

In 2014, in a volatile economic context and a less dynamic market, the Group posted growth in all its Divisions and regions of the world.

L'Oréal Luxe and Active Cosmetics achieved very good growth and outperformed their market significantly. The Professional Products Division continued to improve. Meanwhile, in a slowing market, the Consumer Products Division saw a temporary sag in its growth, particularly in the United States.

2014 was also a year of transformation for L'Oréal, in particular through the acceleration of our digital transformation and strategic acquisitions such as Magic, NYX, Decléor, Carita and Niely⁽¹⁾, which complement our brand portfolio in key categories and regions of the world.

Despite adverse currency effects, operating margin increased once again in 2014 highlighting the strength of the business model of L'Oréal. Following the capital gain realised upon the disposal of Galderma as part of the strategic transaction with Nestlé, net profit has grown strongly.

3.1. THE GROUP'S BUSINESS ACTIVITIES IN 2014*

3.1.1. Overview of the results for 2014

2014 sales: €22.53 billion (+1.8% based on reported figures, +3.7% like-for-like)

Operating profit: €3,891 billion, representing 17.3% of sales (+3.5%)

Net profit after non-controlling interests: €4.91 billion (+66%)

Net earnings per share ⁽²⁾: €5.34

Dividend: 2.70⁽³⁾ euros per share (+8 %), increased by 10% to 2.97 euros, for registered shareholders

3.1.2. Consolidated net sales

Like-for-like, i.e. based on a comparable structure and constant exchange rates, the sales trend of the L'Oréal Group was +3.7%. The net impact of changes in consolidation amounted to +0.4%. Currency fluctuations had a negative impact of -2.3%. Growth at constant exchange rates was +4.1%. Based on reported figures, the Group's sales, at December 31st, 2014, amounted to €22.53 billion, an increase of +1.8%.

(1) Acquisition under completion.

(2) Diluted net earnings per share based on net profit excluding non-recurring items attributable to owners of the company from continuing operations.

(3) Proposed to the AGM on April 22nd, 2015.

* This information forms an integral part of the Annual Financial report as provided in the Article L. 451-1-2 of the French Monetary and Financial Code.

KEY FIGURES AND COMMENTS ON THE 2014 FINANCIAL YEAR

THE GROUP'S BUSINESS ACTIVITIES IN 2014

/ SALES BY OPERATIONAL DIVISION AND BY GEOGRAPHIC ZONE

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 as of January 1st, 2014. All figures for earlier periods have been restated accordingly.

€ million	2012	2013	2014	2013/2014 progression	
				Like-for-like	Reported figures
BY OPERATIONAL DIVISION					
Professional Products	3,002.6	2,973.8	3,032.4	2.6%	2.0%
Consumer Products	10,713.2	10,873.2	10,767.5	1.6%	-1.0%
L'Oréal Luxe	5,568.1	5,865.2	6,197.9	7.1%	5.7%
Active Cosmetics	1,499.2	1,576.3	1,660.4	8.7%	5.3%
Cosmetics Total	20,783.1	21,288.5	21,658.2	3.8%	1.7%
BY GEOGRAPHICAL ZONE					
Western Europe	7,382.6	7,467.6	7,697.7	2.4%	3.1%
North America	5,210.7	5,356.1	5,389.4	1.1%	0.6%
New Markets, of which:	8,189.8	8,464.7	8,571.1	6.9%	1.3%
• Asia, Pacific	4,287.1	4,382.2	4,563.6	5.3%	4.1%
• Latin America	1,816.9	1,886.2	1,853.7	10.0%	-1.7%
• Eastern Europe ⁽¹⁾	1,622.4	1,691.3	1,585.4	6.0%	-6.3%
• Africa, Middle-East ⁽¹⁾	463.4	505.1	568.4	13.5%	12.5%
Cosmetics Total	20,783.1	21,288.5	21,658.2	3.8%	1.7%
• The Body Shop	855.3	835.8	873.8	1.6%	4.6%
GROUP TOTAL	21,638.4	22,124.2	22,532.0	3.7%	1.8%

(1) As of July 1st, 2013, Turkey and Israel, which were previously included in the Africa, Middle East zone, were transferred to the Eastern Europe zone. All figures for earlier periods have been restated to allow for this change.

PROFESSIONAL PRODUCTS

The Professional Products Division recorded sales growth of +2.6% like-for-like and +2.0% based on reported figures in a market that remains difficult. The Division is strengthening its positions in Western Europe and continues to develop in the New Markets.

- ♦ Haircare, the number 1 contributor to sales growth, is continuing to expand, boosted by the success of *Densifique* and *Discipline* at *Kérastase*, *Absolut Repair Lipidium* and *Serioxyl* at *L'Oréal Professionnel*, and *Biolage* and *Oil Wonders* at *Matrix*. Hair colour – a category in which all the brands are growing – benefits from the dynamism of *Majirel* and *Inoa* at *L'Oréal Professionnel*, *Color Graphics* at *Matrix* and *Chromatics* at *Redken*. Styling has returned to a good growth level, thanks to *L'Oréal Professionnel* and *Redken* which have renewed their product line-ups.
- ♦ In geographic terms, the United States and Western Europe have confirmed their return to growth. The Division is growing across all the New Markets excluding Japan. The United States, Brazil, India and Russia are the largest contributors to growth.

CONSUMER PRODUCTS

In a market that slowed in 2014, the Consumer Products Division posted +1.6% like-for-like and -1.0% based on reported figures, with an improvement at the end of the year.

- ♦ The Division's three major global brands are progressing. The two 2014 acquisitions, *NYX* and *Magic*, are growing strongly.

L'Oréal Paris is proving very dynamic in haircare with its *Extraordinary Oils* range, and is increasing make-up sales with the launch of its new "Makeup Designer" platform and *Miss Manga* mascara. *Ultra Doux* by *Garnier* is continuing to expand thanks to its *Honey Treasures* range and the brand's successful United Kingdom launch. In Southern Asia, *Garnier* is maintaining its facial skincare momentum with the success of *Sakura White* and *Garnier Men*. *Maybelline* is rolling out its eyebrow make-up innovations worldwide, and is now growing again in the United States with the launch of the *Nudes Palette*.

