

L'ORÉAL

FIRST HALF 2007 SALES

STRONG GROWTH IN LINE WITH TARGETS

8.514 BILLION EUROS

+ 9.4% based on reported figures
+ 7.7% like-for-like

VERY RAPID GROWTH CONTINUES IN NEW MARKETS STRONG GROWTH RATES ACROSS ALL DIVISIONS CONFIDENCE ABOUT OUTLOOK FOR 2007 RESULTS

- The sales of the L'Oréal group, at June 30th 2007, amounted to 8.514 billion euros, an increase of + 9.4% (based on reported figures).
Like-for-like (i.e. based on a comparable structure and identical exchange rates) the increase in the group's sales was + 7.7%.
The net impact of changes in consolidation, as a result of the acquisitions of The Body Shop, Sanoflore, Beauty Alliance and Pureology amounted to + 5.2%.
Currency fluctuations had a negative impact of - 3.5% (at the exchange rate of June 30th 2007 the impact would be - 2.6% for the whole of 2007).
Growth excluding the exchange rate impact was + 12.9%.
- Commenting on the figures, Mr Jean-Paul Agon, Chief Executive Officer of L'Oréal, said: *"After the good start to the year, the group continued to record very high sales growth in the 2nd quarter with an increase of + 10.4% based on reported figures, and like-for-like growth at the upper end of our target range.*
This strong momentum reflects both very rapid growth in new markets as L'Oréal captures strategic positions, and sustained growth in Western Europe and North America.
All our divisions are enjoying strong growth rates.
Despite the negative impact of exchange rates, these good levels of performance mean that we are confident about the sales and results outlook for the full year 2007."

Sales growth by operational division and geographic zone

	2nd quarter 2007		1st half 2007			
	€m	Growth		€m	Growth	
		Like-for-like	Reported		Like-for-like	Reported
<u>By operational division</u>						
Professional Products	612	+ 6.8%	+ 11.8%	1 154	+ 7.1%	+ 7.8%
Consumer Products	2 130	+ 8.1%	+ 5.7%	4 277	+ 8.1%	+ 4.9%
Luxury Products	905	+ 6.1%	+ 2.5%	1 833	+ 6.8%	+ 2.6%
Active Cosmetics	324	+ 10.0%	+ 10.1%	716	+ 10.1%	+ 9.7%
Cosmetics total	3 984	+ 7.4%	+ 5.9%	8 014	+ 7.7%	+ 5.0%
<u>By geographic zone</u>						
Western Europe	1 880	+ 3.4%	+ 3.2%	3 800	+ 3.7%	+ 3.5%
North America	967	+ 4.0%	+ 1.6%	1 930	+ 3.8%	- 1.8%
Rest of the World, of which:	1 137	+ 18.0%	+ 15.1%	2 284	+ 19.0%	+ 14.4%
- Asia	380	+ 15.1%	+ 8.0%	788	+ 13.8%	+ 6.5%
- Latin America	284	+ 13.8%	+ 10.8%	528	+ 16.1%	+ 9.8%
- Eastern Europe	266	+ 29.4%	+ 35.1%	555	+ 30.0%	+ 34.9%
- Other Countries	207	+ 16.1%	+ 13.2%	413	+ 19.4%	+ 13.1%
Cosmetics total	3 984	+ 7.4%	+ 5.9%	8 014	+ 7.7%	+ 5.0%
The Body Shop	172	+ 7.6%		341	+ 7.0%	
Dermatology ⁽¹⁾	90	+ 9.7%	+ 5.0%	159	+ 10.0%	+ 4.7%
Group total	4 246	+ 7.4%	+ 10.4%	8 514	+ 7.7%	+ 9.4%

(1) Group share, i.e. 50 %

Cosmetics branch Sales trends by division and by zone

- The **Professional Products** Division recorded a like-for-like growth rate of + 7.1%. All zones and all brands made a positive contribution to this figure, particularly the emerging countries.
 - *L'Oréal Professionnel* continued to successfully roll out its *Color Suprême* hair colourant, for women with more than 80% of grey hair, in all parts of Europe. To meet these women's needs, the brand also launched its anti-ageing haircare range *Age Densiforce*.
 - *Kérastase* again achieved very rapid growth in all regions of the world with its successful *Age Recharge* range and the launch of *Oléo Curl*.
 - *Redken* successfully relaunched its *Colour Fusion* hair colourant and its *Fresh Curls* range, while rolling out its "*Urban Experiment*" styling line.
 - *Matrix* successfully launched *Shade Memory* haircare for coloured hair and rolled out the *Vavoom Gold Heat* styling line in international markets.
- The **Consumer Products** Division achieved a like-for-like growth rate of + 8.1%, confirming the good performance at the start of the year. Sales in Western Europe are continuing to accelerate, and the performance in the Rest of the World is very strong, driven by the BRIMC countries.

