



DEAR SHAREHOLDERS,



“We are ambitious and optimistic as we continue to implement our strategy of the universalisation of beauty.”

■ In the first half, L'Oréal has continued to record good sales dynamics, and achieved further growth in profits. The group's competitiveness has improved once again, and is reflected in market share gains across all divisions and

zones. At the forefront of the brands contributing to growth is L'ORÉAL PARIS, which is showcased in this letter.

The group achieved a record operating profit with a good quality gross profit, while continuing to provide significant support for investments in Research and Innovation and advertising and promotional growth drivers.

Furthermore, we have continued to implement our policy of targeted and strategic acquisitions. Their role in the construction of the group is essential, for they build the organic growth of tomorrow, and contribute to the vitality and quality of our brand portfolio. These acquisitions are presented in the Analysis section.

We are confirming our targets for 2013: to outperform the market once again, and to achieve a further year of growth in sales, results and profitability.

I would like to say to our shareholders: Thank you for your loyalty.

Jean-Paul AGON
Chairman and CEO of L'Oréal



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L'ORÉAL IN FIGURES

2013 half-year results

FURTHER GROWTH IN RESULTS IN THE FIRST HALF

In a market whose growth has slowed down slightly, L'Oréal has continued to record good dynamics, and has reasserted its confidence in a further year of growth in sales, results and profitability.

€11.7 Bn

OF SALES

+5.4% LIKE-FOR-LIKE

**+6.4% AT CONSTANT EXCHANGE
RATES⁽¹⁾**

■ **STRONG GROWTH IN GROSS
PROFIT AT 71.7% OF SALES**

■ **NET PROFIT AFTER NON-
CONTROLLING INTERESTS:
+5.2%**

■ **NET EARNINGS PER SHARE⁽²⁾:
+7.1% AT €2.94**

READ THE NEWS RELEASE
www.loreal-finance.com

*“Gross profit
has grown strongly
to 71.7% of sales.”*

CHRISTIAN MULLIEZ
Executive Vice-President
Administration and Finance

€2.043 Bn
a record operating profit

■ L'Oréal's operating profit grew by +7.7%, with a further 50 basis point improvement in profitability at 17.4% of sales, which is a record level for a half-year.



L'Oréal has grown

1.5 times
faster than
the worldwide cosmetics market

■ While the market grew by between +3.5% and +4%⁽³⁾ in the first half of 2013, the group's cosmetics branch advanced by +5.7%. This growth is fuelled by the dynamics of each division's conquest drive, and the strengthening of their strategic positions across all regions of the world.



**3 key
products
for growth**

■ The BB Creams, halfway between skincare and make-up, the success of the Eluor Total Repair 5 range and hair oils have made a strong contribution to growth in the first half.

■ **L'ORÉAL No.1 IN WWD'S
BEAUTY'S TOP 100⁽⁴⁾**

(2012 sales in billions of US \$)

The American magazine WWD has
recognised once again L'Oréal as
leader in the worldwide beauty market.



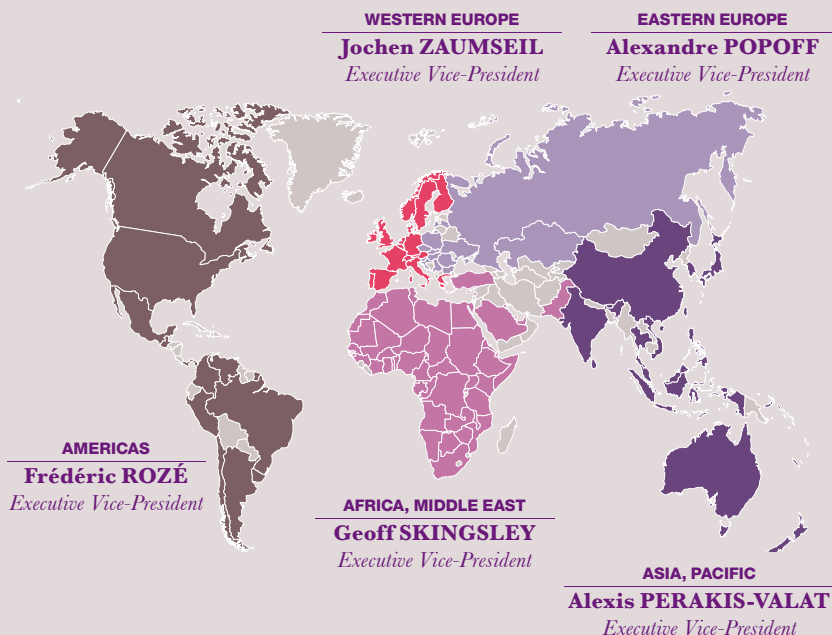
(1) +4.7% based on reported figures. (2) Diluted net earnings per share, based on net profit excluding non-recurring items after non-controlling interests. (3) Excluding soap, toothpaste and razors – L'Oréal estimates. (4) Source: "Beauty's Top 100" WWD, August 2013. (5) WWD estimates.

