



Olia by GARNIER, first home-use hair colour with Oil Delivery technology, was the 2013 growth champion in hair colourants.

DEAR SHAREHOLDERS,



“A New L'Oréal is emerging, and it is well equipped to continue its mission: beauty for all.”

■ 2013 was another good year for L'Oréal which is growing faster than the market and reinforcing its positions in all divisions and across all geographic zones. With significant growth in both results and profitability, the group once again confirmed the strength of its business model.

Our brands played a key role in this year's successes. They are always reinventing themselves, to stay perfectly attuned to consumers who are constantly changing. This is particularly the case of VICHY: with sales growth multiplied by almost three, find out more in this letter on how the repositioning, which began in 2012, already started paying off in 2013.

It was also a year of progress in adapting the company to a changing world, driving its efficiency, modernity and performance, so as to enable it to build sustainable and profitable growth, and really boost our universalisation strategy. Brazil, an emblematic example of this strategy, is the focus of a special report in the Analysis section.

A New L'Oréal is emerging, and it is well equipped to continue its mission – beauty for all – and to pursue its quest for one billion new consumers.

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

Annual Results 2013

FURTHER STRENGTHENING OF WORLDWIDE POSITIONS

2013 was another year of growth in sales, results and profitability, and confirmed L'Oréal's ability to continue to deliver sustainable growth that creates value.

€22.98 bn

OF SALES

+5.0% LIKE-FOR-LIKE

+6.0% AT CONSTANT EXCHANGE RATES

+2.3% BASED ON REPORTED FIGURES

■ **NET EARNINGS PER SHARE⁽¹⁾:**
+4.4% AT **€5.13**

■ **DIVIDEND⁽²⁾:**
+8.7% AT **€2.50**

■ **LOYALTY BONUS:**
A DIVIDEND INCREASE OF +10%⁽³⁾

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“The pay-out ratio amounted to 48.7%⁽⁴⁾, demonstrating our commitment to a dynamic policy in terms of shareholder returns.”

CHRISTIAN MULLIEZ
Executive Vice-President
Administration and Finance

16.9% of sales

■ This is the record operating margin posted by the group in 2013. Operating profit came out at 3.875 billion euros.

Take a look at the monthly figure in your L'Oréal Finance Mag digital magazine:
<http://magazine.loreal-finance.com/en/monthly-figure-169.htm>



+10.0%⁽⁵⁾
of growth in the New Markets
(excluding Japan)

■ In 2013, growth was driven by the New Markets, which, for the second year running, were the group's No.1 geographic zone with 39.8% of sales. In all, L'Oréal's performances were well-balanced in geographic terms: Western Europe remained very solid and North America recorded another year of growth and market share gains.

No. 1 contributor
to growth: skincare

■ With growth of +7.5%⁽⁶⁾, skincare is the category that grew the fastest in 2013. Strategic in the selective channel, skincare is the key to success for LANCÔME, KIEHL'S as well as CLARISONIC in instrumental cosmetics. In the dermocosmetics market, VICHY and LA ROCHE-POSAY initiatives are meeting the strong demand for products combining efficacy with tolerance.



1. Idéalia Life Serum - VICHY
2. DreamTone - LANCÔME - 3. Mia - CLARISONIC.

(1) Diluted net earnings per share, based on net profit excluding non-recurring items after non-controlling interests. (2) Proposed to the Annual General Meeting of April 17th, 2014. (3) 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. (4) Based on the dividend proposed to the Annual General Meeting of April 17th, 2014. (5) Cosmetics sales, like-for-like.

STRATEGY

Heading for the L'Oréal of tomorrow

INNOVATION DRIVING GROWTH

One of the key advantages of Research and Innovation at L'Oréal is its ability to develop exclusive active ingredients with very long life cycles, while transforming them into innovative products that are successful worldwide.

■ Protected for decades by a dynamic patent registration policy, the active ingredients owned by the group constitute a unique capital, and play an essential role in the innovation strategy. Even today, the ten main active ingredients of the last 35 years feature in formulas accounting for half of L'Oréal's sales.

The role of Research is not only to develop these ingredients, but also to prove their efficacy and to include them in a never-ending innovation process. For Laurent Attal, Executive Vice-President Research and Innovation, L'Oréal's

Research is "able to constantly offer something new and different with high performance for all consumers, thanks to its ability to synthesise sustainable and exclusive active ingredients".

The worldwide success of Revitalift Laser X3 by L'ORÉAL PARIS with Pro-Xylane™ at 3% is a fine example of the close link established between science, performance and innovation. Find out more below.



“ This strong commitment to innovation is at the heart of L'Oréal and enables us to stay one step ahead.

To rise to it, we have once again increased our Research and Innovation budgets, which have risen faster than our sales.

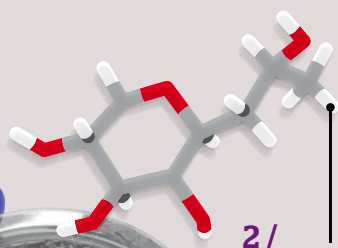
We are investing in all areas: in Advanced Research and in formulation; in France and in our five regional hubs, anchored in the planet's major cosmetics markets.”

