

ANNUAL
REPORT
2011

L'ORÉAL

L'ORÉAL
PROFESSIONNEL

REDKEN
5TH AVENUE NYC

KÉRASTASE
PARIS

MATRIX
IMAGINE ALL YOU CAN BE

Because you're worth it.
L'ORÉAL
PARIS

Take care.
GARNIER

MAYBELLINE
NEW YORK

SOFTSHEEN | CARSON
LABORATORIES ADVANCED RESEARCH
AFRICAN HAIR AND SKIN

essie

LANCÔME
PARIS

GIORGIO ARMANI

YVES SAINT LAURENT

BIOThERM

Kiehl's
SINCE 1851

RALPH LAUREN

shu uemura

DIESEL

eacharel

HR
HELENA RUBINSTEIN

clarisonic

VIKTOR & ROLF

VICHY
LABORATOIRES

LA ROCHE-POSAY
LABORATOIRE DERMATOLOGIQUE

SKINCEUTICALS
ADVANCED PROFESSIONAL SKINCARE



innēov



1st
COSMETICS GROUP
WORLDWIDE

27
INTERNATIONAL
BRANDS⁽¹⁾

130
COUNTRIES

20.3

BILLION EUROS
OF SALES IN 2011

68,900
EMPLOYEES

613

PATENTS REGISTERED
IN 2011

⁽¹⁾ International brands with annual sales of more than 50 million euros.



The beauty gesture is at the heart of L'Oréal's profession. It expresses an eternal and universal need: taking care of oneself and enhancing the appearance, to feel a sense of inner harmony and attunement with others.

BEAUTY *for all*

For more than a century, L'Oréal has devoted itself solely to one business: beauty. It is a business rich in meaning, as it enables all individuals to express their personalities, gain self-confidence and open up to others.
Beauty is a language.

L'Oréal has set itself the mission of offering all women and men worldwide the best of cosmetics innovation in terms of quality, efficacy and safety. It pursues this goal by meeting the infinite diversity of beauty needs and desires all over the world.
Beauty is universal.

Since its creation by a researcher, the group has been pushing back the frontiers of knowledge. Its unique Research arm enables it to continually explore new territories and invent the products of the future, while drawing inspiration from beauty rituals the world over.
Beauty is a science.

Providing access to products that enhance well-being, mobilising its innovative strength to preserve the beauty of the planet and supporting local communities. These are exacting challenges, which are a source of inspiration and creativity for L'Oréal.
Beauty is a commitment.

By drawing on the diversity of its teams, and the richness and the complementarity of its brand portfolio, L'Oréal has made the universalisation of beauty its project for the years to come.
L'Oréal, offering beauty for all.

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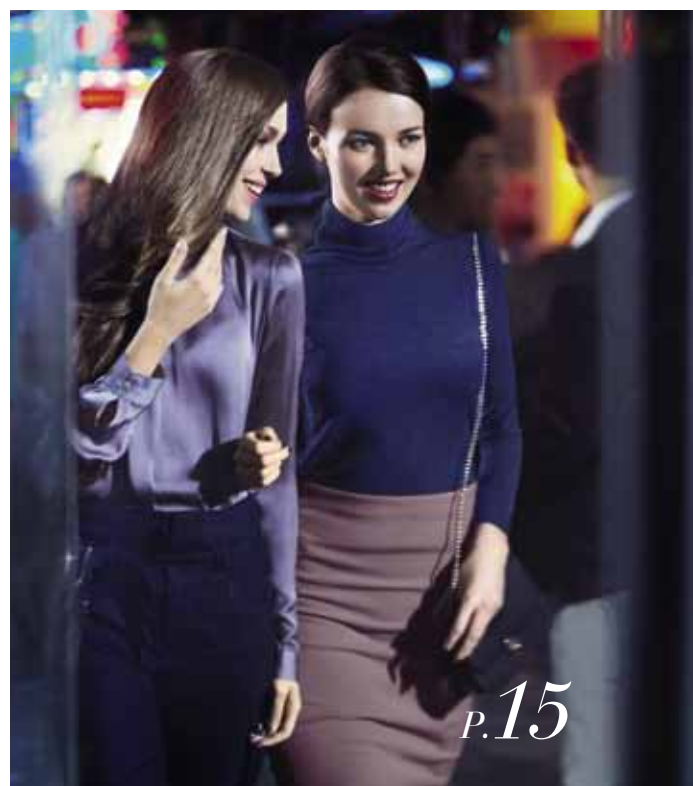
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BEAUTY BY WING SHYA

To illustrate its 2011 Annual Report and Sustainable Development Report, L'Oréal commissioned Hong Kong photographer and film director Wing Shya. Page after page, his photographs express the benefits of enhanced beauty, and spotlight L'Oréal's employees and the passion that motivates them in their daily work.



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L'ORÉAL and the world of beauty in 2011

In a worldwide market undergoing a complete transformation, L'Oréal is making new advances to offer the best in cosmetics to as many people as possible. At a glance, find out everything you need to know about the growth drivers, the figures for the year, the brands, the countries which have recorded the best performances, and the group's progress in Sustainable Development.

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When *SCIENCE* sublimates all kinds of beauty

Research is the heart of L'Oréal. In 2011 its achievements were particularly outstanding, with the development of the LR 2412 molecule, an active anti-ageing ingredient with remarkable properties, and the opening of a predictive evaluation centre, which has no equivalent anywhere in the world. Research is reinforcing its worldwide presence to make all markets a source of creativity.

The story of LR 2412, an exceptional molecule p.28

Predictive evaluation drives innovation p.30

Markets as a source of creativity p.32



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BEAUTY and its 1,001 facets

The organisation of the group's divisions, each one an expert in its distribution channel, is one of the key strengths of L'Oréal. It enables the group to meet the expectations of each and every consumer, with their habitual behaviour patterns, lifestyles and purchasing power, while adapting to local distribution conditions all over the world. In 2011, each division pushed back its frontiers and took up the challenge of delivering increasingly accessible innovation.

L'Oréal Luxe p.36

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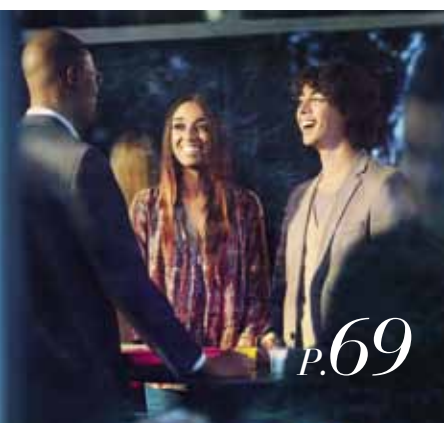
Active Cosmetics p.58

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All the world's *TALENTS* serving beauty

Because it requires the rapid deployment of the group's vital forces, the project of universalising beauty is profoundly transforming the group's challenges and activities on a worldwide scale. This is an opportunity for innovation and progress for all the teams, who are focused on the collective adventure. The aim is to get even closer to all the group's consumers and partners, so as to build the L'Oréal of tomorrow.

Even stronger commitment to responsible growth p.70

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Developing a relationship of trust p.78

Practical information p.80

After a year of solid development,
L'Oréal has emerged stronger,
and has confirmed its position
as the world leader in beauty.

JEAN-PAUL AGON
CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF L'ORÉAL

*“We are beginning
A NEW PHASE
in our history”*

After a year of solid development, L'Oréal has emerged stronger, and has confirmed its position as the world leader in beauty.

First of all, our market was solid, and recorded sustained growth. The market is being increasingly driven by countries such as China, India and Brazil, where a middle class is emerging and is eager for high-quality cosmetics products. But, just as importantly, there has been no devaluation or banalisation of the market in the developed countries. In fact, consumers are continuing to demonstrate the importance they attach to innovation, quality, performance and creativity. This has been clearly shown by major success stories such as Visionnaire skincare by LANCÔME, Elvive Triple Resist shampoo by L'ORÉAL PARIS and BB Cream by GARNIER. It is these new, different and improved products which are driving both success and growth. More than ever, this proves the relevance of the L'Oréal business model, based on excellence in Research and creativity in Marketing.

A year of solid development

The growth of our sales and the trends in our positions have also been very solid. L'Oréal has continued to outperform the market worldwide. Our divisions have all advanced in their respective channels, and, in geographic terms L'Oréal has proven its ability both to significantly reinforce its positions in the New Markets, particularly in Asia and Latin America, and to win over new consumers in its major developed countries, as in North America where its positions are growing strongly, and in France and Germany. Once again, in a market reflecting highly contrasting trends, L'Oréal has made the most of the diversity and complementarity of

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In 2011, L'Oréal has proven its ability both to significantly reinforce its positions in the New Markets, and to win over new consumers in its major developed countries.
”

its presence in all channels and in all regions to take advantage of the sectors which are accelerating.

Good quality results

And finally our results are solid, because 2011 yet again reflected the virtuous construction of our operating profit. Gross profit reached a record level, and we have continued to prepare for the future: we have maintained a high level of advertising and promotion investments. We have also significantly increased our investments in Research. Operating profit has also been reinforced by the growth in the profitability of all divisions, but also by the strong increase in the profitability of the North America and New Markets zones. The markets which generate the most growth are also delivering increasingly profitable growth. The quality of these results, and our confidence in the group's prospects, led the L'Oréal Board of Directors to propose another dividend increase of +11% to 2 euros.

An exalting mission, creating innovation and meaning

Building on these results, we are tackling 2012 with confidence and ambition, and are ready to make new conquests. 2012 will be a particularly symbolic year. The New Markets are in fact set to become the group's number one geographic zone, ahead of Western Europe and North America, and their weight will keep on growing. This is an extraordinary step forward for our company, and marks the beginning of a new phase of development for L'Oréal. Our development is underpinned by a clearly defined mission, a distinctive strategy and an ambitious objective, which constitute our road map for the coming years. Our mission is exalting, and creates both innovation and meaning: it consists of offering women and men all over the world the best in cosmetics, in terms of quality, efficacy and safety, to meet all beauty desires in their infinite diversity. This mission has been taken to heart by the group's 69,000 employees. Our teams share the same culture of excellence, draw on cosmetics expertise based on more than 100 years of experience, and demonstrate their common determination to make further advances in

beauty through scientific research all over the world.

Universalisation— a new model for globalisation

Our distinctive strategy of universalising beauty is based on very detailed knowledge of consumers' particularities and expectations, in order to offer them tailor-made beauty, adapted to suit different lifestyles, beauty habits and purchasing power of different populations. By universalising beauty, we want to build a new globalisation model, which is more respectful and more attentive to others. To succeed in this aim, we have considerably reinforced our Research and Innovation teams in all the major markets of tomorrow, while extending our industrial coverage. We have also created a specific multi-division zone in Africa – Middle East, a region where our presence is still limited, and which constitutes the final major frontier for L'Oréal.

A strongly committed Board of Directors

All this will enable us to achieve the ambitious target we have set ourselves: to conquer one billion new consumers in the next decade, that is to double the number of consumers we have today. To successfully carry out this major corporate project, we can rely on exemplary governance.

It is based firstly on the diverse profiles, complementary experience and very strong commitment of the directors. They are now even more closely involved in the sessions of the Committees, which prepare for the Board's work in an increasingly thorough way, thus contributing to further improvements in quality. The composition of the Committees has been strengthened, as each one now consists of four directors. The remits of two of them—renamed the Strategy and Sustainable Development Committee and the Human Resources and Remuneration Committee—have been extended to deal more effectively with two major issues, that is Human Resources and Sustainable Development. Finally, their role has been reinforced because of more streamlined governance. This is a response to the Board's constant efforts to support the company and make sure it has all the resources it needs to take up the challenges of tomorrow. Furthermore, the Board of Directors strongly supports

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*The whole company
is ready, willing
and able to conquer
the new sources
of growth in
our market,
and we are
very confident
in our ability
to strengthen
our position
as market leader.*
”

the L'Oréal corporate project: the universalisation of beauty and beauty for all.

As Chairman of the Board of Directors, I shall constantly strive to open up new ways forward in our governance, following in the footsteps of Sir Lindsay Owen-Jones, who constructed a balanced Board in which the quality of debate has constantly been enriched.

Seizing a historic opportunity

With good quality results, a robust balance sheet, a solid financial situation and strong and vigilant governance, we are very confident in our ability to build solid and sustainable growth. But we also want this growth to be responsible and inclusive.

In a world facing an increasing number of climatic, environmental and societal challenges, companies have to meet extremely high expectations. But what might be regarded as a constraint is in reality a formidable source of inspiration, creativity and competitiveness.

In 2011, we considerably stepped up our initiatives in ethics, diversity, the environment and sustainable innovation. We have also carried out major projects in the field of solidarity, such as "Solidarity Sourcing", which will enable us, through our purchasing, to share some of our economic performance with economically vulnerable communities. Moreover, our efforts have once again been recognised, as L'Oréal, for the fifth year running, has been ranked one of the world's top 100 most sustainable companies.

The whole company is ready, willing and able to conquer the new sources of growth in our market, and we are very confident in our ability to strengthen our company's position as market leader. Confident in the relevance of our strategy, founded on a solid business model. Confident in the excellence of our research, because innovation and creativity are absolutely crucial in our profession. Confident in the group's ability to build sustainable and profitable growth which creates value. And finally confident in the talent, creativity and responsiveness of our teams. Through their enthusiasm and their commitment, they have demonstrated their determination to seize the historic opportunity of offering, to women and men all over the world, beauty for all.



“
Targeting one billion new consumers
 ”

BEAUTY FOR ALL ALSO MEANS BEAUTY FOR EACH INDIVIDUAL

At L'Oréal, we are convinced that there is no single and unique model of beauty, but an infinite diversity of forms of beauty, linked to periods, cultures, history and personalities. Conquering a billion new consumers means reaching out to extremely diverse populations, with a vision of universalising beauty. In our view, universalising beauty does not mean making it global or uniform, but rather adapting it and making it accessible to all.

OBSERVING LOCAL BEAUTY NEEDS AND CUSTOMS

Our Research is at the heart of this project, and is reinventing itself to take up the challenge: to create cosmetics products adapted to the immense diversity of the world, we have set up Research hubs in each region of the globe. They are true centres of expertise, designed with tailor-made beauty in mind. This is a real turning point in the conception of innovation.

FACILITATING ACCESS TO COSMETICS PRODUCTS

In a market undergoing substantial transformations, L'Oréal takes steps forward each year to make the best in beauty available to everyone. With a portfolio of 27 international brands and an organisational structure based on distribution channels, we can reach all consumers, whatever their behaviour patterns and purchasing power, while allowing for the specifics of distribution in each country. L'Oréal is thus pushing back boundaries and taking up the challenge of increasingly accessible innovation.

ACCELERATING THE REGIONALISATION OF ALL KINDS OF EXPERTISE

Winning a billion new consumers is an ambitious project on which all the efforts of company employees are focused. This is an economic but also a human adventure, which requires the rapid deployment of our forces and an accelerated transformation of the company in every field, including Research, manufacturing, marketing, sales, human relations and administrative teams. This major project is also an opportunity for innovation and progress in all fields, to build the L'Oréal of tomorrow.



“

Enriched by the experience and diversity of its members, the Board of Directors is demonstrating its unity and strong commitment to the L'Oréal corporate project: universalisation and beauty for all. It is fully assuming its role of validating the company's strategic goals, while opening up new ways of further improving governance.

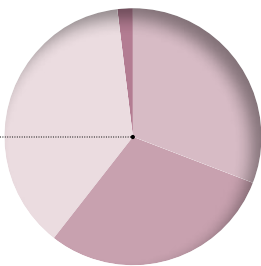
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JEAN-PAUL AGON

CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF L'ORÉAL

Board of DIRECTORS

BREAKDOWN OF SHAREHOLDING STRUCTURE AT DECEMBER 31ST, 2011



- 30.8% Mrs Bettencourt and her family
- 29.6% Nestlé
- 38.2% Public
- 1.4% Treasury stock⁽¹⁾

(1) In accordance with the law, treasury stock carries no voting rights.

Well-adapted governance

On March 17th, 2011, the roles of Chairman and Chief Executive Officer were reunified and entrusted to Mr Jean-Paul Agon. For the Board, this streamlined mode of governance simplifies decision-making and accountability, enabling the group's administration and management to be highly responsive. Sir Lindsay Owen-Jones, member of the Board of Directors, has been appointed Honorary Chairman of L'Oréal.

Strategy at the heart of the debate

The role of the Board of Directors is to ensure in particular that all measures have been taken to enable the harmonious implementation, on healthy and solid foundations, of the strategy devised and put into practice by the Executive Committee.

The Board's meetings are prepared by four very active committees: the Strategy and Sustainable Development Committee, the Audit Committee, the Human Resources and Remuneration Committee and the Appointments and Governance Committee.

This year, the Board made an even more thorough examination of the strategic approach, considering the development of the brands, countries and markets in which the group operates. The Board is also focusing very closely on the major trends in Research and Innovation, which are at the heart of the group's strategy. In 2011, the Board devoted a whole day to visiting one of its laboratories. Research, creativity, ensuring compliance

with standards of quality, safety and efficacy, all play an essential role in the interest of performance for consumers.

