

ANNUAL REPORT 2014



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- Go into the Annual Report section.
- Scan the page you are interested in.



Our mission **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

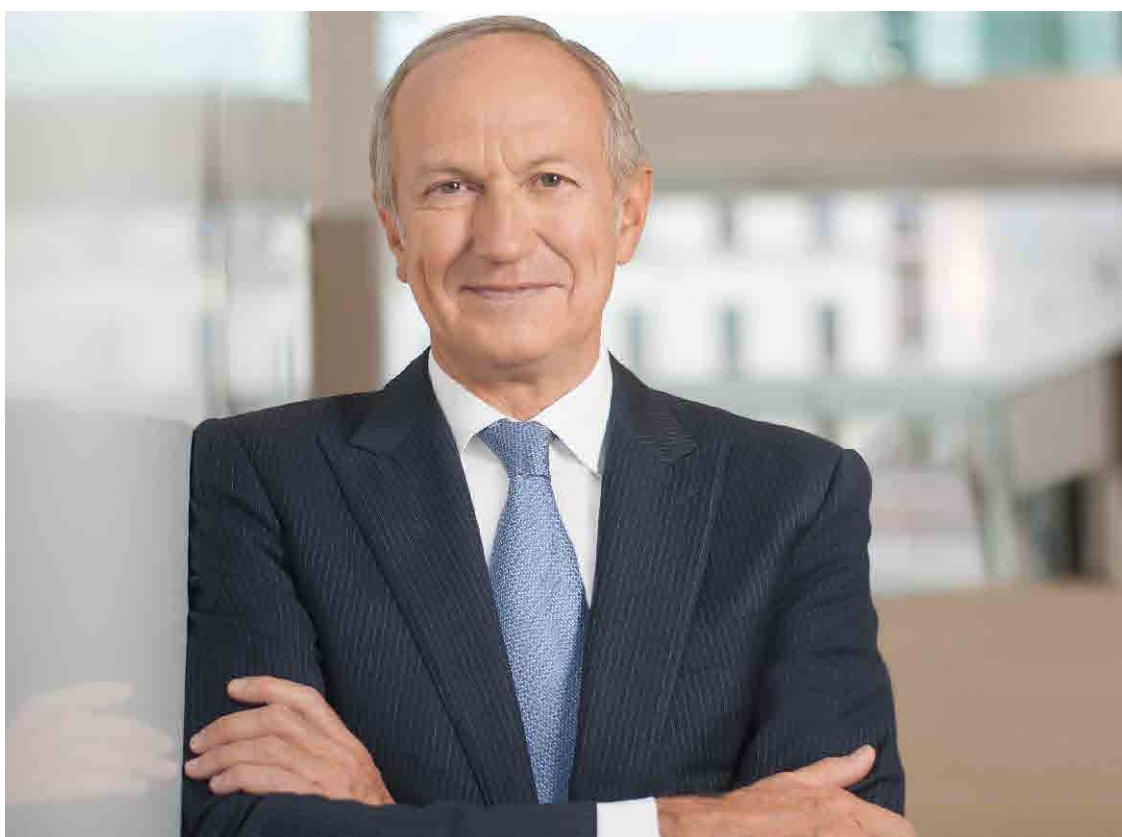
By drawing on the diversity of its teams, and the richness and the complementarity of its brand portfolio, L'Oréal has made the Universalisation of beauty its project for the years to come.

L'Oréal, offering Beauty for All

Inventing the New L'Oréal: universal, digital and sustainable

JEAN-PAUL AGON

CHAIRMAN AND CHIEF EXECUTIVE OFFICER



■ **WATCH THE VIDEO**

by scanning this page with the L'Oréal Finance app

What kind of a year was 2014 for L'Oréal?

It can be summed up in two words: “progress” and “transformation”. Progress first of all, because the year was marked by major launches and market share gains. In a volatile economic context and a less dynamic market, L'Oréal posted growth across all its Divisions and geographic zones. But 2014 was also a year of profound transformation for L'Oréal, to further strengthen the group and adapt to a rapidly changing world.

Could you tell us more about the group's performance in 2014?

The group's performance was very solid. We further strengthened our positions in three of our four Divisions. The Active Cosmetics Division and L'Oréal Luxe substantially outperformed their markets in all regions. The Professional Products Division grew faster than its market. The Consumer Products Division meanwhile saw a temporary slowdown in its growth, mainly reflecting its weaker performance in the United States, where – after three years of increasing its market share – it marked a pause.

...

...

In geographic terms, the group strengthened its positions in all parts of the world, except North America. Our progress was especially good in Western Europe, a zone that is strategically important for the group. Profitability there is strong, and there are bright prospects for increasing our market shares, which are already high in this region. We also made progress in the New Markets, our number one zone since 2012, where once again we increased our market shares and recorded high growth.

“

The group's performance
was very solid,
and we posted growth
across all Divisions
and geographic zones

”

And in terms of results?

2014 was once again a year of very solid financial results. The group significantly raised its profitability, which reached a record level at 17.3%. Its net profit increased, as did net earnings per share and the dividend proposed at the Annual General Meeting, which is up by +8%.

Was 2014 an important year of transformation?

Yes, L'Oréal has undergone substantial strategic transformations this year to reinforce our competitive advantage in the beauty market. We have made major strategic acquisitions that ideally complement our unique portfolio of brands. The integration of DECLÉOR and CARITA means that our Professional Products Division is moving into a new market: professional skincare. The acquisitions of MAGIC, NIELY and NYX are adding to the presence and potential of the Consumer Products Division in markets of great strategic importance: skincare in China and Asia for MAGIC, hair colour in Brazil and Latin America for NIELY, and make-up in America and the rest of the world for NYX. Lastly, the acquisition of CAROL'S DAUGHTER

will underpin our beauty expertise in order to best serve multicultural customers.

You have also stepped up digital initiatives. Is this another kind of transformation?

It certainly is. 2014 was an important year for L'Oréal's digital transformation, with the appointment of Lubomira Rochet as Chief Digital Officer and a member of the group's Executive Committee. I am fully convinced that digitalisation will profoundly transform the relationship between our brands and consumers in a positive way. We strongly believe that digitalisation is a very important factor in the group's success. What is more, our decentralised organisation, entrepreneurial spirit, and multi-brand and multi-channel approach are ideally adapted to the digital world. It thus represents a major opportunity and we intend to be trailblazers and leaders in the field of "digital beauty". In 2014, we made major advances across all our Divisions and in strategic countries: these pages will give you a glimpse, and you can find out more in our online Annual Report.

Were there any other strategic transformations?

2014 was the first year in the roll-out of our major corporate social responsibility project: "Sharing Beauty With All". Its objective is to make L'Oréal into a model company that is exemplary in terms of sustainable innovation, production and consumption, and shared growth by 2020. This is a vital challenge, because sustainable development is, and increasingly will be, an essential driver for the durable success of companies in the 21st century.

As you will see in our Progress Report, we have already made significant advances in a number of fields, especially sustainable innovation and production. For instance, at the end of 2014 we achieved a 50% reduction in CO₂ emissions from our factories and distribution centres compared with 2005. As for social issues, 2014 marked the roll-out of the "L'Oréal Share & Care" programme, an unprecedented project aimed at universalising optimum social protection for all group employees worldwide. Moreover, several strategically important internal transformations also took place this year.

What are these internal transformations and what are your objectives?

We have started a huge simplification initiative. I am quite convinced that the more complex the world becomes, the more we need to simplify our approach, so as to be fast, agile, responsive, and capable of seizing up-and-coming trends and taking advantage of all opportunities. The aim of these transformations is to adapt the group to a fast-changing world, and to prepare it for future success. We want to be a leader with the spirit of a challenger, and a large company with the spirit of a start-up.

Jean-Paul Agon gives an address at the Consumer Goods Forum in June 2014.



Jean-Paul Agon, on a visit to Mexico, in the Plaza Satélite shopping mall in Mexico City.



Jean-Paul Agon on a visit to China at a MAYBELLINE NEW YORK sales point in Shanghai.

“

A leader with the spirit of a challenger, and a large company with the spirit of a start-up

”

So this is the driving force for 2015 and the years to come?

Yes, but that's not all. We will keep on course to conquer the beauty market, through all our Divisions, driven by our

brands in all regions of the world. We are confident that the worldwide cosmetics market will continue to grow, and we believe in our ability to outperform the market in terms of organic growth. We will also take advantage of the favourable impact of the monetary environment.

We will rely, as always, on strong ethical principles and on talented and committed L'Oréal teams, which are totally dedicated to continuing our great adventure: in other words, pursuing our "Beauty for All" mission, our Universalisation strategy and our goal of attracting one billion new consumers.

At the same time, we will keep on inventing the New L'Oréal of the 21st century: universal, digital and sustainable.

The Board of Directors

“

The quality of governance relies on an open-minded and committed Board of Directors, the composition of which has been further enriched and diversified.

The Board fosters strategic reflection and impetus and is an invaluable source of support for the General Management. The balance of powers is ensured by a clear distribution of tasks between its members.

JEAN-PAUL AGON

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

”

AN OPEN-MINDED AND COMMITTED BOARD OF DIRECTORS

Endowed with complementary financial, industrial and entrepreneurial experience and skills, the directors actively and assiduously participate in the work of the Board and its Committees. The directors are all highly committed and vigilant. They are convinced that stringent governance creates value for the company and express their opinions in total independence, with the company's long-term interest always first in mind. In 2014, the composition of the Board was broadened and diversified, with an increase in the number of women, and the appointment of two directors representing the employees who provide complementary viewpoints.

A SOURCE OF STRATEGIC REFLECTION AND IMPETUS

The Board of Directors plays a crucial role in setting the group's strategic orientations. Through constructive and open dialogue with the General Management and regular meetings with the senior managers, the directors keep in close touch with L'Oréal's economic realities and are fully informed of all the company's operations, results and challenges. They review the main lines and opportunities for long-term development, and especially acquisitions. With an aim to continuously improve its role in strategic reflection

and impetus, the Board carries out a full evaluation of its methods and organisation each year. The directors ensure that the decisions made contribute to the implementation of the strategy.

ETHICS AT THE HEART OF L'ORÉAL'S GOVERNANCE AND COMMITMENTS

The Board of Directors places great importance on the respect of L'Oréal's Ethical Principles – Integrity, Respect, Courage and Transparency – and more generally of the Code of Ethics, the third edition of which it reviewed this year. These commitments are the foundation namely of the group's policies on compliance, responsible innovation, environmental stewardship, social and societal responsibility and philanthropy. In 2014, the Senior Vice-President and Chief Ethics Officer presented the ethics policy and the actions taken in this field and its results. The Board considers that these policies form an integral part of L'Oréal's growth model, and therefore supports their implementation and regularly measures the advances made.



VIEW MORE ON ETHICS
by scanning this page with
the L'Oréal Finance app

1



2



3



4



5



6



7



*A diverse
Board of Directors⁽¹⁾
striving to offer
Beauty for All*

(1) Board members as of 12/31/2014.

8



9



10



11

06
07

12



13



14



15



1 / JEAN-PAUL AGON Chairman and CEO
since March 18th, 2011 (term of office renewed in 2014)

2 / FRANÇOISE BETTENCOURT MEYERS (term of office renewed in 2013)

3 / PETER BRABECK-LETMATHE Vice-Chairman of the Board
(term of office renewed in 2013)

4 / JEAN-PIERRE MEYERS Vice-Chairman of the Board
(term of office renewed in 2012)

5 / ANA-SOFIA AMARAL (since July 15th, 2014)

6 / CHARLES-HENRI FILIPPI (term of office renewed in 2011)

7 / XAVIER FONTANET (term of office renewed in 2014)

8 / BELÉN GARIJO (since April 17th, 2014)

9 / BERNARD KASRIEL (term of office renewed in 2012)

10 / CHRISTIANE KUEHNE (since April 17th, 2012)

11 / GEORGES LIAROKAPIS (since July 15th, 2014)

12 / JEAN-VICTOR MEYERS (since February 13th, 2012)

13 / VIRGINIE MORGON (since April 26th, 2013)

14 / ANNETTE ROUX (term of office renewed in 2011)

15 / LOUIS SCHWEITZER (term of office renewed in 2013)

The Executive Committee

The Executive Committee is L'Oréal's management body. It sets strategic guidelines and directs the group's activities worldwide. The organisation of L'Oréal changed in 2014 with the appointment of a Chief Digital Officer, Lubomira Rochet. The creation of this position at Executive Committee level reflects the group's determination to incorporate digitalisation

into the heart of its operating model and brands worldwide.

After two years as General Manager of Travel Retail, Barbara Lavernos has joined the Executive Committee as Executive Vice-President Operations. She has taken charge of L'Oréal's sourcing, production and Supply Chain.



MEMBERS OF THE EXECUTIVE COMMITTEE OF L'ORÉAL

1 / JEAN-PAUL AGON
Chairman and CEO

2 / LAURENT ATTAL
Executive Vice-President
Research and Innovation

3 / NICOLAS HIERONIMUS
President Selective Divisions

4 / BARBARA LAVERNOS
Executive Vice-President Operations

5 / BRIGITTE LIBERMAN
President Active Cosmetics Division

6 / MARC MENESGUEN
President Consumer Products Division

7 / CHRISTIAN MULLIEZ
Executive Vice-President
Chief Financial Officer

8 / ALEXIS PERAKIS-VALAT
Executive Vice-President Asia-Pacific Zone

9 / ALEXANDRE POPOFF
Executive Vice-President
Eastern Europe Zone

10 / SARA RAVELLA
Executive Vice-President
Communication, Sustainability
and Public Affairs

11 / LUBOMIRA ROCHET
Chief Digital Officer

12 / FRÉDÉRIC ROZÉ
Executive Vice-President Americas Zone

13 / GEOFF SKINGSLEY
Executive Vice-President
Africa, Middle East Zone

14 / JÉRÔME TIXIER
Executive Vice-President Human Relations
and Advisor to the Chairman

15 / AN VERHULST-SANTOS
President Professional Products Division

16 / JOCHEN ZAUMSEIL
Executive Vice-President
Western Europe Zone

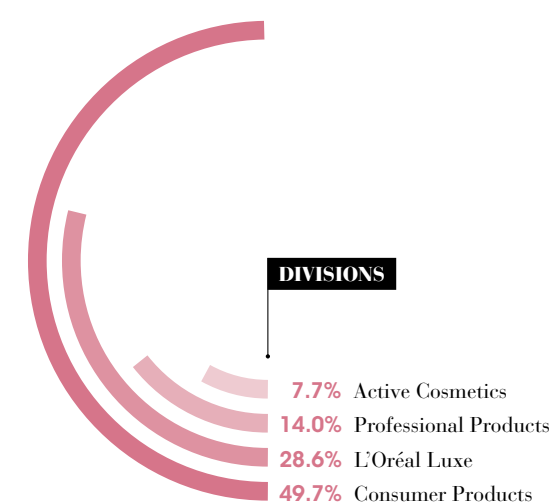


L'Oréal's 2014 *financial performances*



BREAKDOWN OF 2014 SALES

(Cosmetics Divisions, as %)

