



# L'ORÉAL

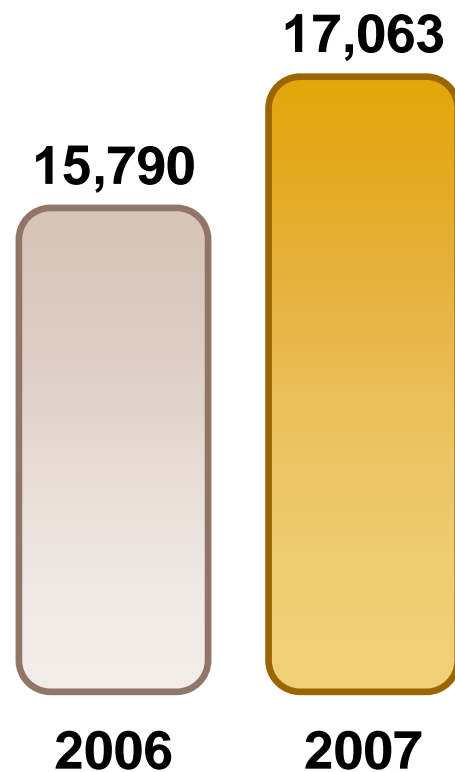
ANNUAL RESULTS 2007

Annual General Meeting on April 22nd, 2008

**M. Christian MULLIEZ**

Executive Vice-President, Administration & Finance

# 2007 cosmetics sales by geographic zone (in millions of euros)



**+ 1,273 M€**

|  |                 |
|--|-----------------|
| <b>Growth like-for-like</b>                  | <b>+ 8.0 %</b>  |
| External growth impact                       | <b>+ 3.6 %</b>  |
| <b>Growth excluding exchange rate impact</b> | <b>+ 11.6 %</b> |
| Exchange rate impact                         | <b>- 3.5 %</b>  |
| <b>Growth published figures</b>              | <b>+ 8.1 %</b>  |

## 2007 consolidated sales (in millions of euros)



|                           | 2006          | 2007          | Growth        |                   |
|---------------------------|---------------|---------------|---------------|-------------------|
|                           |               |               | Like-for-like | Published figures |
| Professional Products     | 2,126         | 2,392         | + 7.5%        | + 12.5%           |
| Consumer Products         | 7,903         | 8,280         | + 7.9%        | + 4.8%            |
| Luxury Products           | 3,773         | 3,928         | + 8.4%        | + 4.1%            |
| Active Cosmetics          | 1,128         | 1,248         | + 10.8%       | + 10.7%           |
| <b>Cosmetics total</b>    | <b>15,011</b> | <b>15,908</b> | <b>+ 8.0%</b> | <b>+ 6.0%</b>     |
| The Body Shop             | 435           | 787           | + 5.7%        | + 80.9%           |
| Dermatology*              | 344           | 367           | + 12.7%       | + 6.9%            |
| <b>Consolidated total</b> | <b>15,790</b> | <b>17,063</b> | <b>+ 8.0%</b> | <b>+ 8.1%</b>     |

\* Group's share, i.e. 50 %

## 2007 cosmetics sales by geographic zone (in millions of euros)



|                        | 2006          | 2007          | Growth        |                   |
|------------------------|---------------|---------------|---------------|-------------------|
|                        |               |               | Like-for-like | Published figures |
| Western Europe         | 6,992         | 7,250         | + 4.1%        | + 3.7%            |
| North America          | 3,954         | 4,003         | + 4.8%        | + 1.3%            |
| Rest of the world      | 4,065         | 4,654         | + 17.9%       | + 14.5%           |
| <b>Cosmetics total</b> | <b>15,011</b> | <b>15,908</b> | <b>+ 8.0%</b> | <b>+ 6.0%</b>     |