JEAN-PAUL AGON

Chairman and CEO of L'Oréal

FROM THE PRO-XYLANE™ MOLECULE TO THE WORLDWIDE SUCCESS OF REVITALIFT LASER X3

1/ Researchers discover a link between loss of density and lower levels of certain macromolecules (GAGs) in the dermis.



2/ Chosen for its efficacy, Pro-Xylane™ is designed from a renewable raw material, a natural sugar extracted from beech wood.

3/ Pro-Xylane™'s performance is demonstrated with both *in vitro* and *in vivo* clinical trials. In the Revitalift Laser X3 skincare, launched in 2012, it is concentrated at 3% and associated with two other active ingredients.

4/ Revitalift Laser X3 is a worldwide success and enables the L'ORÉAL PARIS brand to post strong market share increases.



BRANDS

The best of beauty for all

VICHY

A WINNING STRATEGY



With Idéalia Life Serum, VICHY explores the new territory of the small daily habits that affect the skin quality.

***2013 was a turning point for VICHY.
Thanks to the repositioning started in 2012,
the brand is in keeping with current trends
and achieved true acceleration.
A focus on the keys to its success.***

■ For women aspiring for their own ideal skin, VICHY is an expert partner present at every stage of their lives. This close relationship is reflected not only in product packaging but also in the way the brand expresses itself in sales outlets, redesigned around the emblematic "V". Consumer relations are also more positive and interactive thanks to digital media.

Two flagship segments, growth drivers

■ In 2013, priority was given to anti-ageing, the brand's first segment, with major launches: Neovadiol Magistral, Liftactiv Eyes and Lashes and Idéalia Life Serum. After the high-profile launch of Idéalia in 2012, VICHY complemented the range with a serum which addresses small daily excesses – UV rays, pollution, stress, diet. A fine example of a universal product that meets not only the diversity of skin types but also the differences in behaviours and lifestyles.

INTERVIEW

MICHEL TANGUY

General Manager of VICHY International

How would you define VICHY's new positioning?

■ We have built VICHY's new positioning, as a premium health and beauty brand, around a new mission: to help women attain their ideal skin. A desirable concept for every woman, whatever their age, skin type or living conditions. It is also a way for us to improve our relationship with consumers, and for VICHY, an opportunity to position itself as a true partner.

How would you describe 2013?

■ With sales growth multiplied by almost three in 2013⁽¹⁾, VICHY recorded a good year, driven by the successes of its anti-ageing and anti-hair loss products. In geographic terms, Western Europe was a major driver of this performance with the key countries Germany and France. China, Brazil and Russia are also growth relays, essential for our future development.



Vichy's dynamism in France

In France, its country of origin, the brand clearly outperformed the market, in particular in the anti-ageing and anti-hair loss segments, which are recording strong growth. The renewal of Vichy's image and territory is also paying off: by reconnecting with femininity and modernity, the brand has been able to seduce and attract new consumers in pharmacies and "parapharmacies".

Second growth driver, the anti-hair loss segment recorded promising results thanks to Dercos Neogenic. A hair redensification treatment with Stemoxydine, a patented molecule designed to stimulate stem cells that generate new hair, has already won over Europe and will be rolled out worldwide.

Internationalisation that is paying off

Outside of Western Europe, its market of origin, Vichy is accelerating quickly by adapting to specific local characteristics. In Russia for example, the brand achieved a good year with growth at +8.4%⁽¹⁾. In the Russian health and beauty distribution channel, advice is practically non-existent and the image prevails. The new visual identity, notably embodied by the Idéalia skincare, enabled Vichy to win over younger consumers in this country. With growth of +35.9%⁽¹⁾ in 2013, Brazil is a major growth relay for the brand. Over the last few years, Vichy achieved a true acceleration in sun protection and anti-ageing, and reinforced its model around medical visits and prescription by dermatologists. A key issue in a country where beauty holds an important place.

(1) Like-for-like.

SOME
13%
OF VICHY'S SALES IN CHINA
ARE MADE THROUGH
E-COMMERCE.



China's potential

China is a key country for Vichy. In 2013, the brand achieved its targets thanks to the dynamism of new distribution channels such as department stores and e-commerce, which is becoming a major channel with some 13% of sales. Liftactiv Serum 10 and Aqualia Sleeping Mask, a night spa skincare, enabled Vichy to move into the anti-ageing market in China which has a strong potential.

ANALYSIS

Universalisation in action

How does L'Oréal ROLL OUT ITS UNIVERSALISATION STRATEGY IN BRAZIL?



+13.3%⁽¹⁾

SALES GROWTH IN 2013

- **6th LARGEST GROUP SUBSIDIARY**
- **2 PLANTS**
- **2,700 EMPLOYEES**
- **1 RESEARCH AND INNOVATION HUB**

“For L'Oréal, Brazil is a monitoring laboratory, an outstanding catalyst for innovations.”