A remit to match the challenges of the future

The Strategy and Sustainable Development Committee extended its remit to include an examination of the commitments made in the field of Sustainable Development. This year the Committee was given a highly detailed presentation of commitments in this area: to ensure sustainable economic growth by making beauty universal, to build a person-centred business model which values diversity in the company's teams, to behave ethically and responsibly on an everyday basis, to develop new ways of achieving sustainable consumption, and finally, to share the benefits of the company's development through corporate citizen programmes.

ORGANISATION OF THE BOARD OF DIRECTORS AT DECEMBER 31ST, 2011

The Board of Directors comprises 14 members. United and very well balanced, with three directors from the Bettencourt family, heirs of the founder Eugène Schueller, three directors from Nestlé, which is also a reference shareholder, and six independent directors, it is fully committed to ensuring the development of L'Oréal. Each director has an individual viewpoint and unique expertise, gained in the course of an outstanding career, which is often international in scope. This blend of talent and experience fosters dynamic and constructive exchanges, on which the General Management and the Executive Committee can draw to support the implementation of the group's strategy.

Jean-Paul Agon ⁽¹⁾

Age: 56. **Chairman and Chief Executive Officer** of L'Oréal, Board member since 2006 (term of office renewed in 2010). Board member of Air Liquide.

Sir Lindsay Owen-Jones

Age: 65. British. **Honorary Chairman of L'Oréal**, Board member since 1984 (term of office renewed in 2010). Board member of Sanofi and Ferrari (Italy).

Jean-Pierre Meyers ⁽²⁾⁽⁵⁾⁽⁶⁾⁽⁸⁾

Age: 63. L'Oréal Board member since 1987 (term of office renewed in 2009⁽⁹⁾), **Vice-Chairman of the Board**. Board member of Nestlé SA (Switzerland).

Peter Brabeck-Letmathe ⁽²⁾⁽⁵⁾⁽⁶⁾

Age: 67. Austrian. Chairman of the Board of Nestlé. L'Oréal Board member since 1997 (term of office renewed in 2009), **Vice-Chairman of the Board**. Vice-Chairman of the Board of Crédit Suisse Group (Switzerland), Board member of Delta Topco Limited (Jersey) and Exxon Mobil (United States).

Liliane Bettencourt ⁽²⁾

Age: 89. Daughter of Eugène Schueller, the founder of L'Oréal. Board member since 1995 (term of office ended on February 10th, 2012). On February 13th, 2012, Jean-Victor Meyers, Liliane Bettencourt's grandson, was co-opted as L'Oréal Board member.

Françoise Bettencourt Meyers

Age: 58. Daughter of Mrs Bettencourt. Board member since 1997 (term of office renewed in 2009).

Werner Bauer

Age: 61. German. General Manager of Nestlé. L'Oréal Board member since 2005 (term of office renewed in 2009⁽⁹⁾).

Francisco Castañer Basco ⁽²⁾⁽⁸⁾

Age: 67. Spanish. Former General Manager of Nestlé. L'Oréal Board member since 1998 (term of office renewed in 2010⁽⁹⁾).

Charles-Henri Filippi ⁽⁶⁾⁽⁷⁾

Age: 59. Former Chairman and Chief Executive Officer of HSBC France. L'Oréal Board member since 2007 (term of office renewed in 2011⁽⁹⁾). Board member of France Telecom, Supervisory Board member of Euris and Censor of Nexity.

Xavier Fontanet ⁽³⁾

Age: 63. Former Chairman and Chief Executive Officer of Essilor. L'Oréal Board member since 2002 (term of office renewed in 2010). Board member of Crédit Agricole SA.

Bernard Kasriel ⁽²⁾⁽⁴⁾

Age: 65. Former Chief Executive Officer of Lafarge, L'Oréal Board member since 2004 (term of office renewed in 2008). Board member of Arkema and Nucor (United States).

Marc Ladreit de Lacharrière

Age: 71. Member of the Institut. With L'Oréal from 1976 to 1991. Chairman and Chief Executive Officer of Fimalac. Chairman of Fitch (United States). L'Oréal Board member since 1984 (term of office renewed in 2010). Board member of Casino, Groupe Lucien Barrière and Renault.

Annette Roux

Age: 69. Chairperson and Chief Executive Officer of Bénéteau from 1976 to 2005, Vice-Chairperson of the Supervisory Board thereafter. L'Oréal Board member since 2007 (term of office renewed in 2011).

Louis Schweitzer ⁽²⁾⁽⁸⁾

Age: 69. Chairman and Chief Executive Officer of Renault from 1992 to 2005, Chairman of the Board until 2009. L'Oréal Board member since 2005 (term of office renewed in 2009). Chairman of the Board of AB Volvo (Sweden) and Astra Zeneca (United Kingdom). Board member of BNP Paribas and Veolia Environnement. Member of the Consultative Board of Allianz AG and Bosch (Germany).

Under the Articles of Association, the length of a L'Oréal director's term of office, which is renewable, is four years or less, to enable staggered renewal of the directors' terms of office. Each director holds a minimum of 1,000 L'Oréal shares.

(1) Chairman of the Strategy and Sustainable Development Committee.

(2) Member of the Strategy and Sustainable Development Committee.

(3) Chairman of the Appointments and Governance Committee.

(4) Chairman of the Human Resources and Remuneration Committee.

(5) Member of the Appointments and Governance Committee.

(6) Member of the Human Resources and Remuneration Committee.

(7) Chairman of the Audit Committee.

(8) Member of the Audit Committee.

(9) The term of office of Mr Bauer and Mr Meyers was renewed in 2009 for a period of three years and the terms of office of Mr Castañer Basco and Mr Filippi were renewed in 2010 for periods of two years and one year respectively to enable a harmonious renewal of the directors' terms of office.



In June 2011, the Board members visited Research laboratories in Aulnay, France.

The EXECUTIVE Committee



After seven years as Executive Vice-President Human Resources, Geoff Skingsley has been appointed Executive Vice-President of the Africa – Middle East Zone. This region of the world is the final major frontier for L'Oréal, a zone with strong demographic growth with substantial long-term economic potential.

Jérôme Tixier, Advisor to the Chairman, has succeeded Geoff Skingsley and has joined the Executive Committee as Executive Vice-President Human Resources.



1 Jean-Paul AGON
Chairman and Chief Executive Officer

2 Jérôme TIXIER
Executive Vice-President Human Resources and Advisor to the Chairman

3 Sara RAVELLA
Executive Vice-President Communication, Sustainability and Public Affairs

4 Frédéric ROZÉ
Executive Vice-President North America Zone

5 Geoff SKINGSLEY
Executive Vice-President Africa – Middle East Zone

6 Laurent ATTAL
Executive Vice-President Research and Innovation



Created at the end of 2010 at Executive Committee level, the Strategic Marketing Department, headed by Marc Menesguen, has the task of coordinating the group's transformations in the areas of strategic foresight, understanding consumers, marketing creativity, advertising creation, digital communications, and distribution modes, to make sure that all changes taking place in the world are converted into opportunities.

7 Nicolas HIERONIMUS
President
L'Oréal Luxe

8 Marc MENESGUEN
Executive Vice-President
Strategic Marketing

9 Jean-Philippe BLANPAIN
Executive Vice-President
Operations

10 Alexandre POPOFF
Executive Vice-President
Latin America Zone

11 Christian MULLIEZ
Executive Vice-President
Administration and Finance

12 Brigitte LIBERMAN
President
Active Cosmetics Division

13 Jean-Jacques LEBEL
President
Consumer Products Division

14 An VERHULST-SANTOS
President
Professional Products Division

15 Jochen ZAUMSEIL
Executive Vice-President
Asia, Pacific Zone



Because cosmetics can help people become more self-confident, express their personality, and feel more comfortable with others, L'Oréal wants to provide everyone with access to beauty.

L'ORÉAL *and the world* *of beauty in 2011*

In a worldwide market undergoing a complete transformation, L'Oréal is making new advances to offer the best in cosmetics to as many people as possible. At a glance, find out everything you need to know about the growth drivers, the figures for the year, the brands, the countries which have recorded the best performances, and the group's progress in Sustainable Development.

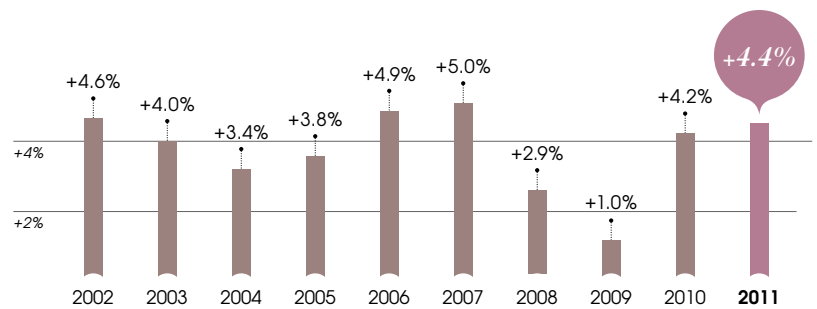
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The beauty MARKET in 2011

A DYNAMIC AND EXPANDING MARKET OF 153 BILLION EUROS

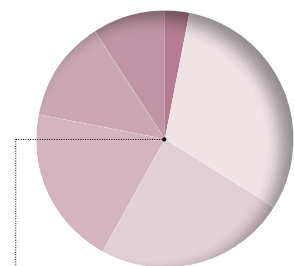
The worldwide cosmetics market represents 153 billion euros, and in 2011 it grew by an estimated +4.4%⁽¹⁾. It is a particularly solid market, which is steadily expanding, while proving very resilient when economic conditions are at their most difficult. The cosmetics consumer's behaviour has not changed since the beginning of the crisis. There has been no devaluation, banalisation or massification of the market. On the contrary, consumers' aspirations for quality are higher than ever, with a special interest for technology and new ideas. The cosmetics market remains a supply-led market, driven by innovation, and consumers are always looking for quality, performance and perceived results.

WORLDWIDE COSMETICS MARKET FROM 2002 TO 2011⁽¹⁾
(annual growth rate as %)

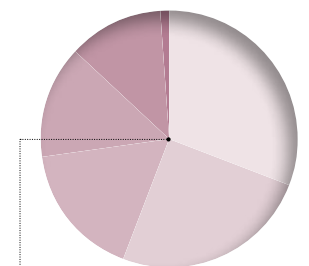


BREAKDOWN OF THE WORLDWIDE COSMETICS MARKET⁽¹⁾
(as %)

BY GEOGRAPHIC ZONE



BY PRODUCT CATEGORY



For the worldwide cosmetics market, 2011 was the year of luxury. With +7.7% growth, the selective market forged ahead, returning to the proportion of the market it had in 2007⁽¹⁾. It made a 35% contribution to worldwide growth, with Asia and the United States leading the way⁽¹⁾. From a geographic viewpoint, the New Markets continue to attain increasing levels of growth: excluding Japan, they represented 87% of worldwide market growth in 2011⁽¹⁾. Consumers today have a constantly growing need for colour, in hair colourants, nail varnish and make-up in general. Meanwhile, fragrances too still conjure up their magic for consumers.

MAIN WORLDWIDE PLAYERS⁽²⁾
(in billions of US dollars)



(1) Source: L'Oréal estimates of worldwide cosmetics market in net manufacturer prices. Excluding soap, toothpaste, razors and blades. Excluding currency effects.
(2) Source: "Beauty's Top 100", WWD, August 2011, 2010 sales.



RETURN TO GROWTH IN THE UNITED STATES

With growth of +4.3%⁽¹⁾, the North American market returned to a solid growth trend in 2011 thanks to two main factors. Firstly, the vitality of luxury, which had a very good year with double-digit growth, driven by sales in department stores and by facial skincare, undoubtedly the most emblematic category in reflecting the essential role played by science in cosmetics. Secondly, the mass-market segment is also growing steadily. In this channel, make-up products are winning over American consumers, particularly the brightly coloured nail varnishes and natural-look liquid foundations.

(1) Source: L'Oréal estimates of worldwide cosmetics market in net manufacturer prices. Excluding soap, toothpaste, razors and blades. Excluding currency effects.

A UNIVERSAL AMBITION, A VAST POTENTIAL

With the acceleration of globalisation, the number of potential consumers of modern cosmetics products is rapidly spiralling upwards. Markets everywhere are opening up, redrawing the frontiers of tomorrow's world. And L'Oréal's mission is being broadened.

Today, a consumer in France or the United States spends between 80 and 100 euros on cosmetics products a year, compared with 11 euros on average for a consumer in the New Markets excluding Japan.

There are very clear differences between Brazil, for example, where beauty aspirations are extremely strong (60 euros per person), and countries such as China, where the average eight-euro spend per person conceals a yawning gap between the major urban centres of Shanghai and Beijing and the rest of the country.

The New Markets all have something in common: the rapid emergence of an urban middle class, whose beauty needs and desires are growing fast thanks to the combined impact of increased income and advances in urbanisation and infrastructures, including sanitation. Furthermore, these countries have very strong traditional beauty rituals, as in Brazil and India. In these countries there is a powerful aspiration for quality, and there are strong desires for beauty to be fulfilled.

For L'Oréal, the shift in the world market towards the emerging nations is a historic opportunity. For although the L'Oréal flag is already flying on five continents, the group today makes its sales with less than 15% of the world's population. Only one American out of two and one German out of three consumes the group's products. And in the New Markets, penetration is lower. In ten years' time, the group should have as many customers in the Asia, Pacific zone as in Europe and the United States combined. It is this powerful momentum which underpins the group's objective of conquering a billion new consumers.

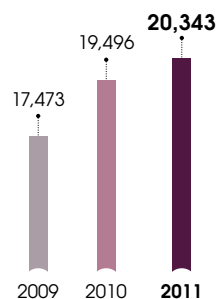


L'Oréal 2011 financial HIGHLIGHTS

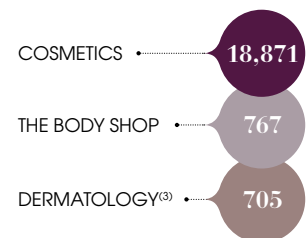
SUSTAINED GROWTH

With 2011 sales at 20.34 billion euros, L'Oréal achieved another year of sustained growth: +5.1% like-for-like⁽¹⁾ and +5.7% at constant exchange rates. The group grew faster than the worldwide cosmetics market and confirmed its position as the world leader in beauty. L'Oréal Luxe in particular posted a very good year, especially thanks to the global success of Visionnaire. Internationalisation is accelerating across all divisions. The group is making clear progress in North America and is pursuing its conquest of the New Markets, with Asia and Latin America leading the way.

CONSOLIDATED SALES
(€ millions)

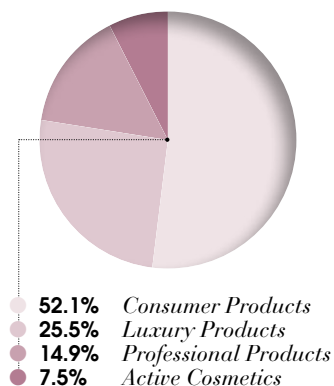


CONSOLIDATED SALES BY BRANCH⁽²⁾
(€ millions)

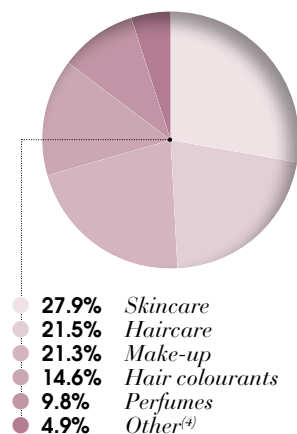


2011 CONSOLIDATED SALES OF THE COSMETICS BRANCH
(as %)

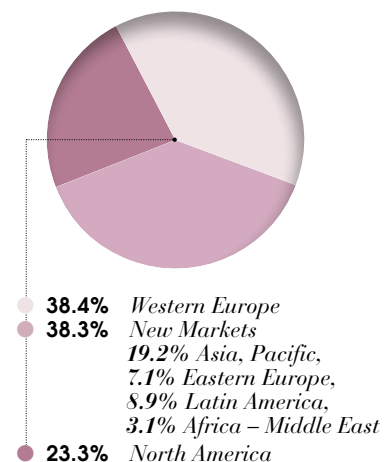
BY DIVISION



BY BUSINESS SEGMENT



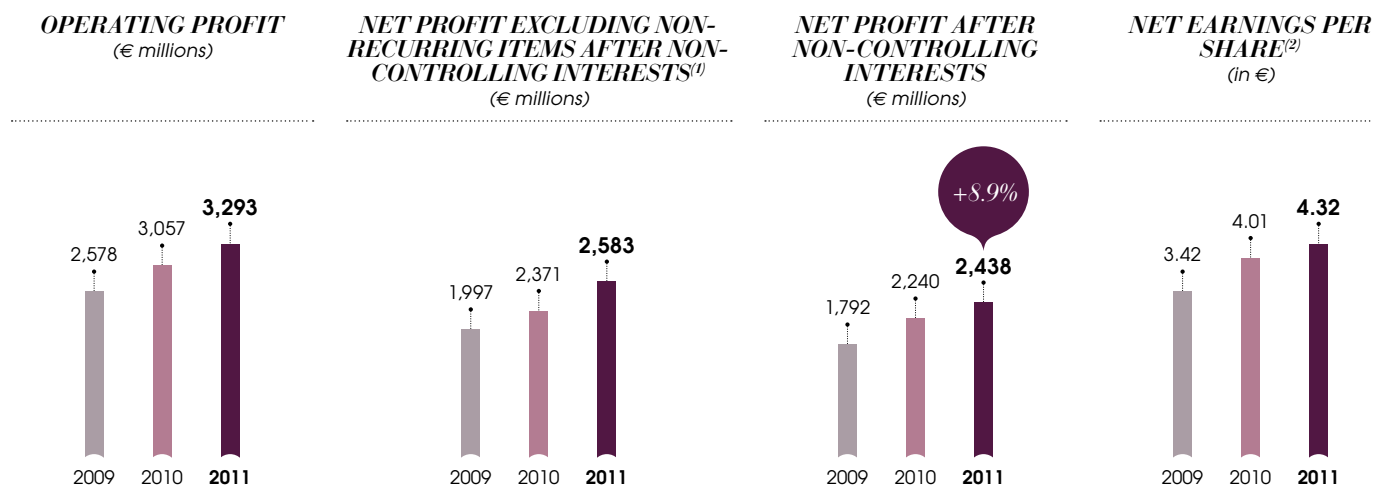
BY GEOGRAPHIC ZONE



(1)+4.3% based on reported figures. (2) The group's business is composed of the cosmetics and the dermatology branches and The Body Shop. (3) Group share, i.e. 50%. (4) "Other" includes hygiene products as well as sales made by American distributors with brands outside of the group.