## 2007 cosmetics sales in the rest of the world (in millions of euros)



|                                | 2006         | 2007         | Growth         |                   |
|--------------------------------|--------------|--------------|----------------|-------------------|
|                                |              |              | Like-for-like  | Published figures |
| Asia excluding Japan           | 1,135        | 1,266        | + 17.8%        | + 11.5%           |
| Japan                          | 341          | 314          | + 1.8%         | - 7.9%            |
| Latin America                  | 1,021        | 1,124        | + 14.6%        | + 10.1%           |
| Eastern Europe                 | 850          | 1,142        | + 29.4%        | + 34.4%           |
| Other countries                | 718          | 808          | + 15.4%        | + 12.5%           |
| <b>Rest of the world total</b> | <b>4,065</b> | <b>4,654</b> | <b>+ 17.9%</b> | <b>+ 14.5%</b>    |

Consolidated profit and loss accounts at comparable structure :  
 ex. The Body Shop and ex. USA distributors  
 From sales to operating profit  
 (in millions of euros)



|   | 31.12.2006      | %<br>of Sales | 31.12.2007      | %<br>of Sales |
|---|-----------------|---------------|-----------------|---------------|
| <b>Sales</b>                                  | <b>15,355.1</b> | <b>100%</b>   | <b>16,110.3</b> | <b>100%</b>   |
| <i>Cost of sales</i>                          | - 4,414.4       | 28.7%         | - 4,591.8       | 28.5%         |
| <b>Gross profit</b>                           | <b>10,940.7</b> | <b>71.3%</b>  | <b>11,518.5</b> | <b>71.5%</b>  |
| <i>Research and development</i>               | - 531.0         | 3.5%          | - 556.8         | 3.5%          |
| <i>Advertising and promotion</i>              | - 4,717.6       | 30.7%         | - 4,950.5       | 30.7%         |
| <i>Selling, general and<br/>adm. expenses</i> | - 3,153.2       | 20.5%         | - 3,258.9       | 20.2%         |
| Foreign exchange gains<br>and losses          | - 56.3          | 0.4%          | + 10.2          | + 0.1%        |
| <b>Operating profit</b>                       | <b>2,482.6</b>  | <b>16.2%</b>  | <b>2,762.5</b>  | <b>17.1%</b>  |

Gross profit at comparable structure :  
ex. The Body Shop and ex. USA distributors  
(as % of sales)



|  | <b>2006</b>   | <b>2007</b>   |                          |
|--|---------------|---------------|--------------------------|
| <b>Gross profit</b>                                  | <b>71.3 %</b> | <b>71.5 %</b> | <b>+ 20 basis points</b> |
| <b>Ajusted of foreign exchange gains and losses*</b> | <b>71,0 %</b> | <b>71,5 %</b> | <b>+ 50 basis points</b> |

*\* Estimated at 78% of total*

Consolidated profit and loss accounts at comparable structure :  
 ex. The Body Shop and ex. USA distributors  
 From sales to operating profit  
 (in millions of euros)



|  | 31.12.2006      | %<br>of Sales | 31.12.2007      | %<br>of Sales |
|--|-----------------|---------------|-----------------|---------------|
| <b>Sales</b>                                   | <b>15,355.1</b> | <b>100%</b>   | <b>16,110.3</b> | <b>100%</b>   |
| <i>Costs of sales</i>                          | - 4,414.4       | 28.7%         | - 4,591.8       | 28.5%         |
| <b>Gross profit</b>                            | <b>10,940.7</b> | <b>71.3%</b>  | <b>11,518.5</b> | <b>71.5%</b>  |
| <i>Research and development</i>                | - 531.0         | 3.5%          | - 556.8         | 3.5%          |
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| <i>Selling, general and<br/>admin. expense</i> | - 3,153.2       | 20.5%         | - 3,258.9       | 20.2%         |
| Foreign exchange gains and losses              | - 56.3          | 0.4%          | + 10.2          | + 0.1%        |
| <b>Operating profit</b>                        | <b>2,482.6</b>  | <b>16.2%</b>  | <b>2,762.5</b>  | <b>17.1%</b>  |

