

L'ORÉAL

**FIRST HALF 2008 SALES:
8.646 billion euros**

**+5.3% like-for-like
+7.1% excluding currency fluctuations
+1.6% based on reported figures**

**IN A MARKET WHICH IS PROVING RESILIENT,
L'OREAL STRENGTHENS ITS WORLDWIDE POSITIONS**

- Substantial growth in Consumer Products Division
- Slight upturn in North America
- Strong growth continues in New Markets

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Like-for-like, i.e. based on a comparable structure and identical exchange rates, the increase in the sales of the L'Oréal group was +5.3%.

The net impact of changes in consolidation, mainly as a result of the acquisitions in the United States of PureOlogy, Beauty Alliance, Maly's West, Columbia Beauty Supply, CollaGenex Pharmaceuticals, and in Turkey of Canan, amounted to +1.8%.

Currency fluctuations had a negative impact of -5.5% (at the exchange rates of June 30th 2008, the impact would be -5.5% for the whole of 2008).

Growth excluding the exchange rate impact was +7.1%.

Based on reported figures, the group's sales, at June 30th 2008, amounted to 8.646 billion euros, an increase of +1.6%.

Commenting on the figures, Mr Jean-Paul Agon, Chief Executive Officer of L'Oréal, said: *"In what everyone recognises is a difficult economic environment, the cosmetics market is proving resilient, and L'Oréal is continuing to outperform the market while strengthening its worldwide positions.*

We have several reasons for satisfaction after the 2nd quarter: the upturn which has begun in North America, the confirmation of the strong growth rate in the new markets, and the solid performance of our Consumer Products businesses.

With a very intensive launch programme in the 2nd half, we are optimistic about our ability to improve our growth by the end of the year.

All our efforts are targeted at a like-for-like sales growth of +6%. We are confident in our ability to get very close to this target, and to improve our results, despite the strongly negative impact of currency fluctuations."

Sales growth by operational division and geographic zone

	2 nd quarter 2008			1 st half 2008		
	€m	Growth		€m	Growth	
		Like-for-like	Reported		Like-for-like	Reported
<u>By operational division</u>						
Professional Products	629	+2.5%	+2.7%	1,249	+3.8%	+8.3%
Consumer Products	2,160	+6.7%	+1.4%	4,307	+5.7%	+0.7%
Luxury Products	881	+3.9%	-2.6%	1,811	+4.9%	-1.2%
Active Cosmetics	331	+3.9%	+2.1%	738	+4.4%	+3.0%
Cosmetics total	4,016	+5.1%	+0.8%	8,134	+5.0%	+1.5%
<u>By geographic zone</u>						
Western Europe	1,856	+0.4%	-1.3%	3,795	+1.3%	-0.1%
North America	911	+3.0%	-5.8%	1,804	-0.5%	-6.5%
Rest of the World, of which:	1,249	+14.8%	+9.8%	2,535	+15.7%	+11.0%
- Asia	413	+16.9%	+8.8%	878	+19.4%	+11.4%
- Eastern Europe	335	+26.1%	+25.7%	694	+25.9%	+24.9%
- Latin America	288	+5.8%	+1.3%	530	+4.6%	+0.5%
- Other countries	213	+8.3%	+2.8%	434	+8.9%	+5.0%
Cosmetics total	4,016	+5.1%	+0.8%	8,134	+5.0%	+1.5%
The Body Shop	166	+7.4%	-3.4%	334	+7.4%	-2.0%
Dermatology ⁽¹⁾	105	+20.7%	+16.6%	178	+17.5%	+11.9%
Group total	4,287	+5.5%	+1.0%	8,646	+5.3%	+1.6%