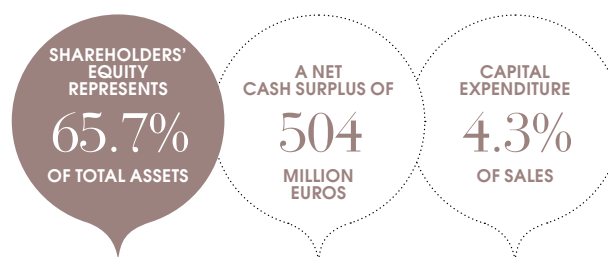
SOLID RESULTS

2011 was a new year of strong growth in results. Gross profit reached a record level at 71.2% of sales. Operating profit came out at 3,293 million euros, representing growth of 7.7%, i.e. 16.2% of sales. Net earnings per share increased by +7.8%. These strong results reflect the virtuous dynamics set in motion: operational efficiency has advanced in all fields of activity, Research and Innovation investments and Advertising and Promotion expenses have been substantial, enabling the group to prepare for the future.



A SOLID BALANCE SHEET

As shareholders' equity represents 65.7% of total assets, the balance sheet structure is very solid. The financial situation is healthy with a positive cash flow.

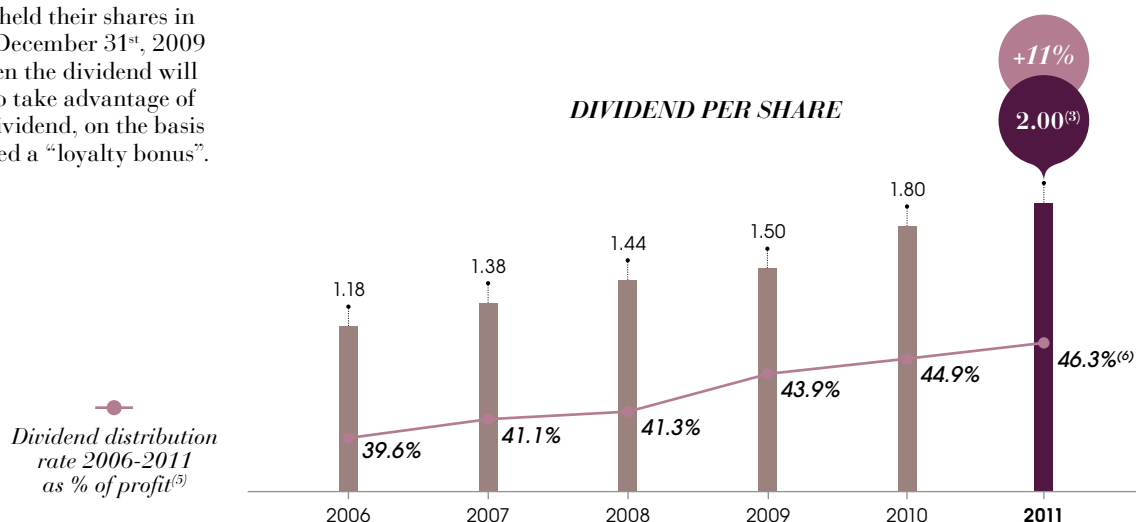


THE L'ORÉAL SHARE

(at December 31st, 2011)

Through its proposal to pay a dividend of 2 euros, an increase of +11%, the Board of Directors is expressing its confidence in the future and its concern to achieve the right balance.

2012 is the first year in which shareholders who have continually held their shares in registered form since December 31st, 2009 and until the date when the dividend will be paid, will be able to take advantage of a +10% preferential dividend, on the basis of 2011 earnings, called a "loyalty bonus".



(1) Non-recurring items include mainly capital gains and losses on long-term asset disposals, impairment of long-term assets, restructuring costs and elements relating to identified operational income and expenses, non-recurring and significant regarding the consolidated performance. (2) Diluted net earnings per share excluding non-recurring items after non-controlling interests. (3) Dividend proposed at the Annual General Meeting of April 17th, 2012. (4) On the number of shares at December 31st, 2011, i.e. 602,984,082 shares. (5) Dividend distribution rate based on diluted net profit excluding non-recurrent items per share. Taking into account Sanofi, not consolidated in this period. (6) Based on the dividend proposed to the Annual General Meeting of April 17th, 2012.

DIVISION and brand activities



L'Oréal LUXE

DEPARTMENT STORES & PERFUMERIES

LANCÔME • GIORGIO ARMANI • YVES SAINT LAURENT
BIOTHERM • KIEHL'S • RALPH LAUREN • SHU UEMURA • DIESEL
CACHAREL • HELENA RUBINSTEIN • CLARISONIC • VIKTOR&ROLF

+8.2%⁽¹⁾



CONSUMER Products

MASS-MARKET

L'ORÉAL PARIS • GARNIER • MAYBELLINE NEW YORK
SOFTSHEEN • CARSON • ESSIE

+4.5%⁽¹⁾



PROFESSIONAL Products

HAIR SALONS

L'ORÉAL PROFESSIONNEL • KÉRASTASE
REDKEN • MATRIX

+2.5%⁽¹⁾



ACTIVE Cosmetics

PHARMACIES & DERMATOLOGISTS

VICHY • LA ROCHE-POSAY • SKINCEUTICALS
INNÉOV • ROGER&GALLET

+3.2%⁽¹⁾



The BODY SHOP

+4.2%⁽¹⁾

(1) Like-for-like sales growth.



THE HIGHEST GROWTH RATES

LANCÔME

LANCÔME had its best year for 15 years. The brand is achieving worldwide success with the high-profile launch of Visionnaire, and produced an excellent performance, especially in the United States and China.

GIORGIO ARMANI

GIORGIO ARMANI is continuing its conquests in make-up and fragrances thanks to its flagship lines Code and Acqua. 2011 marked a new step forward in the transformation of the brand, with the noticeable performance of the Regence skincare line.

KIEHL'S

Efficacy, accessibility, nature and service: the KIEHL'S magic keeps on working. The brand is accelerating the pace of its globalisation, and is posting very strong growth rates, particularly in North America and Asia.

KÉRASTASE

KÉRASTASE is continuing its conquest in luxury haircare, with the success of its hair oils and ultra-personalised salon-prepared formulas. There were good results in France, Germany and China.

MAYBELLINE NEW YORK

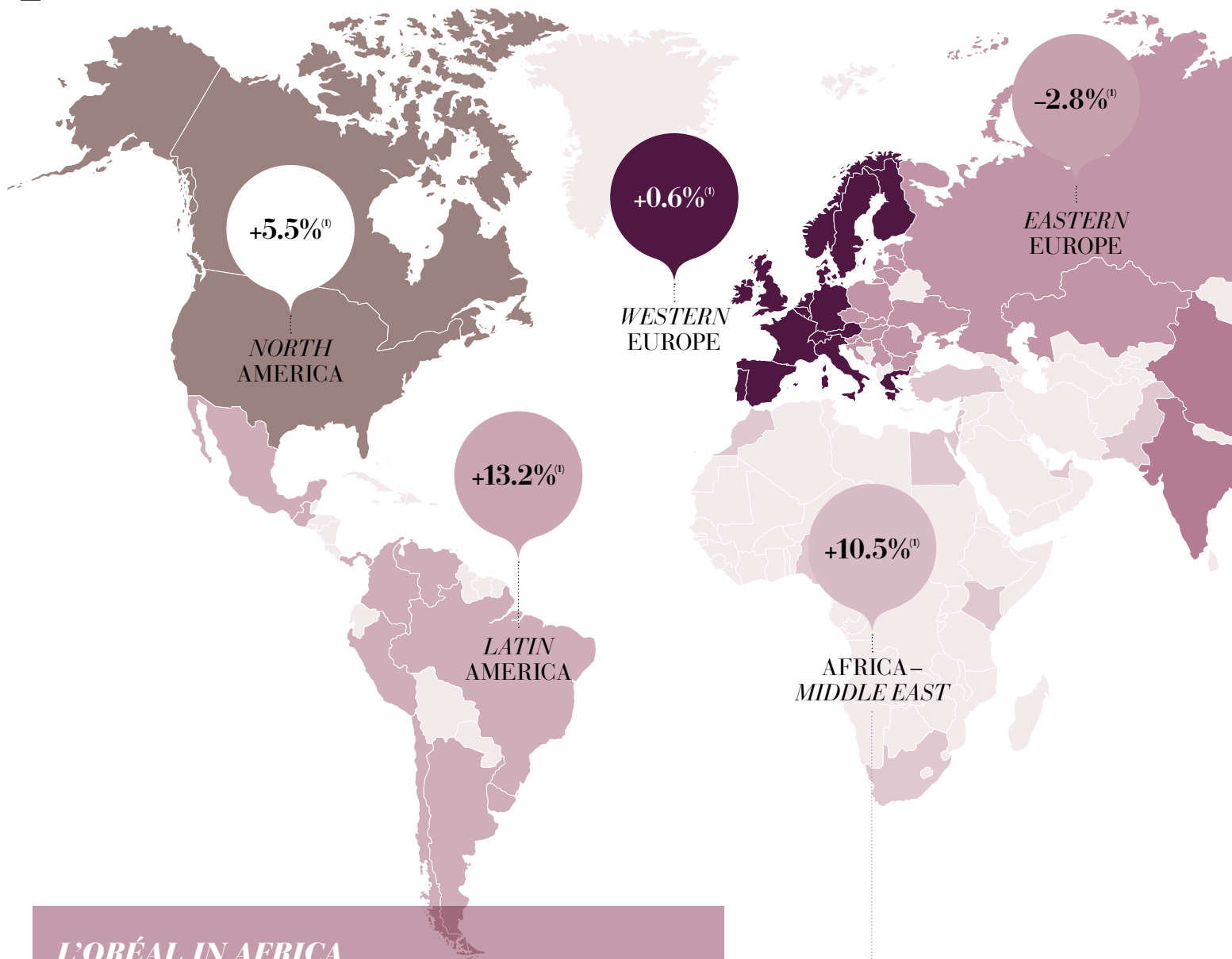
Dynamic, urban and audacious, the brand's appeal has never been stronger in make-up and skincare thanks to innovations attuned to beauty rituals on every continent. MAYBELLINE NEW YORK is proving a resounding success in the United Kingdom, China and Mexico.

LA ROCHE-POSAY

True to its business model, based on medical detailing and pharmacy advice, LA ROCHE-POSAY is growing very strongly in Europe, with France leading the way, and is also expanding in relay countries, especially in Latin America.



L'Oréal's WORLDWIDE performances



L'ORÉAL IN AFRICA

In December 2011, L'Oréal opened its new Kenyan subsidiary, situated in Nairobi. This new location will be the hub for expanding the group's activities in East Africa, particularly in Uganda, Tanzania, Rwanda, Burundi and Ethiopia. With the opening of subsidiaries in Kenya and Nigeria, the group is confirming its confidence in Africa's growth potential.



5

OUTSTANDING COUNTRY PERFORMANCES

CHINA

The group's third largest subsidiary, L'Oréal China, recorded another year of very strong growth at +18.0%⁽¹⁾. The market is extremely dynamic and the penetration of our brands is advancing, both in the mass-market segment, with MAYBELLINE NEW YORK and GARNIER, and in selective distribution with LANCÔME, which is moving into a growing number of cities.

MEXICO

With growth at +11.6%⁽¹⁾, L'Oréal Mexico had a good year in 2011, the highlight being the breakthrough of MAYBELLINE NEW YORK, alongside the flagship brands L'ORÉAL PARIS and GARNIER. Business was steady at the Active Cosmetics Division, thanks especially to VICHY in facial skincare and LA ROCHE-POSAY in sun protection.

UNITED STATES

L'Oréal grew faster than the market, with growth of +5.6%⁽¹⁾. L'Oréal Luxe, the Consumer Products and Active Cosmetics Divisions all recorded strong growth. The highlights included a very good year by MAYBELLINE NEW YORK, market share gains by GARNIER and the successful launch of ESSIE in the mass-market segment.

FRANCE

With growth of +2.6%⁽¹⁾, L'Oréal is improving its market share across all divisions. This year pride of place goes to KÉRASTASE, L'ORÉAL PARIS, KIEHL'S and DIESEL, which scored a remarkable success with its new fragrance Loverdose. SKINCEUTICALS and ROGER&GALLET are confirming their role as growth relay brands.

TURKEY

L'Oréal Turkey recorded strong growth at +27.8%⁽¹⁾, driven by the Consumer Products Division and the outstanding breakthrough of MAYBELLINE NEW YORK. 2011 was also a good year for fragrances, with three major launches: Armani Code Sport, Loverdose and Fuel For Life Denim.



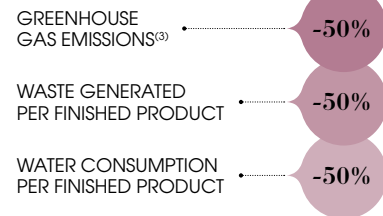
(1) 2011 like-for-like sales trend.

Social and environmental RESPONSIBILITY INDICATORS

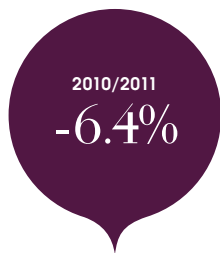
ENVIRONMENT

For many years L'Oréal has been taking determined action to reduce the environmental footprint of its products over their whole life cycle. Each year, the group continues to advance towards the environmental targets set for 2015. L'Oréal has already cut its water consumption by some 23% (in litres per finished product). This achievement also reflects the benefits of sustainable innovation: all the sites, from factories to distribution centres, have focused their efforts on finding creative and efficient solutions. A prime example is the Chimex factory in France. After six years of studies, the factory is now equipped with unique phytoremediation gardens which ensure efficient wastewater treatment.

SUSTAINABLE DEVELOPMENT OBJECTIVES FOR 2015⁽¹⁾⁽²⁾



TOTAL ENERGY CONSUMPTION⁽¹⁾

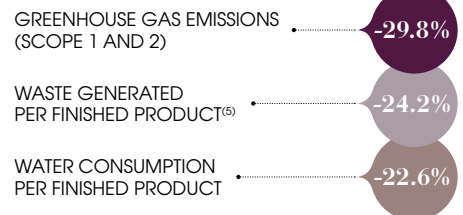


WASTE AND RECYCLING

95.7%

OF WASTE IS REUSED,
RECYCLED OR
USED FOR
ENERGY PRODUCTION

2005-2011 RESULTS⁽¹⁾⁽⁴⁾



RESEARCH

L'Oréal fosters sustainable innovation. This concept reflects the group's commitment to innovation throughout the life cycle of its products, so as to offer cosmetics that match consumers' extremely diverse aspirations and purchasing power, while respecting the environment. The principles of Sustainable Development have been incorporated into the heart of its Research and Innovation activities.

RESEARCH AND DEVELOPMENT EXPENDITURE

€721m

REPRESENTING
3.5% OF SALES

ORIGIN OF NEW RAW MATERIALS

45%

COMPLY WITH
THE PRINCIPLES OF
GREEN CHEMISTRY

55%

ARE
PLANT-BASED

(1) Group factories and distribution centres. (2) These reductions are calculated on a like-for-like basis. Period 2005-2015. (3) In absolute value. (4) These reductions are calculated on a like-for-like basis. Period 2005-2011. (5) Excluding returnable packaging.

SOCIAL RESPONSIBILITY

L'Oréal is committed to helping its employees find fulfilment as part of a stimulating, multi-cultural community, enriched by its diversity and talents, to which everyone contributes with creativity and enthusiasm.