- ♦ In a flat European market, the Division is increasing its sales and strengthening its number 1 position. In North America, the Consumer Products Division gained market share in haircare and make-up. In the New Markets, the Division is outperforming the overall market trend, and winning market share in Eastern Europe and the Africa, Middle East Zone.

L'ORÉAL LUXE

Following accelerating sales in the final quarter, L'Oréal Luxe recorded growth of +7.1% like-for-like and +5.7% based on reported figures. The Division is continuing to clearly outperform the selective market. The make-up and women's fragrance categories are particularly dynamic.

- ♦ *Yves Saint Laurent* is continuing to grow with a double-digit increase in 2014, thanks to the women's fragrance *Black Opium*, make-up and Asia. *Giorgio Armani* also had a very good year with its successful fragrance *Si* and its make-up products. *Lancôme* delivered a solid performance in fragrances with *La vie est belle*, the number 1 selling fragrance in France, and number 2 in Europe. The brand is currently revamping its point-of-sales identity, advertising campaigns and ambassadors. The skincare cream

Visionnaire and *Grandiose* mascara, winner of the Prix d'Excellence Marie Claire, are very successful. The alternative lifestyle brands *Urban Decay*, *Kiehl's*, *Clarisonic* and *Shu Uemura* are also boosting the Division's growth. Amongst the designer fragrance brands, *Midnight Romance* by *Ralph Lauren* and *Bonbon*, the new women's perfume from *Viktor&Rolf*, are proving to be clear winners.

- ◆ In 2014, L'Oréal Luxe outperformed the market in all its main Zones, particularly in Europe, China, the Middle East and the United States. E-commerce sales are growing very strongly.

ACTIVE COSMETICS

In 2014, the Division accelerated its growth, with sales advancing by +8.7% like-for-like and +5.3% based on reported figures, outperforming a healthy market. Like-for-like growth rates were higher than in 2013 on every continent.

- ◆ The *Vichy* brand is continuing to expand particularly in skincare, underpinned by the growth of its major franchises, particularly *Liftactiv Supreme* and *Neovadiol* in the anti-ageing segment. With another year of double-digit growth, *La Roche-Posay* is maintaining its growth in all regions and across its product range, with outstanding performances from its two pillar ranges, *Anthelios* and *Effaclar*. *SkinCeuticals* is confirming its success both in its original market, the United States, and in the new geographies where it is expanding.
- ◆ All the regions are contributing to the Division's dynamism. The significant scores in France, the world's largest dermocosmetics market, Brazil, where the Division is contributing to the development of the market, and China are particularly worth noting.

MULTI-DIVISION SUMMARY BY GEOGRAPHIC ZONE

Western Europe

In a flat market, and a highly competitive environment between mass-market retailers, growth came out at +2.4% like-for-like and +3.1% based on reported figures. This increase is particularly encouraging because L'Oréal accelerated in the fourth quarter, and is growing both in Northern and Southern Europe, particularly in Germany, the United Kingdom and Spain. All Divisions are contributing to the sales increase, with a special mention for L'Oréal Luxe and Active Cosmetics.

North America

After a strong momentum over the last few years, growth in 2014 was more moderate because of the Consumer Products Division. Sales increased by +1.1% like-for-like and +0.6% based on reported figures. The Professional Products Division, Active Cosmetics and L'Oréal Luxe are continuing to develop, thanks, among others, to the American brands *Redken*, *SkinCeuticals*,

Urban Decay and *Kiehl's*. In a market that improved in the second half, the Consumer Products Division increased its sales, in particular from the contribution of *L'Oréal Paris*. The recent acquisitions of the very fast-growing brands *NYX* and *Caral's Daughter* complement the Consumer Products Division, and boost its product offering.

New Markets

- ◆ **Asia, Pacific:** L'Oréal recorded annual growth of +5.3% like-for-like and +4.1% based on reported figures. Excluding Japan, like-for-like growth came out at +5.8%. The Group is strengthening its positions further with very good performances from *Kiehl's*, *Yves Saint Laurent*, *Giorgio Armani*, *La Roche-Posay* and *Clarisonic*. By country, India, Indonesia, Hong Kong and Australia are all recording high growth. *Magic*, acquired in China in the first half, is growing solidly in the beauty mask market.
- ◆ **Latin America:** L'Oréal recorded +10.0% like-for-like and -1.7% based on reported figures. The Professional Products Division, Active Cosmetics and L'Oréal Luxe recorded double-digit growth, underpinned by their major brands *L'Oréal Professionnel*, *Lancôme*, *Giorgio Armani*, *La Roche-Posay* and *Vichy*. Consumer Products Division growth is being driven by *L'Oréal Paris* with its *Elsève* brand and *Maybelline*, thanks in particular to the kiosks initiative in Brazil.
- ◆ **Eastern Europe:** The Zone recorded +6.0% like-for-like and -6.3% based on reported figures, and is growing significantly faster than the market, thanks to the good momentum of L'Oréal Luxe and the Professional Products Division. The Consumer Products Division is winning total Zone market share with a very good performance in hair colour, driven by the launch of *Prodigy* by *L'Oréal Paris*, and in deodorants thanks to *Néo* by *Garnier*. Active Cosmetics is outperforming the market in Russia and Turkey.
- ◆ **Africa, Middle East:** Sales rose by +13.5% like-for-like and +12.5% based on reported figures. All Divisions recorded double-digit growth and gained market share. South Africa, the Gulf states, as well as growth-relay countries like Egypt, Saudi Arabia and Pakistan posted strong performance. *L'Oréal Paris*, *Maybelline*, *Lancôme*, *Giorgio Armani* and *Vichy* contributed to the Zone's good score, along with the more recently launched brands *Kiehl's* and *SkinCeuticals*.

THE BODY SHOP

The Body Shop had a satisfactory end to the year in all its categories.

The brand recorded growth of +1.6% like-for-like and +4.6% based on reported figures. The strategic priority given to skincare is continuing to pay off, thanks in particular to the fourth quarter launch of *Drops of Youth Eye Concentrate*.