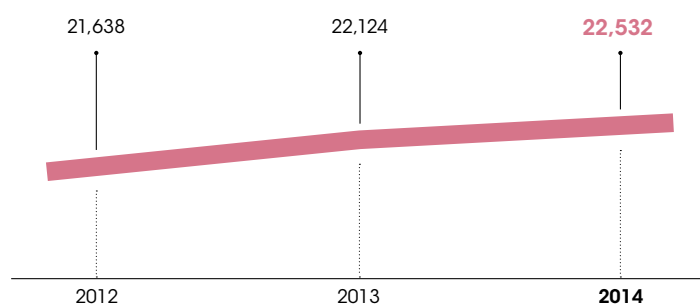


Sales growth in all Divisions and zones

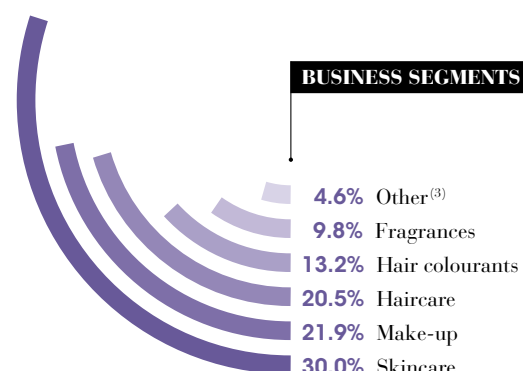
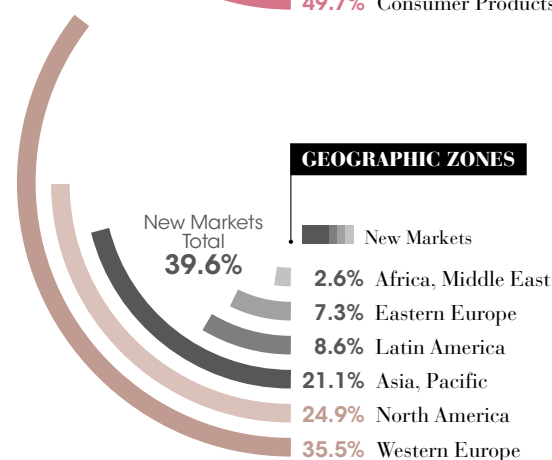
In 2014, L'Oréal's sales amounted to 22.53 billion euros, an increase of +3.7%⁽²⁾. In a volatile economic context and a less dynamic cosmetics market, the group posted growth in all its Divisions and in all its geographic zones. The New Markets, the number 1 zone for the group since 2012, accounted for 39.6% of sales.

CONSOLIDATED SALES

(in millions of euros)



The announcement on February 11th, 2014, of the disposal of 50% of Galderma leads to account for this business in accordance with IFRS 5 accounting rule on discontinued operations. In accordance with IFRS 11 accounting rule, Innéov has been consolidated under the equity method of January 1st, 2014. All figures for earlier periods have been restated accordingly.

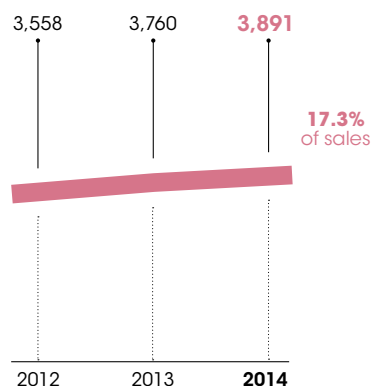


(1) Source: "Beauty's Top 100" WWD, August 2014. (2) Like-for-like.
(3) "Other" includes hygiene products and sales made by American distributors with brands outside of the group.

Record operating margin and strong increase in net profit

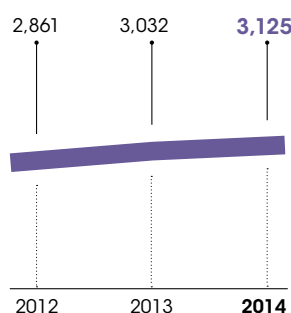
OPERATING PROFIT

(in millions of euros)



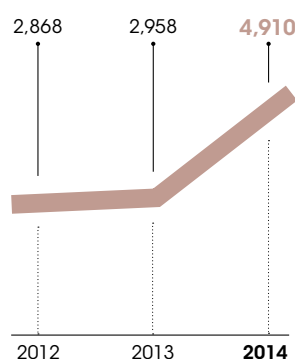
NET PROFIT EXCLUDING NON-RECURRING ITEMS AFTER NON-CONTROLLING INTERESTS⁽¹⁾

(in millions of euros)



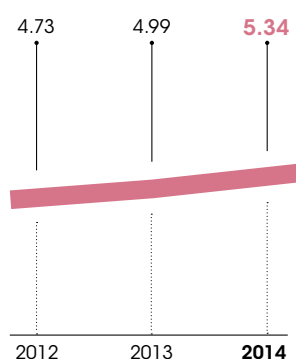
NET PROFIT AFTER NON-CONTROLLING INTERESTS

(in millions of euros)

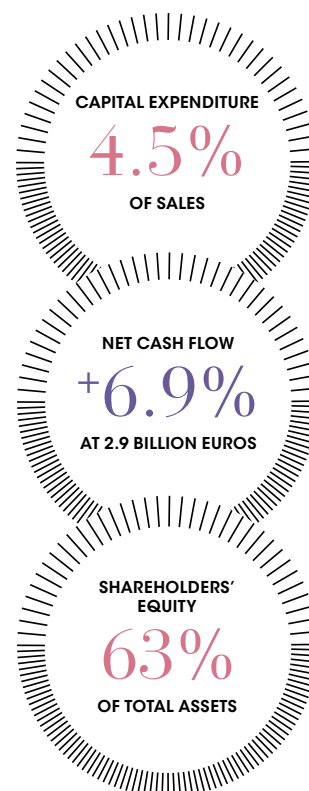


NET EARNINGS PER SHARE⁽²⁾

(in euros)



A solid balance sheet



With shareholders' equity amounting to 20 billion euros, L'Oréal's balance sheet remains particularly solid, after the purchase of 8% of the capital from Nestlé for 6 billion euros.

A dynamic shareholder return policy

(at December 31st, 2014)

Share price

€139.30

Market capitalisation⁽³⁾

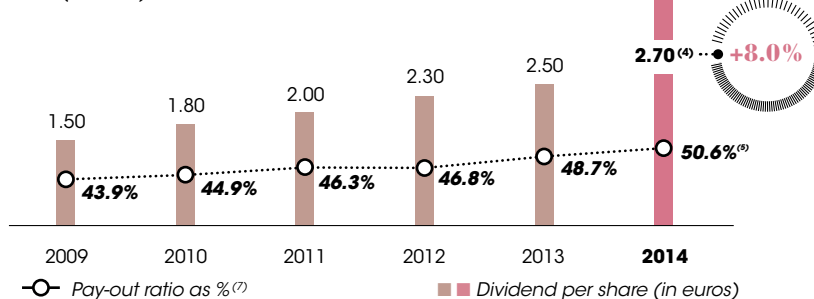
€78.18 bn

The quality of the balance sheet, financial performance and prospects of L'Oréal led the Board of Directors to propose at the Annual General Meeting of shareholders a dividend of 2.70 euros⁽⁴⁾, an increase of +8%. The pay-out ratio in 2014 amounted to 50.6%⁽⁵⁾.

Moreover, L'Oréal shareholders receive a loyalty bonus for holding their shares in registered form: a preferential dividend of +10%⁽⁶⁾, bringing the total to 2.97 euros.

DIVIDEND PER SHARE

(in euros)



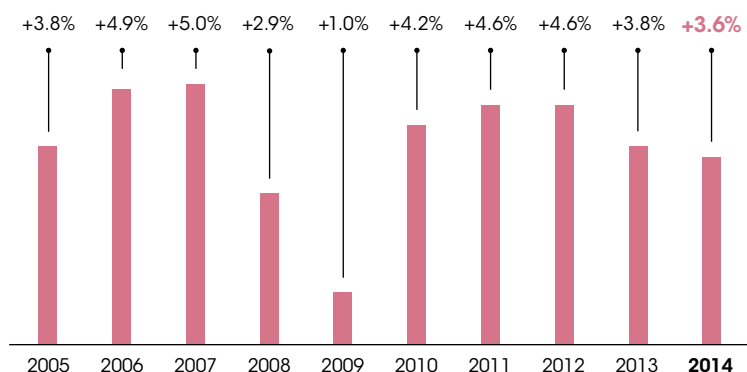
(1) Net profit excluding non-recurring items after non-controlling interests does not include impairment of assets, restructuring costs, tax effects or non-controlling interests. (2) Diluted net earnings per share excluding non-recurring items after non-controlling interests. (3) On the number of shares at December 31st, 2014, i.e. 561,230,389. (4) Dividend proposed at the Annual General Meeting on April 22nd, 2015. (5) Based on the dividend proposed at the Annual General Meeting on April 22nd, 2015. (6) For shareholders who continuously hold their shares in registered form for a minimum of two full calendar years, up to a maximum of 0.5% of the capital for the same shareholder. (7) Pay-out ratio based on diluted net profit excluding non-recurring items, after non-controlling interests, per share.

The world of beauty in 2014

The worldwide cosmetics market in figures

GROWTH OF THE WORLDWIDE COSMETICS MARKET FROM 2005 TO 2014⁽¹⁾

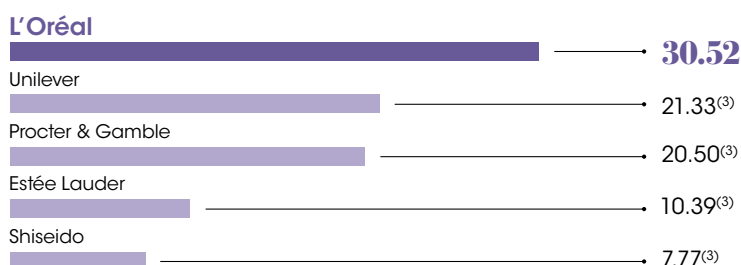
(estimated annual growth rate, as %)



With an estimated worth of 180 billion euros⁽¹⁾, the worldwide cosmetics market has developed at a steady pace over the past ten years. Despite slowing slightly in 2014 compared to 2013, the beauty market continues to record solid growth, over 3%⁽¹⁾. It is a supply-driven market underpinned by innovation, as well as efficacy and quality. For the second year, luxury and dermocosmetics were among the most dynamic markets, with growth of +5.2% and +5.1%⁽¹⁾.

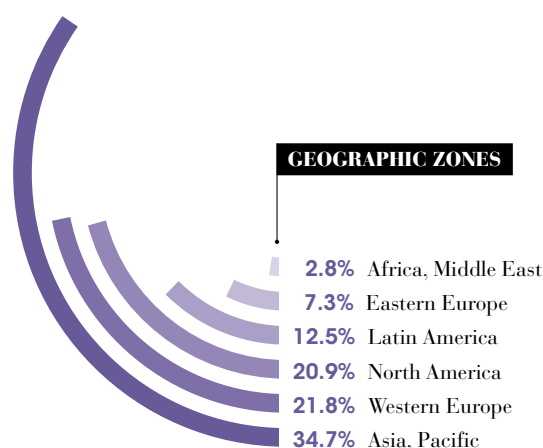
MAIN WORLDWIDE PLAYERS⁽²⁾

(2013 sales, in billions of USD)

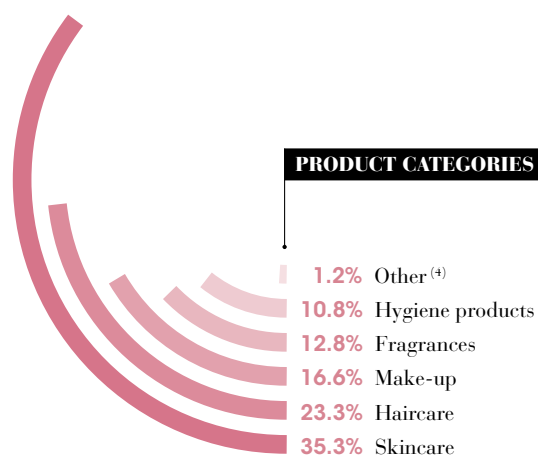


BREAKDOWN OF THE WORLDWIDE COSMETICS MARKET⁽¹⁾

(as %)



In geographic terms, the New Markets, excluding Japan, were responsible for more than 80% of worldwide market growth in 2014⁽¹⁾.



(1) Source: L'Oréal estimates of the worldwide cosmetics market in net manufacturer costs. Excluding soaps, oral hygiene, razors and blades. Excluding currency effects. (2) Source: "Beauty's Top 100" WWD, August 2014. (3) Source: WWD estimates. (4) Oral cosmetics.

This year's main trends

The growth of the cosmetics market continues to be driven by the emergence of the middle classes in the New Markets, by consumers already devoted to sophisticated beauty routines and looking for increasingly innovative products, and by the growing diversity of beauty expectations and aspirations worldwide.

Recommendation and personalisation

Today's consumers are informed and connected, and are looking to personalise their routines. In the luxury segment, the continued success of expert brands like KIEHL'S and URBAN DECAY perfectly illustrates this important trend. The tendency is also clear in the prescription-based dermocosmetics sector, which meets the health and beauty expectations of a growing number of consumers.



Make-up makes women smile

Make-up, which provides consumers with a medium to express themselves and their creativity, was in 2014 the fastest growing category worldwide at +5.0%⁽¹⁾. What's more, in large countries, strategically important for the group, like Brazil and China, the segment still has remarkable potential for future development.

(1) Source: L'Oréal 2014 estimates of the worldwide cosmetics market in net manufacturer costs. Excluding soaps, oral hygiene, razors and blades. Excluding currency effects.



The era of digital beauty

The digital revolution is full of opportunities for the beauty world. It enables mass-market brands to foster closer relationships with their consumers through interaction.

In selective channels, the exclusive experiences and services offered by the brands can be prolonged and personalised. Digital media provide new ways to reach, educate and inspire new consumers, as well as loyal customers, in order to stimulate the market's future growth.

Learn more about L'Oréal's digital strategy on pages 46 and 47.



❑ VIEW THE VIDEO INTERVIEW WITH LUBOMIRA ROCHET, CHIEF DIGITAL OFFICER
❑ VIEW THE ARTICLE: E-COMMERCE: A MAJOR ASSET FOR L'ORÉAL IN CHINA
by scanning this page with the L'Oréal Finance app

Seizing the potential of every market

In 2014, L'Oréal posted growth in all its Divisions and geographic zones. The group further strengthened its positions in all regions of the world, except North America.

Western Europe, a strategically important zone, had a good year, with significant acceleration in the fourth quarter. Northern Europe delivered solid performances, especially in Germany and the United Kingdom. Southern Europe is experiencing a real revival, as L'Oréal's growth there is now level with Northern Europe, reflecting good growth in Spain, Portugal and Greece.

In the New Markets, the number 1 geographic zone since 2012, L'Oréal increased its market share once again this year, recording high growth, particularly thanks to good momentum in Eastern Europe, in Africa, Middle East and especially in Latin America. In Asia, there was a temporary slowdown in growth, which nonetheless remained strong in some countries, such as India.