WORKFORCE

68,900

EMPLOYEES WORLDWIDE

58%

OF MANAGERS
ARE WOMEN

41%

OF MANAGEMENT
COMMITTEE MEMBERS
ARE WOMEN

PROFESSIONAL TRAINING

44,060

EMPLOYEES
HAVE RECEIVED TRAINING

SOLIDARITY

L'Oréal has stepped up its societal commitment significantly over recent years. Through the initiatives of its Foundation, its brands and its subsidiaries, the group is striving to share its success and thus contribute to improving the well-being of populations in nearby areas.

L'ORÉAL FOUNDATION

€40m

MULTIANNUAL BUDGET

"HAIRDRESSERS AGAINST AIDS"

CELEBRATING ITS

10th

ANNIVERSARY IN 2011



ETHICS IS AT THE HEART OF L'ORÉAL'S COMMITMENTS

In a world undergoing profound economic and societal transformation, the way a company behaves is just as important as its economic performances and the quality of its products. The worldwide leaders of tomorrow will be the companies which have integrated ethics in their strategic planning as well as their day-to-day business. Faced with this challenge, L'Oréal has set itself the goal of being one of the most exemplary companies worldwide. Regularly recognised as a reference, L'Oréal's ethics programme is based on strong values: integrity, respect, excellence, courage and transparency. The L'Oréal Spirit sums up the group's directors' and employees' commitment to act ethically.

Reporting directly to the Chairman and Chief Executive Officer, the group's Director of Ethics has access to all information and documents, and can draw on all the group's teams and resources in carrying out his mission. L'Oréal's ethics programme supports the group's development, namely *via* a network of Ethics Correspondents in different countries. A reference document, the Code of Business Ethics raises the awareness and provides guidance to each entity, brand and employee on how to behave. The "Open talk" policy encourages dialogue to identify and handle all questions raised with regards to respecting these commitments. Finally, from a governance viewpoint, the Human Resources and Remuneration Committee of the Board of Directors reviewed all aspects of the group's ethics programme in 2011. This year, some 15,000 employees took part in the Ethics Day web chat⁽¹⁾ with Jean-Paul Agon.



READ THE SUMMARY OF THE GROUP'S COMMITMENTS AND INITIATIVES IN THE 2011 SUSTAINABLE DEVELOPMENT REPORT AND ONLINE AT

WWW.SUSTAINABLEDEVELOPMENT.LOREAL.COM

(1) Communication by instant messenger.



In L'Oréal's laboratories, researchers bring a new formula to life. In their quest for increasingly safe and high performance products, the teams combine their talents to provide the beauty of the future.

When
SCIENCE
sublimates all
kinds of beauty

Research is the heart of L'Oréal. In 2011 its achievements were particularly outstanding, with the development of the LR 2412 molecule, an active anti-ageing ingredient with remarkable properties, and the opening of a predictive evaluation centre, which has no equivalent anywhere in the world. Research is reinforcing its worldwide presence to make all markets a source of creativity.

THE STORY OF LR 2412, AN EXCEPTIONAL MOLECULE *p.28*
PREDICTIVE EVALUATION DRIVES INNOVATION *p.30*
MARKETS AS A SOURCE OF CREATIVITY *p.32*

“

From the very beginning, Research has been at the heart of L'Oréal's growth, with three main drivers of innovation for the group: active ingredients, formulation and evaluation. Our portfolio of proprietary assets is our treasure chest. 2011 was a great year on this front, marking the start of the enthralling adventure of the LR 2412 molecule. It was also the year when predictive evaluation moved into a new era.

”

LAURENT ATTAL

EXECUTIVE VICE-PRESIDENT, RESEARCH AND INNOVATION

The story of LR 2412, an *EXCEPTIONAL* molecule



First presented in Seoul in South Korea at the World Congress of Dermatology in May 2011, LR 2412 is an anti-ageing molecule with remarkable properties. This highly promising active ingredient, launched in the new Visionnaire skincare range by LANCÔME, is a prime example of L'Oréal's innovation strategy.

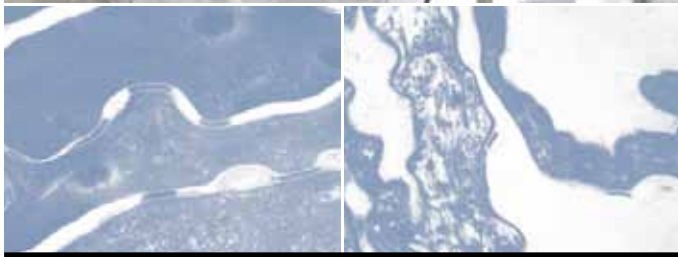
One of the strengths of L'Oréal Research is its ability to create major proprietary active ingredients with very long life cycles, such as Mexoryl SX, the first photostable UVA filter, which has made the group number one in photoprotection skincare since 1982. The product of 12 years of research and protected by 17 patents, the LR 2412 molecule is one of these major discoveries. Its originality? A global effect on all skin quality parameters, making it one of a new generation of anti-ageing active ingredients.

Inspired by nature

The story begins in 2002. By observing the defence systems developed by plants in harsh conditions, L'Oréal's researchers identified jasmonic acid, a "signal molecule" which activates scarring of the plants' tissues, while making them more resilient. The challenge for researchers was to draw on this repairing power to design a compound perfectly suited to the skin. This led to the birth of the LR 2412 molecule, a derivative of jasmonic acid produced by an environmentally friendly synthesis process.

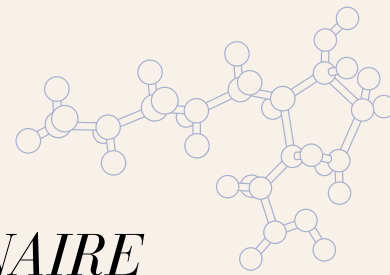
A new-generation active anti-ageing ingredient

The primary advantage of LR 2412 is its excellent bioavailability, which enables it to seep through the epidermis and target all layers of the skin. Throughout the diffusion process, it sets off a series of reactions: at the surface, it promotes the natural peeling of the skin, and at deeper levels the synthesis of several molecules which are fundamental for maintaining the skin's structure over time. L'Oréal teams have demonstrated that it is capable of specifically correcting 12 biological skin ageing markers.



A UNIQUE MOLECULAR STRUCTURE

LR 2412 has the ability to act in each of the different layers of the skin.



VISIONNAIRE BY LANCÔME (LR 2412 4%) The first fundamental skin corrector

From New York to Tokyo, women's skincare expectations are changing. Today they are looking to attain perfect skin, free of blemishes, imperfections and redness, with sublime brightness and great texture. Anticipating these new expectations, LANCÔME has inaugurated—with Visionnaire, launched in September 2011—a new generation of facial skincare which provides global anti-ageing performance. It provides a fine illustration of the close interaction between science and marketing, which is a key advantage of L'Oréal's innovation approach.

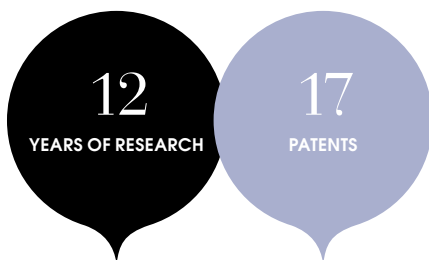
At the heart of Visionnaire, an exceptional molecule, LR 2412, ensures maximum efficacy. Visionnaire's special emulsified gel formula has been developed to optimise the specific qualities of LR 2412, particularly its ability to target all skin compartments. The result is a silky smooth serum which melts into the skin and is instantly diffused. The smoothing effect is immediate, and after only four weeks of use, wrinkles are visibly reduced, pores are tightened, and the complexion regains its even tone.



AN INTELLIGENT ACTIVE INGREDIENT
LR 2412 helps the natural biological processes of healthy skin.

Remarkable properties

The properties of LR 2412, demonstrated by *in vitro* tests on reconstructed skin models and by *in vivo* clinical trials, have turned out to be remarkable: its strong epidermis regeneration potential, its ability to strengthen the skin's structure and improve its elasticity, and its very good tolerance, make it an exceptional active ingredient. Its global but targeted action corrects the whole spectrum of signs of ageing: microrelief, fine lines, loss of elasticity and dryness.



The beginning of a great story

Like all molecules of such quality, LR 2412 is the launch pad for a technological platform which can explore a wealth of possible applications, through association with other molecules or the development of formulation systems. By increasing the molecule's concentration for example, or by creating a different environment, new properties of the molecule can be uncovered and then used in other product categories.



UNIVERSAL SKINCARE

The performance of Visionnaire (LR 2412 4%) has been demonstrated on four types of populations: Hispanic, European, Asian and African. Visionnaire is right for all types of skin, even the most sensitive.

PREDICTIVE

evaluation drives innovation



In April 2011, L'Oréal officially opened, at Gerland near Lyon, an evaluation centre, which has no equivalent anywhere in the world. Its mission? To make tomorrow's evaluation a reality: to be able to predict scientifically the safety and efficacy of a molecule, even before it is synthesised, thanks to a battery of cutting-edge tests. This centre is paving the way for a new vision of innovation.

Because consumers all over the world are looking for safe products delivering a clearly perceptible gain in performance, L'Oréal continues to invest in evaluation methods. In 2011, the group dedicated the Gerland centre to the predictive evaluation of the safety and efficacy of both ingredients and products. This high-tech platform, unique in the cosmetics industry, is the core of an international network stretching from France to Singapore, and soon to reach India and Brazil.

Gerland's first mission: reconstructing skin

The first-ever reconstructed epidermis in the early eighties revolutionised the ability of L'Oréal Research to predict the safety of active ingredients and products. It thus became possible to end animal testing for finished products in 1989, 14 years before this became a legal requirement. Today the Gerland centre produces 130,000 units of reconstructed tissue, skin and cornea per year, to evaluate the safety of thousands of formulas and ingredients.

From safety to efficacy

While tissue engineering is a crucial element of predictive evaluation, it is not the only one. The reconstructed skin models, now produced on an industrial scale, form part of a test protocol involving a range of sophisticated technologies, such as molecule modelling, expert toxicology systems, imaging methods and omics. Thanks to these new tools and the knowledge of cosmetics ingredients L'Oréal has built up over the years, it is now becoming possible to predict the performances of molecules even before they are synthesised, or indeed to test existing active ingredients to reveal new properties.



THE GERLAND CENTRE'S FLOOR AREA has doubled since its creation, and the workforce quadrupled, to enable the safety and efficacy evaluation of a thousand formulas and around a hundred ingredients.



THE GERLAND CENTRE COMPLYING WITH ISO 9001 STANDARDS currently produces 130,000 units of reconstructed tissue. A significant improvement compared with only 16,000 units in 2000.

Prediction to strengthen competitiveness

A platform of this kind offers many benefits. It knocks years off the development and marketing of active ingredients and products. It strengthens the reliability of evaluation, optimises innovation and improves its cost: only ingredients meeting the required safety criteria will be synthesised and then have their efficacy tested on reconstructed skin. In the end, predictive evaluation will ultimately make it possible to limit the need for clinical trials, which are both lengthy and expensive. L'Oréal is thus preparing to get ahead of the game in meeting consumer aspirations and the societal challenges of tomorrow.

OPEN RESEARCH *in Singapore*

The diversity of skin types around the world has encouraged L'Oréal to study their specific biological characteristics. In 2010, L'Oréal laboratories in China developed the first reconstructed Asian skin. In 2011, the group set up an Open Research team in Singapore. In partnership with local scientific and technological institutions, its activity centres on skin biology. An initial collaborative project, carried out at the Institute of Medical Biology (IMB), has enabled L'Oréal to develop Asian skin cells which will be cultivated in Pudong in China.



AN ADVANCED RESEARCH TEAM IN PUDONG is working on the specificities of Asian skin types.

INDUSTRIAL PROPERTY *as a strategic tool*

In 2011 L'Oréal was ranked one of the world's 100 most innovative companies by Thomson Reuters. This organisation analyses patents and selects companies which are leaders in innovation, in protecting and marketing their discoveries, and which are capable of influencing future technologies. L'Oréal is one of 11 French companies in the rankings. Its inclusion recognises the policy the group has implemented for decades to promote and strengthen its innovation all over the world. For L'Oréal, industrial protection is strategic. It is taking on a new dimension in view of the potential unlocked by predictive evaluation.



Markets as a source of CREATIVITY

One of the major issues for L'Oréal over the coming years is responding to new patterns of worldwide cosmetics consumption. This is both a challenge and a tremendous opportunity for Research and Innovation (R&I), which has decided to make the great diversity of beauty rituals a source of innovation all over the world.



The strategy of conquering a billion new consumers has led to L'Oréal reorganising its Research to get as close as possible to tomorrow's markets and consumers. By establishing poles to bring together R&I expertise in each major world region, the group is bringing its innovation model up to date, while adapting to the needs of Chinese, Indian and Brazilian consumers. Today, innovation is born in the places where consumers live, and local markets will soon inspire products for the whole world. The transformation is already well under way.

Research and Innovation poles in each region of the world

One example is the new Asian R&I department which brings together research activities "from knowledge to development" and "from fundamentals to the market place". The aim of this new regional pole is to respond to the strong growth prospects in Asia, and China in particular, while contributing to the flow of worldwide innovations. Its mission is to understand the extremely diverse beauty customs, needs and preference criteria of local populations, to identify scientific opportunities which provide benefits for everyone, and to offer relevant products. Other poles based on the same model are to be set up in India and Brazil.

The beauty of tomorrow will be an active beauty, which takes on board the specific features of the major regions of the world.

Opening up to local scientific expertise

The regional poles are also being instructed to develop Open Research, by weaving a network of external scientific collaboration with local university centres, major companies and innovative start-ups. The aim is to detect the best technologies and to gain new knowledge for the benefit of the whole L'Oréal R&I arm. In Japan, a partnership with a company specialising in very specific pigments has enabled the formulation of foundations which unify the complexion with only a fine veil of the product, a technology used in Teint Miracle by LANCÔME and in the foundation True Match by L'ORÉAL PARIS, two major global success stories.

MIGRATING PRODUCTS

Inspired by cultures and traditional beauty needs and customs, these products are extremely successful in the regions of the globe which inspired their conception. Some have already travelled the world. Here are five examples of innovations from afar.

BB CREAM (SOUTH KOREA)

Originally created by dermatologists to soothe the skin and conceal slight imperfections, Blemish Balm Cream (BB Cream) has become a star product in South Korea. Inspired by this local success story, L'Oréal's researchers have developed a new-generation BB Cream for MAYBELLINE NEW YORK which offers five benefits in a single application. In each region where the product is launched, its formula is adapted after a careful analysis of skin colour and local culture. In 2011, GARNIER launched its BB Cream in Europe and it has already proved a hit with many women.



FRUCTIS SHAMPOO & OIL (INDIA)

In India, haircare is one of the most important beauty customs. Oiling the hair is an important step, which enables Indian women to nourish their hair, by strengthening it, while enjoying a pleasurable sensation. The ritual often begins with the application of an oil, followed in most cases by a scalp massage and shampoo. This was a source of inspiration for the Shampoo & Oil 2-in-1 formula developed by GARNIER.



ELSÈVE TOTAL REPAIR 5 (BRAZIL)

In Brazil, more than 50% of women have very curly or frizzy hair⁽¹⁾. Their first need is to repair their hair, damaged by the sun, frequent washing and straightening or relaxing treatments. L'Oréal launched Elsève Reparação Total 5, a comprehensive hair fibre repair line designed and formulated by the Rio de Janeiro laboratories to meet the special needs of Brazilian hair. Success in Brazil was immediate, and it rapidly spread throughout Latin America. Since then, the formula has been launched in Europe, India and the countries of South-East Asia, and has been just as enthusiastically received.



COLOR NATURALS (MIDDLE EAST)

In the countries of the Middle East, colouring the hair is a very frequent beauty ritual, particularly on important occasions such as weddings. Taking its inspiration from traditional henna-based colourants and the use of argan oil haircare after colouring, GARNIER has adapted its Color Naturals formula. Enriched with olive oil, the conditioning balm enables women to take advantage of modern, effective and rapid colouration and in a far more convenient way!



BABY LIPS (CHINA)

Chinese consumers judge the effectiveness of a lip balm by the sensation they feel on their lips, as well as by the visual result: the balm must be light and the lips glossy; evoking the hydrating power of water. The imaginative dimension is very different in Europe and the United States, where women prefer their balms to be thicker and non-glossy. This observation led to the development, at the Pudong laboratories in China, of Baby Lips, the first-ever lip balm line from MAYBELLINE NEW YORK, which hydrates and repairs the lips.

(1) Source: internal 2010 L'Oréal Brazil study.



By making the best of cosmetics accessible to as many people as possible, L'Oréal's ambition is to meet all desires for beauty in their infinite diversity.

BEAUTY *and its 1,001 facets*

The organisation of the group's divisions, each one an expert in its distribution channel, is one of the key strengths of L'Oréal. It enables the group to meet the expectations of each and every consumer, with their habitual behaviour patterns, lifestyles and purchasing power, while adapting to local distribution conditions all over the world. In 2011, each division pushed back its frontiers and took up the challenge of delivering increasingly accessible innovation.