Consolidated profit and loss accounts  
From sales to operating profit  
(in millions of euros)



|  | 31.12.2006       | %<br>of Sales | 31.12.2007       | %<br>of Sales |                 |
|--|------------------|---------------|------------------|---------------|-----------------|
| <b>Sales</b>                                     | <b>15,790.1</b>  | <b>100%</b>   | <b>17,062.6</b>  | <b>100%</b>   | <b>+ 8.1 %</b>  |
| <b>Costs of sales</b>                            | <b>- 4,569.1</b> | <b>28.9%</b>  | <b>- 4,941</b>   | <b>29.0%</b>  |                 |
| <b>Gross profit</b>                              | <b>11,221.0</b>  | <b>71.1%</b>  | <b>12,121.6</b>  | <b>71.0%</b>  | <b>+ 8.0 %</b>  |
| <b>Research and development</b>                  | <b>- 532.5</b>   | <b>3.4%</b>   | <b>- 559.9</b>   | <b>3.3%</b>   |                 |
| <b>Advertising and promotion</b>                 | <b>- 4,783.0</b> | <b>30.3%</b>  | <b>- 5,126.7</b> | <b>30.0%</b>  |                 |
| <b>Selling, general and<br/>Adminin expenses</b> | <b>- 3,309.4</b> | <b>21.0%</b>  | <b>- 3,618.2</b> | <b>21.2%</b>  |                 |
| <b>Foreign exchange gains<br/>and losses</b>     | <b>- 55.2</b>    | <b>- 0.3%</b> | <b>+ 10.4</b>    | <b>+ 0.1%</b> |                 |
| <b>Operating profit</b>                          | <b>2,540.9</b>   | <b>16.1%</b>  | <b>2,827.2</b>   | <b>16.6%</b>  | <b>+ 11.3 %</b> |

# Operating profit – Branches and divisions (as % of Sales)



|                                  | 2006  | 2007          | Ex. USA Distributors |
|----------------------------------|---|---------------|----------------------|
| Professional Products            | 20.8%                                       | 21.0%         | 22.5%                |
| Consumer Products                | 18.0%                                       | 19.1%         |                      |
| Luxury Products                  | 20.6%                                       | 21.5%         |                      |
| Active Cosmetics                 | 19.6%                                       | 20.5%         |                      |
| <b>Cosmetics divisions total</b> | <b>19.1%</b>                                | <b>20.0%</b>  | <b>20.2%</b>         |
| <i>Not allocated *</i>           | - 2.9%                                      | - 3.0%        |                      |
| <b>Cosmetics branch total</b>    | <b>16.1%</b>                                | <b>17.0%</b>  | <b>17.2%</b>         |
| The Body Shop                    | 13.4%<br><small>2<sup>nd</sup> half</small> | 8.1%          |                      |
| Dermatology branch               | 17,3 %                                      | 16,9 %        |                      |
| <b>Group</b>                     | <b>16,1 %</b>                               | <b>16,6 %</b> | 16.7%                |

\* Group central expenses, fundamental research expenses, stock option costs and misc. – As % of total sales

# Cosmetics – Operating profit Geographic zones



| Operating profit                 | 2006           |              | 2007           |              | Ex. USA<br>Distributors |
|----------------------------------|----------------|--------------|----------------|--------------|-------------------------|
|                                  | M€             | % of Sales   | M€             | % of Sales   |                         |
| Western Europe                   | 1,527.3        | 21.8%        | 1,633.1        | 22.5%        |                         |
| North America                    | 744.4          | 18.8%        | 773.5          | 19.3%        | 20.1%                   |
| Rest of the world                | 588.5          | 14.5%        | 773.9          | 16.6%        |                         |
| <b>Total of geographic zones</b> | <b>2,860.2</b> | <b>19.1%</b> | <b>3,180.4</b> | <b>20.0%</b> | <b>20.2%</b>            |