The Americas' region that now includes the addition of the Emporio Body Store stores in Brazil, drove the highest growth.

KEY FIGURES AND COMMENTS ON THE 2014 FINANCIAL YEAR

THE GROUP'S BUSINESS ACTIVITIES IN 2014

3.1.3. Results

/ OPERATING PROFITABILITY AND CONSOLIDATED INCOME STATEMENT

Figures for 2012 and 2013 have been restated to reflect the impacts of IFRS 5 concerning discontinued operations along with the impact of applying IFRS 11.

	2012		2013		2014	
	€ millions	% 2012 sales	€ millions	% 2013 sales	€ millions	% 2014 sales
Sales	21,638.4	100%	22,124.2	100%	22,532.0	100%
Cost of sales	-6,388.3	29.5%	-6,379.4	28.8%	-6,500.7	28.9%
Gross profit	15,250.1	70.5%	15,744.8	71.2%	16,031.3	71.1%
Research and development expenses	-680.4	3.1%	-748.3	3.4%	-760.6	3.4%
Advertising and promotion expenses	-6,531.6	30.2%	-6,621.7	29.9%	-6,558.9	29.1%
Selling, general and administrative expenses	-4,479.7	20.7%	-4,614.4	20.9%	-4,821.1	21.4%
OPERATING PROFIT	3,558.4	16.4%	3,760.4	17.0%	3,890.7	17.3%

Gross profit, at €16,031 million, came out at 71.1% of sales, compared with 71.2% in 2013, that is a decrease of 10 basis points. Foreign exchange effects had a negative impact of 30 basis points: the other factors represented a positive impact of 20 basis points.

Research and Development expenses remained stable as a percentage of sales at 3.4%.

Advertising and promotion expenses, as announced one year ago, came out as a lower percentage of sales compared with 2013. At 29.1% of sales, that is a decrease of 80 basis points.

Selling, general and administrative expenses, at 21.4% of sales, have come out at a higher level, by 50 basis points compared with 2013, as they did in the first half of 2014.

Overall, the operating profit, at €3,890 million, has grown by 3.5% and amounts to 17.3% of sales. At constant exchange rates, operating profit growth would have been +5.5%.

/ OPERATING PROFIT BY OPERATIONAL DIVISION

Figures for 2012 and 2013 have been restated to reflect the impacts of IFRS 5 concerning discontinued operations along with the impact of applying IFRS 11.

	2012		2013		2014	
	€ millions	% 2012 sales	€ millions	% 2013 sales	€ millions	% 2014 sales
Professional Products	615	20.5%	609	20.5%	609	20.1%
Consumer Products	2,051	19.1%	2,167	19.9%	2,186	20.3%
L'Oréal Luxe	1,077	19.3%	1,174	20.0%	1,269	20.5%
Active Cosmetics	315	21%	343	21.7%	376	22.7%
Cosmetics Divisions total	4,058	19.5%	4,293	20.2%	4,440	20.5%
Non-allocated ⁽¹⁾	-577	-2.8%	-605	-2.8%	-615	-2.8%
The Body Shop	77	9.1%	72	8.6%	65	7.5%
GROUP	3,558	16.4%	3,760	17.0%	3,890	17.3%

(1) Non-allocated = Central Group expenses, fundamental research expenses, stock options and free grant of shares expenses and miscellaneous items. As a % of cosmetics sales.

The profitability of the Professional Products Division at 20.1% is down by 40 basis points, due mainly to the dilutive effect of the consolidation of Decléor and Carita. The profitability of the Consumer Products Division once again improved very significantly at 20.3%, up by 40 basis points. The profitability of

L'Oréal Luxe grew by 50 basis points, at 20.5% in 2014. At Active Cosmetics, there was a further increase in profitability at 22.7%. That is a 100 basis point improvement. The profitability of The Body Shop weakened in 2014, to 7.5%.

/ PROFITABILITY BY GEOGRAPHIC ZONE

Figures for 2012 and 2013 have been restated to reflect the impacts of IFRS 5 concerning discontinued operations along with the impact of applying IFRS 11.

	2012		2013		2014	
	€ millions	% 2012 sales	€ millions	% 2013 sales	€ millions	% 2014 sales
Operating profit						
Western Europe	1,580	21.4%	1,662	22.3%	1,746	22.7%
North America	960	18.4%	1,003	18.7%	1,010	18.7%
New Markets	1,518	18.5%	1,628	19.2%	1,684	19.6%
COSMETICS ZONES TOTAL ⁽¹⁾	4,058	19.5%	4,293	20.2%	4,440	20.5%

(1) Before non-allocated.

Profitability in Western Europe improved by 40 basis points to reach 22.7%. In North America, profitability remains stable at 18.7%. And in the New Markets, profitability again increased this year, by 40 basis points, to reach 19.6%.

/ NET PROFIT FROM CONTINUING OPERATIONS

Figures for 2012 and 2013 have been restated to reflect the impacts of IFRS 5 concerning discontinued operations along with the impact of applying IFRS 11.

€ millions	2012	2013	2014
Operating profit	3,558.4	3,760.4	3,890.7
Finance Costs excluding dividends received	+1.7	-31.4	-24.0
Sanofi dividends	313.4	327.5	331.0
Pre-tax profit excluding non-recurring items	3,873.5	4,056.5	4,197.7
Income tax excluding non-recurring items	-1,004.8	-1,018.0	-1,069.5
Non-controlling interests	-2.7	-3.2	+0.1
Net profit from equity affiliates excluding non-recurring items	-4.58	-2.98	-2.99
Net profit excluding non-recurring items attributable to owners of the company⁽¹⁾	2,861.5	3,032.4	3,125.3
EPS ⁽²⁾ (euros)	4.73	4.99	5.34
Diluted average number of shares	605,305,458	608,001,407	585,238,674

(1) Non-recurring items include mainly capital gains and losses on long-term asset disposals, impairment of long-term assets, restructuring costs and elements relating to identified operational income and expenses, non-recurring and significant regarding the consolidated performance. See note 10 of the Consolidated Financial Statements on pages 41 et seq.