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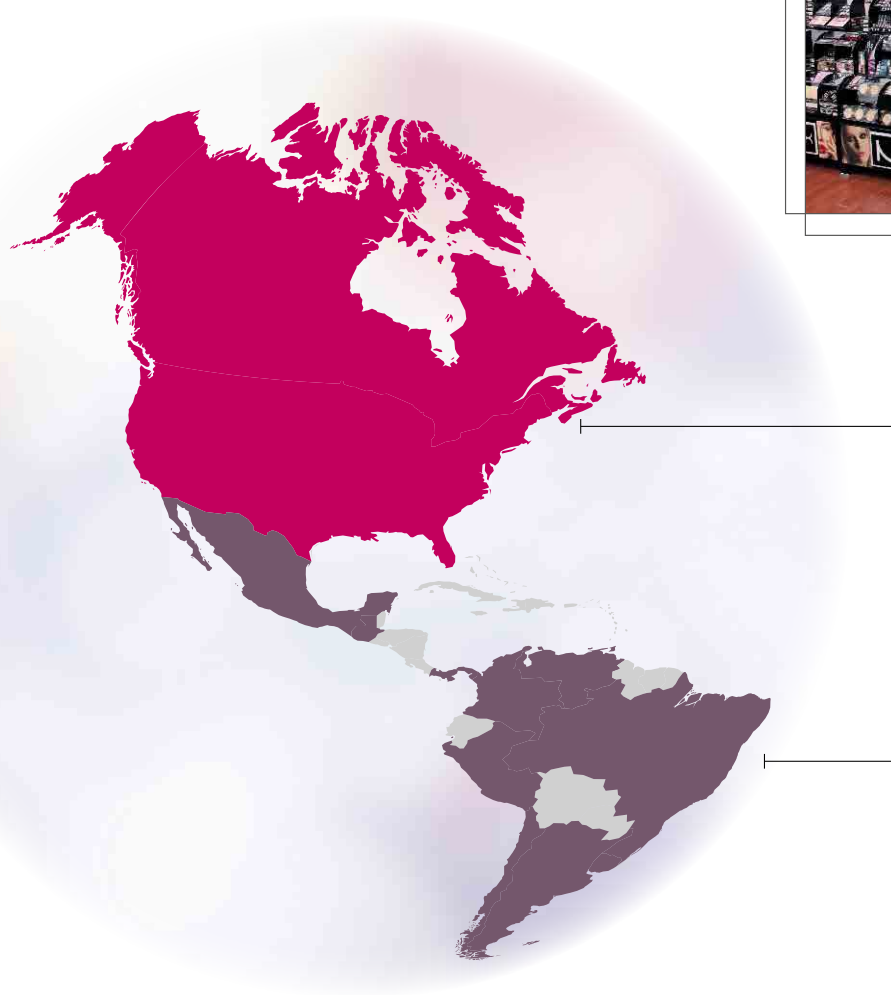


NORTH AMERICA / **+1.1%**⁽¹⁾

After strong momentum and market share gains over the last few years, L'Oréal's growth was more moderate at +1.1%⁽¹⁾, due to a temporary slowdown of the Consumer Products Division. The other Divisions continued to flourish, thanks notably to their American brands. The Consumer Products Division strengthened its portfolio with the recent acquisitions of NYX and CAROL'S DAUGHTER.

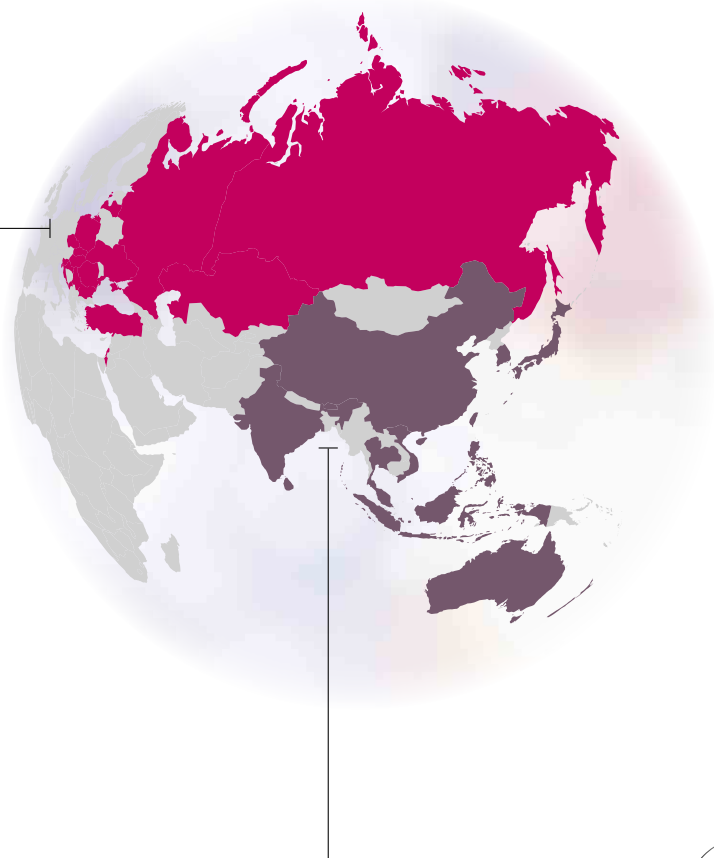
LATIN AMERICA / **+10.0%**⁽¹⁾

Sales increased by +10.0%⁽¹⁾. The Professional Products Division, Active Cosmetics and L'Oréal Luxe recorded double-digit growth and strengthened their positions. Consumer Products Division growth was driven by L'ORÉAL PARIS with Elvive and MAYBELLINE NEW YORK thanks in particular to the kiosks initiative in Brazil.



EASTERN EUROPE / +6.0%⁽¹⁾

L'Oréal recorded a +6.0%⁽¹⁾ increase in sales, growing significantly faster than the market, thanks notably to L'Oréal Luxe and the Professional Products Division. The Consumer Products Division also won market share, with very good performances from hair colour and deodorants. Active Cosmetics gained market share in Russia and Turkey.

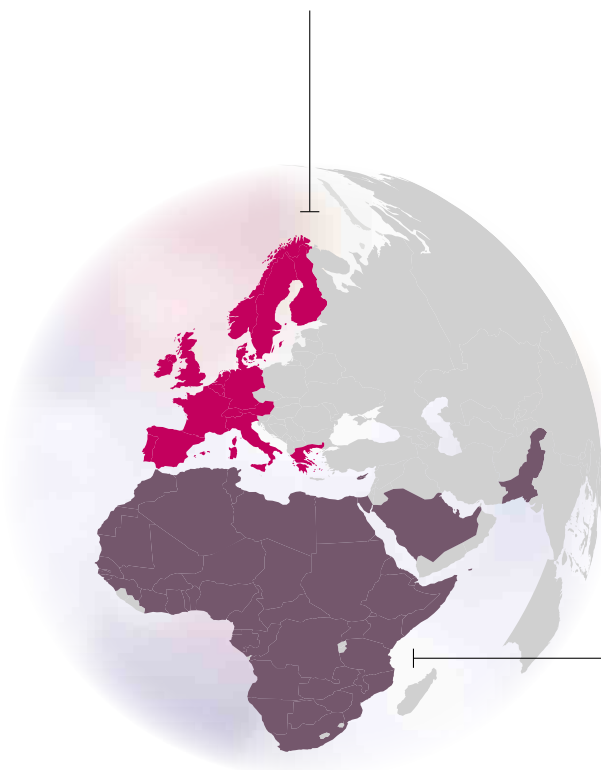


WESTERN EUROPE / +2.4%⁽¹⁾

In a stable market, growth stood out at +2.4%⁽¹⁾.

The group accelerated sales in the fourth quarter of 2014, and grew both in Northern Europe and Southern Europe, especially in Germany, the United Kingdom and Spain.

All Divisions contributed to this growth.



ASIA, PACIFIC / +5.3%⁽¹⁾

L'Oréal recorded annual growth of +5.3%⁽¹⁾, or +5.8%⁽¹⁾ excluding Japan. The group strengthened its positions, thanks especially to KIEHL'S, YVES SAINT LAURENT, GIORGIO ARMANI, LA ROCHE-POSAY and CLARISONIC. India, Indonesia, Hong Kong and Australia all recorded strong growth. MAGIC, acquired in China in the first half of 2014, grew solidly in the key skincare mask market.



AFRICA, MIDDLE EAST / +13.5%⁽¹⁾

L'Oréal increased its sales by +13.5%⁽¹⁾, driven by double-digit growth and market share gains in all Divisions. Growth was strong in South Africa and the Gulf States, as well as in Egypt, Saudi Arabia and Pakistan. L'ORÉAL PARIS, MAYBELLINE NEW YORK, LANCÔME, GIORGIO ARMANI and VICHY contributed to the good score, along with KIEHL'S and SKINCEUTICALS.

(1) Like-for-like cosmetics sales growth.

Strengthening our brand portfolio in strategic regions

In 2014, L'Oréal further enriched its unique international portfolio of complementary brands with several strategic acquisitions. The group strengthened its leadership in the worldwide beauty market⁽¹⁾ and its positions in several regions and key categories, in-

cluding make-up in the United States and facial skincare in China. These acquisitions, which cover every beauty segment, are in line with L'Oréal's Universalisation strategy, to help the group reach its ambition of conquering a billion new consumers.



NYX

Professional mass-market make-up

On July 30th, 2014, the acquisition of the American make-up brand NYX was finalised. This brand is growing very strongly in the United States, thanks to its innovative digital communications strategy, a very close relationship with vloggers⁽²⁾ and its cult products, such as The Curve eyeliner and the Butter glosses range. In the Consumer Products Division, NYX has strengthened in particular the digital expertise with its sophisticated social network know-how, and is taking advantage of the dynamic trend in professional make-up, now accessible through mass-market outlets.



▶ **WATCH THE NYX 2014 FACE AWARDS VIDEO**
by scanning this page with
the L'Oréal Finance app



CAROL'S DAUGHTER

Multicultural market expertise

CAROL'S DAUGHTER, a multicultural brand focusing on natural beauty, has been added to the L'Oréal USA portfolio. The Consumer Products Division has thus moved into the high-potential multicultural beauty market, which is expanding fast in the United States.





DECLÉOR AND CARITA

Moving into the professional skincare market

Finalised in May 2014, the acquisition of DECLÉOR and CARITA is an outstanding opportunity for the Professional Products Division. DECLÉOR, which specialises in aromatherapy cosmetics, and CARITA, an expert anti-ageing brand, are two tremendous assets in the professional skincare market.



MAGIC

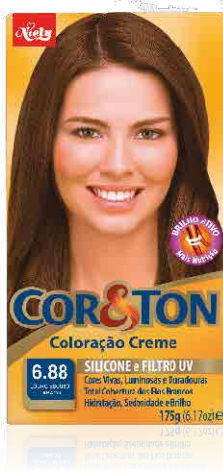
The skincare mask leader in China⁽³⁾

With the acquisition of MAGIC, finalised in April 2014, L'Oréal made its largest investment in China and further strengthened its positions in the world's number 2 beauty market⁽⁴⁾. Facial masks, at the heart of MAGIC's expertise, are a widely-used beauty routine in China's key skincare category. Alongside L'ORÉAL PARIS, the number 1 skincare brand in China⁽⁵⁾, and MAYBELLINE NEW YORK, MAGIC completes the Consumer Products Division portfolio, and its development prospects are promising.

NIELY⁽⁶⁾

Accessible hair colour in Brazil

NIELY and its two flagship brands, Cor & Ton in hair colour and Niely Gold in haircare, are very well positioned and enjoy strong popularity among middle-class Brazilian consumers. A strategic acquisition⁽⁶⁾ in one of the largest hair colour and haircare markets, NIELY complements the Consumer Products Division brands already available in Brazil.



(1) Source: "Beauty's Top 100" WWD, August 2014. (2) Video bloggers. (3) Source: Mask segment, Nielsen Panel, market share value 2014. (4) Source: L'Oréal 2014 estimates of the worldwide cosmetics market based on net manufacturer prices excluding soap, oral hygiene, razors and blades. Excluding currency effects. (5) Source: Skincare segment, Euromonitor, market share value 2013. (6) Acquisition currently being finalised.

THE WORLD OF BRANDS

CONSUMER Products / **20**

L'Oréal LUXE / **24**

PROFESSIONAL Products / **28**

ACTIVE Cosmetics / **32**

The Body Shop / **36**

Travel Retail / **38**





CONSUMER PRODUCTS

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

“

A PIVOTAL YEAR FOR STRENGTHENING THE DIVISION

In a context affected by a slowdown in the worldwide market, we achieved slightly weaker growth in 2014, with an acceleration in the fourth quarter. We made progress in Western Europe and reinforced our positions in the New Markets, especially in Africa, Middle East, in Asia, Pacific and in Eastern Europe. Make-up is the Division's number 1 category, while haircare is core to our growth, and facial skincare provides leverage for conquering markets in Southern Asia. We continued to strengthen our portfolio through acquisitions in our key categories, in strategic countries of each category.”

MARC MENESGUEN
PRESIDENT CONSUMER PRODUCTS DIVISION



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STRATEGIC FOCUSES IN 2014

ACQUISITIONS: Three new brands are bolstering the Consumer Products portfolio in key categories and strategic countries: MAGIC, number 1 in face masks in China⁽²⁾, NYX, the mass-market professional make-up brand, and NIELY⁽³⁾, in the hair colour market in Brazil (see pages 16 and 17).

MAKE-UP: In this major market, the Division is consolidating its positions with the acquisition of NYX, successful launches such as Miss Manga mascara by L'ORÉAL PARIS, and original digital initiatives like the Makeup Genius app, at the cutting edge of virtual make-up.

(1) Like-for-like. (2) Source: Mask segment, Nielsen Panel, market share value 2014. (3) Acquisition currently being finalised.

More than
20,000

BRITISH WOMEN TOOK PART
IN THE DEVELOPMENT OF
ULTIMATE BLENDS



1



2



3



Haircare successes

This year once again, haircare was a winner for the Consumer Products Division, driven by the good performances of its two star lines: Elvive by **L'ORÉAL PARIS** and Ultra Doux by **GARNIER**.

The worldwide Elvive saga continued in 2014. European market leader⁽¹⁾, the brand posted very good growth in the key haircare markets: the United States, China, Brazil and India. Fibrology, one of the most innovative Elvive ranges, launched at the end of 2013, recorded a good performance. Following the success of Extraordinary Oil, Elvive launched a full range in 2014, which is already a pillar of the brand.

Ultra Doux by GARNIER – a household name in France – crossed the Channel in 2014 to win over the United Kingdom, a high-potential haircare market. Fragrances and formulas were specifically developed for the United Kingdom, to match the tastes and expectations of British consumers. With finely tuned positioning and a tailor-made “Blended for Britain” advertising campaign, the launch of Ultimate Blends was a resounding success. A real growth relay for GARNIER, with significant market share gains⁽²⁾.

(1) Source: Nielsen/IRI Panel, Western Europe Total, market share value 2014. (2) Source: Nielsen Panel, Great Britain Total, market share value 2014.

1
“BLENDED
FOR BRITAIN”
The launch of
Ultimate Blends
in the United
Kingdom was
boosted by a
tailor-made
campaign.