## Consolidated profit and loss accounts From operating profit to net profit (in millions of euros)



|  | 31.12.2006         | 31.12.2007         |                 |
|--|--------------------|--------------------|-----------------|
| <b>Operating profit</b>  | <b>2,540.9</b>     | <b>2,827.2</b>     | <b>+ 11.3 %</b> |
| Finance costs  | - 116.0            | - 174.5            |                 |
| Other financial income (expenses)  | - 3.7              | - 7.7              |                 |
| Sanofi-Aventis dividends   | 217.5              | 250.4              |                 |
| Share in net profit (loss) of equity affiliates                          | - 1.2              | 0.1                |                 |
| <b>Profit before tax and non-recurrent items</b>                         | <b>2,637.6</b>     | <b>2,895.6</b>     | <b>+ 9.8 %</b>  |
| Tax on profit before non-recurrent items                                 | - 803.1            | - 855.5            |                 |
| Minority interests   | - 1.1              | - 1.5              |                 |
| <b>Net profit excluding non-recurrent items after minority interests</b> | <b>1,833.4</b>     | <b>2,038.6</b>     | <b>+ 11.2 %</b> |
| <b>Per share* (in euros)</b>   | <b>2.98</b>        | <b>3.36</b>        | <b>+ 13.0 %</b> |
| <b>Average diluted number of shares</b>                                  | <b>615,723,220</b> | <b>606,012,471</b> |                 |

\* Diluted net earnings per share based on net profit excluding non-recurrent item after minority interest

# Consolidated profit and loss accounts

From net profit excluding non-recurrent items to net profit  
(in millions of euros)



|  | 31.12.2006 | 31.12.2007 |
|--|------------|------------|
| <b>Net profit excluding non-recurrent items after minority interests</b> | 1,833.4    | 2,038.6    |
| <b>Non-recurrent items</b>   | 227.6      | 617.4      |
| <i>of which other income and expenses</i>                                | - 60.8     | + 621.6 *  |
| <i>taxes on non-recurrent items</i>                                      | 288.4      | - 4.2      |
| <b>Net profit</b>  | 2,061.0    | 2,656.0    |

→ + 28.9 %

\* Of which 642.8 M€ from disposal of Sanofi-Aventis shares

## Exchange rates translation impact



|  |                  | Growth    |                         |
|--|------------------|-----------|-------------------------|
|  |                  | Published | At constant currencies* |
| <b>Sales</b>                                     | <b>17,063 M€</b> | + 8.1 %   | + 11.6 %                |
| Like-for-like                                    | + 8.0 %          |           |                         |
| <b>Operating profit</b>                          | <b>2,827 M€</b>  | + 11.3 %  | + 14.5 %                |
| In % of Sales                                    | 16.6 %           |           |                         |
| <b>Profit before tax and non-recurrent items</b> | <b>2,896 M€</b>  | + 9.8 %   | + 12.6 %                |
| In % of Sales                                    | 17.0 %           |           |                         |
| <b>Net profit after minority interests</b>       | <b>2,039 M€</b>  | + 11.2 %  | + 14.1 %                |
| <b>Per share (diluted)</b>                       | <b>3.36 €</b>    | + 13.0 %  | + 15.9 %                |

\* 2007 figures at 2007 rates / 2006 figures at 2007 rates

# Cash flow statement

(in millions of euros)



|   | 31.12.2006     | 31.12.2007     |
|---|----------------|----------------|
| Net profit  | 2,062.1        | 2,657.5        |
| Depreciations and provisions  | 579.4          | 598.5          |
| Gains and losses on disposal of assets, change in deferred tax and others | - 231.2        | - 535.7        |
| <b>Cash flow</b>  | <b>2,410.3</b> | <b>2,720.4</b> |
| Change in working capital requirement                                     | + 65.6         | - 76.3         |
| Investments   | - 745.2        | - 776.0        |
| <b>Operating net cash</b>   | <b>1,730.7</b> | <b>1,868.1</b> |
| Dividends paid  | - 633.8        | - 725.7        |
| Divestments and others  | + 25.0         | + 19.9         |
| <b>Residual cash flow (before acquisitions or disposals)</b>              | <b>1,121.9</b> | <b>1,162.3</b> |
| Acquisitions  | - 1 065.7      | - 604.4        |
| Disposal of Sanofi Aventis shares   |                | 1,465.3        |
| Share buy back (net)  | - 1,119.0      | - 1,001.0      |
| Residual cash flow after acquisitions                                     | - 1,062.8      | + 1,022.2      |