(2) Diluted net earnings per share excluding non-recurring items after non-controlling interests.

Finance expenses amounted to €24 million.

Sanofi dividends amounted to €331 million.

Income tax excluding non-recurring items amounted to €1,069 million. This represents a tax rate of 25.5%, slightly higher than that of 2013 which came out at 25.1%.

Net profit excluding non-recurring items amounted to €3,125 million.

Net Earnings per Share, at €5.34, is up by 7.1%, compared to Net Earnings per Share for 2013 restated from discontinued operations.

/ NET PROFIT AFTER NON-CONTROLLING INTERESTS: €4.910 MILLION

€ millions	2012	2013	2014	Évolution 2013/2014
Net profit excluding non-recurring items attributable to owners of the company	2,861.5	3,032.4	3,125.3	
Non-recurring items net of tax	-101.8	-154.1	-357.7	
Net profit from non continuing operations	+108.1	+79.9	+2,142.7	
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY	2,867.7	2,958.2	4,910.2	+66%

Non-recurring items amounted to a charge net of tax of €357 million, due in part to the decision by the French Competition Authority.

After the capital gain on the disposal of Galderma, €2.1 billion, net profit came out at €4,910 million, which represents a large increase of 66%.

Finally, after payment of the dividend, acquisitions, and the purchase of shares from Nestlé, the net debt came out, at December 31st, 2014, at €671 million.

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

CASH FLOW STATEMENT, BALANCE SHEET AND NET FINANCIAL SITUATION

Gross cash flow amounted to €3,808 million.

The working capital requirement in 2014 was reduced by €55 million.

Investments, amounted to €1,008 million, representing 4.5% of sales, slightly less than in 2013, when it represented 4.6% of sales.

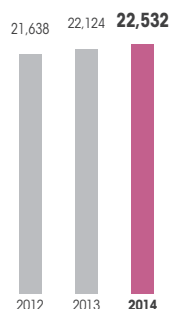
PROPOSED DIVIDEND AT THE ANNUAL GENERAL MEETING OF APRIL 22ND, 2015

The Board of Directors has decided to propose that the Shareholders' Annual General Meeting of April 22nd, 2015 should approve a dividend of €2.70 per share, an increase of 8% compared with the dividend paid in 2014. The dividend will be paid on May 7th, 2015 (ex-dividend date May 5th, 2015 at 0:00 a.m., Paris time).

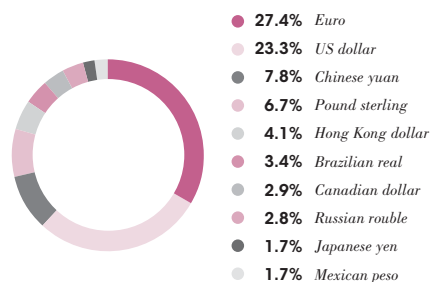
3.2. FINANCIAL HIGHLIGHTS

3.2.1. 2014: growing of sales and profits from continuing operations

/ CONSOLIDATED SALES (€ million)



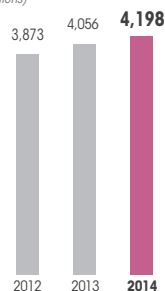
/ 2014 CONSOLIDATED SALES BY CURRENCY ⁽¹⁾ (as %)



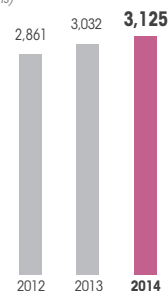
/ OPERATION PROFIT (€ millions)



/ PRE-TAX PROFIT EXCLUDING NON RECURRING ITEMS FROM CONTINUING OPERATIONS ⁽²⁾ (€ millions)



/ NET PROFIT EXCLUDING NON-RECURRING ITEMS FROM CONTINUING OPERATIONS ⁽²⁾ (€ millions)

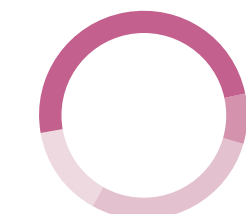


(1) Breakdown of consolidated sales in the main currencies in 2014, i.e. 81.8% of consolidated sales.

(2) Non-recurring items include mainly capital gains and losses on long-term asset disposals, impairment of long-term assets, restructuring costs and elements relating to identified operational incomes and expenses, non-recurring and significant regarding the consolidated performance. See note 11 of the Consolidated Financial Statement on pages 141 et seq.

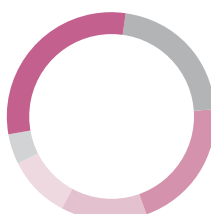
/ 2013 CONSOLIDATED SALES OF THE COSMETICS DIVISIONS

BY DIVISION



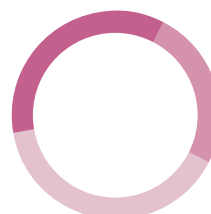
- **49.7%** Consumer Products
- **7.7%** Active Cosmetics
- **28.6%** L'Oréal Luxe
- **14.0%** Professional Products

BY BUSINESS SEGMENT



- **30.0%** Skincare and Sun Protection
- **21.9%** Make-up
- **20.5%** Haircare
- **13.2%** Hair Colourants
- **9.8%** Perfumes
- **4.6%** Other⁽¹⁾

BY GEOGRAPHIC ZONE

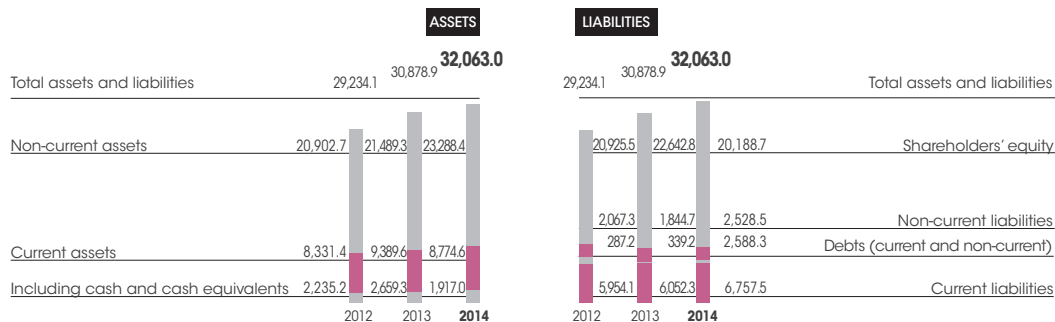


- **35.5%** Western Europe
- **24.9%** North America
- **39.6%** New Markets
 - Of which: **21.1%** Asia, Pacific
 - 8.6%** Latin America
 - 7.3%** Eastern Europe
 - 2.6%** Africa, Middle East

(1) "Other" includes hygiene products and sales made by American distributors with non-Groups brands.