2
**ULTIMATE BLENDS
BY GARNIER**
Six fragrances
designed to match
the tastes of
British consumers.

3
**EXTRAORDINARY
OIL BY ELVIVE**
From a new
haircare routine
to a full product
range, the success of
Extraordinary Oil
continued in 2014.

Facial skincare seduces Asia

The Consumer Products Division is winning over Asian consumers with high-quality products adapted to suit their expectations.

This market is especially strategic in the men's segment, where the brands Men Expert by **L'ORÉAL PARIS** and Garnier Men are performing well. Number 1 in the Chinese market⁽¹⁾, Men Expert continued its resounding success in 2014, with the help of the Volcano Red Foam range. In the men's anti-acne segment, which has strong potential, Acno Fight is contributing to Garnier Men's growth in Asia.

In women's skincare, Sleeping Essence Sakura White night cream by **GARNIER** got off to a good start in the lightening segment, enabling the brand to bolster its position in skincare. Meanwhile L'ORÉAL PARIS, the number 1 skincare brand in China⁽²⁾, is surfing on the powerful "V-shaped face" trend in Asia, with Revitalift V-shaper.

In its first year as part of L'Oréal's brand portfolio, **MAGIC**, the market leader in the mask segment⁽³⁾, is driving facial skincare growth in China, where this beauty routine is widely used.

(1) Source: Men's facial skincare segment, Nielsen Panel, market share value 2014. (2) Source: Skincare segment, Euromonitor, market share value 2013. (3) Source: Mask segment, Nielsen Panel, market share value 2014.



▶ **WATCH THE SAKURA WHITE VIDEO**
by scanning this page with
the L'Oréal Finance app



SKINCARE MASKS BY MAGIC

*A widely-used
facial skincare
routine in China.*

MEN'S COSMETICS

*Southern Asia is
a very buoyant
market for men's
beauty, where
Men Expert by
L'ORÉAL PARIS
and Garnier Men
are performing
strongly.*

SAKURA WHITE BY GARNIER

*A skincare range
for radiant
skin that meets
Asian women's
expectations.*



All lights on digitalisation

Accelerating the pace of digitalisation is one of the priorities for the Consumer Products Division, by sharing best practices in e-commerce and focusing on content.

The top countries contributing to the Consumer Products Division e-commerce sales are China – by a landslide, with 13.5% of online sales⁽²⁾ – the United States, and three European countries: France, the United Kingdom and Germany. E-commerce sales are made both through our traditional distributor partners and on the websites of pure players that operate exclusively on the Internet.

Digitalisation also enables the group's brands to offer their consumers new services and experiences. The **L'ORÉAL PARIS** Makeup Genius app is a first in the field of connected beauty, and provides a genuine digital service in the make-up segment. **MAYBELLINE NEW YORK** is launching the brow trend in the mass-market with an innovative platform, Eyestudio Brow, which offers online diagnoses, advice from make-up artist Maribeth Madron and video tutorials. It enables the brand to establish its expert status in this new and expanding segment, and raise the profile of the Brow Drama launch.

(1) Like-for-like, including distributor feedback and L'Oréal estimates. (2) Including distributor feedback and L'Oréal estimates.

+69.5%

GROWTH IN
E-COMMERCE⁽¹⁾



22
23

EYESTUDIO BROW BY MAYBELLINE NEW YORK

*A platform dedicated
to eye and brow beauty
that establishes the
brand's expert status.*

MAIN COUNTRIES CONTRIBUTING TO E-COMMERCE SALES⁽²⁾

*China
France
United States
United Kingdom
Germany*



VIEW THE ARTICLE: TREND-SETTING MAKE-UP
by scanning this page with the L'Oréal Finance app

L'ORÉAL LUXE

LANCÔME | GIORGIO ARMANI
KIEHL'S | YVES SAINT LAURENT
BIOTHERM | RALPH LAUREN
URBAN DECAY | CLARISONIC
SHU UEMURA | VIKTOR&ROLF
DIESEL | CACHAREL
HELENA RUBINSTEIN | YUE SAI
GUY LAROCHE | PALOMA PICASSO
MAISON MARTIN MARGIELA



“

THE NEW LUXURY PARADIGM

2014 was another year of outperformance, with L'Oréal Luxe growth at +7.1%⁽¹⁾, in a selective beauty market that remains buoyant. We won market share in each of the major world regions, especially in Europe, China and the United States.

The luxury sector is experiencing a paradigm shift: we have entered the New Luxury era. 2014 was a year of major advances for L'Oréal Luxe, with outstanding breakthroughs in make-up and in women's fragrances, thanks especially to the success of “La vie est belle” by LANCÔME, Si by GIORGIO ARMANI and Black Opium by YVES SAINT LAURENT. ”

NICOLAS HIERONIMUS
PRESIDENT SELECTIVE DIVISIONS



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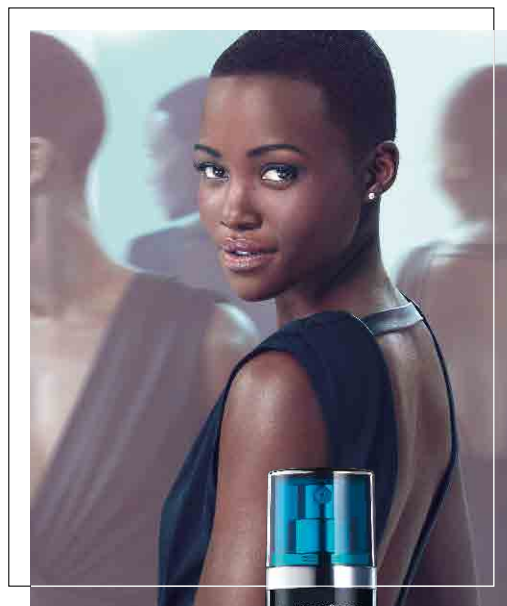
STRATEGIC FOCUSES IN 2014

NEW LUXURY: Traditional luxury, heavily associated with heritage and craftsmanship, is now being melded with the more digital and alternative New Luxury represented by the brands URBAN DECAY, CLARISONIC, SHU UEMURA and KIEHL'S.

MAKE-UP: The selective make-up market is growing worldwide, driven by new segments. L'Oréal Luxe stands out from the crowd, and continues to demonstrate the brand's strong innovation capacities which are often at the heart of new trends.

DIGITALISATION: Digitalisation is a priority for the Division. E-commerce is growing steadily at +33.6%⁽²⁾, thanks to the quality of the brand websites. Digital media also offer the brands new ways of interacting with their consumers.

(1) Like-for-like. (2) Like-for-like, including distributor feedback and L'Oréal estimates.



All the magic of LANCÔME

As its 80th anniversary drew near, global brand **LANCÔME** demonstrated the modernity of its take on beauty.

Throughout the world, LANCÔME celebrates all women in their uniqueness and infinite diversity. By choosing Lupita Nyong'o as the new face to express the quintessence of LANCÔME femininity, the brand also established its commitment to its conception of beauty.

Symbolising the brand's rise in luxury, the "Maison Lancôme" concept store offers consumers a unique experience as they discover the world of LANCÔME and its iconic products. The first two openings, which took place in China and then in France, will be followed by more than 50 new boutiques worldwide in 2015.

As the top seller in France⁽¹⁾, number 2 in Europe⁽²⁾ and number 4 worldwide⁽³⁾, the success of "La vie

est belle" continued. The brand also extended the Visionnaire range with the launch of Visionnaire Crème, and innovated in the mascara segment with Grandiôse and its swan-neck wand technology, awarded the *Prix d'Excellence de la Beauté Marie Claire 2015*⁽⁴⁾. All these innovations are aimed at recruiting new consumers in the three key categories: fragrances, skincare and make-up.

(1) Source: Women's fragrance segment, NPD France Panel, market share value 2014. (2) Source: Women's fragrance segment, aggregate NPD France, Italy, Spain, UK and IRI Germany Panels, market share value 2014. (3) Source: Women's fragrance segment, aggregate NPD France, UK, Spain, Italy, US and IRI Germany Panels, Generation Travel Retail, Segmenta Latin America, Asia Beauty Research (China, Japan, Hong Kong, Taiwan, South Korea), market share value 2013. (4) Source: Prix d'Excellence de la Beauté 2015, Marie Claire, January 2015.



▶ **WATCH THE GRANDIÔSE VIDEO**
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1
"LA VIE EST BELLE"
Sustained success
for this fragrance,
which has become
one of the top
perfumes
worldwide⁽³⁾.

2
GRANDIÔSE
The patented
swan-neck wand of
this new mascara
reaches every
eyelash, making
application easy.

3
**VISIONNAIRE
CRÈME**
This latest addition
to the Visionnaire
range completes
the routine.

**BABY DOLL
KISS & BLUSH BY
YVES SAINT LAURENT**

*A single product
to colour lips
and cheeks.*



Make-up drives growth

In a particularly dynamic market, make-up spear-headed the growth of L'Oréal Luxe in 2014. This category is strategically important for the Division, and is a focal point for the creativity and modernity of its brands, which recorded good performances.

YVES SAINT LAURENT and **GIORGIO ARMANI** posted double-digit growth in make-up, boosted by the launches of Baby Doll Kiss & Blush, a highly original product used to colour both lips and cheeks, and Eye & Brow Maestro, a multi-purpose eye make-up cream that is surfing on the brow trend. Meanwhile, the Californian brand **URBAN DECAY** also made significant contributions to the category's growth, notably with more than five million units of Naked Palettes sold in 2014⁽¹⁾. The expert make-up and colour brands **URBAN DECAY** and **SHU UEMURA** – in the midst of a revamp – stepped up their point-of-sales presence in 2014 with new counters.

(1) In sell-out.



▶ **WATCH THE BABY DOLL KISS & BLUSH VIDEO**
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the L'Oréal Finance app



**EYE & BROW
MAESTRO
BY GIORGIO
ARMANI**

*Invented backstage
at fashion shows,
this multi-purpose
cream is a brow
definer, shadow
and liner.*

**NAKED LIPGLOSS
BY URBAN DECAY**

*A hydrating gloss
that adds the
finishing touch
for a Naked look.*



Alternative brands symbolise New Luxury

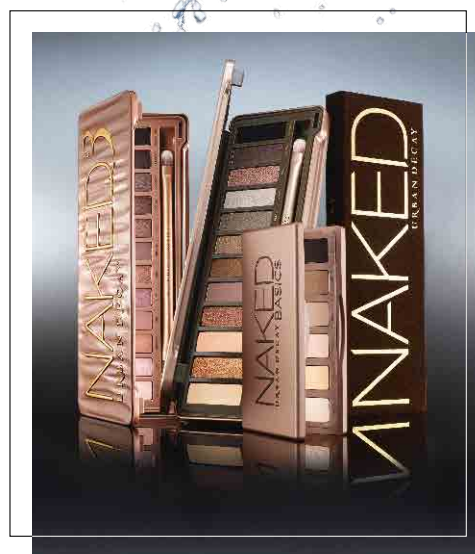
In 2014, the alternative brands – each with its own cultural identity – were core to the Division's growth.

KIEHL'S, acquired in 2000, continued its global success story. Thanks to its unique business model and point-of-sales service – embodying some of the selective channel's best practices – the New York brand posts strong growth year after year. Drawing on its emblematic products, and launches such as Hydro-Plumping Re-Texturizing Serum Concentrate in 2014, KIEHL'S offers its customers effective formulas with highly concentrated natural ingredients.

URBAN DECAY, the trend-setting brand for make-up addicts, recorded the highest growth rate in the Division and doubled its sales in two years⁽¹⁾. The key to its success? Iconic products such as Naked Palette, buzz on social networks, and a strong focus on the points of sale. L'Oréal has high hopes for the Californian brand, which continued its worldwide expansion in 2014, reaching eight new countries.

Seattle native **CLARISONIC** is one of the most dynamic brands in the L'Oréal Luxe portfolio. As the leader in at-home instrumental cosmetics⁽²⁾, the brand offers high-tech solutions, like this year's anti-pollution approach and new Deep Pore Cleansing kit. Now operating in 45 countries, the brand is swiftly expanding worldwide, with strong performance, particularly in Western Europe at +48.5%⁽¹⁾.

(1) Like-for-like. (2) Source: Kline study "Beauty Devices 2013: Global Market Brief", March 2014.



1

NAKED PALETTE BY URBAN DECAY
Subtly-coloured eyeshadow palettes with powerful consumer appeal.



2

KIEHL'S
Worldwide success built on three pillars: respecting science, delivering product quality and meeting customer expectations.



VIEW THE ARTICLE: SUCCESS OF THE GREAT DESIGNER BRANDS
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PROFESSIONAL PRODUCTS

L'ORÉAL PROFESSIONNEL | KÉRASTASE
REDKEN | MATRIX | PUREOLOGY
DECLÉOR | SHU UEMURA ART OF HAIR
ESSIE | CARITA | MIZANI



“

A NEW STRATEGIC CHAPTER FOR THE DIVISION

With the acquisition of DECLÉOR and CARITA, the Professional Products Division is now present in all professional beauty categories: haircare, nail beauty and skincare. As the long-established leader in professional haircare⁽¹⁾, we outperformed the market once again this year. We have a differentiated strategy tailored to each geographic region: inspiring customers and restoring momentum in mature markets; and promoting professional beauty in the New Markets. Education, extending our distribution network and making our brands more attractive are our three main growth drivers. ”

AN VERHULST-SANTOS
PRESIDENT PROFESSIONAL PRODUCTS DIVISION



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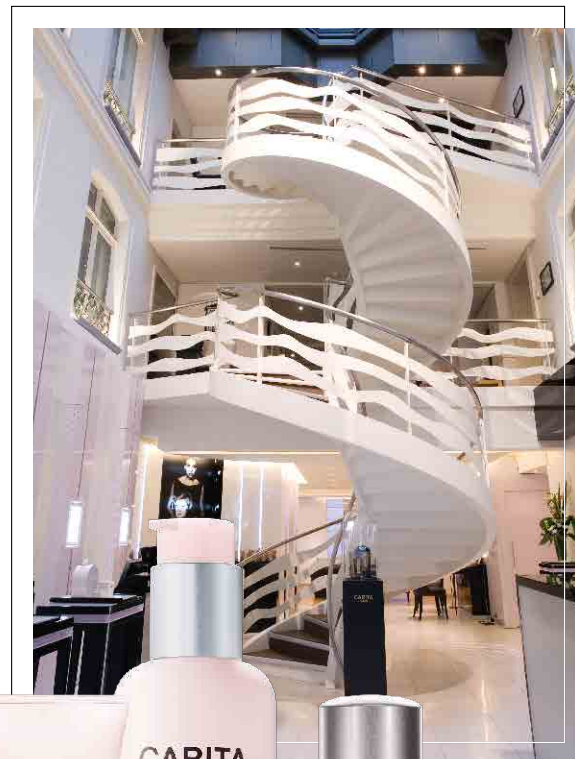
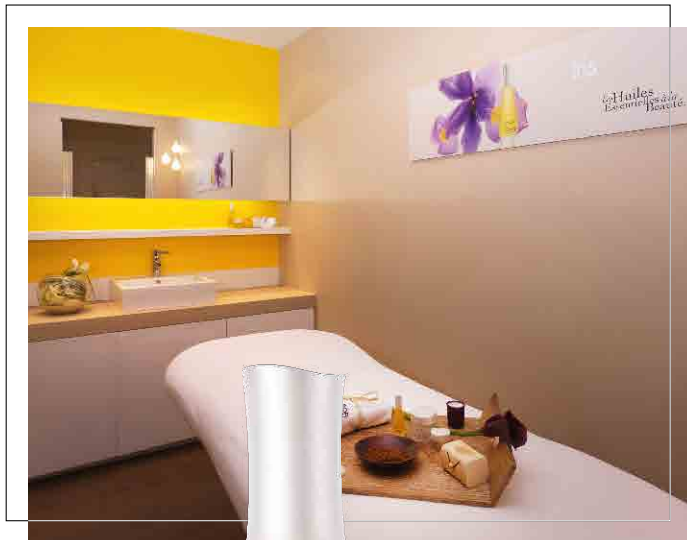
STRATEGIC FOCUSES IN 2014

HOLISTIC BEAUTY: The Division's portfolio covers the whole range of beauty professions. This is a tremendous growth opportunity, especially in markets where consumers are increasingly seeking a holistic approach to beauty.