+ 12.9 %

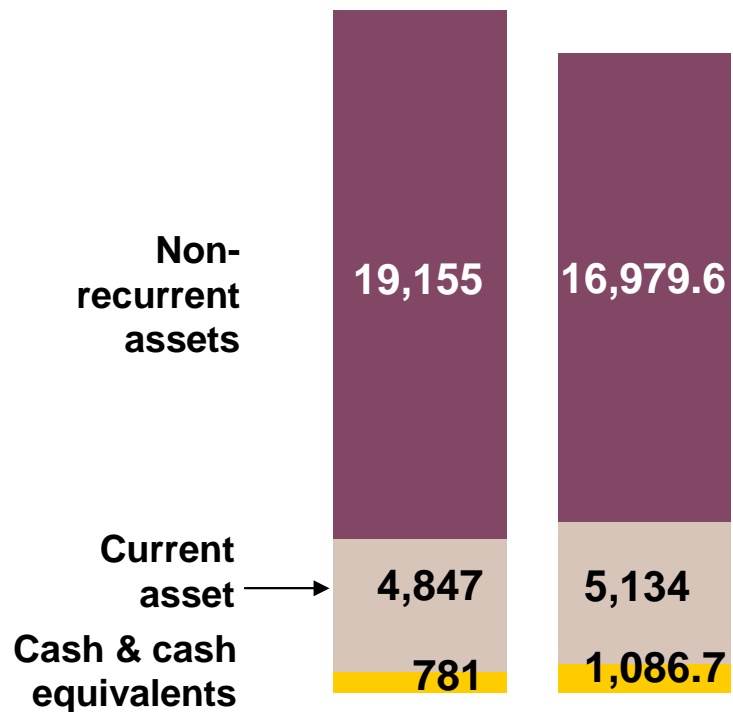
# Balance sheet

(in millions of euros)



## ASSETS

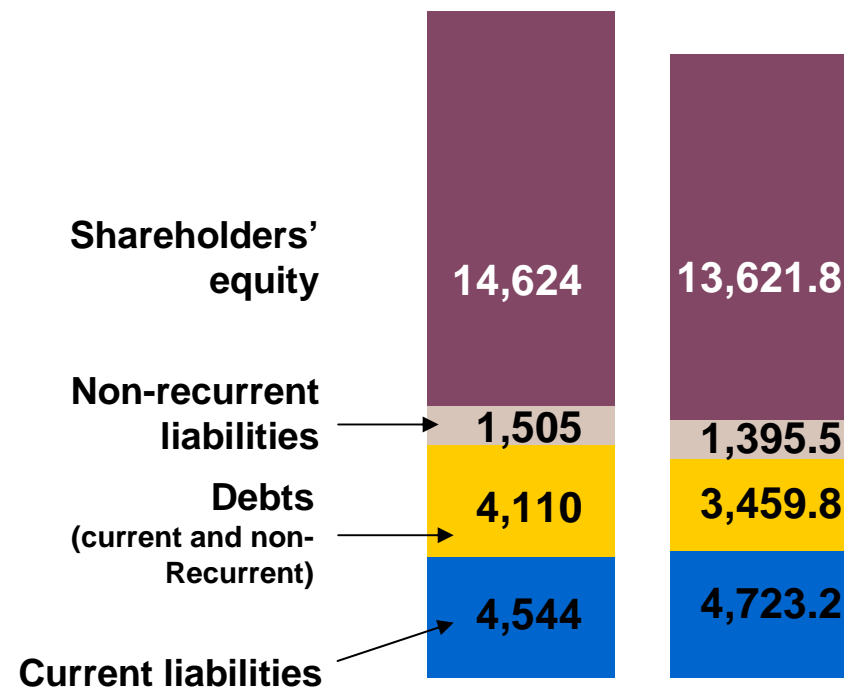
31/12/2006 31/12/2007



**Total assets 24,783 23,200.3**

## LIABILITIES

31/12/2006 31/12/2007



**Total liabilities 24,783 23,200.3**

# Gearing



|                  | 31.12.2006      | 31.12.2007      |
|------------------|-----------------|-----------------|
| <b>Net Debt</b>  | <b>3,329 M€</b> | <b>2,373 M€</b> |
| <b>Gearing *</b> | <b>22.8 %</b>   | <b>17.4 %</b>   |