/ A SOLID BALANCE SHEET ⁽²⁾

(€ millions)



(2) The balance sheet at 12.31.2012 has been restated to allow for the change in accounting method relating to revised IAS 19.

/ NET DEBT

	12.31.2012	12.31.2013	12.31.2014
Net cash flow ⁽³⁾ /net financial debt (millions euros)	1,948 ⁽⁴⁾	2,320.1 ⁽⁴⁾	-671.3
Net financial debt/Equity	-9.3%	-10.2%	3.3%

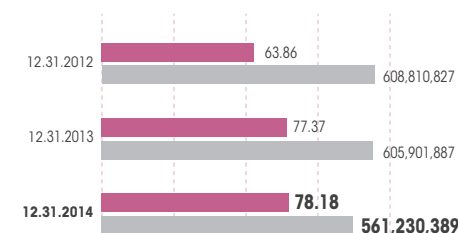
(3) Net cash flow = cash and cash equivalents - current and non-current debt.

(4) At December 31st, 2012 and 2013 net cash surplus was €1,948 m and €2,320.1 m respectively

/ SHORT-TERM RATINGS

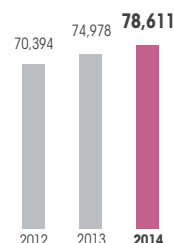
A-1+	STANDARD & POOR'S	OCTOBER 2014
Prime 1	Moody's	OCTOBER 2014
F1+	Fitch Ratings	OCTOBER 2014

/ STOCK MARKET CAPITALISATION



/ WORKFORCE

(at december, 31st)



KEY FIGURES AND COMMENTS ON THE 2014 FINANCIAL YEAR

FINANCIAL HIGHLIGHTS

3.2.2. 2014 consolidated results

SALES AND OPERATING PROFIT

Consolidated sales

€ millions	2012	2013	2014	2013/2014 progression	
				Like-for-like	Reported figures
Cosmetics	20,783.1	21,288.5	21,658.2	3.8%	1.7%
The Body Shop	855.3	835.8	873.8	1.6%	4.6%
GROUP TOTAL	21,638.4	22,124.2	22,532.0	3.7%	1.8%

Operating profit

€ millions	2012	2013	2014	2014 Weight	Evolution based on reported sales	% of sales
Cosmetics	3,481	3,688	3,825	98.3%	3.7%	17.7%
The Body Shop	77	72	65	1.7%	-9.7%	7.5%
GROUP TOTAL	3,558	3,760	3,890	100%	3.5%	17.3%

SALES AND OPERATING PROFIT OF THE COSMETICS DIVISIONS

Consolidated sales

€ millions	2012	2013	2014	2014 Weight	2013/2014 progression	
					Like-for-like	Reported figures
Professional Products	3,002.6	2,973.8	3,032.4	14.0%	2.6%	2.0%
Consumer Products	10,713.2	10,873.2	10,767.5	49.7%	1.6%	-1.0%
L'Oréal Luxe	5,568.1	5,865.2	6,197.9	28.6%	7.1%	5.7%
Active Cosmetics	1,499.2	1,576.3	1,660.4	7.7%	8.7%	5.3%
TOTAL COSMETICS DIVISIONS	20,783.1	21,288.5	21,658.2	100%	3.8%	1.7%

Operating profit

	2012		2013		2014	
	€ millions	% CA 2012	€ millions	% CA 2013	€ millions	% CA 2014
Professional Products	615	20.5%	609	20.5%	609	20.1%
Consumer Products	2,051	19.1%	2,167	19.9%	2,186	20.3%
L'Oréal Luxe	1,077	19.3%	1,174	20.0%	1,269	20.5%
Consumer Products	315	21%	343	21.7%	376	22.7%
TOTAL COSMETICS DIVISION	4,058	19.5%	4,293	20.2%	4,440	20.5%
Non-allocated ⁽¹⁾	-577	-2.8%	-605	-2.8%	-615	-2.8%
TOTAL DIVISIONS AFTER NON-ALLOCATED	3,481	16.7%	3,688	17.3%	3,825	17.7%

(1) Non-allocated items consist of the expenses of Functional Divisions and fundamental research, stock option and free grant of shares costs, which are not allocated to the Cosmetics Divisions. This item also includes non-core activities, such as insurance, reinsurance and banking.

SALES AND OPERATING PROFIT OF THE COSMETICS DIVISIONS BY GEOGRAPHIC ZONE

Consolidated sales

€ millions	2012	2013	2014	2013/2014 progression	
				Like-for-like	Reported figures
Western Europe	7,382.6	7,467.6	7,697.7	2.4%	3.1%
North America	5,210.7	5,356.1	5,389.4	1.1%	0.6%
New Markets, of which:	8,189.8	8,464.7	8,571.1	6.9%	1.3%
• Asia, Pacific	4,287.1	4,382.2	4,563.6	5.3%	4.1%
• Latin America	1,816.9	1,886.2	1,853.7	10.0%	-1.7%
• Eastern Europe ⁽¹⁾	1,622.4	1,691.3	1,585.4	6.0%	-6.3%
• Africa, Middle East ⁽¹⁾	463.4	505.1	568.4	13.5%	12.5%
TOTAL COSMETICS SALES	20,783.1	21,288.5	21,658.2	3.8%	1.7%

(1) As of July 1st, 2013, Turkey and Israel, which were previously included in the Africa, Middle East zone, were transferred to the Eastern Europe zone. All figures for earlier periods have been restated to allow for this change.