NEW MARKETS: In these geographic zones, which hold the promise of future growth, the main challenges are professionalisation, in order to promote the beauty professions; and the creation of strong partnerships with hairdressers to extend our distribution network.

EDUCATION: Training for beauty professions is the Division's key growth driver, and provides essential support for market development. In 2014, more than 3.5 million beauty professionals were in contact with our education teams.

(1) Source: Kline study "Salon Hair Care: World Market Analysis and Opportunities", July 2014. (2) Like-for-like.



Two new skincare assets

Finalised in May 2014, the acquisition of **DECLÉOR** and **CARITA**, two attractive brands with strong positions in the professional skincare market, is an outstanding opportunity for L'Oréal.

DECLÉOR is a specialised aromatherapy-based cosmetics brand jointly founded by an aromatherapist and an aesthetician. In 1974 it launched oil-based skincare products, initially for the face and then for the body. Its success stems from its institute-based aromatic beauty treatments and its sensuous oils. DECLÉOR complements the Professional Products Division's portfolio by opening up a new territory and providing genuine expertise in essential oils.

CARITA, an expert brand in the anti-ageing segment, has a special place among the professional luxury brands thanks to its cutting-edge technology and its holistic concept of beauty, encompassing the face, body and hair. Its success is based on a unique combination of effective formulas, devised and developed for institute treatments; and devices using innovative equipment such as LED⁽¹⁾ and ultrasound. Thanks to CARITA, L'Oréal will seize promising professional beauty market opportunities, especially in Asia.

(1) Light-Emitting Diode.

1
DECLÉOR
Specialising in essential oils, the brand creates fabulous aromatic beauty institute treatments.

2
CARITA
This professional luxury brand specialises in anti-ageing, and owes its success to its advanced technology.

Haircare *innovations*

SERIOXYL BY L'ORÉAL PROFESSIONNEL

*Two serums for fine
and thinning hair,
one for the scalp
and the other for
the hair fibre.*



Haircare was the category that posted the strongest growth in 2014. Its secret? Major innovations with strong scientific value that are adapted to suit women's expectations, both in terms of products and associated services.

The pioneering scalp care brand **KÉRASTASE** saw the success of Densifique confirmed this year in the hair density segment and by the *Prix d'Excellence de la Beauté Marie Claire 2015*⁽¹⁾. The brand also demonstrated its continued ability to innovate with the high-profile launch of Discipline. Derived from L'Oréal research into hair movement and from a deep understanding of women's expectations, this haircare range is based on a new routine to give control and shape.

The **L'ORÉAL PROFESSIONNEL** brand is innovating with Serioxyl, a concentrate of expertise from L'Oréal Research made into a unique professional and tailor-made programme. It has also launched Absolut Repair Lipidium, inspired by Brazilian hair, with a salon procedure and a home routine.

The accessible professional brand **MATRIX** is successfully revamping its Biolage franchise. The new range has been well received in all strategic markets, and is invaluable in terms of winning over new consumers.

(1) Source: Prix d'Excellence de la Beauté 2015, Marie Claire, January 2015.

KÉRASTASE
DISCIPLINE

BAIN FLUIDEALISTE
MORPHO-KÉRATINE™

Shampooing lisse-en-mouvement
Fluidité - Brilliance - Anti-Frizz
Smooth-in-motion shampoo
Fluidity - Shine - Anti-Frizz

TOUS CHEVRES INDISCIPLINÉS
ALL UNRULY HAIR

RECHERCHE AVANCÉE
L'ORÉAL
PARIS 8.5 fl.oz.

**DISCIPLINE
BY KÉRASTASE**
*KÉRASTASE is
leading the way
in smoothness
and bounce.*

ABSOLUT REPAIR LIPIDIUM BY L'ORÉAL PROFESSIONNEL

*A range of seven
products to repair
hair fibre.*



L'ORÉAL PROFESSIONNEL

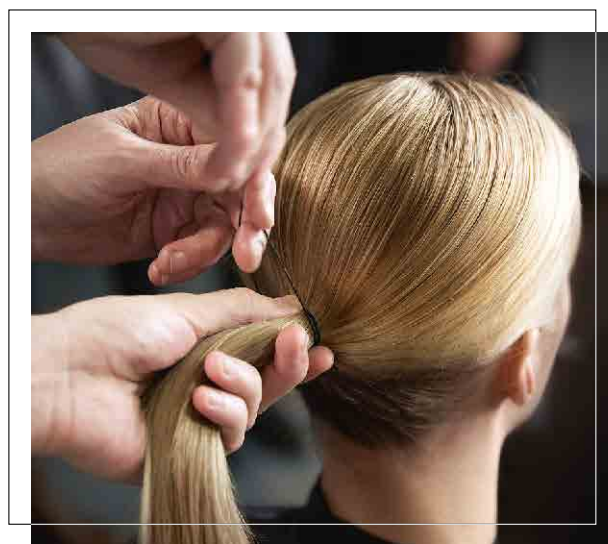
at the cutting edge of trends

L'ORÉAL PROFESSIONNEL is the first contributor to the Division's growth. The brand is determined to strengthen its leadership worldwide⁽¹⁾, by being at the heart of the latest trends and using cutting-edge innovations to promote hairdressers' expertise.

2014 was a good year for the brand in terms of growth. L'ORÉAL PROFESSIONNEL is underpinned in particular by two dynamic categories: hair colour, with Inoa and the launch of popular new Majirel colours; and styling, with the success of the new Wild Stylers range from Tecni.ART. Brazil, Spanish-speaking America, Eastern Europe and India spearheaded the brand's expansion in 2014. L'ORÉAL PROFESSIONNEL is launching two innovations that reflect its scientific expertise and the quality of its services: Serioxyl in the fine and thinning hair segment and Absolut Repair Lipidium for "damaged" hair. It all begins with the hairdresser's diagnosis and advice, followed by an exclusive salon treatment, and then continues in the consumer's home with a routine featuring star products. High-performance formulas and hands-on expertise are combined to deliver a professional result.

The brand participates in many fashion shows, and this year further strengthened its connection with fashion by creating It Looks, mirroring the latest trends in colour, cuts and styling. These hairstyles, worn by It Girls, reflect the spirit of L'ORÉAL PROFESSIONNEL. In 2014, the brand teamed up for the first time with an international ambassador, Kirsten Dunst, who was the face of the year's key launches.

(1) Source: Kline study "Salon Hair Care: World Market Analysis and Opportunities", July 2014. (2) L'ORÉAL PROFESSIONNEL sales growth in styling, like-for-like. (3) Oil Delivery System.



+8.7%

STYLING CATEGORY
GROWTH⁽²⁾



1

30
31



2

1
IT LOOKS

Chen Ran is one of the ambassadors of the brand's latest It Looks styles.

2

INOA

ODS² technology⁽³⁾ underpins the success of Inoa, which continued to accelerate in 2014.



VIEW THE ARTICLE: THE UNITED STATES LEADS THE WAY
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ACTIVE COSMETICS

VICHY | LA ROCHE-POSAY
SKINCEUTICALS | ROGER&GALLET
SANOFLORE



“

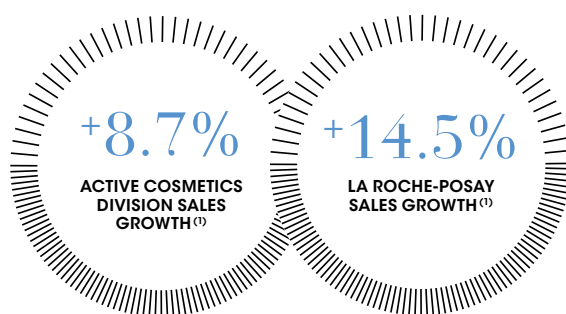
OUTPERFORMING A DYNAMIC MARKET

In a dynamic dermocosmetics market, the Active Cosmetics Division's sales continued to increase at +8.7%⁽¹⁾, driven especially by LA ROCHE-POSAY and the fast growth of SKINCEUTICALS. Our brands' innovations with high scientific value and the roll-out of our multi-channel approach were powerful growth drivers in 2014. Our longstanding and privileged partnerships with dermatologists are one of the Division's great strengths, and this year we held the SkinAlliance in Dermocosmetic Science Forum to bring together the future opinion leaders of European dermatology and raise awareness about dermocosmetics excellence. ”

BRIGITTE LIBERMAN
PRESIDENT ACTIVE COSMETICS DIVISION



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STRATEGIC FOCUSES IN 2014

DERMACENTERS: With the ambition to adapt its distribution model by taking on board the realities of different markets, the Active Cosmetics Division continued to open large numbers of dermacenters worldwide, including some in travel retail outlets.

SKINALLIANCE IN DERMOCOSMETIC SCIENCE FORUM: This forum brought together for the first time the future opinion leaders of the dermatological fields to discuss the science of dermocosmetics. Very stimulating exchanges took place between dermatologists and L'Oréal researchers on topics ranging from Advanced Research to evaluation.

DIGITALISATION: The e-skin.com platform, which features content on all Active Cosmetics brands, offers diagnoses and expert advice, and hosts a community of Internet users interested in health and beauty. It is an emblematic example of the opportunities provided by digitalisation.

(1) Like-for-like.

New expertise, new formulations

In 2014, three major scientific advances highlighted the Active Cosmetics Division's expertise in dermocosmetics.

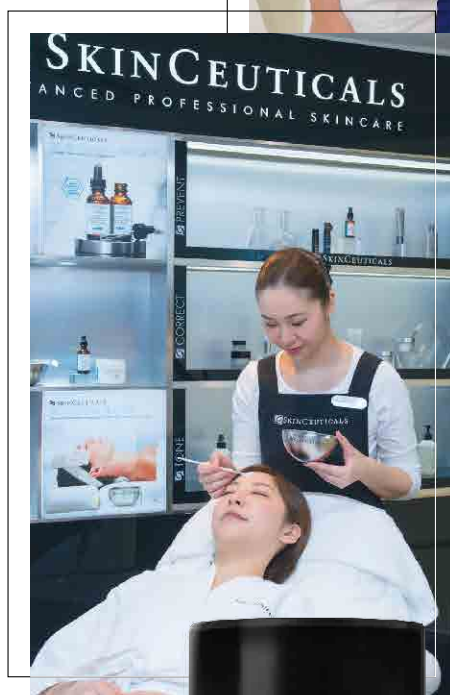
With Lipikar Baume AP+, **LA ROCHE-POSAY** has achieved a breakthrough in the field of skin allergies. Thanks to the discoveries made by L'Oréal Research in the microbiome field (see page 43), the brand has moved into a new high-potential area of cosmetics. For dry skin with atopic tendency, Lipikar Baume AP+ helps to restore the microbiome balance and diversity. This innovative approach prevents and spaces out flare-ups.

With its Liftactiv franchise, European anti-ageing market leader⁽¹⁾, **VICHY** offered a new approach to skin ageing in 2014 by focusing on the signs of age that appear during the day. Launched in September, Liftactiv Supreme targets this daily ageing process by using a continuous correction formula over the course of a day and in the longer term. The formula, inspired by blur technology, meets women's expectations for results visible immediately after application.

SKINCEUTICALS, a pioneer in cosmeceuticals⁽²⁾, has opened up a new technological approach to antioxidants with Resveratrol B E. It is the first time such a high concentration of pure, stabilised resveratrol has been used in a cosmetics product. This innovation has strengthened the brand's expertise and scientific positioning. Resveratrol B E night concentrate, which complements the brand's daily care products, is also a promising growth relay for SKINCEUTICALS.

(1) Source: IMS Health, Pharmatrend Europe, anti-ageing market in 8 European countries (France, Italy, Germany, Spain, Belgium, Netherlands, Austria and Switzerland). CMA November 2014, in value and volume. (2) The word "cosmeceuticals" is created from cosmetics and pharmaceuticals.

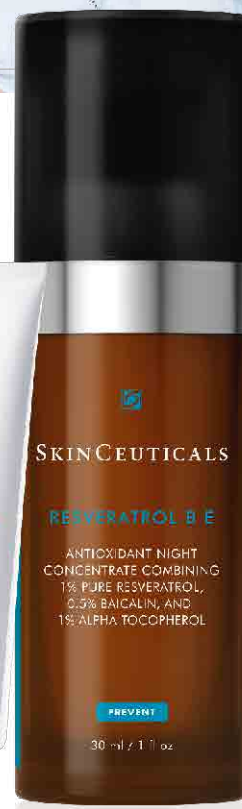
 **WATCH THE VIDEO ON THE LIPIKAR BAUME AP+ INNOVATION** by scanning this page with the L'Oréal Finance app



1



2



3



1

**LIPIKAR
BAUME AP+ BY
LA ROCHE-POSAY**
*More than just a
calming cream,
it spaces out severe
dryness flare-ups.*

2

**RESVERATROL B E
BY SKINCEUTICALS**
*A night-time antioxidant
concentrate with 1%
pure resveratrol.*

3

**LIFTACTIV SUPREME
BY VICHY**
*VICHY acts as
an everyday
partner against
daily ageing.*



Three good regional performances

GULF STATES

With the opening of six dermacenters, the Division is offering a new consumer experience.

WESTERN EUROPE

The renovation of pharmacies is leveraging growth in the Division's traditional market.

Three regions made significant contributions to Active Cosmetics Division growth in 2014.

The Division, which was already the dermocosmetics leader in Brazil ⁽¹⁾, posted considerable growth there once again in 2014. So what are the secrets behind this success? Products conceived especially for Brazilian skin, such as Active C[10] by **LA ROCHE-POSAY**, and a business model based on a very close relationship with health professionals. **VICHY** and its products, which are well-suited to the Brazilian market, are also at the heart of the Division's growth. Efforts to conquer a new form of distribution have begun in the Gulf states, where six dermacenters opened in 2014. These special sales areas inside pharmacies offer a new consumer experience, with personalised advice and diagnoses. The **ROGER&GALLET** counters, inspired by the *Boutique du Bonheur* in Paris, offer a unique sensorial experience.