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

Cosmetics branch Sales trends by division and by geographic zone

- The **Professional Products Division** achieved like-for-like growth of +3.8%. It is conquering new salons and winning market share on all continents.
 - The luxury brands are one of the driving forces behind this growth. *Kérastase* is expanding with the success of *Chroma Riche*, for hair with highlights, and of *Biotic*, the first specialist scalp care line. *Shu Uemura Art of Hair*, the premium Japanese hair care brand, is successfully being launched in the most exclusive salons.
 - *L'Oréal Professionnel* is continuing its target addition strategy, with the success of its new men's line and above all its hair colourant product *Cover 5*.
 - The Professional Products Division has launched its new brand, *Kéraskin Esthetics*, in the professional skincare cabin segment, which is booming in luxury multi-service salons.
- After a 2nd quarter at +6.7%, the **Consumer Products Division** has grown by +5.7% like-for-like.
 - In skincare, the Division is continuing to record very strong growth and significant market share gains. At *L'Oréal Paris*, *Skin Genesis* is confirming its resounding success. Initial results for *UltraLift Pro-X* by *Garnier* are very encouraging.
 - In make-up, *Maybelline New York* is increasing sales substantially with the launch of *Mineral Power* foundation and new formulas for *Define-A-Lash* mascara and *Superstay* lipstick.
 - In hair care, *Elsève Soft Curls and Re-Nutrition* by *L'Oréal Paris*, together with *Garnier Fructis Blond Care*, have made very promising starts.

- The sales of the **Luxury Products Division** have grown by +4.9% like-for-like.
 - In skincare, the Division's good performances reflect the success of *Lancôme* anti-ageing skincare - with the whole of the *Rénergie* line and the launch of *Primordiale Cell Defense* - and the new *Cellulilaser* bodycare line from *Biotherm*. The men's skincare segment is highly dynamic, thanks to the launch of *Skin Minerals for Men* by *Giorgio Armani*, and the success of the *Biotherm Homme* and *Kiehl's* skincare lines.
 - In make-up, the strong performance of the new *Photogenic Lumessence* foundation from *Lancôme* deserves a special mention.
 - In fragrances, the success of *Diesel Fuel for Life* is continuing, and the same is true of *Emporio Armani Diamonds*. The Division is preparing major worldwide launches for *Magnifique* by *Lancôme* and *Notorious* by *Ralph Lauren* in the second half.
- **Active Cosmetics** achieved like-for-like growth of +4.4%, boosted by good performances in the "Rest of the World" zone, and despite a difficult first half in Western Europe.
 - *Vichy* is continuing to advance in the new markets, thanks to the success of the latest *Aqualia Thermal*, *Vichy Homme* and *Normaderm* launches.
 - *La Roche-Posay* is maintaining its rapid growth thanks to the success of *Physiologique*, its facial skincare and toiletry line.
 - *Innéov* is growing very strongly.
 - The gradual roll-out of *Sanoflore* and *SkinCeuticals* is continuing in Europe.

Western Europe

The group achieved like-for-like growth of +1.3% in the first 6 months, thanks to growth in facial skincare and make-up, and despite the decline in seasonal products (sun protection and slimming).

- In the context of a lower number of salon visits, the *Professional Products Division* is continuing to win market share with the success of *Kérastase* in Germany and the UK, of *L'Oréal Professionnel* which continues to conquer new salons, and the strong growth in *Matrix* sales, particularly in France.
- The *Consumer Products Division* is continuing to win positions in the facial skincare segment, with *L'Oréal Paris* confirming its number one position. *Maybelline New York* has achieved very substantial growth in make-up. Growth is being driven by Germany, Spain and the Netherlands. Italy and the UK improved their growth in the 2nd quarter.
- The performance of *Luxury Products* is satisfactory, with the Division strengthening its positions in several countries, and notably in France and the UK. *Lancôme* is proving extremely successful both in skincare and make-up; *Helena Rubinstein* is achieving strong growth thanks to *Féline Black* mascara and the relaunch of *Collagenist*.
- The performances of the *Active Cosmetics* Division were contrasting in the 1st half: *La Roche-Posay* and *Innéov* continued their rapid expansion. *Vichy* however had a difficult 1st half because of a sharp drop in sales of seasonal products.