Operating profit

	2012		2013		2014	
	€ millions	% CA 2012	€ millions	% CA 2013	€ millions	% CA 2014
Western Europe	1,580	21.4%	1,662	22.3%	1,746	22.7%
North America	960	18.4%	1,003	18.7%	1,010	18.7%
New Markets	1,518	18.5%	1,628	19.2%	1,684	19.6%
TOTAL GEOGRAPHIC ZONES	4,058	19.5%	4,293	20.2%	4,440	20.5%
Non-allocated ⁽¹⁾	-577	-2.8%	-605	-2.8%	-615	-2.8%
TOTAL ZONES AFTER NON-ALLOCATED	3,481	16.7%	3,686	17.3%	3,825	17.7%

SALES OF THE COSMETICS DIVISIONS BY BUSINESS SEGMENT

Consolidated sales

€ millions	2012	2013	2014	2013/2014 progression	
				Like-for-like	Reported figures
Skincare	6,039	6,303	6,489	3.1%	3.0%
Make-up	4,468	4,616	4,751	5.6%	2.9%
Haircare	4,356	4,422	4,449	3.2%	0.6%
Hair colourants	2,943	2,931	2,860	0.9%	-2.4%
Perfumes	2,010	2,029	2,123	6.7%	4.6%
Other ⁽²⁾	968	987	986	5.2%	-0.1%
TOTAL COSMETICS SALES	20,783	21,288	21,658	3.8%	1.7%

(1) "Non-allocated" items consist of the expenses of Functional Divisions and fundamental research, stock option and free grant of shares costs, which are not allocated to the Cosmetics Divisions. This item also includes non-core activities, such as insurance, reinsurance and banking.

(2) "Other" includes hygiene products, sales made by American distributors with non-Group brands.

KEY FIGURES AND COMMENTS ON THE 2014 FINANCIAL YEAR
FINANCIAL HIGHLIGHTS

3.2.3. Consolidated sales by geographic zone and by business segment

PROFESSIONAL PRODUCTS DIVISION

Sales by geographic zone

€ millions	2012	2013	2014	2014 Weight	2013/2014 progression	
					Like-for-like	Reported figures
Western Europe	981.6	965.3	1,032.7	34.1%	1.2%	7.0%
North America	1,101.5	1,098.5	1,111.0	36.6%	1.8%	1.1%
New Markets	919.5	910.0	888.7	29.3%	5.3%	-2.3%
TOTAL	3,002.6	2,973.8	3,032.4	100%	2.6%	2.0%

Sales by business segment

€ millions	2012	2013	2014	2014 Weight	2013/2014 progression	
					Like-for-like	Reported figures
Hair colourants	1,048.3	1,035.7	1,039.0	34.3%	2.5%	0.3%
Styling and textures	317.3	304.3	328.6	10.8%	0.3%	8.0%
Shampoos and haircare	1,637.0	1,633.9	1,664.8	54.9%	3.1%	1.9%
TOTAL	3,002.6	2,973.8	3,032.4	100%	2.6%	2.0%

CONSUMER PRODUCTS DIVISION

Sales by geographic zone

€ millions	2012	2013	2014	2014 Weight	2013/2014 progression	
					Like-for-like	Reported figures
Western Europe	3,783.0	3,846.1	3,857.0	35.8%	0.9%	0.3%
North America	2,555.7	2,534.7	2,477.0	23.0%	-2.5%	-2.3%
New Markets	4,374.5	4,492.4	4,433.5	41.2%	4.8%	-1.3%
TOTAL	10,713.2	10,873.2	10,767.5	100%	1.6%	-1.0%

Sales by business segment

€ millions	2012	2013	2014	2014 Weight	2013/2014 progression	
					Like-for-like	Reported figures
Hair colourants	1,894.6	1,895.3	1,821.2	16.9%	0.0%	-3.9%
Haircare and styling	2,650.8	2,712.9	2,723.0	25.3%	3.4%	0.4%
Make-up	3,189.8	3,215.5	3,204.7	29.8%	2.9%	-0.3%
Skincare	2,487.8	2,534.7	2,489.1	23.1%	-1.8%	-1.8%
Other	490.2	514.8	529.6	4.9%	8.3%	2.9%
TOTAL	10,713.2	10,873.2	10,767.5	100%	1.6%	-1.0%

L'ORÉAL LUXE

Sales by geographic zone

€ millions	2012	2013	2014	2014 Weight	2013/2014 progression	
					Like-for-like	Reported figures
Western Europe	1,872.4	1,870.8	1,976.3	31.9%	4.7%	5.6%
North America	1,393.0	1,560.0	1,629.4	26.3%	6.0%	4.4%
New Markets	2,302.7	2,434.4	2,592.2	41.8%	9.8%	6.5%
TOTAL	5,568.1	5,865.2	6,197.9	100%	7.1%	5.7%

Sales by business segment

€ millions	2012	2013	2014	2014 Weight	2013/2014 progression	
					Like-for-like	Reported figures
Skincare	2,481.1	2,647.6	2,754.3	44.4%	5.1%	4.0%
Perfumes	1,928.3	1,945.9	2,040.0	32.9%	6.9%	4.8%
Make-up	1,158.7	1,271.7	1,403.6	22.6%	11.6%	10.4%
TOTAL	5,568.1	5,865.2	6,197.9	100%	7.1%	5.7%

ACTIVE COSMETICS DIVISION**Sales by geographic zone**

€ millions	2012	2013	2014	2014 Weight	2013/2014 progression	
					Like-for-like	Reported figures
Western Europe	745.6	785.4	831.7	50.1%	5.6%	5.9%
North America	160.6	162.9	172.0	10.4%	8.7%	5.6%
New Markets	593.1	628.1	656.7	39.6%	12.9%	4.6%
TOTAL	1,499.2	1,576.3	1,660.4	100%	8.7%	5.3%