STRATEGY

Heading for the L'Oréal of tomorrow

APPOINTMENTS WITHIN THE EXECUTIVE COMMITTEE

L'Oréal is changing its organisational structures to adapt to a perpetually changing cosmetics market, while remaining true to its mission, beauty for all, and its universalisation strategy.



Ensuring operational excellence

■ In an effort to accelerate growth in all selective sales networks, the Selective Divisions department has been created and Nicolas Hieronimus has been put in charge.

Its objective? To optimise the selling of the Luxury, Active Cosmetics, Professional Products and THE BODY SHOP brands.

A worldwide market divided into major regions

■ To maximise the force driving the strategy of universalisation and conquering the next billion consumers, the group is refining and completing

its zone structure with the creation of new geographic areas:

- the Americas Zone, comprising North America and Latin America, with Frédéric Rozé at its head.
- the Eastern Europe Zone, headed by Alexandre Popoff.
- the Western Europe Zone with Jochen Zaumseil.

Furthermore, Alexis Perakis-Valat is succeeding Jochen Zaumseil as Executive Vice-President for the Asia, Pacific Zone.

These changes within L'Oréal's Executive Committee, which has 15 members, have been effective since July 1st, 2013.

RESEARCH AND INNOVATION: CREATION OF A SCIENTIFIC ADVISORY BOARD



From left to right: Elaine Fuchs, Jun Wang, Dominique Langevin, Thomas Bieber, Samir Mitragotri, Bonnie Bassler, Vanderlan Da Silva Bolzani, Nina Jablonski, René Wijffels, Jacques Leclaire.

■ In May 2013, L'Oréal announced the creation of a Scientific Advisory Board, consisting of 9 eminent scientists of various nationalities and from diverse disciplines. They will have a dual mission: to bring unexpected ideas pertaining to L'Oréal Research's fields of interests and to explore emerging scientific and technological trends to preserve the group's lead in the field of research. The reflections of this Board, chaired by the group's Scientific Director Jacques Leclaire, will be a major source of inspiration. Because interaction between science and beauty is at the heart of L'Oréal's innovation model.



“The establishment of a Scientific Advisory Board is a first for L'Oréal and it is essential because science is the basis of all our innovations.”

LAURENT ATTAL
Executive Vice-President
Research and Innovation

BRANDS

The best of beauty for all

L'Oréal Paris

FORMULAS FOR WORLDWIDE SUCCESS



Freida Pinto, Madame Inès de la Fressange, Julianne Moore, Jane Fonda, Fan BingBing, Liya Kebede, Eva Longoria and Doutzen Kroes for Color Riche Collection Privée.



*“ Our premium positioning lives on both
rational and emotional levels.
Our superior performance is the rational part,
it is the L'Oréal scientific leadership
that brings remarkable quality to our products.
Self-esteem is the emotional justification:
I buy L'ORÉAL PARIS because I feel valued and confident...
because I'm worth it. ”*

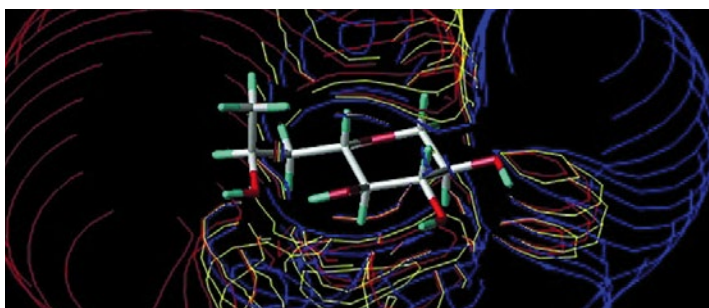
CYRIL CHAPUY

Global President L'ORÉAL PARIS International

***L'ORÉAL PARIS is an aspirational brand
which always keeps one step ahead.
It was a key contributor to the group's
growth in the first half of 2013, thanks to
its market leader positions in Western
Europe, North America and China.***

A unique vision of beauty

■ Thanks to its expertise in each of the major categories — make-up, skincare, haircare, hair colourants, men's products —, and the scientific breakthroughs of the group's laboratories, L'ORÉAL PARIS has brought out many products that have proven revolutionary in their time. From Elnett hair lacquer in 1957, which triggered a transformation in styling, to Revitalift Laser X3 facial skincare in 2012, these innovations represented major advances for the consumer. Starting out from the technological platforms developed by L'Oréal Research, marketing hubs adapt formulas to suit the beauty expectations and dreams of women and men in every region of the world.