As the Active Cosmetics Division's traditional market, Western Europe remains a region of great strategic importance in growth terms. The brands **LA ROCHE-POSAY**, **SKINCEUTICALS** and **SANOFLORE** are particularly dynamic in this region.

BRAZIL

No.1

THE ACTIVE COSMETICS
DIVISION IS THE
DERMOCOSMETICS
LEADER ⁽¹⁾

GULF STATES

6

DERMACENTERS
OPENED IN 2014

WESTERN EUROPE

+5.6%

ACTIVE COSMETICS
DIVISION SALES
GROWTH ⁽²⁾

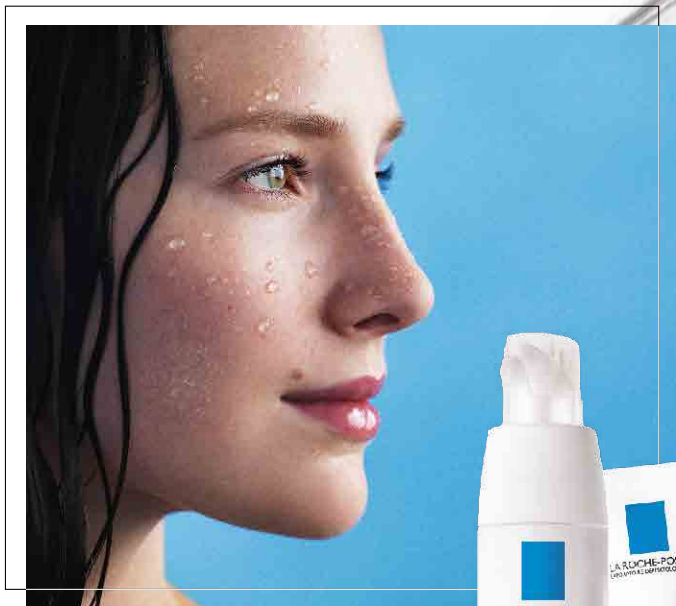
BRAZIL

*Active C[10] facial skincare treatment by **LA ROCHE-POSAY** was developed specifically to meet the expectations of Brazilian women.*

⁽¹⁾ Source: IMS Brazil Panel, dermocosmetics market, market share value 2014.

⁽²⁾ Like-for-like.





9
SCIENTIFIC STUDIES SUPPORT
THE EFFICACY OF
THE LA ROCHE-POSAY
ANTI-POLLUTION
ROUTINE

Global success for LA ROCHE-POSAY

At +14.5%⁽¹⁾, **LA ROCHE-POSAY** achieved a fifth year of double-digit growth and proved itself to be an important growth driver for the Active Cosmetics Division. At the heart of the brand's performance, the launches of Lipikar Baume AP+ and Effaclar Duo [+] illustrate its high scientific and clinical standards.

LA ROCHE-POSAY posted double-digit growth in 2014 in all geographic zones, reflecting the successful internationalisation of its business model. In China for example, the brand has established itself thanks to its dermatological expertise in the field of pollution, a key issue for Chinese consumers. LA ROCHE-POSAY offers them a routine featuring

three flagship products, whose efficacy has been confirmed by the findings of nine scientific studies.

True to its mission statement – "A better life for sensitive skin" – LA ROCHE-POSAY launched the Lipikar Families programme in September 2014, to provide effective support for people with atopic skin and their families. Selected by partner dermatologists, they receive a year's supply of Lipikar products, benefit from direct advice from dermatologists and are given access to a digital community platform.

(1) Like-for-like.



VIEW THE ARTICLE: **VICHY SUPPORTS WOMEN**
by scanning this page with the L'Oréal Finance app

1 EFFACLAR DUO[+]

Its anti imperfection benefits were positively evaluated by Asian consumers, who are the most demanding in this field.

2 INTERNATIONALISATION

The LA ROCHE-POSAY business model, based on high scientific and clinical standards, is being rolled out successfully in all geographic zones.

THE BODY SHOP



“

THE BODY SHOP DIFFERENCE

With its unique positioning that complements the L'Oréal portfolio, The Body Shop performed well at the end of 2014. Making skincare our strategic priority paid off, and once again this year the Christmas holiday period accounted for a significant proportion of sales. The Americas drove the brand's growth in 2014, with especially rapid expansion in Brazil, following the acquisition of a majority stake in Emporio Body Store.

JEREMY SCHWARTZ

CHAIRMAN AND CEO OF THE BODY SHOP

”

STRATEGIC FOCUSES IN 2014

BRAZIL: One year after taking a majority stake in Emporio Body Store, The Body Shop is continuing to win over Brazilian consumers. In 2014, the brand selected and launched star product ranges in Emporio Body Store outlets, and opened some 20 free-standing stores. The quality of the ingredients and the unique customer experience, fully in line with Brazilian consumers' aspirations, are opening up very rich opportunities for The Body Shop in Brazil, which is the fourth largest beauty market in the world⁽¹⁾.

PULSE 3.0: 2014 also saw the launch of Pulse 3.0, a new store format, with three aims in mind: to showcase the sensorial appeal of the products, to highlight the skincare expertise of The Body Shop and to personalise the consumer experience.

(1) Source: L'Oréal 2014 estimates of the worldwide cosmetics market in net manufacturer prices. Excluding soaps, oral hygiene, razors and blades. Excluding currency effects.

A look back at the year's key launches

The end-of-year festive period is very important for The Body Shop. This Christmas, it not only launched Glazed Apple, a brand new seasonal range, but also an Advent calendar filled with new products and surprises. The brand reinvigorated its gift sets and initiated a partnership with War Child⁽¹⁾; for every gift set purchased, a class was funded for a child in a conflict zone.

The skincare category was driven by two successes, Drops of Youth™ Eye Concentrate and Vitamin E Aqua Boost Sorbet. The Drops of Youth™ range is one of The Body Shop's skincare pillars. The Eye Concentrate, enriched with edelweiss plant cells, and its roll-on applicator target early signs of ageing around the eyes. This new beauty gesture is already proving a winner with consumers. The secrets behind Vitamin E Aqua Boost Sorbet's refreshing hydrating powers are its lightweight texture and the natural antioxidant vitamin E. True to The Body Shop's philosophy, the organic soya oil at the heart of the formula comes from fair trade sourcing.

One of this year's highlights for the brand was the launch of the spicy Red Musk™ fragrance. Its premium positioning is adding new momentum to the whole of The Body Shop's Musk range.

(1) Non-governmental organisation which provides assistance to children in conflict areas.



1



36
37



2

1

DROPS OF YOUTH™ EYE CONCENTRATE

Younger-looking eyes with this anti-ageing skincare, which targets the eye contour.

2

CHRISTMAS COLLECTION

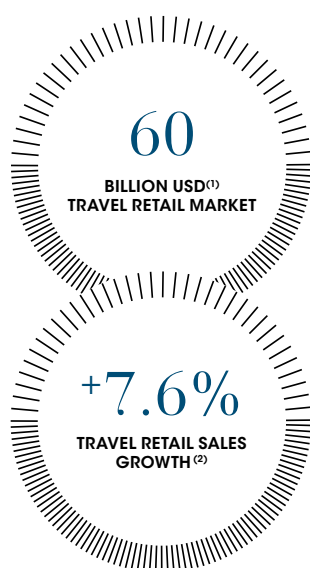
The Body Shop lights up the holidays with gift sets and limited editions.

3

VITAMINE E AQUA BOOST SORBET

A delightful skincare for normal to combination skin.

TRAVEL RETAIL THE SIXTH CONTINENT



“

L'Oréal, as the traditional beauty leader in travel retail⁽³⁾, has high ambitions for this dynamic channel, which is expected to double in size over the next 10 years⁽⁴⁾. L'Oréal is the only group with a brand portfolio that covers all of the beauty aspirations of travelling consumers, from luxury to mass-market and from dermocosmetics to professional products, by way of The Body Shop.

VINCENT BOINAY

MANAGING DIRECTOR L'ORÉAL TRAVEL RETAIL

”

TRAVEL RETAIL ESSENTIALS

POTENTIAL: Travel retail⁽⁵⁾, a sixth continent for L'Oréal, has strong growth potential. In 2014, the opening of the Haitang Bay International Shopping Complex in China and a new airport in Qatar were highpoints illustrating the channel's vitality. Beauty, which is the leading category in this channel⁽⁴⁾, is changing, moving away from multi-category stores towards specialised beauty boutiques.

GLOBAL SHOPPER: Travel retail consumers are global shoppers who buy not only where they live but also whilst travelling. L'Oréal has studied the destinations favoured by each nationality among these consumers in order to offer them a personalised approach catered, for example, to their language and important cultural events.

(1) Source: Generation Panel, all sectors combined, 2013 sell-out. (2) Like-for-like. (3) Source: Generation data, market share value 2013. (4) Source: Generation data. (5) Sales made in areas devoted to travellers and duty-free shops.

Attracting new consumers

Travel retail provides an ideal showcase for the group's brands. It helps to maximise their visibility with a very large audience of potential consumers, in particular through point-of-sale events. The channel thus plays a crucial role in building customer loyalty and recruiting new consumers, especially with a brand like **KIEHL'S**.

Serving as a laboratory for enhancing and improving the customer experience, travel retail develops new point-of-sale services. The channel also helps to amplify major successes, such as the fragrances "La vie est belle" by **LANCÔME** and Si by **GIORGIO ARMANI**.

L'Oréal relies on its expertise developed over the past 30 years, first in the luxury segment, then with **L'ORÉAL PARIS** and **The Body Shop**, to conduct targeted launches of all of its brands in the travel retail channel.

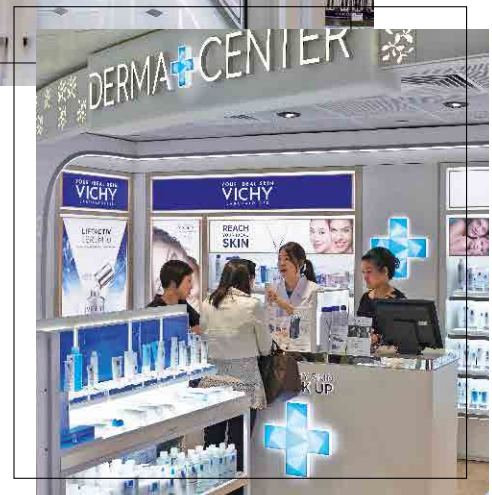
In 2014, L'Oréal rolled out the **VICHY** and **LA ROCHE-POSAY** brands in dermacenters and opened up the luxury haircare category in the channel with **KÉRASTASE**.



VIEW MORE ON TRAVEL RETAIL
by scanning this page with
the L'Oréal Finance app



1



2

1

LANCÔME COUNTER
Lancôme's travel retail counters help the brand attract global shoppers and increase the visibility of its star products.

2

DERMACENTERS
This year, underpinned by its travel retail expertise, L'Oréal launched its dermocosmetics brands VICHY and LA ROCHE-POSAY in the channel.



EXPERTISE TO DRIVE GROWTH

Research and Innovation / **42**

Digital / **46**

Operations / **48**

Human Relations / **50**

Administration and Finance / **52**

Corporate Social Responsibility / **54**





Inventing the beauty of tomorrow

“

L'Oréal has always prioritised Research. Our goal is to translate scientific discoveries into beauty products that are successful worldwide.

To address the diverse range of beauty expectations found throughout the world, we have defined regions that bring consumers together on the basis of skin and hair types, cultures and beauty routines. We rely on our multi-polar structure, organised around our global centres in Europe and our five regional innovation hubs in the United States, Brazil, India, China and Japan, to offer consumers the best in quality, efficacy and safety.

LAURENT ATTAL

EXECUTIVE VICE-PRESIDENT
RESEARCH AND INNOVATION

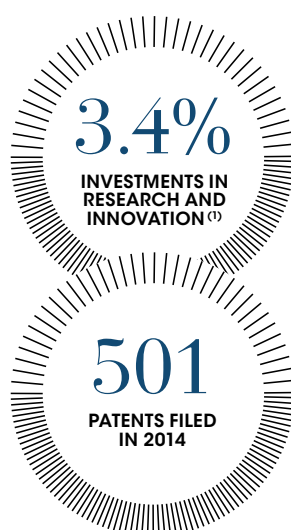
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THE L'ORÉAL MODEL OF INNOVATION

INTEGRATED: L'Oréal Research and Innovation covers every stage, from Advanced Research to the market, by way of development and evaluation of formulas and products.

INVENTIVE: Scientific advances and discoveries go hand in hand with technical and technological invention to provide the foundation for the L'Oréal model of innovation. They constitute a crucial competitive and strategic advantage for the group.

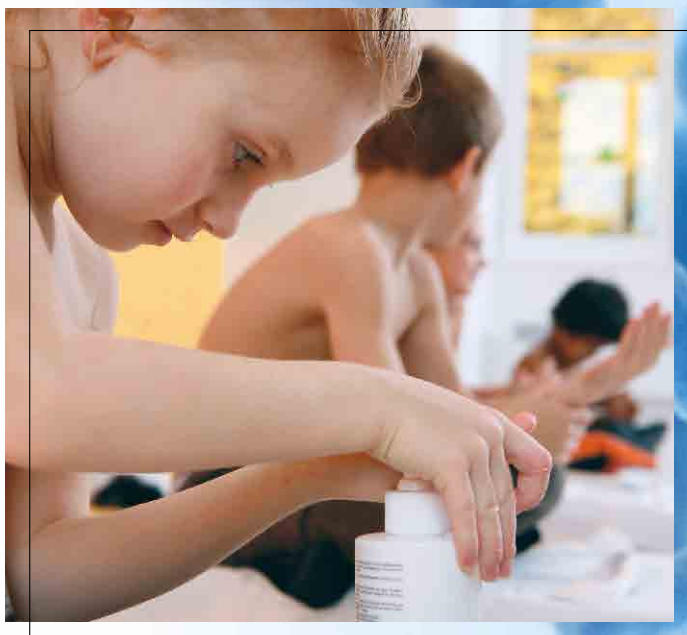
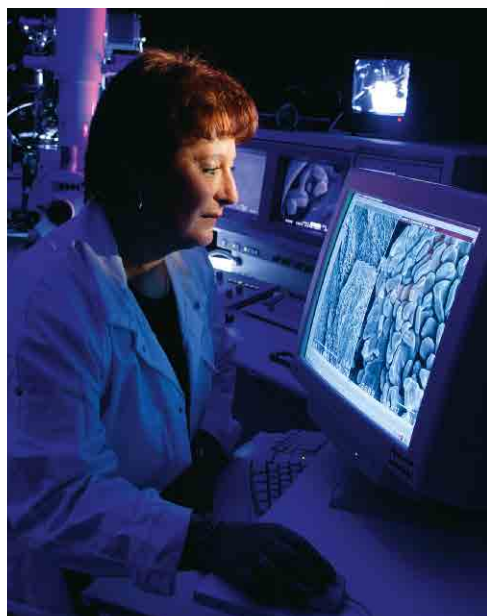
INTERACTIVE: The model also benefits from the constant interaction of scientific expertise and knowledge of the consumer through the cooperation of laboratories and marketing departments.