Sales by business segment

€ millions	2012	2013	2014	2014 Weight	2013/2014 progression	
					Like-for-like	Reported figures
Skincare	1,168.3	1,214.2	1,286.1	77.5%	9.5%	5.9%
Haircare	93.3	108.6	105.1	6.3%	1.0%	-3.2%
Make-up	92.7	97.0	109.2	6.6%	15.3%	12.6%
Other	145	156.5	159.9	9.6%	3.9%	2.2%
TOTAL	1,499.2	1,576.3	1,660.4	100%	8.7%	5.3%

THE BODY SHOP**Retail sales ⁽¹⁾**

€ millions	2012	2013	2014	2014 Weight	2013/2014 progression	
					Like-for-like	Reported figures
Western Europe	548.1	544.8	562.0	38.1%	3.2%	4.9%
North America	184.8	168.6	179.1	12.1%	6.2%	3.4%
New Markets	737.6	685.5	734.3	49.8%	7.1%	6.5%
TOTAL	1,470.5	1,398.9	1,475.4	100%	5.5%	5.5%

Sales

€ millions	2012	2013	2014	2013/2014 Evolution	
				Like-for-like	
Retail sales ⁽¹⁾		1,470.5	1,398.9	1,475.3	5.5%
Retail sales with a comparable store base ⁽²⁾		1,316.2	1,306.6	1,319.8	1.0%
CONSOLIDATED SALES		855.3	835.8	873.8	1.6%

Number of stores

	Au 12.31.2013	Au 12.31.2014	Variation en 2014
Company owned stores	1,114	1,120	+6
Franchisees	1,930	1,999	+69
TOTAL NUMBER OF STORES	3,044	3,119	+75

(1) Total sales to consumers through all channels, including franchisees and e-commerce.

(2) Total consumer sales made by stores and e-commerce websites that were continuously present between January 1st and December 31st, 2014 and the same stores and websites present in 2012 and 2013, and for the same periods for 2012 and 2013, including franchisees.

KEY FIGURES AND COMMENTS ON THE 2014 FINANCIAL YEAR

FINANCIAL HIGHLIGHTS

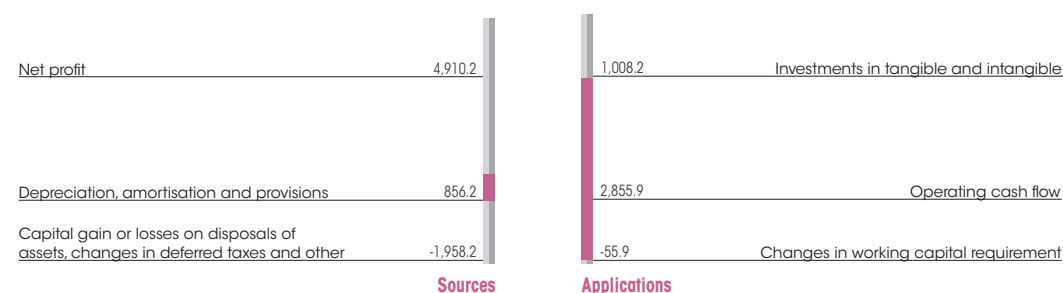
3.2.4. Simplified consolidated income statements

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 as of January 1st, 2014. All figures for earlier periods have been restated accordingly.

€ millions	12.31.2012	12.31.2013	12.31.2014	% CA 2014
Sales	21,638.4	22,124.2	22,532.0	100.0%
Gross profit	15,250.1	15,744.8	16,031.3	71.1%
Research and development	-680.4	-748.3	-760.6	3.4%
Advertising and promotion	-6,531.6	-6,621.7	-6,558.9	29.1%
Selling, general and administrative expenses	-4,479.7	-4,614.4	-4,821.1	21.4%
Operating profit	3,558.4	3,760.4	3,890.7	17.3%
Operational profit	3,437.3	3,631.8	3,583.5	
Finance costs excluding dividends received	+1.7	-31.4	-24.1	
Sanofi dividends	313.4	327.5	331.0	
Income tax	-985.4	-1,043.6	-1,111.0	
Non-controlling interests	-2.7	-3.2	-1.6	
Net profit attributable to owners of the company	2,867.7	2,958.2	4,910.2	21.8%
Non-recurring items (expense +/income -)	-101.81	-154.1	-348.7	
Net profit excluding non-recurring items after non-controlling interests *	2,861.5	3,032.4	3,125.3	13.9%
Diluted earnings per share attributable to owners of the company (euros)	4.74	4.87	8.39	
Diluted earnings per share attributable to owners of the company excluding non-recurring items (euros)	4.73	4.99	5.34	

* Net profit excluding non recurring items excludes asset depreciations, restructuring costs, tax effects and minority interests of continuing activities.

3.2.5. Sources and applications of funds (€ millions)



Gross cash flow: 3,808

3.2.6. Financial ratios

	2012	2013	2014
(% of sales)			
Operating profit/Sales	16.4%	17.0%	17.3%
(% of shareholders' equity)			
Net profit excluding non-recurring items after non-controlling interests/Opening shareholders' equity	16.2%	14.5%	13.8%
(% of shareholders' equity)			
Net gearing ⁽¹⁾	n/a	n/a	3.3%
Gross cash flow/Investments	3.8x	3.7x	3.8x

(1) Net gearing = $\frac{\text{Current and non-current debt} - \text{Cash and cash equivalents}}{\text{shareholders' equity after non-controlling interests}}$

3.2.7. L'Oréal 2008-2014

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 as of January 1st, 2014. All figures for earlier periods have been restated accordingly.