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CONSUMER PRODUCTS	<i>p.44</i>
PROFESSIONAL PRODUCTS	<i>p.52</i>
ACTIVE COSMETICS	<i>p.58</i>
THE BODY SHOP	<i>p.64</i>
GALDERMA	<i>p.66</i>



LANCÔME
GIORGIO ARMANI
YVES SAINT LAURENT
BIOTHERM
KIEHL'S

RALPH LAUREN
SHU UEMURA
CACHAREL
HELENA RUBINSTEIN
CLARISONIC

DIESEL
VIKTOR & ROLF
YUE SAI
STELLA McCARTNEY
MAISON MARTIN MARGIELA



L'Oréal **LUXE**

L'Oréal Luxe offers an absolutely unique beauty universe. Its international brands embody all the facets of elegance and refinement in three major business segments: skincare, make-up and fragrances. Their distribution is selective, through department stores, perfumeries, travel retail outlets, as well as free-standing stores and e-commerce websites.

All the magic of *LUXURY*

“

Today more than ever before, Luxury beauty is expressed through a multitude of facets. Inspirational brands that people dream about, underpinned by historic expertise or the vision of world renowned designers; products with a seductive appeal that reflects their aesthetic refinement, the performance they deliver and their cutting-edge technology, together with a unique customer experience. Each encounter with the brand, at a sublime sales outlet, during an expert consultation, or on the websites, must be an exceptional moment. Luxury is a whole. 2011 was thus not only a very good year for our division, but also a new start, reflecting a more holistic vision of Luxury, symbolised by its new name, L'Oréal Luxe.

”

NICOLAS HIERONIMUS
PRESIDENT
L'ORÉAL LUXE



In 2011, L'Oréal Luxe took advantage of the favourable environment for the worldwide selective market. The division's main growth drivers were Asia and travel retail, both bolstered by the dynamism of sales to Chinese customers in China, Hong Kong and Taiwan, in Asian airports, and indeed all over the world. North America also stood out, with a growth rate of +9.4%⁽¹⁾. Facial skincare did remarkably well, thanks to high-profile initiatives by LANCÔME, KIEHL'S, BIOTHERM and GIORGIO ARMANI, as well as by SHU UEMURA and HELENA RUBINSTEIN, which recorded good performances in Asia. In 2011, two channels saw their growth accelerate, symbolising the importance of the customer experience and the service approach in the luxury segment: e-commerce and free-standing stores.



⁽¹⁾ Like-for-like.



1



2



3



4

PRIDE OF PLACE FOR SKINCARE

2011 will be remembered as a great year for L'Oréal Luxe in facial skincare for two main reasons: the growth in this category, driven by the Asia, Pacific zone at +20.8%⁽¹⁾, and the emblematic launch of Visionnaire by LANCÔME, the first global skin corrector designed for women of all ethnic origins. Thanks to the highly complementary approach of its brands, the division responds to the diversity of skincare expectations, from the most high-tech to the most natural, and offers a wide price range in the selective market.

1

VISIONNAIRE LANCÔME

The first fundamental corrective skincare with LR 2412, a revolutionary molecule which can specifically stimulate 12 biological markers of skin ageing.

2

SKIN-ERGETIC BIOTHERM

Fresh cosmetic innovation with broccoli: the first repairing concentrate for signs of fatigue, to reduce their visible signs before they turn into signs of ageing.

3

ROSA ARCTICA KIEHL'S

Global anti-ageing skincare with a rare auto-regenerative flower, *Haberlea Rhodopensis*, to protect and revitalise the skin.

4

REGENESSENCE (3.R.) GIORGIO ARMANI

Three regenerative molecules (Proxylane, linseed extract and vitamin C), concentrated for the first time in clinical doses, to attain total skin regeneration.

(1) Like-for-like.

The LANCÔME *renewal is paying off*

FOR LANCÔME, 2011 was the best year it has enjoyed for 15 years. The brand is winning market shares and scoring successes in all parts of the world, particularly in the United States and China. It was also a year of inspiring renewal on all fronts: innovations, communication, image and point-of-sale service.

Brand rejuvenation

The intention was to regenerate the power and modernity of LANCÔME, probably the most feminine and emotionally charged of all L'Oréal Luxe brands, and the one which best embodies the French touch.

*All over the world LANCÔME
embodies a universal femininity,
nonetheless inseparable from
France's unique charm and elegance.*

In 2011, the brand asserted its fresh vitality, with a new look for its communication, backed up by a strong advertising message and products that are emblematic of LANCÔME innovation.

The objective? To win over new consumers. The brand targeted first and foremost women of all ethnic origins, by appealing to them with new Visionnaire skincare and Color Design eye shadow palettes. But it also focused on very young women. The brand's counters now feature iconic core products—such as Absolué, Rénergie and Génifique—alongside products targeting younger customers, for example Hypnôse Doll Eyes mascara. The actress Emma Watson, a new LANCÔME ambassador, embodies the freshness and energy of a young generation which sees her as an icon.



The fragrance TRÉSOR MIDNIGHT ROSE, embodied by Emma Watson the icon of a young generation, has rapidly become one of the best-selling feminine autumn launches in Europe⁽¹⁾.

COLOR DESIGN, a palette of eye shadows developed in the United States, was boosted by its three ambassadors: Daria Werbouy, Arlenis Sosa and Elettra Wiedeman.



High potency color. Luxuriously smooth.
COLOR DESIGN
EYESHADOW PALETTE, EYESHADOW PALETTE AND EYESHADOW PALETTE
www.lorealparis.com

(1) Source: Aggregate NPD France, Italy, Spain, United Kingdom and IRI Germany panels, September to December 2011, market share value.

GIORGIO ARMANI

A new sensuality



VISIONNAIRE, the first-ever fundamental corrective skincare with LR 2412, launched in September 2011, has already attained the top position among serums in Europe 5⁽¹⁾.

The metamorphosis would not be complete without the ultimate expression of luxury: dedicated service of excellent quality, perfectly illustrated by the Absolu beauty bar, designed by Peter Marino, both in Hong Kong and in Paris.

The Visionnaire year

With Visionnaire, LANCÔME has stepped into the future of cosmetics. As well as offering the performance and technological innovation of LR 2412, protected by 17 patents, Visionnaire stands out thanks to its innovative communication, with its five advertising visuals which focus on women of different ethnic origins. The launch was backed up by a futuristic film that combines visions of hyperscience, hyperluxury and a very LANCÔME kind of femininity. Since its launch, Visionnaire has received an exceptionally enthusiastic welcome, particularly in the United Kingdom, where a waiting list system had to be introduced following the buzz generated by the press and the Internet.

(1) Source: Serums segments. NPD France, Italy, Spain, United Kingdom and IRI Germany, September to December 2011, market share value.



Code and Acqua, the two star fragrance franchises, were the stand-out performers in 2011 with two new pearls: **ARMANI CODE SPORT**, a fresh and surprising creation and **ACQUA DI GIOIA ESSENZA**, a concentrate of femininity in a metallic bottle.

The division's second worldwide luxury cosmetics business, **GIORGIO ARMANI**, combines high performance with stylish refinement. In 2011, it covered all the beauty product categories, and posted growth of +8.3%⁽²⁾ thanks to the strengthening of its core products. **GIORGIO ARMANI** has also become more sensual. In fragrances, *Acqua di Giò* along with *Acqua di Giòia*, its matching women's perfume launched in 2010, are maintaining their momentum, and have become the division's number one fragrance line. In skincare, the launch of the *Regenescence (3.R.)* line has enabled this category to take a leap forward all over the world. The 18 Eyes to Kill eye shadow hues have spiced up the colours and glamorous appeal of Armani's style of make-up.

GIORGIO ARMANI has a fantastic potential for seduction, mystery and impact. The objective: to further extend its renown amongst the world's luxury clientele, which is expanding strongly on every continent.

(2) Like-for-like.

YVES SAINT LAURENT

More couture than ever

In 2011, YVES SAINT LAURENT, the most subversive couture brand, embodied Parisian elegance with total freedom, challenging the established codes to fight against boredom. For the third year running, it grew faster than the market in Europe, thanks in particular to men's fragrances and colour. It also moved into two new countries: Taiwan and Argentina.

Spotlight on colour

"At YVES SAINT LAURENT, everything is 'extreme'. There's no room for anything dull, average or impersonal. It's a question of intensity in colours. Reds are redder, pinks are pinker, and blues are bluer," says make-up artist Lloyd Simmons. In make-up, Pure Chromatics eye shadows and Rouge Pur Couture lipstick bear witness to this obsession with colour, which is shared by many



L'HOMME LIBRE,
a concentrate of pure energy and natural aura.

women, judging from the strong results posted in Europe by these iconic products⁽¹⁾.

A mythical trilogy

In fragrances, 2011 was the launch year for the third part of the YVES SAINT LAURENT "Homme" collection: L'Homme Libre, embodied by Benjamin Millepied, completes the olfactory register opened by "L'Homme" and "La Nuit de L'Homme". The press presentation took place in summer during the Cruise Collection fashion show in New York, which was a significant first for the brand. Initial sales are living up to expectations: the fragrance is in the Top 7 in the United States, and the Top 9 in France⁽²⁾.

PURE CHROMATICS,
a new generation of eye shadows, through the magic of water and colours combined.



KIEHL'S

The brand that never sleeps

In 2011, the New York brand celebrated its 160th anniversary. This memorable occasion reflects the success of a unique store concept in which advice is always the absolute priority. In 2011, KIEHL'S continued its spectacular rise with a growth rate of +42.4%⁽³⁾. In Asia, KIEHL'S is the division's number two brand, and consumer enthusiasm is running high, particularly in South Korea and China⁽⁴⁾. KIEHL'S continued its global roll-out once again this year, moving into new countries: Finland, Norway and Panama.

DIESEL

Loverdose of growth



This glam rock fragrance was the best feminine launch in autumn 2011 in Europe, including the highly competitive French market⁽⁵⁾.

(1) Source: NPD France, Italy, Spain, United Kingdom and IRI Germany, market share value. (2) Source: NPD USA, in October and NPD France, in September, market share value. (3) Like-for-like. (4) Source: distributor feedback. (5) Source: aggregate NPD France, Spain, United Kingdom and IRI Germany panels, September to December, market share value.



CHINA'S TASTE FOR LUXURY

With the ambassador Fan Bingbing in the background, a LANCÔME beauty advisor talks in Mandarin with two customers as they try out Visionnaire skincare. "They are delighted they can ask for advice in their own language. Chinese customers are very responsive to the expertise and quality of service we offer them," says Eloïse, who has been a beauty advisor at Galeries Lafayette in Paris for the last four years. The scene takes place as Chinese people celebrate the Lunar New Year during their famous Golden Week of paid holidays.

In view of the growing success of luxury cosmetics with Chinese consumers, LANCÔME, YVES SAINT LAURENT, GIORGIO ARMANI and SHU UEMURA provide them with personalised services to ensure a unique customer experience in airports and sales outlets all over the world. These new services include product information in Mandarin, bilingual beauty advisors and exclusive sets. This is a winning strategy since 25% of KIEHL'S customers at Dubai airport are Chinese⁽¹⁾. At Galeries Lafayette Haussmann in Paris, LANCÔME posted growth of +28%⁽²⁾ in 2011.

The reputation of L'Oréal Luxe brands is especially being established in China, especially on the luxury counters of department stores in Shanghai, Beijing, Hangzhou and Guangzhou, and in Hong Kong. It is now being extended to rapidly expanding mid-sized cities such as Chengdu and Kunming. LANCÔME is the number one luxury brand in China⁽²⁾. Already available in more than 40 cities, it is aiming to double this figure within the next few years. L'Oréal Luxe, already number one in China⁽²⁾, is only just starting to roll out GIORGIO ARMANI and KIEHL'S, and has not yet relaunched YVES SAINT LAURENT. All over the world, Chinese consumers represent a vast growth potential.

(1) Source: internal survey carried out at Dubai airport on 200 KIEHL'S customers from September 1st, to October 7th, 2011. (2) Source: distributor feedback.





L'ORÉAL PARIS
GARNIER
MAYBELLINE NEW YORK
SOFTSHEEN-CARSON
CLUB DES CRÉATEURS DE BEAUTÉ
ESSIE



CONSUMER Products

The Consumer Products Division offers the best in cosmetics innovation to the greatest number of people on every continent. Its brands are available in mass-market channels (hypermarkets, supermarkets, drugstores and traditional stores). The division is the spearhead of the group's quest to win over a further billion consumers.

BEAUTY within reach

“

In 2011, we continued to apply our strategy of accessible innovation, adapted to meet the specific needs of men and women all over the world. A thorough knowledge of our consumers, combined with the power of our research, has enabled us to make significant advances in high value-added categories such as make-up, haircare and hair colourants. In new countries such as Indonesia, Pakistan and Kazakhstan, consumers are discovering that our products are superior. We have also strengthened our positions in mature markets such as France, Germany and the United States, thanks to high-profile innovations and partnerships with retailers.

”

JEAN-JACQUES LABEL
PRESIDENT
CONSUMER PRODUCTS DIVISION



In 2011, Consumer Products growth was bolstered by make-up, and in particular by MAYBELLINE NEW YORK, which had another very good year with double-digit growth. As the undisputed world leader in its category, the division is driving the market thanks to its sustained innovation policy, attuned to the strong comeback of colour. This trend has been reinforced by strategic partnerships with retailers, particularly in Germany, the United Kingdom and France. In all the New Markets, the brands are continuing to stand out, with products of superior quality which is clearly recognised by consumers.



(1) Like-for-like.



CELEBRATING MAKE-UP

Make-up, the flagship category of the division, scored success thanks to a constant flow of L'ORÉAL PARIS and MAYBELLINE NEW YORK innovations. In 2011, the other headline news was ESSIE.

The addition of this famous American brand to the division's portfolio is contributing to the overall dynamism of this market, driven by colour.

Thanks to its professional but accessible approach to nail make-up, ESSIE is making a promising start in Europe following its arrival in the summer. Women are being seduced by its infinite range of colours and its elegant and unique communication strategy.

1

FIT ME MAYBELLINE NEW YORK

This customised foundation delivers flawless and natural skin.

2

COLOR RICHE L'ORÉAL PARIS

The star lipstick Color Riche is a concentrate of nourishing and protective active ingredients for sublimely beautiful lips.

3

COLOSSAL CAT EYES MAYBELLINE NEW YORK

Its collagen-based formula provides extreme eyelash coverage to ensure colossal volume. The exclusive "Cat Eyes" brush coats the lashes at the outer corner of the eye to produce an intense feline look, with no clumps.

4

ESSIE

The American manicure brand has now hit France, with a silky-smooth but "steel-hard" formula, and an infinite choice of colours.

The new energy of L'ORÉAL PARIS

On November 14th, 2011, L'ORÉAL PARIS celebrated the 40th anniversary of its slogan "Because I'm worth it". It has become a legendary signature which has travelled the world. Translated into French by "*Parce que je le vauds bien*", it is proclaimed in some twenty languages by the brand's ambassadors. It symbolises L'ORÉAL PARIS: its vision of femininity, its modernity, and its place as a premium brand in the mass-market channel.

"Because I'm worth it" remains as relevant and modern as ever.

A new kind of modernity

Behind this slogan, which was revolutionary at the time, lies the vision of a sophisticated and elegant woman, who asserts her personality and is ready to take on the world. Over the years, it has accompanied—and sometimes helped to encourage—the emancipation of women. Forty years on, its modernity remains undiminished when it is pronounced by the singer Beyoncé, or by the actresses Leïla Bekhti in France and Sonam Kapoor in India. L'ORÉAL PARIS ambassadors have always been chosen for their inspirational power.

L'ORÉAL PARIS MEN EXPERT 5,
a combined anti-ageing moisturiser:
five benefits in a single application.



40
YEARS



BECAUSE I'M WORTH IT!
*The true story of a slogan
gone global*

The scene is set in 1971, in a rather conservative America. While the rival brand used a male voice-over in its advertising campaign, L'Oréal chose a dramatically different approach for the launch of its premium hair colourant, Preference. A woman spoke in the first person as she made her provocative assertion: "Because I'm worth it". This slogan, devised by a young woman in advertising, has embodied the L'ORÉAL PARIS brand for 40 years. Read the full story at magazine.loreal-finance.com



1. Beyoncé. 2. Gong Li.
3. Madame Ines de la Fressange.
4. Gwen Stefani. 5. Hugh Laurie.



L'ORÉAL PARIS SUBLIME MOUSSE,
*permanent, ultra-natural hair colour
which is easy to apply and provides
perfect grey hair coverage.*

L'ORÉAL PARIS ELVIVE TRIPLE RESIST SHAMPOO
*enriched in Arginine, the 3 in 1 reinforces,
nourishes and leaves hair feeling stronger.*

With the help of ambassadors who are recognised locally, the brand is cementing relationships in its different markets, thanks to women such as Madame Ines de la Fressange in France, rock star Gwen Stefani in the United States and actress Paz Vega in Spain. The media campaign is now closer to consumers and more intimate, and its presentation is more aesthetically attractive and elegant.