Molecular representation of Pro-Xylane™, at the heart of Revitalift Laser X3 anti-ageing skincare.

For 40 years now, L'ORÉAL PARIS has been sharing its unique vision of beauty, which is inspiring, charismatic and sincere, and genuinely drives self-fulfilment. This vision is embodied by some 35 international ambassadors, with charismatic personalities and rich career profiles, who resonate in the brand's universal message of self-affirmation, "Because you're worth it".

The worldwide epic of Elvive Total Repair 5

■ The Elvive Reparação Total 5 adventure began in 2008 in Brazil, when it was found that a new discovery – ceramide –, was able to meet the unsatisfied expectations of Brazilian women needing treatment for their "damaged" hair. With its deep repair properties, ceramide can deal with all the signs of "damaged" hair.

Bolstered by its success in Latin America, the Total Repair 5 formula was rolled out in Europe, and then in Asia, generating very strong performances in India and China. The research laboratories have

carefully adapted this technology at each stage to the specific needs of consumers all over the world.

The world tour is continuing in 2013 with the launch in the United States of the L'ORÉAL PARIS Advanced Haircare range. L'ORÉAL PARIS has once again demonstrated the efficacy of its formulas, and its ability to inspire consumers, by placing haircare and healthy hair at the heart of their beauty rituals.

Superior science for all with Revitalift Laser X3

■ When it was launched in autumn 2012, Revitalift Laser X3 skincare was immediately seen as a breakthrough, combining a major scientific innovation and a bold, ground-breaking concept. The Pro-Xylane™ molecule, at 3% concentration in Revitalift Laser X3, stemmed from the efforts of L'Oréal Advanced Research over 14 years. Applied for the first time in 2006, it is continuing to reveal its anti-ageing properties in this skincare,

thanks to its combination with two other active ingredients, lipo-hydroxy acid (LHA) and fragmented hyaluronic acid. Revitalift Laser X3 thus has a triple action on lines, skin and facial contours. In addition to its performance, the product benefits from strong positioning in the facial skincare market, as Revitalift Laser X3 is emblematic of a new generation of skincare inspired by the universe of aesthetic medicine.

Following the enthusiastic reception when it went on sale in Europe, with record performances in anti-ageing in France, the United Kingdom, Germany and Italy⁽¹⁾, China has been won over in 2013, as Revitalift Laser X3 has attracted new consumers looking for skin that is visibly more beautiful.

(1) Source: P13 2012 retail panels.

ANALYSIS

Universalisation in action

How L'Oréal

ENRICHES AND MODERNISES ITS BRAND PORTFOLIO

Amongst the 27 international brands, only 3 have been created by L'Oréal. Through successive acquisitions, the group's brand portfolio has been built up to cover the whole range of beauty territories and to meet the expectations of each consumer.

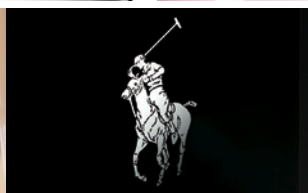
By pooling know-how and expertise, L'Oréal enables its brands to expand and seize new opportunities, both in their original market and internationally, contributing to tomorrow's growth.

1960
1980



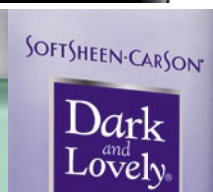
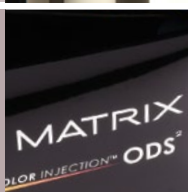
LANCÔME • 1967
GARNIER • 1967
BIOTHERM • 1971
VICHY • 1980

1981
2000



GIORGIO ARMANI • 1985
RALPH LAUREN • 1985
LA ROCHE-POSAY • 1989
HELENA RUBINSTEIN • 1989
REDKEN • 1993
MAYBELLINE NEW YORK • 1996

2001
2013



MATRIX • 2001
KIEHL'S • 2001
SOFTSHEEN-CARSON • 2001
SHU UEMURA • 2002
THE BODY SHOP • 2006
YVES SAINT LAURENT • 2008
ESSIE • 2010
CLARISONIC • 2011
Q-MED • 2011
URBAN DECAY • 2012

2 emblematic examples of strategic acquisitions

■ GROWTH RATES FOR THE FIRST HALF 2013:

CONSUMER PRODUCTS DIVISION: ESSIE

+18.8%⁽¹⁾

L'ORÉAL LUXE: CLARISONIC

+27.7%⁽¹⁾

20 new brands

IN HALF A CENTURY

“The acquisitions add great modernity and strong growth dynamics to our catalogue.”