North America

In a market which was very slightly positive, the group recorded an upturn with 2nd quarter sales up by +3.0% like-for-like, resulting in a growth rate of -0.5% at the end of June.

- The *Professional Products* Division continued to make market share gains in hair colourants, thanks to the relaunch of *Logics*, *Color DNA System* by *Matrix*, and the conquest of new salons. Salon retail sales of haircare and styling products however were affected by a fall in salon visits. *Kerastase* and *Pureology* are maintaining high growth rates in top-end salons.
- The *Consumer Products Division* saw its growth accelerate in the 2nd quarter, partly as a result of additional invoicing of *Maybelline* and *Garnier* products at the end of June, due to the introduction of the SAP invoicing system on July 1st. In a highly competitive context, the Division is strengthening its leadership in make-up thanks to the success of *Infaillible Lip* and *Bare Natural* by *L'Oréal Paris*, and the *Mineral Power* foundation line from *Maybelline*. *Garnier* is winning market share in hair colourants with *Nutrisse*, and its significant breakthrough is continuing in facial skincare with *Nutritioniste*.
- The *Luxury Products* Division achieved a much improved 2nd quarter. *Lancôme* is strengthening its number one position in anti-ageing, thanks in particular to the launch of *Collaser 5x*. *Giorgio Armani* is experiencing considerable success with the launch of *Face Fabric* foundation. The growth of *Shu Uemura* is accelerating.
- The *Active Cosmetics Division* is continuing the upmarket roll-out of *Vichy* and *La Roche-Posay* in American drugstores, while *SkinCeuticals* is launching its new anti-oxidant skincare line *Phloretine CF*.

New Markets

With sales growth of +15.7%, very clearly higher than the market growth rate, the group is continuing to make major conquests.

The growth rate in the **Asia Zone** remains very high at +19.4% like-for-like, with growth of +4.3% in Japan, and +23.5% outside Japan.

- In Japan, where the market is flat, the group is growing through the luxury brands, the success of *Maybelline* in consumer products, and the success of *Kérastase* and *L'Oréal Professionnel* in hair salons.
- South Korea recorded a growth rate of around +20% in a market boosted by very strong growth in the luxury segment.
- China again recorded growth of over 30%, bolstered in particular by *L'Oréal Paris* which is continuing its breakthroughs in both skincare and foundations. The *Luxury Products* Division is confirming its leadership. The *Professional Products* Division has accelerated significantly, thanks in particular to the success of *Matrix* in affordable salons.
- The ASEAN countries, particularly Thailand, Indonesia and Malaysia are benefiting from the very good performance of the *Garnier* brand in whitening facial skincare, and the successes of *Maybelline*.

The **Eastern Europe Zone** is continuing to achieve very strong like-for-like growth at +25.9%.

- In Russia, growth remains strong. Performance is homogeneous across the 3 brands of the *Consumer Products* Division, boosted by the success of the hair colourants *Casting Crème Gloss* by *L'Oréal Paris* and *Color Naturals* by *Garnier*. In skincare, *Skin Genesis* has become a major success story. The leadership in *Professional Products* is being strongly reinforced.
- Growth in Poland remains very substantial, reflecting the performances achieved in *Professional Products* and *Active Cosmetics*, particularly with *La Roche-Posay*.
- Finally, all the other countries in this region are making significant contributions, such as Romania, Slovenia and the Baltic countries.

The **Latin America Zone** achieved +4.6% like-for-like growth over the 1st half, with contrasting situations from one country to another.

- Argentina, Venezuela, Uruguay, Chile and Panama are continuing to record strong growth across all the Divisions.
- Mexico remains difficult because of a slowdown in consumer spending, and a very conservative stance by distributors.
- Sales in Brazil are improving, but continue to be held back by the application of a new tax law affecting cosmetics products in the State of Sao Paulo.