The Division's three main brands are now reaping the benefits of their policy of innovation and focusing on flagship products.

- *L'Oréal Paris* is achieving growth in its traditional haircare businesses, as the *Casting Crème Gloss* hair colourant success story continues. With products such as *True Match Foundation*, *Bare Natural* and *Color Riche Star Secret*, the make-up ranges are recording double-digit growth. Other highlights are the breakthroughs in skincare of *Collagen Re-modeller* and *Age Re-*

perfect pro Calcium for mature skin in Europe and of whitening products in Asia, together with *Sublim'Bronze* and *Solar Expertise* in sun protection. Lastly, the very rapid growth of *Men Expert* skincare is confirming the very high additional potential of the men's market.

- *Garnier* is recording strong growth with its core products *Fructis* haircare and *Nutrisse* hair colourants, and is enjoying spectacular success in skincare with *Ultra Lift* and *Nutritionnist* and in sun protection with *Ambre Solaire*.
The roll-out of Garnier "Take care" in the four categories of haircare, hair colourants, skincare and sun protection products is proving very successful in all zones.
- *Maybelline New York* is recording very good sales growth, particularly in Western Europe with the success of *Superstay* lipstick and across the world with *Dream Matte Mousse* and *White Stay* foundations. Successfully launched in the USA, the excellent start made by the new *Define A Lash* mascara is continuing.
- The half-year sales of the **Luxury Products** Division grew by + 6.8% like-for-like. Growth in the "Rest of the World" has been very substantial since the start of the year. There was a clear improvement in the situation in North America during the 2nd quarter.
 - In skincare, products such as *Hydrazen Neurocalm*, *Absolue Premium Beta X* from *Lancôme*, *Multi-recharge* by *Biotherm*, and *Dermatologist Solutions* from *Kiehl's* have proved to be international successes. Growth in men's skincare was particularly strong in the first half with *Biotherm Homme* and its new *Power Bronze* line, and with the arrival of the *Lancôme Men* range.
 - In the make-up segment, there has been confirmation of the international success of *Color Fever* lipstick and gloss, *Color Ideal* foundation by *Lancôme*, *Rouge Unlimited* by *Shu Uemura*, and *Fluid Master* from *Giorgio Armani* Cosmetics.
 - The fragrance business is still proving to be a strong driving force for the Division. The success of the most recent launches has been confirmed: in men's fragrances with *Attitude* by *Giorgio Armani*, *Hypnôse Homme* from *Lancôme*, *Antidote* by *Viktor & Rolf*, and in women's perfumes with *Liberté* by *Cacharel*, and *Armani Code Donna*. The Division is also actively preparing for the major launch of its new *Diesel* fragrances in the second half of 2007.
- The strong like-for-like growth of **Active Cosmetics** is continuing at + 10.1%, with positive contributions from all the geographic zones. Sales growth has been boosted by the Rest of the World and North America.
All the brands recorded good growth rates, with firm sales of existing products and the positive impact of launches such as *Neovadiol* and *Normaderm* skincare from *Vichy*, and *Substiane*, *Redermic* and *Toleriane Teint* by *La Roche-Posay*.
Innéov also recorded strong sales growth thanks to the launch of *Innéov Cellulite*.

Solid growth in Western Europe

With like-for-like sales increasing by + 3.7%, growth was solid in **Western Europe**, with very sustained growth in **Great Britain**, **Spain** and **Scandinavia**. The situation is still mixed in both **France** and **Germany**.

- The *Professional Products* Division performed well across the whole range of countries, particularly in Germany, Spain, Great Britain and Scandinavia. *Matrix* sales are growing strongly.
- The growth of *Consumer Products* gathered speed in the second quarter, and the Division is winning market share. It is maintaining its already very strong positions in haircare, as the hair colourant market is returning to positive growth. Sales growth was very strong in make-up and skincare across all the brands. Lastly, 30 months after its launch, the success of *Men Expert skincare* is exceeding all expectations.
- Following a very strong first quarter reflecting the impact of product launches, *Luxury Products* had a more moderate 2nd quarter which also reflected the impact of inventory reductions by some large distributors, particularly in Germany. For the first half, growth is in line with projections. There were good growth rates in Spain, Italy and Great Britain thanks to the success of the men's lines of *Lancôme* both in skincare and fragrances, with very good sales of the fragrance ranges *Giorgio Armani*, *Cacharel* and *Viktor & Rolf*.
- *Active Cosmetics* was bolstered by the rapid growth of *La Roche Posay* and accelerating sales of *Innéov*, which is now number 1 on the European nutricosmetics market.