\* *Net Debt / equity*

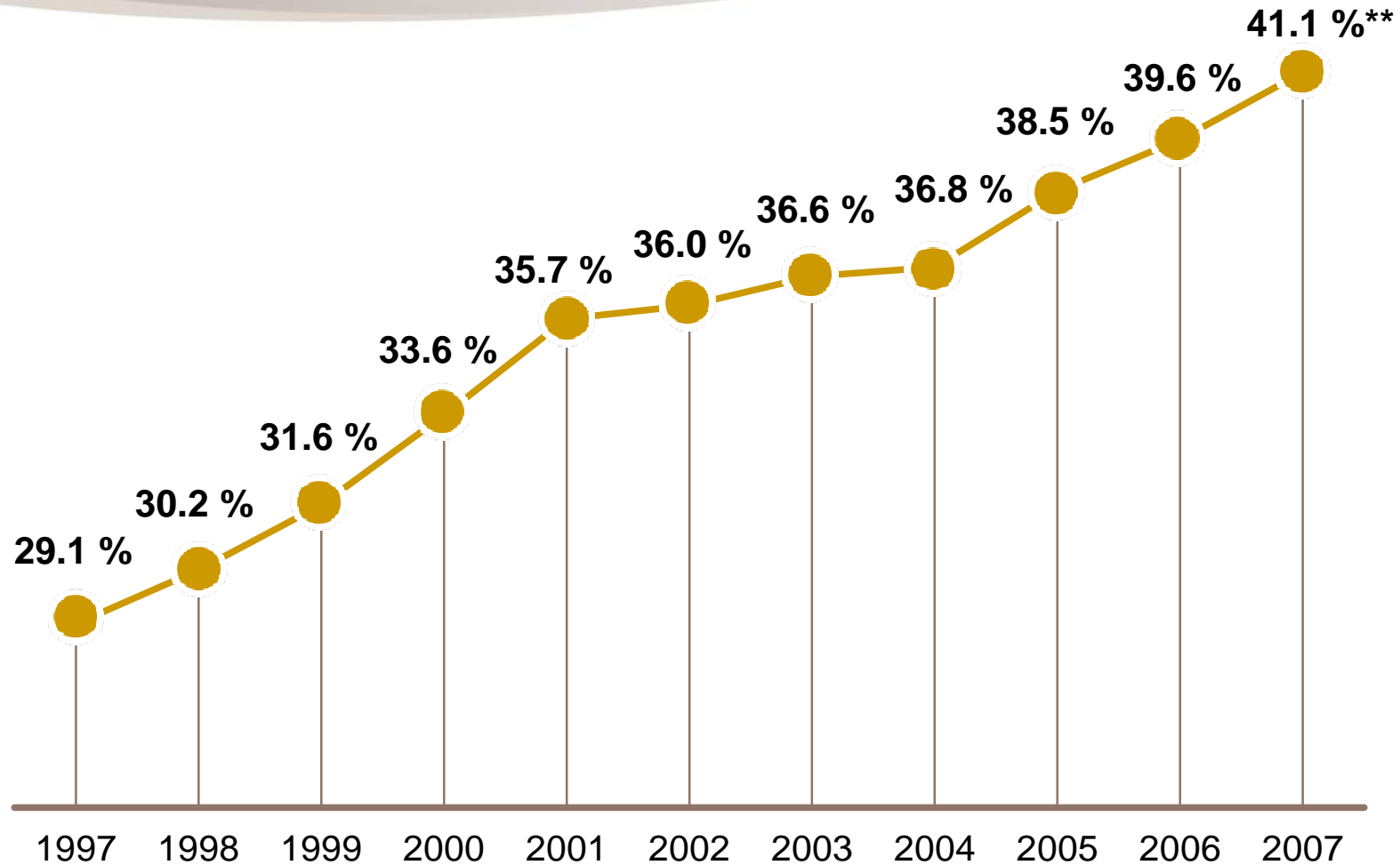
# 2007 Dividend



- Dividend per action → **1.38 €**
- Increase of → **+ 16.9 %**
- Payout ratio → **41.1 %**



# Payout ratio 1997-2007 as % of net profit\*



\*With Sanofi-Synthelabo in dividends

\*\* Based on dividend at the Shareholders's meeting



# L'ORÉAL

<http://www.loreal-finance.com>