**A cocktail of
premium innovations**

In 2011, L'ORÉAL PARIS performed particularly well in strategic markets, with the worldwide advances made by Elvive, particularly in Asia, and the clear success in Europe of the innov-

*The renewal of
Elvive formulas
and packaging
is further
strengthening
its premium
positioning.*

ative Triple Resist shampoo enriched in Arginine. Another strong performer was Ever Pure in the United States, the sulphate-free haircare line specifically for highly sensitised hair. In Europe, the arrival of Sublime Mousse, a hair colourant which is applied just like a shampoo, won over new consumers. Finally, the overwhelming success of Men Expert continued in China. The number one in men's skincare⁽¹⁾ has invented a new ritual with Power Water, an energising skincare line, inspired by the women's skin tonic. In Europe, Men Expert, an anti-ageing skincare embodied by an unexpected ambassador, Hugh Laurie, launched a new offensive with Vita Lift 5.

(1) Source: Nielsen letter number 1, January to October 2011, market share value.

GARNIER

A whirlwind of innovations

FOR GARNIER, two major innovations left their mark on the year: Miracle Skin Perfector and Clinical Dark Spot Corrector.

The BB Cream revolution

After the success of the MAYBELLINE NEW YORK BB Cream launched in 2010 in China, GARNIER launched its BB Cream, Miracle Skin Perfector, a formula specially adapted for Western consumers.

At the crossover between skincare and make-up, it provides five benefits in a single application: it hydrates the skin, unifies the complexion, corrects lines and blemishes, brightens the skin and provides SPF 15 UV



BB CREAM by GARNIER and CLINICAL DARK SPOT CORRECTOR: after Europe and America, they are preparing to conquer the world.



protection. After an historical launch in many European countries, BB Cream has gained a strong reputation in France by achieving the best performance recorded by a facial skincare launch since 2004⁽¹⁾.

Dark Spot Corrector seduces America

Another success: in the United States, GARNIER created in conjunction with dermatologists, Clinical Dark Spot Corrector, a facial skincare with a high concentration of vitamin C, which hydrates the skin and attenuates all types of blemishes.



MAYBELLINE NEW YORK

The trend-setting star

Growing strongly on every continent, particularly in China and South-East Asia where the brand is expanding very quickly, MAYBELLINE NEW YORK constantly innovates and creates star products thanks to the strength of research combined with thorough knowledge of customers and the latest trends. Colossal Kajal, for example, offers Indian women a modern, smudge-proof version of kohl. MAYBELLINE NEW YORK also took inspiration from Chinese women's preference for discreet make-up and glossy lips to dream up Baby Lips, its first lip balm line: a success not only in Asia, but also in the United States. Finally, the brand excels in the art of popularising new beauty techniques, such as the return of eye liner and the intense-eyes look, with Gel Eye Liner.



BABY LIPS, moisturising lip balm by MAYBELLINE NEW YORK and **COLOSSAL KAJAL,** a modern version of Indian kohl.

(1) Source: IRI retail panel.



BEAUTY FOR ALL PUSHES BACK FRONTIERS

In the Middle East, women colour their hair for weddings and other important occasions. GARNIER took its lead from this tradition for its local advertising campaign for Color Naturals, a hair colourant based on naturally sourced olive oil, which has won over women in their thousands for its excellent value for money. With its intuitive understanding of women's expectations, Color Naturals is already posting market share figures of more than 10% in many countries in this zone⁽¹⁾. Spearheading the quest to conquer a further billion consumers, the Consumer Products Division is winning over new markets and consumers. The same strategy is consistently applied: clearly perceptible superior quality, accessible prices and an approach adapted to suit local beauty customs. In India, the number of GARNIER sales outlets has risen from 500,000 to 750,000 in 2011, and it is now targeting one million. To penetrate even deeper into traditional retail stores, the brand is launching single-dose shampoo sachets priced at 1.50 rupee. In South-East Asia, men's skincare has enabled the division to gain ground. Launched in 2009 in India, Garnier Men has captured significant positions throughout South-East Asia, and is now number one in Malaysia and is posting 20% market share figures in India and ASEAN combined⁽²⁾. In Africa, two new subsidiaries opened in 2011 in Kenya and Nigeria, underpinning the group's historic presence on the African continent.



(1) Source: 2011 Nielsen panel, hair colour market, market share value.
(2) Source: Nielsen panel, January to October 2011, market share value. Excluding department stores.





L'ORÉAL PROFESSIONNEL
KÉRASTASE
REDKEN
MATRIX
PUREOLOGY
SHU UEMURA ART OF HAIR
MIZANI
KÉRASKIN ESTHETICS



PROFESSIONAL *Products*

The Professional Products Division distributes its products through hair salons all over the world. Its portfolio of differentiated brands enables the division to meet the needs of all types of salons. The privileged partner of hairdressers, it offers them the best technologies and a high level of training so they can provide customers with an increasingly professional service.

Enjoying a moment of *PROFESSIONAL* beauty

“

2011 confirmed that hair salon customers are attracted to the kind of personalised and innovative service which is the hallmark of our brands' professional approach. We were determined to broaden access to this 'professional difference' all over the world, by successfully developing completely new services adapted to the realities of each market. This roll-out process is a source of inspiration for our innovations: one example is the oil ritual used in India to enhance hair beauty, which has won over people worldwide. Finally, we are significantly stepping up our efforts to train hairdressers in their role as beauty professionals, because we are convinced this is the cornerstone of our development and the key to the future for our businesses.

”

AN VERHULST-SANTOS
PRESIDENT
PROFESSIONAL PRODUCTS



If 2010 was the year of hair colourants, 2011 was that of haircare and customised technical services. Customers expressed their preference for high-performance formulas, enhanced by the know-how of an expert professional. The hair salon is becoming more of a beauty salon, where customers feel they are enjoying a special moment. High value-added innovations have enabled the Professional Products Division to win over a very large number of new salons, a genuine asset for development in Europe, particularly in Eastern Europe. Furthermore, double-digit growth has continued in the New Markets such as India, Indonesia and Argentina. These performances reflect the eagerness of consumers to have access to professional quality, provided they have the necessary purchasing power and the right offering is available.



(1) Like-for-like.

THE HAIR OIL BOOM

A new category of products has taken its rightful place in the hair salon universe: hair beauty oils. The trend, initiated by SHU UEMURA ART OF HAIR in 2009 with Essence Absolue, has since been taken up by all the division's brands. The success story is on a global scale, reaching India and Japan, where oiling the hair is an ancestral beauty ritual, but also Anglo-Saxon countries, such as the United States and the United Kingdom, where customers appreciate oils for their sensorial properties and cosmetic virtues. Focus on five of the elixirs of the year.

1

ELIXIR ULTIME KÉRASTASE

The first oil from KÉRASTASE proved enormously successful in 2011. In less than a year, it became the brand's number one reference.

2

ALL SOFT ARGAN-6 OIL REDKEN

For its first-ever hair oil, REDKEN chose the renowned gentleness of argan oil, enriched with omega 6.

3

MYTHIC OIL L'ORÉAL PROFESSIONNEL

Launched in spring 2011, Mythic Oil is enriched with avocado and grape seed oil to make all hair types sublime.

4

CLEANSING OIL SHAMPOO SHU UEMURA ART OF HAIR

This cleansing oil shampoo draws out impurities without weighing down the hair. When applied, its gentle and delicate texture is transformed into a lightweight lather.

5

TOTAL RESULTS SILK WONDER MATRIX

Launched in the Indian market in 2011, this comprehensive line has proven an instant success in a country with strong potential for the brand.



KÉRASTASE

*Ultra-personalised
skincare*



FUSIO-DOSE,
4 formulas + 4 boosters =
16 possible combinations.

KÉRASTASE, the luxury brand of the Professional Products Division delivered a good performance in 2011 at +4.5%⁽¹⁾, thanks to the winning alliance of cutting-edge technology and professional know-how.

The brand stepped up its role as a trailblazer by launching Fusio-Dose haircare, a made-to-measure blend of highly concentrated active ingredients mixed by the hairdresser right in front of the customer. Launched in Europe, Asia and the United States, Fusio-Dose has exceeded expectations. Another winning feature of this launch: a mini-website, complete with a mobile version, enabling women to carry out a personalised diagnosis and find the most suitable Fusio-Dose combination for their hair. Another leading-edge innovation is Fibre Architecte, the latest product in the Résistance range for damaged hair. Two textures are blended together on application: a repair gel with Intra-Cylane and Pro-Keratin, and a smoothing serum to assist fibre reconstruction and repair split ends.



(1) Like-for-like.

The MATRIX saga continues

The spearhead of growth in the New Markets, MATRIX has successfully launched its Total Results range in more than 35 countries, and its extremely accessible prices are opening up professional salon hair-care to a growing number of people. This new line embellishes the hair, thanks to five rinse-free processes with instant effects. The brand is brilliantly continuing its Indian adventure and recorded +43.4%⁽¹⁾ growth with the highly successful launch of Biolage Oiltherapy, a range specially developed for a market in which hair oils are given pride of place.



L'ORÉAL PROFESSIONNEL

reinvents highlights

As Inoa—the ammonia-free and odour-free hair colourant of the future, launched in 2009—continues its international roll-out, L'ORÉAL PROFESSIONNEL is innovating in tone-on-tone hair colour: DiaRichesse and Dialight enable professional hairdressers to personalise hair colour with two types of technology (alkaline and acidic), which can be modulated with three different oxidants. This provides infinite variations in colour intensity. Launched towards the end of the year, the new range is already proving a great favourite with hairdressers.

REDKEN

urban and trendy



REDKEN the New York brand, scored a substantial success in very trendy hair colourants. One example: the super-lightening "Color Fusion Extra Lift" colourant cream.



PARTNER OF HAIRDRESSER ENTREPRENEURS

In March 2011, 2,000 hairdressers from the various provinces of China went to Beijing to attend an event devised by the Professional Products Division in partnership with elite French hairdressing organisation, *Haute Coiffure Française*. On the programme were three days of shows and demonstrations, together with workshops covering both technical matters and customer relations. Training and encouraging the emergence of a new generation of hairdressers, determined to offer high-quality service, is one of the main driving forces of the division's worldwide development. In 2011, more than 5,000 training instructors and 300 hairdressing academies all over the world acted as relays for this strategy.

In the New Markets, training encourages vocations as well as contributing to passing on technical know-how. This is perfectly clear at the institutes in Rio de Janeiro and São Paulo, whose goal is to train more than 15,000 hairdressers between now and 2015 by means of a franchise system. In the countries concerned, education often plays a role in social promotion.

In Vietnam, for example, the Professional Products Division is enabling thousands of people to learn a profession, and is contributing to a local micro-economy which fosters development.

In the mature markets, training enables professionals to accelerate the growth of their businesses. In France for example, the Salonworld website created in 2011 gives them access to new kinds of services. Overall, 29,000 professionals have already joined the community. Finally, in its "green academies"—which are springing up in Europe, and also in Chile—the division is inventing the codes of 21st century responsible hairdressing.





VICHY
LA ROCHE-POSAY
SKINCEUTICALS
INNÉOV
ROGER&GALLET
SANOFLORE



ACTIVE *Cosmetics*

The Active Cosmetics Division meets the needs of "borderline" skin which is half way between healthy and problem skin, through all types of health channels worldwide: pharmacies, beauty and health retailers, drugstores and medi-spas. Thanks to its highly complementary brands, and its close links with health professionals, dermatologists, paediatricians and doctors practising aesthetic medicine, the division is world number one in dermocosmetics⁽¹⁾.

(1) Source: panels and L'Oréal estimates.

The new territories of BEAUTY-HEALTH

“
2011 was a strategic roll-out year for the Active Cosmetics Division. The roll-out was firstly geographic, with very strong dynamism in Latin America, the United States and the Africa – Middle East zone, demonstrating the relevance of our business model far beyond Europe. Secondly, it reflected the diversity and balance of our brand portfolio, with the rise of LA ROCHE-POSAY, together with SKINCEUTICALS and ROGER&GALLET, alongside the market leader VICHY. Finally, we broadened our distribution, with new health channels such as drugstores and medi-spas accounting for a growing proportion of our sales. Our worldwide expansion is only just beginning!

”
BRIGITTE LIBERMAN
 PRESIDENT
 ACTIVE COSMETICS

+25.5%

GROWTH IN
LATIN AMERICA⁽¹⁾

+10.5%

GROWTH IN
THE UNITED STATES⁽¹⁾

The acceleration of the Active Cosmetics Division outside Europe, with growth of +15.1%⁽¹⁾, has confirmed the relevance of offering health cosmetics all over the world. Expansion in drugstores enabled the division to end the year with a strong growth rate in the United States, where the dermocosmetics market is still establishing itself. Furthermore, Latin America is as dynamic as ever, and Asia holds considerable promise, with its booming health channels, such as drugstores and medi-spas. In May 2011, the division's extremely active participation at the World Congress of Dermatology in Seoul provided an opportunity to present major innovations to more than 8,000 dermatologists from around the world.



⁽¹⁾ Like-for-like.



TENDER LOVING SKINCARE

Dermocosmetic skincare, the core business of the Active Cosmetics Division, targets the needs of people with “borderline” skin, affected by minor problems or a low tolerance level. The success of the 2011 launches was driven by the alliance between powerful innovations and recommendations by health professionals: dermatologists, paediatricians, pharmacists and doctors practising aesthetic medicine. The launches ranged from minimalist to highly sophisticated products.

1

TOLERIANE ULTRA LA ROCHE-POSAY

Containing no preservatives, this everyday skincare treatment with neurosensine provides intense and lasting relief for highly sensitive and allergy-prone skin.

2

LIFTACTIV SÉRUM 10 VICHY

New skin from the very first drop, thanks to this serum’s high concentration of rhamnose, a plant-based sugar which stimulates the activity of the derm source, making the skin look younger. It is even suitable for sensitive skin.

3

CICAPLAST BAUME B5 LA ROCHE-POSAY

A multi-repair skincare line which soothes the sensitive and dry skin of adults and children. It is also paraben-free.

4

BLEMISH + AGE DEFENSE SKINCEUTICALS

A unique and comprehensive cocktail of highly concentrated active ingredients, to combat both skin blemishes and wrinkles in a single application.

VICHY

At the cutting edge of innovation in pharmacies

For VICHY, 2011 was a year of strategic launches in the brand's three key markets: anti-ageing, sun protection and body-care. LiftActiv Sérum 10 with rhamnose became number one in serums in European pharmacies⁽¹⁾. The first SPF 40 sun oil for sensitive skin reflected the renewal of the Capital Soleil line. Finally, Nutriextra skin-care for dry skin enabled a double-digit growth in the bodycare segment in Europe.



NUTRIEXTRA
*Replenishing
nourishing bodycare
for dry skin.*

LA ROCHE-POSAY

Feeling good about your skin

The brand which "changes the lives of people with sensitive skin" is maintaining its momentum, and posted a very good year in 2011, with strong growth not only in the New Markets such as Brazil and China, but also in Europe, where the innovations Toleriane Ultra and Cicaplast Baume B5 boosted sales. In Brazil, LA ROCHE-POSAY remains number one in high-index sun protection⁽³⁾ and anti-ageing⁽⁴⁾. In Asia, the launch of the Sensiwhite range is opening up new growth prospects in the major complexion unifying market. Everywhere, the powerful business model, based on medical detailing and point-of-sale advice, is proving its worth.



ROGER&GALLET

A sensual journey



ROGER&GALLET is beginning its international adventure in Europe and in Brazil. With 2,000 new pharmacies and +21.8% growth⁽²⁾. The brand has been reinvigorated, thanks to the success of its eaux de toilette, and Fleur d'Osmanthus in particular.

(1) Source: 2011 IMS Health Pharmatrend panel, anti-ageing serums Europe 8 market, market share value. (2) Like-for-like. (3) Source: 2011 IMS Health Pharmatrend panel, high index sun protection SPF 50+ market, market share value. (4) Source: 2011 IMS Health Pharmatrend panel, anti-wrinkle market, market share value.



SKINCEUTICALS

The medi-spa trend

Well-known in the medical world in the United States as a major anti-oxidant brand, SKINCEUTICALS offers anti-ageing products of increased efficacy half way between cosmetics and prescription products. It is one of the rising brands at the Active Cosmetics Division, with a growth rate of +17.6%⁽²⁾ in 2011. Thanks to the powerful expansion of aesthetic medicine, it is continuing its expansion outside its original market: following on from Canada, Brazil and China, the brand moved into Lebanon, Portugal and South Korea in 2011. Another priority for SKINCEUTICALS is the development of medi-spas, a concept for the future which meets the increasingly strong demand for skincare medicalisation. In 2011, the brand opened some 150 medi-spas, with an emblematic flagship establishment in Hong Kong: the SKINCEUTICALS Advanced Medical Spa by per FACE.



IN THE KINGDOM OF MEDICALISED AESTHETICS

In Brazil, dermatologists are rather like beauty coaches. Women often consult their dermatologist for aesthetic reasons, and the great majority of dermocosmetic products are sold on prescription. Driven by this phenomenon, the Active Cosmetics Division is investing even more into medical detailing and recorded its highest growth rates in Brazil.