THE NEW CHALLENGES FOR RESEARCH AND INNOVATION

The challenges related to sustainable development are an incredible opportunity and source of inspiration for Research and Innovation. As part of its "Sharing Beauty With All" initiative, L'Oréal has committed to ensuring 100% of its products have a positive environmental or social impact by 2020 – and the road to attaining that goal begins with formulation. Another challenge is connected cosmetics and new technologies. Within L'Oréal's connected beauty incubator, cosmetic research and digital innovations work hand in hand (see page 47). This is the beginning of personalisation, and an important segment for the future.

(1) As % of sales.



THE MICROBIOME
is a unique
ecosystem made up
of bacteria on the
skin's surface

The microbiome: a groundbreaking discovery

Not long after the discovery of the microbiome was shared with the scientific community, L'Oréal Research began work on a promising new cosmetics segment. In 2014, the study of these microorganisms on the skin's surface led to significant initial results in the field of skin allergies.

The work of L'Oréal's researchers has revealed that the bacteria on the skin's surface constitute an ecosystem that is unique to each individual and responsible for protecting the epidermis from external aggressions. The new knowledge and tools developed by L'Oréal Research have led to a better understanding of the causes behind skin disorders and in turn support the treatments by helping to restore the microbial balance and diversity.

A clinical study conducted by **LA ROCHE-POSAY** on patients suffering from atopic dermatitis showed that the composition of the microbiome changes during periods of extreme dryness, such as eczema flare-ups, with a decrease seen in the number of different types of bacteria present⁽¹⁾. The brand has translated this discovery into real progress in supporting the treatment of atopic skin by placing it at the heart of its latest innovation: Lipikar Baume AP+ (see page 33).

(1) Clinical study of 49 subjects over a three-month period.



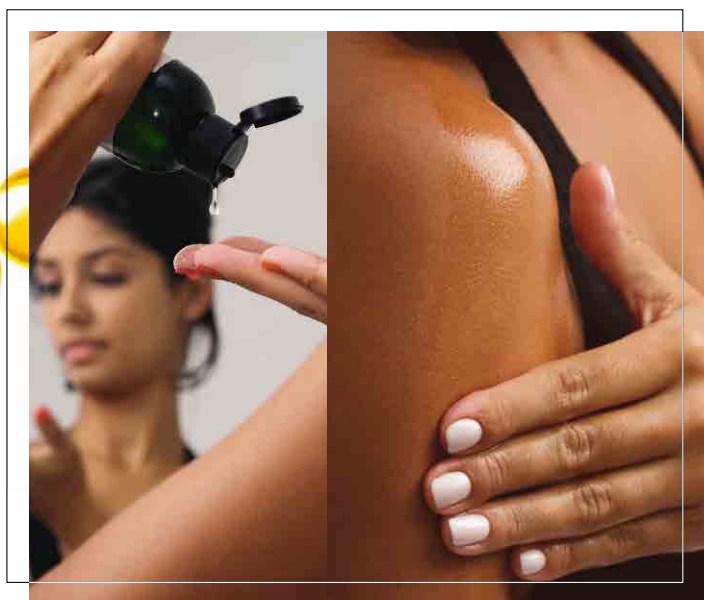
VIEW THE ARTICLE: **SERIOXYL, AN INNOVATION IS BORN**
by scanning this page with the L'Oréal Finance app

Oils: *a global success story*

Oils are an emblematic example of how L'Oréal's expertise translates into products with worldwide appeal. Their incredible success illustrates both the constant interaction between scientists and consumers and the role played by the regional hubs, which inspire innovation and adapt products to the specific needs of each market.

1 AN EXCEPTIONAL SOURCE OF INSPIRATION

For many years now, L'Oréal has been studying beauty practices throughout the globe with the aim, in particular, to understand the traditional rituals that are passed on from generation to generation. Using oils is one of these rituals. Oils are used as haircare products in India and make-up removers in Japan; every world region has its favourites: olive, coconut, macadamia, argan, etc. Everywhere they are a symbol of proximity with nature that is sought after by consumers, and are associated with the emotional benefits from hydration, softness and nourishment, which make oils a product with remarkable influence on the imagination. A wealth of sources of inspiration and performance for L'Oréal Research.



Cosmetic use of oils is firmly rooted in the beauty traditions of many countries.



Oils can be extracted from many different sources, such as argan (above) and macadamia nuts (right).



2 80 OILS ASSESSED BY L'ORÉAL APPLIED RESEARCH

To deepen scientific understanding of the benefits oils provide, L'Oréal's applied Research teams created a company-wide platform. 80 oils, mostly natural in origin, have been studied in detail, with more than 10,000 pieces of information recorded on their physical and chemical properties: absorption, coolness, viscosity, lightness, softness, etc. Depending on the desired results – visual, biological, mechanical, sensorial – oils are combined with one another or with specific active ingredients to offer consumers new products that are both effective and a pleasure for the senses. The platform acts as a tool kit that enables L'Oréal to anticipate and respond to the expectations of each consumer.

1

1 L'Oréal researchers have analysed and studied the physical and chemical properties of 80 different oils.

2 SOLUTIONS FOR EVERYONE

To ensure the global success of these new beauty rituals, L'Oréal relies on its in-depth knowledge of consumers and the physiology of skin and hair, built up through the years and enriched by ethnological and sociological studies conducted through the regional innovation hubs. For example, a study on the perception of hair oils completed in 2014 in four countries shed crucial light on consumer expectations as related to hair type and relationship with the product⁽¹⁾. It highlighted the opportunities and challenges L'Oréal Research will face as it sets out to address these expectations. This constant dialogue between science and consumers will lead to the beauty products of tomorrow.

(1) Study conducted in April and May 2014 in the US, Brazil, UK and Italy.

2 SHU UEMURA's make-up removing oils are renowned for their cleansing and moisturising properties.

3 Six rare flower oil micro-extracts are at the heart of the Elve Extraordinary Oil range.

2



3



LISTEN TO THE AUDIOCAST ON THE GLOBAL SUCCESS OF OILS by scanning this page with the L'Oréal Finance app

Becoming the leader in digital beauty

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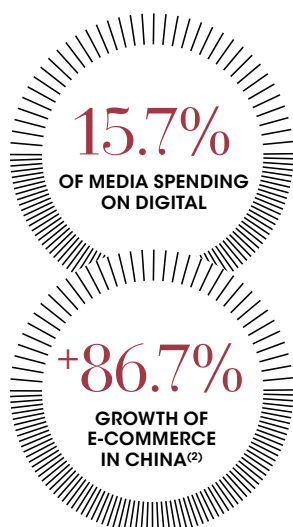
As the world's leader in beauty⁽¹⁾, L'Oréal aims to become the leader in the digital beauty field as well, particularly in terms of customer engagement, experience and emotional connections. We are committed to accompanying consumers in their online purchases, and to pairing our products with digital beauty services. The digital revolution has also changed the way we work, and we rely on both collaborations with expert partners, in order to capitalise on their expertise; and, at in-house level, our teams' ability to quickly get up to speed, in order to bring all of the group's professions into the digital age.

LUBOMIRA ROCHET
CHIEF DIGITAL OFFICER

”



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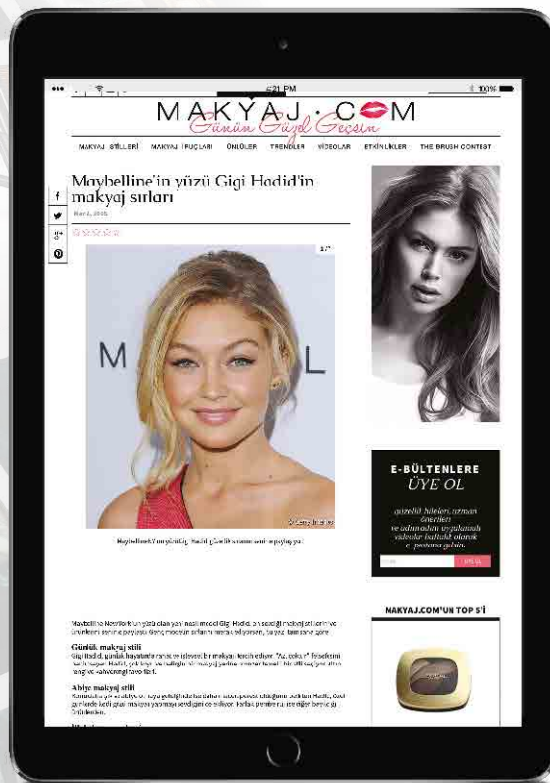
L'ORÉAL'S DIGITAL STRATEGY

E-COMMERCE: Today, most consumers research products on the Internet before deciding on a purchase, and increasing numbers of them want to buy cosmetics products online. L'Oréal is changing its distribution practices to accommodate these new behaviours.

PERSONALISATION: Thanks to advances in data technology, our marketing teams now have better knowledge and a more precise understanding of consumers. With this new information, they are able to offer the products and services best suited to their expectations.

"DIGITAL LOVE BRANDS": The digital world is a new field for creation and innovation. It is an invitation to the group's brands to reinvent the way they communicate with their consumers. It offers multiple channels for expression and the opportunity to foster closer relationships based on emotional connections and interaction.

(1) Source: "Beauty's Top 100" WWD, August 2014. (2) Like-for-like, including distributor feedback and L'Oréal estimates.



MAKYAJ.COM

In Turkey, this site is the reference for consumers looking for online make-up content and advice. A 100% digital experience, all the way through to purchase.



The dawn of a new era: connected beauty

Digital technology continues to revolutionise the beauty market, in terms of distribution, products and services. To imagine the consumer experience of tomorrow, L'Oréal Research and Innovation has created an innovation incubator for connected beauty in Silicon Valley in the United States. The goal is to pair the group's cosmetics knowledge with avant-garde technologies to invent the products and services of the future.

Makyaj.com, which was launched in Turkey in September, is a successful example of the group's content-driven digital strategy in the make-up segment, which attracts large numbers of young, connected consumers. By publishing articles on the subjects most searched for on the Internet, this innovative online magazine not only wins over new customers but it also serves as a showcase for the brands. The website has many strengths: it has developed partnerships with local media and bloggers to further boost its popularity, and incorporated links to the major Turkish e-commerce websites. A 100% digital experience, from the first impression of a product through to purchase.



VIEW THE ARTICLE: E-COMMERCE: A MAJOR ASSET FOR L'ORÉAL IN CHINA
by scanning this page with the L'Oréal Finance app

Being the best partner of the brands in every market

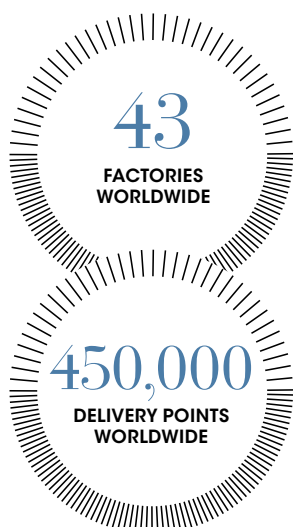
“

L'Oréal Operations⁽¹⁾ are at the heart of the group's Universalisation strategy and corporate social responsibility commitments. We contribute to the global roll-out of the brands and to the group's economic efficiency. Winning over the next billion consumers relies on our ability to ramp up our presence in the New Markets, while continuing the development of our worldwide structure in our three fields of responsibility: Product development and sourcing, Manufacturing and Distribution to points of sale. Therefore, we need to adapt to varied contexts and keep pace with the challenges of each of our brands in each of our markets. We also support the group's global expansion through innovation: this year, 94 patents were filed for industrial processes and packaging, thus contributing to the success of our products.

BARBARA LAVERNOS

EXECUTIVE VICE-PRESIDENT OPERATIONS

”



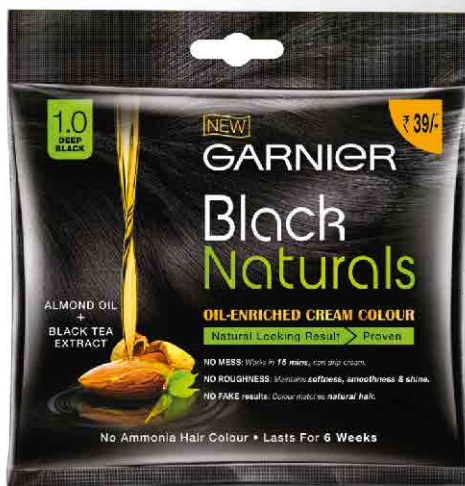
THREE PILLARS OF PERFORMANCE

PRODUCT DEVELOPMENT AND SOURCING: Design-to-cost know-how, targeted and efficient sourcing, and numerous packaging innovations together enable Operations to meet each brand's specific product development needs.

MANUFACTURING: To ensure flexible production at the best cost, L'Oréal has chosen to have each factory specialise in a limited number of technologies. This boosts the group's technological expertise, increases productivity and improves production costs.

DISTRIBUTION TO POINTS OF SALE: With a Supply Chain⁽²⁾ that is integrated from supplier to sales outlet and continuously upgraded through expertise and the roll-out of new information systems, Operations continue to intensify their targeted distributor-centric approach.

(1) Operations cover seven fields: Quality; Environment, Health & Safety; Packaging & Product Development; Purchasing; Production; Supply Chain and Real Estate. (2) L'Oréal's Supply Chain handles all information and physical flows from the supplier to the customer's points of sale.



BLACK NATURALS BY GARNIER

The Baddi factory, in India, makes these hair colourant sachets of premium quality competitively priced for the consumer.

An industrial network designed for the global expansion of our brands



From design to production and distribution, Operations provide innovative solutions to support the brands as they conquer the New Markets. For instance, Black Naturals by **GARNIER**, made at the Baddi factory in northern India, is a modern and premium quality hair colourant that is competitively priced at 39 rupees.



KÉRASTASE HAIR SALON

The L'Oréal Supply Chain handles the complexities of distribution, from the hair salon to mass-market outlets and online distributors.

Supply Chain: working closer with distributor customers



L'Oréal's performance for its distributor customers is at the heart of the strategy devised by Operations to optimise economic performance while adapting to changing distribution patterns. E-commerce and a host of smaller sales outlets in the New Markets are now being added to traditional channels. Within this context, the L'Oréal Supply Chain set a new record in terms of worldwide service level⁽¹⁾. These advances were recognised in 2014, with L'Oréal climbing to 9th place in the Consumer Products category of the Gartner international ranking⁽²⁾, in recognition of the group's continued progress in building an integrated and innovative Supply Chain that creates added value for the markets.

(1) Percentage of products delivered on time, with references and quantities requested by the distributor customer. (2) Source: "2014 Gartner Supply Chain Top 25: Consumer Products".



VIEW THE ARTICLE: ENVIRONMENTAL FOOTPRINT: ADVANCES RECOGNISED BY CARBON DISCLOSURE PROJECT by scanning this page with the L'Oréal Finance app

Supporting the New L'Oréal

“

L'Oréal is founded on a strong commitment to placing individuals at the heart of its concerns. Based on the ability to detect potential and develop individual talents, our Human Relations division continues to further this policy, which can also be adapted to meet new challenges, actively supporting the group's growth momentum. L'Oréal's Universalisation strategy means that we are intensifying our recruitment of talented individuals with highly diverse profiles worldwide. An increasing number of them are local talents, who are close to our consumers and their cultures.

