANPAIN
Executive Vice-President Operations

“With the highest growth of the group in Asia, Pacific, Indonesia is a key contributor to the L'Oréal objective of reaching one billion new consumers. The Jababeka plant reflects our confidence in the continuous expansion of the Indonesian market and our strong commitment to this country.”

JOCHEN ZAUMSEIL
Executive Vice-President Asia, Pacific Zone

(3) Association of Southeast Asian Nations.

L'ORÉAL AND YOU

Close relationship with our shareholders



The Consultation Committee visits the laboratories

On December 7th, 2012, the Individual Shareholder Consultation Committee met at the Global Hair Research Centre in Saint-Ouen, in France. The Committee members were able to talk about L'Oréal's Research policy with various speakers and ask questions to researchers during a guided tour.

L'ORÉAL SHARE versus CAC 40

March 1st, 2008 to March 1st, 2013

Over 5 years,
the L'Oréal share
has outperformed
the CAC 40 index.

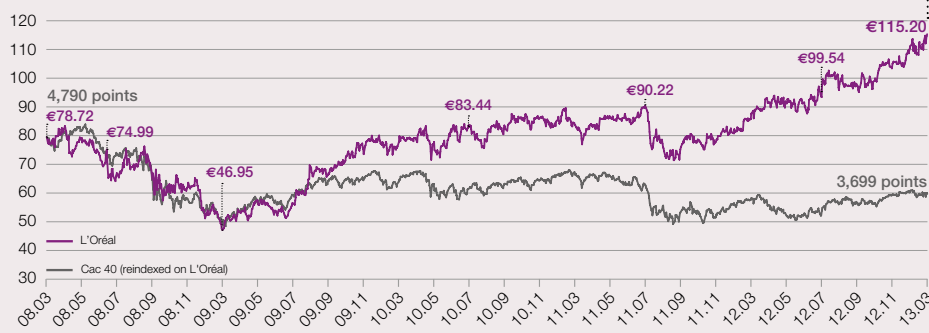
+46.34%

L'Oréal share variation
since March 1st, 2008

-22.77%

CAC 40 variation
since March 1st, 2008

On March 1st, 2013,
the L'Oréal share
price rose to a record
of **€115.20**



Attend the Annual General Meeting of the L'Oréal shareholders on April 26th, 2013

at 10 a.m. at
the Palais des Congrès,
in Paris

► www.loreal-finance.com/eng/annual-general-meeting

Your 2013
shareholder meetings:

Bruxelles on 06/06

Bordeaux on 06/25

Toulouse on 10/17

Rennes on 10/21

Strasbourg on 11/26

Lille on 12/12

► www.loreal-finance.com/eng/shareholder-meetings

French solidarity tax on wealth (ISF)

For 2012 estimated French ISF declaration, the following L'Oréal share value should be taken into account:

■ either, the closing share price on December 31st, 2012:

€104.90

■ or, the average of last 30 days' closing share prices for 2012:

€104.29

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