The third largest cosmetics market in the world⁽¹⁾, Brazil became the division's third country in 2011. For beauty-health brands, the country offers many major advantages: the boom in the young middle class, its appetite for cosmetics products, and its strong medical awareness about all aesthetic matters. This is reflected in the increasingly powerful community of dermatologists and their firmly established role in women's everyday lives.

Adapting products to the local environment is another key to success for VICHY, LA ROCHE-POSAY and INNÉOV which develop specific formulations based on local evaluation. Examples include the dry-touch textures of the sun care lines Capital Soleil by VICHY and the latest INNÉOV Nutricare product, specially developed to suit the beauty and volume of Brazilian hair. Normaderm by VICHY has also built its success on formulas adapted to skin which tends to be oily, and in very accessible mini-formats.

Finally, the roll-out of SKINCUTICALS and ROGER&GALLET, newcomers to the world of Brazilian dermocosmetics, is opening up new potential and represents an important development for the division.

(1) Source: L'Oréal estimates.





THE BODY SHOP

difference

True to its pioneering spirit, THE BODY SHOP successfully combines innovation, sensorial products and performance while defending its values, in particular, Community Fair Trade and environmental protection.



BRUSH WITH FASHION

Blending creativity with ethical commitment, this new make-up collection has become a must-have. What makes it stand out? Stylish products in packaging designed by a London College of Fashion student, with an eco-sustainable theme.

WHITE MUSK LIBERTINE

A resolutely sensual fragrance, featuring an intoxicating mixture of musks with no animal ingredients, and Community Fair Trade organic alcohol from a Cotopaxi community in Ecuador.

In 2011, THE BODY SHOP accelerated its pace and prepared for the future. The brand posted sales growth of +4.2%⁽¹⁾, continued to gradually increase its profitability and once again expanded rapidly in the New Markets, especially in Asia and the Middle East. THE BODY SHOP has all the ingredients that appeal to new generations of consumers, sensitive to the values which the brand promotes. The brand focuses on innovative, effective and sensorial products, inspired by nature.

Symbolising this dynamism, the three new pilot stores opened in London this year have demonstrated the brand's successful "story selling" concept: a unique customer experience based on interacting and engaging with the consumer. This promising concept is to be rolled out worldwide in 2012.

(1) Like-for-like.



India and the Middle East lead growth

At the end of 2011, THE BODY SHOP was operating in 66 countries worldwide. In India, the ambitious expansion programme continued, thanks to the brand's expert franchise partner, with the opening of 23 new stores in major urban centres and mid-sized cities. Indian consumers have a very strong affinity with the brand, which is why growth rates there are THE BODY SHOP's highest. Effective and 100% vegetarian products, recycled and recyclable bottles, and human rights campaigns: in India, THE BODY SHOP has a unique place in the beauty universe. It was also successful in the Middle East, with growth of +8.4%⁽¹⁾ in 2011, and the opening of 36 new stores in this region, which now has a total of around 300 outlets.

Sensorial appeal, efficacy and values

The first brand to introduce the concept of Fair Trade to the beauty sector, THE BODY SHOP has shared with the rest of the group the benefits of its expertise and its unique Community Fair Trade programme. Today, six high quality natural ingredients—aloe vera, cocoa, olives, sesame, soya and sugar—have already been included in more than 200 products launched by other group brands.

THE BODY SHOP has intensified efforts to rally consumer support for the "Stop Sex Trafficking of Children and Young People" campaign. The brand hit the headlines by presenting the United Nations with one of the largest petitions ever compiled: seven million signatures called on governments to take practical steps to make a difference. To date, 14 countries have committed themselves to taking action.



EARTH LOVERS™

Formulated with herb and fruit extracts and Guatemalan Community Fair Trade aloe vera, Earth Lovers™ contains no soap, sulphates, colourants or parabens. This shower gel respects both sensitive skin and the aquatic ecosystem: "it is the mermaid's favourite shower gel range!"

⁽¹⁾ Like-for-like.

EVEN CLOSER TO CONSUMERS

Opening stores in the New Markets, rolling out e-commerce, interactive product and campaign communications, setting up corners in airports all over the world.

In 2011, THE BODY SHOP strengthened relations with its customers and won new fans by embracing the digital world, a truly effective way of accelerating growth. The brand opened new sales websites in Spain, Denmark and Austria, and now has 16 sites in the strategically important e-commerce sector. Online sales already account for more than 10%⁽¹⁾ of sales in some countries, and ambitious targets have been set for future years.

Meanwhile, the brand is stepping up its involvement in social networks, and today has 80,000 followers on Twitter and 950,000 fans on Facebook.

Finally, THE BODY SHOP has a significant presence in worldwide travel retail and now covers 44 markets. This is enabling the brand to raise its visibility and win over new consumers.





GALDERMA *is expanding dermatology*

Galderma, the specialised dermatology company, achieved another year of sustained growth, despite a difficult environment. This remarkable performance reflected the success of its OTC⁽¹⁾ and aesthetic brands. The acquisition of Q-Med, the market leader in dermal fillers, has enabled Galderma to become a major player in this field.



ORACEA®

First oral treatment approved by the FDA for type II inflammatory rosacea lesions (papules and pustules) in adult patients.

EPIDUO™

Combination of two molecules (adapalene and benzoyl peroxide) in a gel formulation for the treatment of acne.

RESTYLANE®

Range of hyaluronic acid-based products consisting of dermal fillers, skinboosters and skincare products.

T

he year 2011 was notable for the results achieved in internal research over recent years. This research was carried out in different therapeutic fields such as acne, rosacea, pigmentary disorders, psoriasis, atopic dermatitis as well as a number of rare diseases. For the first time in its history, eight new chemical entities are currently being evaluated for clinical trials.

Conquering Asia

The World Congress of Dermatology, held in Seoul, South Korea in May, was a high-profile event, providing Galderma with a unique opportunity to assert its position as one of the leaders in its specialty. Drawing on its scientific expertise, the com-

(1) Over-the-counter.



EMERVEL

The international launch of the Emervel hyaluronic acid-based dermal filler range, in January 2011, strengthened Galderma's position in the aesthetic procedures segment.

pany focused on its priorities: innovation, medical training and the consolidation of its presence in the New Markets. Galderma continued to expand in China, India and South-East Asia, taking advantage of the structures established by Q-Med, which has already a notable presence in the region.



Closer to the major markets

To keep pace with growing demand and move as close as possible to its major markets, Galderma intensified its industrial investment programme in 2011. This led to more efficient facilities, with an increased production capacity of +40% and reduced costs, after an extension of two main production platforms, in France and Canada. Furthermore, Galderma has increased its production capacities in Brazil and now has a fourth factory in Sweden.

(1) Like-for-like.



*A MOSAIC OF
RUSSIAN
SUCCESS*

With cities such as Moscow, Saint Petersburg and Novosibirsk, the Russian market offers Galderma a host of opportunities, which the company began to seize several years ago. As patients' expectations in this country are extremely varied, it would be difficult to apply a single strategy. Each region has specific needs and expectations, which means the response must be specially adapted in each case.

The treatment of skin diseases and aesthetic medicine is growing in importance in Russia. Over-the-counter sales in pharmacies, the most dynamic segment for Galderma in this country, offer a unique opportunity for direct contact with patients. The huge success of Loceryl, for the treatment of fungal nail infections, is a symbol of this winning strategy, underpinned by TV and online advertising campaigns. Meanwhile, aesthetic and corrective dermatology is booming, particularly in major cities. Through its Q-Med division, Galderma offers a portfolio of products and services for customised treatment to meet each patient's expectations. In the background, there is always a common denominator: the training of healthcare professionals, which is the key to success.

With +47% growth⁽¹⁾ in 2011, Galderma performed very well in Russia. The growth potential, like the country itself, is vast. Now that Galderma boasts a major presence in eight Russian cities, there is a dual ambition: to capitalise on Galderma's reputation to conquer new regions, and to become the privileged partner of dermatology healthcare professionals.





All the group's talents are working together to drive L'Oréal's growth throughout the world. Our employees have different backgrounds, but they share the same energy and the same passion for the beauty business.

All the world's
TALENTS
serving beauty

Because it requires the rapid deployment of the group's vital forces, the project of universalising beauty is profoundly transforming the group's challenges and activities on a worldwide scale. This is an opportunity for innovation and progress for all the teams, who are focused on the collective adventure. The aim is to get even closer to all the group's consumers and partners, so as to build the L'Oréal of tomorrow.

EVEN STRONGER COMMITMENT TO RESPONSIBLE GROWTH *p.70*

L'ORÉAL, A HUMAN ADVENTURE *p.72*

IMPLEMENTING THE DIGITAL REVOLUTION *p.74*

ACCELERATING THE GLOBALISATION OF INDUSTRIAL ORGANISATION *p.76*

DEVELOPING A RELATIONSHIP OF TRUST *p.78*

“

Looking beyond its economic accomplishments, today a company has a duty to share its success. This has been L'Oréal's conviction for years, and 2011 once again demonstrated the group's commitment to achieving responsible and inclusive growth. Whether it is inventing new solutions for the environment and new models of economic solidarity, or taking initiatives, through its Foundation, to restore people's appearance and self-esteem, L'Oréal's goal remains the same: to be an exemplary corporate citizen, by ensuring that growth and the beauty profession have a deeper meaning.

”

SARA RAVELLA

EXECUTIVE VICE-PRESIDENT COMMUNICATION, SUSTAINABILITY AND PUBLIC AFFAIRS

Even stronger commitment to **RESPONSIBLE** *growth*



1. "BEAUTY FOR A LIVING"

This programme, supported by L'Oréal Vietnam, provides hairdresser training for young Vietnamese women.

2. COMMUNITY FAIR TRADE

L'Oréal Research and Innovation ensures that Community Fair Trade raw materials, including argan oil, are used in its formulas.

3. ENVIRONMENTAL LABELLING

Ultra Doux by GARNIER is participating in a French Ministry of Ecology and Sustainable Development project to provide customers with better in-store information about the environmental aspects of products.

Efforts to win a billion new consumers are making the group even more determined to achieve sustainable, responsible and inclusive growth. 2011 was another year marked by commitment and progress in Sustainable Development. Projects in sustainable innovation and eco-design in particular, ongoing efforts to meet the environmental targets set for 2015, the programmes of the L'Oréal Corporate Foundation, and the new worldwide "Solidarity Sourcing" programme were among the initiatives undertaken.

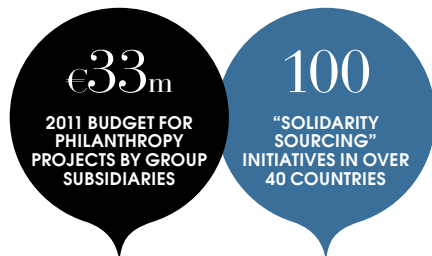
Sustainable innovation is a priority

L'Oréal has been applying its policy of sustainable innovation for many years. One aspect of

this approach is the eco-design of cosmetics formulas and packaging. With changes in French laws on environmental information, the use of environmental impact labels on shampoos, to inform consumers before they make a purchase, will ultimately become standard practice, as is already the case for electrical appliances. To prepare for this development, GARNIER volunteered to participate in an environmental labelling project for its Ultra Doux shampoos. The whole product life cycle is evaluated in terms of water consumption, greenhouse gas emissions and aquatic eco-toxicity. This is a crucial experiment, which will help the French Ministry of Ecology and Sustainable Development to evaluate whether this type of information is useful to consumers.

When beauty rhymes with solidarity

L'Oréal is combating the social exclusion and lack of material security of disadvantaged people, by providing them with training in beauty professions. This reflects the group's strong commitment to ensuring the material independence and future of the most vulnerable members of society. Group subsidiaries have thus launched a number of exemplary initiatives, such as the "Beauty for a Living" programme in Vietnam, which has already provided hairdresser training for 120 disadvantaged women who have suffered from violence or material insecurity. This is a joint initiative with the Ho Chi Minh Vocational Polytechnic and the Women's Union, backed up by technical support from L'Oréal teams. Elsewhere, L'Oréal Thailand is extending its "Beautiful Tomorrows" programme for women who have suffered from violence, to those who lost their jobs when factories closed following the flooding in November 2011. This programme awards scholarships for intensive eight-month beauty profession training courses at the "Ketvadi-Gandini International Hair Dressing Academy".



Solidarity in raw materials

In Morocco, L'Oréal Research and Innovation has teamed up with BASF and Yamana to improve the living standards and meet the social needs of women who harvest and process argan in a network of cooperatives. This collaboration has increased the income of the production workers, and enabled the creation of a social fund that provides access to medical care and school stationery for their children. This type of partnership, which ensures the traceability of natural raw materials from the point of origin, is expanding in the group, which is drawing on the expertise of THE BODY SHOP, a pioneer in Community Fair Trade.



DISCOVER THE SUMMARY OF THE GROUP'S COMMITMENTS AND INITIATIVES IN THE 2011 SUSTAINABLE DEVELOPMENT REPORT AND ONLINE AT WWW.SUSTAINABLEDEVELOPMENT.LOREAL.COM

"SOLIDARITY SOURCING"

A new approach to *solidarity*

L'Oréal has decided to make its purchasing policy an original way to combat social exclusion. This is the idea behind "Solidarity Sourcing", a worldwide programme of solidarity-based purchasing. Its aim? To help people from economically vulnerable communities find paid employment.

"Solidarity Sourcing" is not charity. It is a programme which fosters social re-integration through participation in economic activity. It transforms the purchasing process, opening it up to new categories of suppliers, so that fair and sustainable commercial partnerships can be built up with them, thus creating economic and societal value. There are many kinds of partners: companies actively involved in the inclusion of disabled people and social integration, and fair trade producers. There is one basic rule: all suppliers must comply with the group's fundamental values, and its environmental and social regulation commitments, while also being competitive.

One year after start-up, many projects have been launched in more than 40 countries, especially in Morocco and China, but also in France. Among the most emblematic: the L'Oréal headquarters renovation work site. In conjunction with the *Maison de l'Emploi* in Clichy (France), where the group has set up a special counter, contractors employ people from disadvantaged neighbourhoods. L'Oréal has introduced new subcontracting clauses for the renovation work, to favour local associations, work aid organisations, and very small companies. This represents a real step forward in the battle against social exclusion. Jean-Paul Agon said "As a corporate citizen, our goal, wherever we operate, is also to help make the world a more beautiful place".



THE RENOVATION WORK SITE at the L'Oréal headquarters in Clichy, France, employs people from disadvantaged neighbourhoods.

“

At L'Oréal, people are at the centre of the company and at the heart of the beauty for all adventure. First of all, this is an individual adventure, in which talents are revealed, developed and recognised in an environment that encourages entrepreneurial spirit and creativity, and that values diversity. It is also a collective adventure, born out of belonging to a responsible community with a sense of solidarity, which shares common values and purpose. Economic performance goes hand in hand with achieving optimum social performance. All our senior executives are focused on this objective.

”

JÉRÔME TIXIER

EXECUTIVE VICE-PRESIDENT HUMAN RESOURCES AND ADVISOR TO THE CHAIRMAN

L'Oréal, a HUMAN adventure

Conquering one billion new consumers and the accelerated globalisation of the group require a clear talent globalisation strategy. A dual challenge must be taken up: to recruit and train the managers of the future, capable of managing rapidly expanding markets, but also to develop internal mobility for experienced managers, who can then supervise these new teams and familiarise them with the group's values and culture. To accelerate this transformation process, the group has just created a Human Resources Development department, whose goal is to detect, recruit and prepare the talents of tomorrow. It draws on a worldwide network of seven talent managers.

Recruiting to build the L'Oréal of tomorrow

Priority is given to candidates with entrepreneurial initiative and powerful motivation. Every effort is made both to ensure that talented individuals remain loyal to the group throughout their careers, and to make the most of their expertise. In fact, 67% of international brand managers joined L'Oréal shortly after graduating.

Business games make a contribution to this dynamic recruitment approach. One exemplary case history is that of Aale M., a young Pakistani woman. When she was a media student in England, she participated in the online recruitment game Reveal, which provides an insight into all the group's different

29% of
Management
Committee
members work
outside their
country of origin.

L'ORÉAL IS
13th
IN STUDENTS'
RANKING OF
THE WORLD'S
MOST ATTRACTIVE
EMPLOYERS

113
DIFFERENT
NATIONALITIES
ARE REPRESENTED IN
OUR MANAGEMENT
TEAMS

fields of activity, such as Marketing, Finance, Research and Communications.

Two years later, the adventure is continuing for Aale, now in her home country. She returned to Pakistan after being recruited by the group's subsidiary.

A powerful diversity driver

Diversity is an essential value, which goes hand in hand with respect for the individual. The aim is to recognise, accept and value differences, while also capitalising on them to strengthen performance. L'Oréal has set itself the target of becoming the world leader in diversity management.

The group, which has already signed seven diversity charters in Europe, is collaborating in the drawing up of Poland's charter, which is to be signed in 2012. Since 2006, L'Oréal has provided more than 5,000 employees in France with training in diversity issues, and the same number in the rest of Europe.