JÉRÔME TIXIER

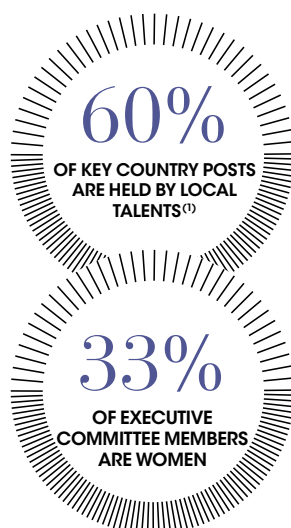
EXECUTIVE VICE-PRESIDENT HUMAN RELATIONS
AND ADVISOR TO THE CHAIRMAN

”

SOCIAL PERFORMANCE AT THE HEART OF HUMAN RELATIONS

“L'ORÉAL SHARE & CARE”: This programme is driving social progress by enabling all the group's employees to benefit from the best social guarantees available in each country by 2015. The determined efforts of our teams led to impressive advances in 2014 (see page 51).

TRAINING FOR ALL: To make sure everyone can access career development opportunities through training, Human Relations launched the new My Learning portal this year. It offers more than 4,000 online learning resources and is already a major success, with more than 70,000 hours of training recorded in 2014.



(1) Key group posts with countrywide responsibility.

TALENTS IN EVERY PART OF THE WORLD



The recruitment and development of talented local individuals is a priority for L'Oréal. As role models for candidates in their countries, they raise the profile of the group and make it more attractive, and play a key role in the understanding of markets and consumers.



WATCH THE VIDEO TESTIMONIALS
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Protect · Care · Balance · Enjoy

The global roll-out of the *“L’Oréal Share & Care”* *programme*



In 2013, as part of “Sharing Beauty With All”, the group made a commitment to set up the “L’Oréal Share & Care” programme in all the countries in which it operates by 2015, to ensure its employees enjoy the best practices in terms of social benefits, healthcare, parenthood and quality of life at work.

Driven by the determination of its teams, the group is already halfway to achieving its goals, with major advances made in 2014. For example, in Bulgaria, Croatia, Ukraine and Nigeria, employees are

now guaranteed the payment of two years of their gross salary in the event of death or disability. This is a particularly significant change in countries where there was previously no coverage under such circumstances. In Peru meanwhile, employees can bring their children aged under 10 to L’Oréal sites for medical examinations provided by private clinics. The unique “Work Smart” initiative has been launched in the United Kingdom, where it offers great scheduling flexibility and takes each employee’s professional and personal needs into account.



VIEW THE ARTICLE: DIRECT SOURCING IS THE NUMBER 1 RECRUITMENT CHANNEL
by scanning this page with the L’Oréal Finance app

Building trust and supporting growth

“

Working closely with the group's different entities, the administration, controlling and finance teams help to build and foster a solid relationship of trust that is essential for L'Oréal's sustainable growth.

This trust is based on constant vigilance, fairness, transparency, professionalism and an ethical approach in our relations with all stakeholders. This year once again, we strongly contributed to the economic and financial management of L'Oréal's businesses, the identification of risks and opportunities, and the optimisation of resource allocation. The teams also continued to provide all the entities with standards and best practices.

CHRISTIAN MULLIEZ
EXECUTIVE VICE-PRESIDENT
CHIEF FINANCIAL OFFICER

”



SUPPORTING THE UNIVERSALISATION STRATEGY

ROLLING OUT TOOLS: The Administration and Finance division continued the worldwide roll-out of data processing, analysis, decision-making and simplification tools, such as COMPASS, the new business-oriented financial management system (see page 53). The teams thus supported the group's international development and helped it rise to new challenges.

ACQUISITIONS: In 2014, the Legal and Economic Affairs departments, and the Finance, Controlling, Acquisitions and Strategic Prospective teams were once again called upon to analyse market dynamics and carry out several strategic acquisitions, on the basis of strict financial, operational and prudential criteria. They included MAGIC in China, NYX in the United States and NIELY⁽¹⁾ in Brazil (see pages 16 and 17).

(1) Acquisition currently being finalised.



COMPASS TRAINING

The roll-out of this tool involves a large number of training initiatives in the controlling functions.

COMPASS, a worldwide business-oriented management system

The roll-out of COMPASS in the controlling functions is a shining example of the ongoing development of worldwide management and optimisation tools. COMPASS is a single, federating system which facilitates the management of business units, particularly by establishing a language shared by all the entities. Its capacity to adapt to the realities of subsidiaries in different markets makes it a key asset supporting the Universalisation of L'Oréal.



ACTIONARIA SHAREHOLDER FAIR

Inform, discuss and build relationships: these are the three goals that underpin all of our interactions with individual shareholders.

A relationship of trust based on dialogue

The financial communications teams supply fair, accurate and accessible information about L'Oréal's strategy, activities and prospects. They foster a relationship of trust with individual shareholders, investors, financial analysts and SRI⁽¹⁾ experts through numerous contacts. To share the L'Oréal adventure and business model, digital media took centre stage in financial communication tools in 2014, with the L'Oréal Finance mobile app, the shareholders' digital magazine L'Oréal Finance Mag, and the first online edition of the Annual Report.

(1) Socially Responsible Investment.



BROWSE THE FULL VERSION OF THE 2014 ANNUAL REPORT
by scanning this page with the L'Oréal Finance app

Being a corporate citizen

“

Our social and environmental responsibility ambition is to give meaning to the beauty profession by building sustainable, responsible and inclusive growth. In 2013, L'Oréal took a decisive step forward with the “Sharing Beauty With All” launch. In 2014, we began implementing the programme, and considerable advances have already been made on its four pillars, particularly in sustainable production and innovation.

We are convinced that beauty plays a crucial role in society, and we continue to proactively roll out our philanthropy initiatives with the L'Oréal Foundation.

SARA RAVELLA

EXECUTIVE VICE-PRESIDENT COMMUNICATION,
SUSTAINABILITY AND PUBLIC AFFAIRS

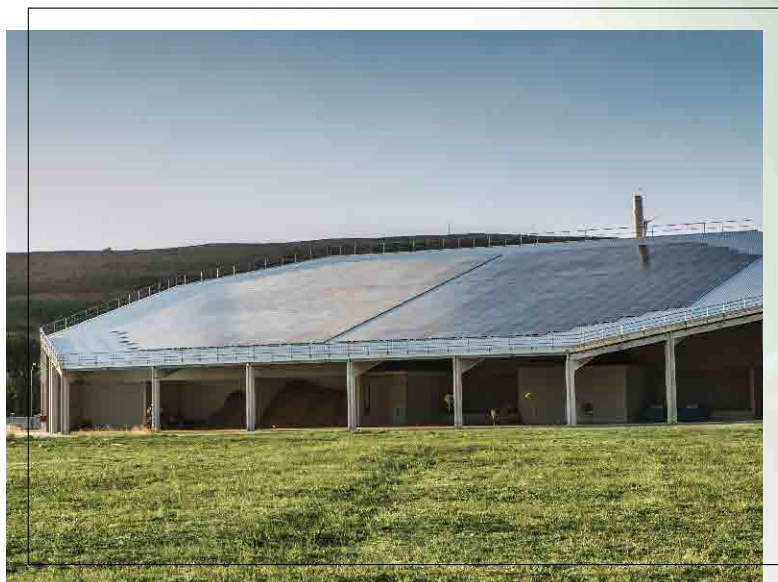
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TWO FOCUSES FOR THE L'ORÉAL FOUNDATION

SCIENCE: For more than 105 years, science has been at the heart of the L'Oréal group, which in 2014 renewed its commitment to encouraging women to pursue scientific careers with “For Girls in Science”. The new programme draws on the involvement of scientists in secondary schools, at the crucial moment when girls decide on their future. The L'Oréal Foundation continues to challenge misconceptions so as to inspire new vocations.

BEAUTY: Every year the “Beauty for a Better Life” programme helps economically disadvantaged people reintegrate into society by training them in beauty professions. In 2014, this initiative was rolled out in several countries, including China, where 150 young people benefited from vocational make-up training for the first time.



BURGOS, SPAIN

The Burgos factory inaugurated a biomass plant⁽¹⁾ that covers almost 100% of its energy needs.

2014 “Sharing Beauty With All” advances



2014 was the first year in the roll-out of the “Sharing Beauty With All” programme. Convinced that sustainable development is a source of innovation and inspiration, L’Oréal’s teams have focused their efforts on meeting the group’s ambitious commitments in this field.

On the innovation front, the group is re-evaluating some 1,400 ingredients to reduce the environmental footprint of its formulas and develop the use of renewable ingredients. As for sustainable development, the Burgos factory in Spain inaugurated a biomass plant⁽¹⁾ which will enable the factory to reach carbon neutrality in 2015.



LEARN MORE ABOUT L’ORÉAL’S COMMITMENTS by scanning this page with the L’Oréal Finance app

SHARING BEAUTY WITH ALL

INNOVATING SUSTAINABLY

67%

OF THE NEW PRODUCTS ASSESSED HAVE AN IMPROVED ENVIRONMENTAL OR SOCIAL IMPACT⁽²⁾

PRODUCING SUSTAINABLY

-50.2%

CO₂ EMISSIONS IN FACTORIES AND DISTRIBUTION CENTRES⁽³⁾

CONSUMING SUSTAINABLY

25.4%

OF THE BRANDS HAVE IMPLEMENTED INITIATIVES TO RAISE CONSUMER AWARENESS⁽⁴⁾

SHARING OUR GROWTH

85.3%

OF L’ORÉAL’S PERMANENT EMPLOYEES HAVE HEALTH INSURANCE COVERAGE IN LINE WITH THE BEST PRACTICES IN EACH COUNTRY

(1) A plant that transforms wood waste from local forests and sawmills into energy. (2) Formulas produced in L’Oréal factories in 2014, excluding make-up and fragrances. (3) In absolute value, 2005-2014. (4) Calculated as a percentage of consolidated sales 2013.

2014

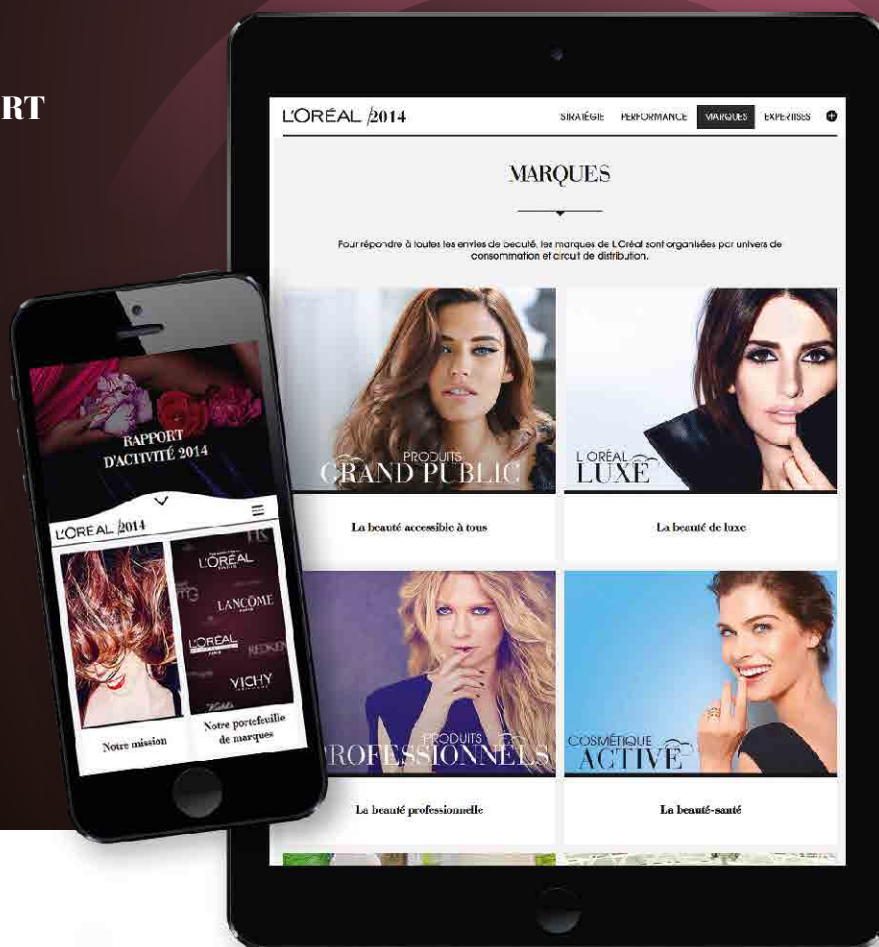
First digital edition of the Annual Report

VISIT LOREAL.COM FOR THE FULL VERSION OF THE 2014 ANNUAL REPORT

Organised into four sections – Strategy, Performance, Brands and Expertise – the digital edition of the Annual Report provides a comprehensive overview of L'Oréal in 2014. It features rich multimedia content including senior management interviews, video reports and much more.



Throughout this printed version, you have direct access to related topics, by scanning the pages with the L'Oréal Finance application.



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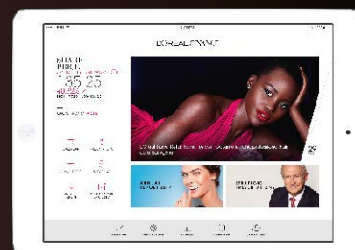
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CONSULT ALL THE 2014 PUBLICATIONS



THE ANNUAL REPORT

L'Oréal in 2014, with its Divisions, brands and countries, driven by its mission – Beauty for All – and by its strategy – the Universalisation of beauty.

THE REGISTRATION DOCUMENT

This document includes the 2014 financial statements, the Annual Financial Report, the Management Report of the Board of Directors including a section on Social and Environmental Responsibility.

THE PROGRESS REPORT

2014 Progress Report of the results of the Sharing Beauty With All sustainability programme.

L'ORÉAL FINANCE AT YOUR FINGERTIPS!

Download the L'Oréal Finance application on your smartphone or tablet to access the group's latest financial news: share price, strategic presentations, webcasts of events and more.



Environmental calculator⁽¹⁾



size
22 x 30.5 cm



quantity
5,800

TEXT PAGES



brand
Cocoon Gloss



brand
Igloo Gloss



basis weight
150 g/m²



basis weight
350 g/m²



number of pages
56



number of pages
4

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



1,732 kg of landfill



233 kg of CO₂ or the equivalent of:



2,326
km of travel in
an average
European car



3,829
kWh of energy



62,471
litres of water



2,814
kg of wood

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Competitive positions and market share held by the group's divisions and brands mentioned in this report are based on studies, panels and polls obtained from specialised organisations and companies, or, in the absence of comprehensive studies, are the result of estimates made by L'Oréal on the basis of available statistical data.

⁽¹⁾ Carbon footprint data evaluated by The Edinburgh Centre for Carbon Management in partnership with The CarbonNeutral Company. Calculations are based on a comparison between the recycled paper used versus a virgin fibre paper according to the latest European BREF data (virgin fibre paper) available. Results are obtained according to technical information and subject to modification.

L'ORÉAL

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