JEAN-PAUL AGON
Chairman and CEO

KIEHL'S: Sales multiplied by 10

KIEHL'S is a family-based company, founded in 1851 as a small apothecary in New York. This accessible luxury brand is based on a unique model, which combines the efficacy of the products with the quality of the advice provided. Since its acquisition in 2000 by L'Oréal, its sales have been multiplied tenfold, and were close to 450 million euros in 2012. The brand has expanded inside the group while remaining true to its original concept, and is today proving a genuine success worldwide, after being rolled out in more than 40 countries.



LA ROCHE-POSAY: A model engineered for expansion

The LA ROCHE-POSAY laboratories, founded in 1975 and specialising in dermocosmetology, joined L'Oréal in 1989. Thanks to the group's different kinds of expertise, LA ROCHE-POSAY has set itself the mission of solving “sensitive skin” problems, and has proven very successful, particularly with its pioneering sun protection products. Recommended by 25,000 dermatologists worldwide⁽²⁾, the brand has gained the confidence and loyalty of consumers. Now number 1 in Brazil⁽³⁾, it has also taken up the challenge of internationalisation.

(1) Like-for-like. (2) Source: Cross-country dermatological study, 2012.

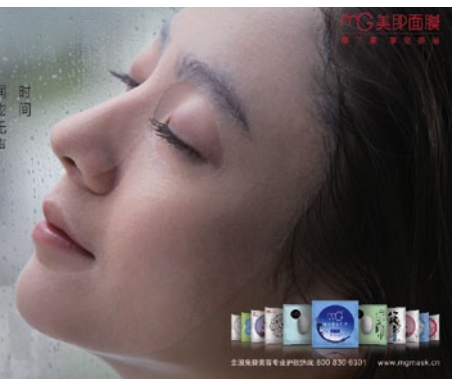
(3) Source: IMS Brazil Panel, dermocosmetics market, 2012 market share value.

2013: Acquisitions continue

On April 15th, L'Oréal acquired the health & beauty business of **Interconsumer Products**, a significant player in the Kenyan beauty market. This acquisition strengthens the group's position and offering in the mass-market segment, and highlights the strategic importance of Africa for L'Oréal.

On August 15th, L'Oréal made a proposal to acquire **Magic Holdings**, whose MG brand is one of China's leading brands in cosmetic facial masks. This category, one of the fastest growing in China's beauty market, has very promising development prospects in Asia and worldwide.

On September 20th, L'Oréal India announced the acquisition of **Cheryl's Cosmeceuticals**, a pioneer in professional skincare products and treatments in beauty salons across the country.



L'ORÉAL AND YOU

Close relationship with our shareholders



L'Oréal always eager to meet you

L'Oréal welcomes you to the *Village des Actionnaires* for the first time this year, and the *Actionaria Fair* for the 10th consecutive year. Two opportunities for the financial communications team to meet you, exchange views and provide insights into the group's activities and strategy. Don't miss the shareholder meeting, on Friday, November 22nd, at 3 p.m., chaired by Mr Jean-Paul Agon, Chairman and CEO, and Mr Christian Mulliez, Executive Vice-President, Administration and Finance⁽¹⁾.

(1) Subject to seating capacity limits.

L'ORÉAL SHARE versus CAC 40

September 15th, 2008 to September 15th, 2013

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

+68.65%

L'Oréal share variation
since September 15th, 2008

-5.04%

CAC 40 variation since
September 15th, 2008

On May 16th, 2013,
the L'Oréal share
price rose
to a record of:
€136.65



Your shareholder events in the second half of 2013

**VILLAGE
DES ACTIONNAIRES**
Paris on 09/27

ACTIONARIA FAIR
Paris on 11/22 and 11/23

Toulouse on 10/17
Rennes on 10/21
Strasbourg on 11/26
Lille on 12/12

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

Tax reminder: Request for exemption from the 21% deduction on dividends to be received in 2014.

If your tax situation means you can avoid this deduction (taxable income for the next-to-last fiscal year less than €50,000 for a single person or €75,000 for a couple), you should complete and return the necessary form, which can be obtained from the bank holding your share account.

Note the deadline: The forms must be returned to the bank before **November 30th, 2013.**

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