L'Oréal is also actively involved in the employment of disabled people. With the "Juntos, Podemos" ("Together, we can") project, L'Oréal Spain provides internships for disabled students, who are given continuous support by Human Resources teams.

Furthermore, the group is committed to ensuring parity between men and women: 61% of the executives recruited this year are female. In 2011, the group was awarded the first European label for professional equality: "Gender Equality—European Standard" (GE-ES).



BUILDING “A HOUSE OF TALENTS”

After two years of existence, L'Oréal's subsidiary in Pakistan has already taken the group's spirit and culture fully on board. Following a tailor-made induction programme, its General Manager Musharaf H. made sure she was personally involved in recruiting people with the right profiles to drive the subsidiary's growth: men and women who stand out because they are passionate about beauty. Because taking up the challenge of a billion new consumers also means accelerating the way skills and knowledge are transmitted to others, particularly in the New Markets.

L'Oréal is one of the companies to offer a training course in sharing the corporate culture and strategy. This intellectual melting pot process trains managers in a common language, and encourages entrepreneurial spirit. In the L'Oréal “house of talents”, the 68,900 employees are provided with everything they need to enable them to flourish, innovate and make a personal contribution. Training is provided through events bringing together employees from all over the world. One example is the “International Management Seminar” for experienced executives. It consists of a week of conferences and workshops to focus on the group's strategic challenges, in conjunction with the Executive Committee, and ends with an open debate with Jean-Paul Agon.

“My Learning” online training also plays an important role. Rolled out in 45 countries, it enables each employee to play an active role in his or her personal development. New countries—the United States, Brazil, Morocco, Lebanon and Turkey—joined the scheme in 2011. With a total of 23,000 connection hours and 43,000 employees trained, “My Learning” is a real success.

To get as close as possible to its markets, L'Oréal is also developing a full line-up of local training programmes. The “Executive Education” seminar, first held in 2011 in Lebanon and Taiwan, trains new generations of senior executives, using an approach inspired by business school MBA programmes. The “Culture and Strategy” seminar helps new managers to understand the group's strategic vision. In 2011, the seminar was held in Mumbai in India, sending a strong signal to employees destined to build the L'Oréal of the future.



“

There is a great affinity between our business, beauty and the world of digital media. Beauty is an emotion that fosters exchanges and connections with other people. Thanks to the boom in digital media, social networks and online sales, our brands are inventing a new kind of proximity with their customers, enabling a more creative, better targeted and more efficient marketing approach. This is particularly true in the New Markets, where our consumers are young and digital-native. The digital revolution will play a key role in the conquest for the next billion consumers.

”

MARC MENESGUEN

EXECUTIVE VICE-PRESIDENT STRATEGIC MARKETING

Implementing the *DIGITAL* revolution



1. SALONWORLD.COM is a website and a community created by the Professional Products Division where hairdressers meet up every day. It keeps 29,000 members in touch with each other, while offering them advice and training.

2. L'ORÉAL PARIS MAKE-UP
The “L'Oréal Paris Make-Up” application offers innovative features for tablets and smartphones. It even lets users test a selection of make-up products using a photograph of themselves, complete with a “before and after” comparison.

The Zombie Boy campaign, dreamt up by Dermablend to launch its new concealer, has been seen by more than 10 million Internet users in the United States. This brilliant idea, embodied in a highly creative video, broadcast exclusively on the Internet, has galvanised the brand's reputation and sales in the United States. This is an ideal illustration of the digital revolution now under way at L'Oréal.

Boosting the effectiveness of advertising

A powerful instrument for winning young people over in every country in the world, the Internet is clearly the medium of choice for the New Markets. In these regions, the young middle class, who is looking for efficient cosmetics, was born with the Internet which is

synonymous with access to information, education and personal development. In China, social networks provide the brands with access to 457 million Internet users, 60% of whom are under 30.

Another example is Taiwan, where the group's digital offensive is ideally attuned to a target audience with an average age of 25. For the brands, the Internet is also an opportunity to prove even more convincing by exploiting the recommendation power generated by social networks, loyal consumers, star bloggers and brand ambassadors. Emma Watson, for example, offered to reveal her arrival as a new LANCÔME ambassador on her Twitter account, and posted the Trésor Midnight Rose commercial on her Facebook page. On all our media tools, the film has been viewed 6 million times.

3. LANCÔME: for the launch of its Hypnôse Doll Eyes mascara, LANCÔME made an animated teaser film with doll avatars of three of its ambassadors, and an application which enables women to create their own look-alike doll. Between the brand's website, YouTube and Facebook, the Hypnôse Doll Eyes film has been viewed 3,100,000 times.



L'ORÉAL TAIWAN, a digital model

Number two in the beauty market, L'Oréal Taiwan is implementing a combative digital strategy, which is a reference for the group. With some of the launches carried out exclusively on the Internet, the subsidiary is a model for a digital approach to the New Markets. Very young and eager for multimedia content, Taiwanese consumers were very receptive to a series of viral campaigns in 2011, which had a strong impact on sales growth. For the launch of Revitalift White, L'ORÉAL PARIS worked with a very popular ambassador—the singer Hebe; a highly successful multimedia campaign!

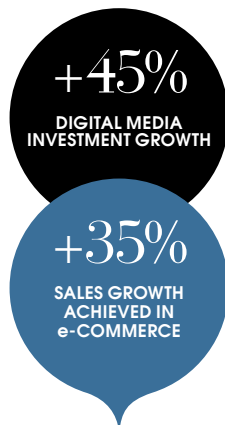


3

L'ORÉAL PARIS REVITALIFT WHITE
A well-orchestrated multimedia campaign thanks to the singer Hebe and her 600,000 Facebook fans.

Rolling out personalised services

Digital media provide a powerful response to beauty coaching expectations. They enable brands to establish a dialogue with their customers while rolling out personalised services, and use value is enhanced when beauty products are correctly applied. For example, the "L'Oréal Paris Make-Up" application, launched in 2011, transforms a tablet computer into a professional make-up studio. On another front, the LA ROCHE-POSAY website offers women with sensitive skin a pedagogical approach to skin problems, including a space for personalised alerts and contributions from dermatologists. Meanwhile, the Professional Products Division is strengthening its partnership with hairdressers by launching Salonworld in France. More than just a services site,



Salonworld is a social network which already boasts some 29,000 members.

E-commerce moves up a gear

There is another major digital challenge: developing an additional source of business through e-commerce. L'Oréal Luxe is the trailblazer in this drive, with online sales up by +42% in 2011, thanks to particularly strong growth in South Korea, Japan and the United States. This type of retailing also enables brands such as KIEHL'S and THE BODY SHOP, which are developing their free-standing stores, to reach out to new customers. This is an invaluable way of getting close to the consumer, while measuring the success of products and their advertising in real time.

“

Over the last five years, our industrial organisation model—based on five major geographic poles, each combining all types of expertise—has fully demonstrated its worth. It has enabled us to be more responsive and to adjust more effectively to specific local situations. In Operations⁽¹⁾, 2011 has highlighted the growing importance of regions in taking up the challenge of conquering the next billion consumers. This is an opportunity for progress, creativity and innovation in all our activities.

”

JEAN-PHILIPPE BLANPAIN
EXECUTIVE VICE-PRESIDENT, OPERATIONS

Accelerating the **GLOBALISATION** of industrial organisation



1. L'Oréal starts the construction of the largest make-up factory in Asia, situated in Yichang, in the Chinese province of Hubei.

2. Manufacturing of ecological sachets in the Pune factory in India.

In Asia today, all Consumer and Professional products, and 80% of luxury products, are developed locally. This is an exemplary achievement, made possible by the reorganisation of Operations⁽¹⁾ in major geographic zones which started in 2007. The transformation reached its end in 2011: the setting up of teams in Latin America and the Asia, Pacific zone was completed as Research and Innovation laboratories opened and local marketing poles were introduced. The objective: to encourage close collaboration between the Research, Marketing and Operations teams all over the world, in order to accelerate the development of local innovations.

Creating local ecosystems

To be as close as possible to consumer needs and seize the opportunities of each market, L'Oréal is strengthening its policy of opening up to local suppliers. In Asia, 1,500 new suppliers were identified in 2011, and the localisation of raw material sourcing grew by +85% in two years: today, more than half of the suppliers of Asian factories are located in the region. The use of both local technologies and local raw materials makes it possible to combine products adapted to local markets with accessibility. Similarly, the introduction of packaging innovation relays in each region makes it easier to find customised solutions. In

(1) L'Oréal Operations consist of seven specific activities: purchasing, production, quality, environment, health & safety activities, logistics, packaging & development, and real estate.

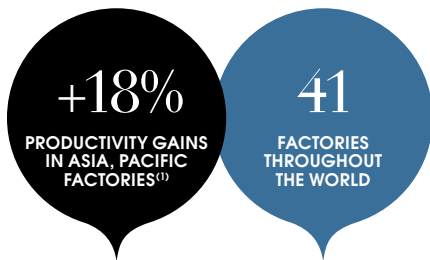
L'Oréal, RECOGNISED PARTNER to distributors

India and in Latin America for example, the presentation of some products has been rethought with ecology in mind, leading to the introduction of attractively designed re-usable, aluminium-free sachets.

Strengthening industrial facilities in the New Markets

The group is also accelerating the regionalisation of its industrial facilities. Opened in 2010, the Kaluga factory, in Russia is stepping up its output. To keep up with the strong growth in the Asia, Pacific zone, extensions are under way in most of the Asian plants. All of them are consistently registering productivity gains of around +20% year after year. Finally, 2011 saw construction begin on three new sites: San Luis de Potosí in Mexico, set to become the group's largest hair colourant plant; in Indonesia, a hair-care and skincare factory due to come on stream in the first quarter of 2012; and in Egypt a haircare and colourant factory to supply the Middle East and North Africa.

*To be as close as possible
to consumer needs and
seize the opportunities of
each market.*



Guaranteeing the same quality all over the world

By accelerating its regionalisation, the group is pursuing a crucial goal: achieving the same quality everywhere in the world. Wherever design and production take place, a single quality system applies to all cosmetic products. In the same perspective, L'Oréal set up International Raw Material Quality departments in each zone in 2011 to support local sourcing.

(1) Workforce productivity in thousands of units per person.

450,000. That is the number of delivery points supplied by L'Oréal's 143 distribution centres. This is an indication of the importance the group attaches to building a sustainable distribution network all over the world. In each region, L'Oréal has set up dedicated structures to offer adapted services to each of its main retailer customers. In 2011, several of them acknowledged that the group was their preferred supplier.

EFFORTS REWARDED

L'Oréal has received awards for its logistical collaboration in the United Kingdom from ASDA (Wal-Mart group) and in France from Marionnaud (Watson group). MAYBELLINE NEW YORK has been designated "Supplier of the year" by the retail giant Wal-Mart in the United States. AS Watson, the number one customer and the largest beauty-health retailer in the Asia, Pacific zone, has presented L'Oréal with two awards, one in the Philippines and the other in Taiwan. These partnerships with the largest distributors in the world constitute a genuine competitive advantage for L'Oréal, which in 2011 further improved the level of service it provides across all zones and divisions.



L'ORÉAL PARIS, United States.

“

The administration, controlling and finance teams play an active part in the group's economic performance, and in its international development. They ensure that the company's subsidiaries are supported by all the financial and other resources required for their long-term development. In 2011, the balance sheet was particularly robust, and the trend in the profit and loss account structure was favourable, which will support the growth of sales and profitability.

”

CHRISTIAN MULLIEZ

EXECUTIVE VICE-PRESIDENT, ADMINISTRATION AND FINANCE

Developing a relationship of **TRUST**

The administration, controlling and finance teams participate in the economic management of the group. They contribute to the development of the businesses by strengthening the relationship of trust which unites the group over the long term with its partners: customers, suppliers, bankers, market authorities, rating agencies and shareholders.

2011 saw a further step forward in improving the quality of controls, monitoring tools and information systems, with a particular focus on infrastructure and major application systems.

Trust and vigilance go hand in hand

Trust is gained through constant vigilance. Close monitoring of cash flows and continuing efforts to safeguard financing help to further strengthen the company's good financial health.

In the case of suppliers and customers, the relationship of trust is underpinned by professionalism and an ethical approach in our exchanges, based on highly demanding requirements, in all parts of the world.

The financial communications team is intensifying its contact with shareholders and investors to provide them with fair and transparent economic information about the group's activities, outlook and strategy.

Strongly committed to the businesses, the teams are helping to build and maintain a relationship of solid trust with all our stakeholders. This trust is absolutely crucial for the group's sustainable growth.

By ensuring the same level of quality and exacting requirements, the teams have also contributed to the efficient functioning of the Board of Directors and its committees.

Contributing to the company's modernisation

Administration and Finance is supporting the group in its efforts to conquer a billion new consumers. To further raise efficiency, it ensures that the group's standards and best practices are communicated to all the entities, particularly in the New Markets. In 2011, this approach made a significant contribution to the development of recently created subsidiaries, in Africa and the Middle East for example. Controlling, internal audit and the legal department were frequently called on to help these subsidiaries conduct their operational and financial activities well.

Expertise and the people behind it

Capitalising on the experience and expertise of its international and mobile teams, the group carries out regular training and audit missions in its subsidiaries all over the world. The teams work in close conjunction with operational staff on the modernisation of business control systems, so as to constantly increase their performances and ensure they are adapted to meet real needs at operational level.



TIME FOR DIALOGUE

The financial communications team is in contact with individual shareholders, investors, financial analysts and SRI experts to maintain a relationship of trust based on dialogue, attentiveness and proximity. The main objective is to supply the financial community with reliable and transparent information, which provides a true picture of L'Oréal. In addition to the legal and regulatory information provided, financial communications also presents the group's long-term prospects and strategy. Being a L'Oréal shareholder means investing in a solid growth stock, well equipped to seize all the opportunities of a business that is full of promise. It also means sharing and supporting the ambitious project which is the focus of all the group's forces: beauty for all and conquering the next billion consumers.

Determined to constantly improve the quality of its dialogue with its contacts, financial communications is innovating each year: geographical coverage of institutional investors is being extended through road shows, participation in conferences and personalised appointments arranged in all the world's major financial centres, from Paris to New York, and from Shanghai to Singapore. The teams also hold meetings with individual shareholders throughout France and in Belgium. In all, more than 6,000 individual shareholders were in contact with the team in 2011. Events such as the Actionaria shareholder fair, held each year in Paris, enable dialogue with around 2,000 shareholders. But the most important event of the year remains the Annual General Meeting, the representative body of all the group's shareholders. Shareholders can visit a "Shareholder Village" to learn about, or rediscover, all the media which provide the latest news about their company, such as the Annual Report, the multimedia shareholder magazine and letters. These print and digital publications are enriched and improved each year, in the light of invaluable suggestions made by the 18 highly active members of the Individual Shareholder Consultation Committee.



TO FIND OUT MORE

consult the whole range of group publications



THE ANNUAL REPORT

L'Oréal in 2011, with its divisions, brands and countries, driven by its mission: the universalisation of beauty and beauty for all.

L'Oréal and the world of beauty in 2011 / When science sublimates all kinds of beauty / Beauty and its 1,001 facets / All the world's talents serving beauty /



THE REGISTRATION DOCUMENT

This document includes the 2011 financial statements, the Management Report of the Board of Directors, the Annual Financial Report and a section on Social and Environmental Responsibility.

Presentation of the group / Corporate Governance / Comments on the 2011 financial year / Consolidated Financial Statements / Parent company Financial Statements / Corporate social, environmental and societal responsibility / Stock market information / Share capital / Annual General Meeting / Appendix /



THE SUSTAINABLE DEVELOPMENT REPORT

A summary of the group's commitments and initiatives for sustainable, responsible and inclusive growth. (More details and GRI sheets designed for experts are available on the site www.sustainabledevelopment.loreal.com)

Survey: innovating for all types of beauty / Research: a new step towards responsible beauty / Environment: innovating to reduce the environmental footprint / Social and societal responsibility: a daily commitment to all the stakeholders / Solidarity: giving meaning to beauty / 2011 Results /

These documents can be downloaded at www.loreal.com and are available on request from the Image and Corporate Information, and the Financial Communications Departments.

ENVIRONMENTAL CALCULATOR⁽¹⁾



size
22 x 30.5 cm



quantity
6,900

By using Cocoon Silk rather than a non recycled paper, the environmental impact was reduced by:

INSIDE PAGES



brand
Cocoon Silk



grammage
150g/square metre



number of pages
80

COVER



brand
Cocoon Silk



grammage
300g/square metre



number of pages
4



2,821 kg of landfill



712 kg of CO₂ equivalent to:



5,086 km travel in the average European car



79,144 litres of water



7,710 kWh of energy



4,584 kg of wood

(1) Carbon footprint data is calculated by the Edinburgh Centre for Carbon Management in partnership with The CarbonNeutral Company. Calculations are based on a comparison between recycled paper versus virgin fibre paper produced at the same mill, and on the latest European BREF data (for virgin fibre paper) available. Results are obtained according to technical information and subject to change.

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