Slightly improved growth in North America

In North America, like-for-like sales growth amounted to + 3.8%.

- The *Professional Products* Division continued to make market share gains, particularly in hair colourants with the success of *Color Fusion* by *Redken*, *SoColor* from *Matrix* and *Majirel* by *L'Oréal Professionnel*. The division is continuing to successfully reorganise its distribution and integrate its recent acquisitions: *Beauty Alliance*, a distributor of professional haircare products to salons, and *PureOlogy*, a premium line of haircare products for coloured hair.
- In a context of slightly slower 2nd quarter growth in the mass-market sector, and very strict inventory management by distributors, the brands of the *Consumer Products* Division are maintaining their very good sell-through figures. They are gaining market share, particularly in make-up (*Bare Natural* foundation from *L'Oréal Paris* and *Define-A-Lash* mascara from *Maybelline*) and in skincare, thanks to the launch of *Nutritioniste* by *Garnier*.
- The *Luxury Products* market is back to growth, as well as the Division's sell-through, confirming the good performance of *Lancôme* in skincare thanks to the success of *Absolue Bx* and *Collaser Yeux*, and in make-up with the new *Color Ideal* foundation. In fragrances, the division has strengthened its number one position in the men's market with the launch of *Attitude* by *Giorgio Armani* and *Hypnose pour Homme*, and the strong performance of *Polo Double Black* from *Ralph Lauren*.
- *Active Cosmetics* is continuing to roll out its *Vichy* brand in the north-east of the United States and California, and the strong growth of *SkinCeuticals* is continuing.

Very rapid growth continues in new markets

With growth of + 19.0%, the acceleration in new markets in the first quarter of 2007 is continuing.

Like-for-like sales growth in the **Asia zone** gathered pace in the second quarter, giving a half-year growth rate of + 13.8%.

- The group's growth rate in Japan was slightly positive in the first 6 months, reflecting the success of *Kérastase* in the *Professional Products* Division, *L'Oréal Paris* in *Consumer Products* and the anti-ageing skincare lines of *Lancôme* and *Helena Rubinstein* in the *Luxury Products* Division.
- There was a clear sales acceleration in Asia excluding Japan, with a half-year growth rate of + 17.5%, thanks in particular to very dynamic growth in China, and strong sales in Thailand and Indonesia.
- In China, *L'Oréal Paris* is continuing its outstanding breakthrough in skincare, bolstered by the excellent figures of the Men Expert line. In *Luxury Products*, *Yue Sai* - boosted by its new image and new products such as *Vital Essential* - made a very good start to the year. In the *Professional Products* Division, the *Matrix* brand is now available in more than 7,000 salons. The roll-out of the *Vichy* and *La Roche-Posay* brands across the country is continuing.
- Successfully established in Thailand, Singapore, Taiwan and then China, the *Garnier* skincare range roll-out is continuing in Malaysia and Indonesia.

Sales in the **Latin America zone** grew strongly at + 16.1% like-for-like.

- The group has recorded spectacular growth in Venezuela, Colombia and Argentina where *Matrix* has just been launched. In Mexico, where the market is less buoyant, the group's brands are winning market share in the *Luxury Products* and *Active Cosmetics* Divisions.
- The momentum is continuing in Brazil, driven by the *Professional Products* Division thanks to the still very rapid growth of *Matrix* and the successes achieved by *L'Oréal Professionnel* with new hairdressing rituals and the continuing success of *Richesse*. In *Consumer Products*, growth is being driven by the success of *Elsève Volume Control* and the revamping of the *Colorama* nail varnish range from *Maybelline*. In *Luxury Products*, the *Armani* and *Biotherm* brands are continuing their very rapid expansion. At *Active Cosmetics*, *La Roche Posay* is making a strong contribution to growth.

Sales in the **Eastern Europe** zone grew by + 30.0%. This strong growth rate is being bolstered by the rapid development of all the divisions, particularly in Russia, and the very rapid rise of Ukraine, where a subsidiary was set up in 2005.

- The *Professional Products* Division produced an excellent first half in all the East European countries. Growth is being driven by *Matrix* in particular, which is continuing to win over salons in the most affordable category.
- Growth in the *Consumer Products* Division is being driven by Russia, Romania, the Czech Republic and Ukraine. Scores are particularly impressive in facial skincare for *Garnier* and *L'Oréal Paris*, with the very promising start made by *Garnier* bodycare and the robust sales of the *L'Oréal Paris* and *Maybelline* make-up ranges.
- Against a background of dynamic market trends, *Luxury Products* are winning market share in all the countries in this zone. In Russia, the upgrading of several sales outlets and the high-profile launches of *Giorgio Armani* Cosmetics and *Kiehl's* are considerably strengthening the Division's positions.
- *Active Cosmetics* is continuing to record strong growth rates, and is further strengthening its leadership, thanks to the extremely dynamic performance of the *La Roche-Posay* brands in Russia and Poland, and the very good scores of *Inneov* wherever it is sold.