DIDIER TISSERAND
Managing Director L'Oréal Brazil

Brazil is one of the most dynamic beauty markets and L'Oréal is ready to grasp all the opportunities it holds. A closer look at an emblematic example of the universalisation strategy in all its dimensions.

Brazil, a unique source of inspiration

■ The diversity of its consumers, and their demanding requirements not only in beauty, but also in social and environmental responsibility, make Brazil a unique source of inspiration for the group. The country's other asset is its biodiversity, with highly varied flora and fauna, the source of many active ingredients which are responsibly and sustainably sourced.

World's fourth largest beauty market⁽²⁾

■ In 2013, with growth of +13.3%⁽¹⁾ and substantial market share gains, Brazil was one of the top performers on the L'Oréal planet. The country plays a key role for the group because of its size, its ethnic and cultural diversity, and the unique importance of beauty for Brazilians. The fourth

largest beauty market worldwide⁽²⁾, Brazil is No.1 in haircare, hair colourants and deodorants, and No.2 in sun protection⁽³⁾. L'Oréal has set itself ambitious targets for this country, identified as a strategic region in its own right.

A boost in the new categories

■ L'Oréal established itself in Brazil in haircare and hair colourants, and these categories represented 60% of sales in 2013. Today, half of the growth in absolute value terms comes from categories that are relatively new for L'Oréal Brazil: skincare, make-up and deodorants.

A solid and complementary launchpad for its future development.

(1) Like-for-like cosmetics sales. (2) Source: 2013 L'Oréal estimates of the worldwide cosmetics market in net manufacturer prices. Excluding soap, oral hygiene, razors and blades. Excluding currency effects. (3) Source: Euromonitor 2013.

LA ROCHE-POSAY

No.1 in dermocosmetics⁽¹⁾

■ Brazilian women use photoprotection products on a daily basis as facial skincare. LA ROCHE-POSAY has developed its Anthelios franchise to meet their expectations more effectively with innovations specially thought up for Brazil: Anthelios AE (Anti-Envelhecimento), a skincare that protects against photo-ageing, as well as Anthelios AC Toque Seco, a gel-cream specially designed for a dry-touch texture. Driven by the success of its sun products, LA ROCHE-POSAY is today the country's No.1 dermocosmetics brand⁽¹⁾.



(1) Source: IMS Brazil panel, dermocosmetics market, market share value 2013.
(2) Corporate Social Responsibility.



MAYBELLINE NEW YORK

An innovative distribution channel

■ To adapt to the strong tradition of direct sales in Brazil, MAYBELLINE NEW YORK is developing its own kiosks, alongside the perfumeries and drugstores that distribute the bulk of the brand's products. These small outlets are hosted by beauty advisors whose mission is to establish a close relationship with customers. In 2013, 58 kiosks have been opened in large shopping malls, including franchise outlets. This is a real growth driver.



L'ORÉAL PROFESSIONNEL

Absolut Control, 100% Brazilian

■ Many Brazilian women complain about hair with excessive volume. The Rio laboratories chose murumuru butter as the key active ingredient of the L'ORÉAL PROFESSIONNEL Absolut Control range. Traditionally used to care for the hair and skin, this butter is produced in accordance with the principles of community fair trade and biodiversity. A winning alliance between Research, marketing and CSR⁽²⁾ and a real hit in Brazilian hair salons.



L'ORÉAL AND YOU

Close relationship with our shareholders



Quicker and easier to use: download your entrance card online!

L'Oréal is offering its shareholders who hold their shares in registered form an alternative way to attend the Annual General Meeting: the option of downloading their entrance card online.

To download your card⁽¹⁾, log on to the following website using your ID and password:

<https://planetshares.bnpparibas.com>

(1) The site will be open from March 28th until April 16th, 2014 at 3 p.m. The e-entrance card can be viewed and printed until the day of the Annual General Meeting, and must be shown during the registration process.

L'ORÉAL SHARE versus CAC 40

March 17th, 2009 to March 17th, 2014.

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

+127.02%

L'Oréal share variation
since March 17th, 2009

+54.37%

CAC 40 variation since
March 17th, 2009



Attend the

Annual General Meeting

on April 17th, 2014 at 10 a.m.
at the **Palais des Congrès, in Paris**

<http://www.loreal-finance.com/eng/annual-general-meeting>

YOUR 2014 SHAREHOLDER MEETINGS

Lyon on 05/13
Annecy on 09/25
Lille on 09/29
Cannes on 11/17
Nantes on 11/24
Dijon on 12/09

<http://www.loreal-finance.com/eng/shareholder-meetings>

French solidarity tax on wealth (ISF)

For 2013 estimated French ISF declarations, the following L'Oréal share value should be taken into account:

- either, the closing share price on December 31st, 2013: **€127.70**
- or, the average of the last 30 days' closing share price for 2013: **€124.95**

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