€ millions	2008 ⁽¹⁾	2009	2010	2011 ⁽⁶⁾	2012 ⁽⁶⁾	2013	2014
Results							
Consolidated sales	17,542	17,473	19,496	20,343	21,638	22,124	22,532.0
Operating profit	2,725	2,578	3,057	3,293	3,558	3,760	3,891
As a percentage of consolidated sales	15.5%	14.8%	15.7%	16.2%	16.4%	17%	17.3%
Profit before tax and non-controlling interests	2,788	2,749	3,305	3,563	3,874	4,056	4,198
Net profit excluding non-recurring items after non-controlling interests	2,064	1,997	2,371	2,583	2,861	3,032	3,125
Net profit attributable to owners of the company ⁽⁷⁾	1,948	1,792	2,240	2,438	2,868	2,958	4,910
Total dividend	862	899	1,082	1,212	1,397	1,523	1,507
Balance Sheet							
Non-current assets	16,380	17,350	17,048	19,141	20,903	21,489	23,288
Current assets excl. cash and cash equivalents	5,450	4,768	5,446	6,070	6,096	6,730	6,858
Cash and cash equivalents	1,077	1,173	1,550	1,652	2,235	2,659	1,917
Equity ⁽²⁾	11,563	13,598	14,866	17,627	20,925	22,643	20,189
Net current and non-current debt ⁽³⁾	3,700	1,958	41	-504	-1,948	-2,320	671
Gross cash flow	2,746	2,758	3,171	3,226	3,507	3,758	3,808
Pershare data (euros)							
Diluted earnings per share attributable to owners of the company excluding non-recurring items ⁽⁷⁾	3.49	3.42	4.01	4.32	4.73	4.99 ⁽⁶⁾	5.34
Dividend	1.44	1.50	1.80	2.00	2.30	2.50	2.70 ⁽⁵⁾
Share price at December 31 st ⁽⁴⁾	62.30	78.00	83.08	80.70	104.90	127.70	139.30
Highest share price during the year ⁽⁴⁾	99.26	79.32	88.00	91.24	106.40	137.85	140.40
Lowest share price during the year ⁽⁴⁾	53.32	46.00	70.90	68.83	79.22	103.65	114.55
Diluted weighted average number of shares outstanding ⁽⁴⁾	590,920,078	583,797,566	591,392,449	597,633,103	605,305,458	608,001,407	585,238,674

(1) The 2008 balance sheets has been restated according to changes in accounting policies relating to advertising and promotion expenses, customer loyalty programs and the immediate recognition in shareholders' equity of actuarial gains and losses linked to employee benefits.

(2) Plus non-controlling interests.

(3) The net cash surplus is €504 million in 2011, €1,948 million in 2012 and €2,320 million in 2013.

(4) The L'Oréal share has been listed in euros on the Paris Bourse since January 4th, 1999, where it was first listed in 1963. The share capital is €112,246,077.80 at December 31st, 2014; the par value of one share is €0.2.

(5) Dividend proposed to the Annual General Meeting of April 22nd, 2015.

(6) The 2011 and 2012 balance sheets have been restated to allow for the change in accounting method relating to revised IAS 19.

(7) For 2012, 2013 and 2014 it is the net profit from continuing operations.

(8) Net profit to owners of the company per share, excluding non recurring items, published on December 31st, 2013 was €5.13.

3.3. SIGNIFICANT, RECENT EVENTS AND PROSPECTS

3.3.1. Significant events of 2014

- On January 9th, L'Oréal obtained the approval of the Ministry of Commerce of the People's Republic of China to proceed with the acquisition of all the shares of Magic Holdings International Ltd., a company listed on the Hong Kong stock exchange. On April 8th, 2014, the acquisition of Magic Holdings was finalised. This move marks L'Oréal's largest investment to date in the Chinese beauty market.
- On February 11th, L'Oréal and Nestlé announced a strategic transaction under which L'Oréal is to buy 48.5 million of its own shares from Nestlé (representing 8% of L'Oréal shares),

under the suspensive condition of the sale by L'Oréal of its stake in the pharmaceutical laboratory Galderma. On July 8th, 2014, L'Oréal this transaction was finalised. The sale of Galderma will result, in the second half, in a capital gain net of tax of about €2 billion.

- On February 19th, L'Oréal and Shiseido signed the contract for the acquisition by L'Oréal of *Decléor* and *Carita*. On April 30th, 2014, the acquisition was finalised.
- On April 17th, 2014, the Annual General Meeting of L'Oréal shareholders renewed the tenure of Mr. Jean-Paul Agon as Director. The Board of Directors, which met at the end of the Annual General Meeting, decided to renew the duties of

KEY FIGURES AND COMMENTS ON THE 2014 FINANCIAL YEAR

SIGNIFICANT, RECENT EVENTS AND PROSPECTS

Mr. Jean-Paul Agon as Chairman and Chief Executive Officer.

- ◆ On June 18th, 2014, L'Oréal announced the signing of a definitive agreement to acquire NYX Cosmetics, a mass market brand rooted in professional make-up artistry with its headquarters in Los Angeles. On July 30th, 2014, the acquisition was finalised.
- ◆ On October 20th, L'Oréal USA announced the acquisition of *Carol's Daughter*, an American multi-cultural beauty brand with a pioneering heritage in the natural beauty movement. The brand caters to a diverse, rapidly growing market and has established a loyal consumer following throughout the United States.
- ◆ On November 27th, L'Oréal and Nestlé announced their project to end the operations of their joint venture *Innéov* in the first quarter 2015.
- ◆ On December 18th, L'Oréal stated that it had been informed of the French Competition Authority's decision to rule against manufacturers of household and hygiene products concerning events which took place in the early 2000s. L'Oréal has appealed this decision.
- ◆ Currently undergoing finalisation in the first half of 2015, the acquisition of Niely Cosméticos, announced on September 8, 2014, has been approved by the Brazilian regulatory authorities. Niely Cosméticos is the largest independent hair colour and haircare company in Brazil, with a net revenue of 140 million euros in 2013.

3.3.2. *Significant events that have occurred since the beginning of 2015*

No significant event has occurred since the beginning of the 2015 financial year.

3.3.3. *Prospects*

L'Oréal is looking to the future with confidence, driven by its "Beauty for All" mission and its "Universalisation" strategy towards its ambition of winning one billion new consumers.

In an economic environment that is uncertain, but more favourable on the monetary front, all its teams are focused to ensure L'Oréal outperforms the market in 2015, and to deliver sales and profit growth.

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KEY FIGURES AND COMMENTS ON THE 2014 FINANCIAL YEAR

SIGNIFICANT, RECENT EVENTS AND PROSPECTS