In the **Other Countries**, like-for-like sales growth amounted to + 19.4%. L'Oréal is continuing to achieve very high growth in India, and the same is true in the countries of the Middle East, where the group is also gaining market share, particularly in haircare and hair colourants. Strong growth figures are also being recorded in South Africa and Australia.

The Body Shop

The sales of **The Body Shop** increased by + 7.0% like-for-like.
Retail sales (1) rose by + 8.4%. On a comparable store base (2) retail sales grew by + 4%.
Sales were particularly strong in Russia, the Netherlands, the United Arab Emirates and Japan, while there were more contrasting trends in North America.
The recent successful launches of the Body Focus bodycare line and the Wise Woman facial skincare range for mature skin have strengthened sales growth momentum.

56 shops were opened in the first half, taking the total number of stores to 2,321 in 57 countries.
The first-ever shop was opened in Poland, in the largest shopping centre in Warsaw.
A 20 square metre sales outlet has just been opened inside the Galeries Lafayette department store in Paris.

- (1) Retail sales: total sales to consumers through all channels.
(2) Retail sales with a comparable store base: total sales to consumers by stores which operated continuously throughout the first-half period (January 1st to June 30th 2007) and the same period in 2006.

Dermatology

The sales of the dermatology branch increased by + 10.0% like-for-like. *Galderma* sales growth has been particularly boosted by the success of the psoriasis treatment *Clobex*[®] and by the first deliveries in the United States of *Differin*[®] gel 0.3%, a topical anti-acne treatment, recently approved by the FDA (Food and Drug Administration).

"This news release does not constitute an offer to sell, or a solicitation of an offer to buy, L'Oréal shares. If you wish to obtain more comprehensive information about L'Oréal, please refer to the public documents registered in France with the Autorité des Marchés Financiers [also available in English on our Internet site www.loreal-finance.com].

This news release may contain some forward-looking statements. Although the Company considers that these statements are based on reasonable hypotheses at the date of publication of this release, they are by their nature subject to risks and uncertainties which could cause actual results to differ materially from those indicated or projected in these statements."

Contacts at L'ORÉAL (Switchboard: +33.1.47.56.70.00)

Individual shareholders
and market authorities
Mr Jean-Régis CAROF
☎ : +33.1.47.56.83.02
<http://www.loreal-finance.com>

Financial analysts and
Institutional investors
Mrs Caroline MILLOT
☎ : +33.1.47.56.86.82
Fax: +33.1.47.56.74.93

Journalists
Mr Mike RUMSBY
☎ : +33.1.47.56.41.95
<http://www.loreal.com>

For more information, please contact your bank, broker or financial institution (I.S.I.N. code: FR0000120321), and consult your usual newspapers, and the Internet site for shareholders and investors, <http://www.loreal-finance.com>, or its mobile version on your cell phone, <http://mobile.loreal-finance.com>

Annex:

L'Oréal group sales 2006/2007
(€ millions)

	2006	2007
<u>First quarter:</u>		
Cosmetics	3, 872.3	4, 030
The Body Shop	-	169
Dermatology	66.1	69
First quarter total	3, 938.4	4, 268
<u>Second quarter:</u>		
Cosmetics	3, 761.1	3, 984
The Body Shop	-	172
Dermatology	86.0	90
Second quarter total	3, 847.1	4, 246
<u>First half:</u>		
Cosmetics	7, 633.4	8, 014
The Body Shop	-	341
Dermatology	152.1	159
First half total	7, 785.5	8, 514
<u>Third quarter:</u>		
Cosmetics	3, 597.5	
The Body Shop	171.9	
Dermatology	86.8	
Third quarter total	3, 856.2	
<u>Nine months:</u>		
Cosmetics	11, 230.9	
The Body Shop	171.9	
Dermatology	238.9	
Nine months total	11, 641.7	
<u>Fourth quarter:</u>		
Cosmetics	3, 780.5	
The Body Shop	263.0	
Dermatology	104.8	
Fourth quarter total	4, 148.4	
<u>Full year</u>		
Cosmetics	15, 011.4	
The Body Shop	435.0	
Dermatology	343.7	
Full year total	15, 790.1	