The **Other Countries Zone** achieved like-for-like growth of +8.9%.

- The dynamism in Morocco and the Middle East is continuing
- South Africa is also achieving strong growth, thanks to the *SoftSheen Carson* brand.
- In India, *Color Naturals Men* and *Fructis Sleek&Shine* by *Garnier* have just been launched.

The Body Shop

The like-for-like sales of **The Body Shop** increased by +7.4%.

Retail sales (1) increased by +6.1%. With a comparable store base (2), the increase in sales amounted to +0.9%.

Retail sales were particularly strong in Asia outside Japan, and Eastern Europe. The situation in the United States remains more difficult.

The first half of 2008 has been driven by the success of the floral bath and body range *Moringa*. In fragrances, special mention should be made of the success of *White Musk Blush* and *Japanese Cherry Blossom*.

39 stores have been opened since the start of the year, taking the total to 2,465.

(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 from January 1st to June 30th 2007 and over the same period in 2008.

Dermatology

Galderma continued its dynamic growth with an increase of +17.5% in like-for-like sales and + 21.3% with the net impact of changes in consolidation. *Galderma* also strongly gained market share, particularly in the United-States.

- Prescription brands *Differin*® (acne), *Clobex*® (psoriasis), *Metrogel*® (rosacea) and *Loceryl*® (onychomycosis) have all shown excellent results.
- *Epiduo*®, a unique combination treatment for acne, has been successfully launched in Argentina and several European countries.
- The acquisition of *CollaGenex Pharmaceuticals* became effective on April 10th. *Oracea*®, the first FDA-approved oral rosacea treatment, now enhances the *Galderma* prescription product portfolio.

Important events during the period

- The Annual General Meeting held on April 22nd 2008 approved the parent company financial statements and the consolidated financial statements for 2007, decided on the payment of a dividend of €1.38 per share, paid as from April 30th, ratified the co-optation as director of Mr Charles-Henri Filippi, and renewed the tenure as director of Mr Bernard Kasriel.
- On June 30th 2008, L'Oréal and PPR signed the definitive agreement for the effective transfer of Yves Saint Laurent Beauté to L'Oréal, in accordance with the terms of the project for strategic agreement announced on January 23rd 2008. YSL Beauté has been consolidated since June 30th 2008.
- On June 1st 2008 L'Oréal raised its stake in *Club des Créateurs de Beauté* to 100% in accordance with the agreement signed on March 3rd 2008 with 3 Suisses International.
- Under the share buyback programme decided by the Board of Directors on June 27th 2007, L'Oréal acquired, between April 1st and June 17th 2008, 3,257,000 of its own shares for an amount of €269m. In accordance with the 7th resolution approved by the Annual General Meeting on April 22nd 2008, the Board of Directors decided on June 19th 2008 to launch a new L'Oréal share buyback programme for an identical amount to the previous programme, i.e. a maximum of €1,250m. Under the new programme, 962,000 shares were acquired between June 20th and 30th 2008, for an amount of €66.7m.

"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."

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Appendix:

L'Oréal group sales 2007/2008
(€ millions)

	2007	2008
<u>First quarter:</u>		
Cosmetics	4,030	4,118
The Body Shop	169	168
Dermatology	69	73
First quarter total	4,268	4,359
<u>Second quarter:</u>		
Cosmetics	3,984	4,016
The Body Shop	172	166
Dermatology	90	105
Second quarter total	4,246	4,287
<u>First half:</u>		
Cosmetics	8,014	8,134
The Body Shop	341	334
Dermatology	159	178
First half total	8,514	8,646
<u>Third quarter:</u>		
Cosmetics	3,849	
The Body Shop	180	
Dermatology	96	
Third quarter total	4,125	
<u>Nine months:</u>		
Cosmetics	11,863	
The Body Shop	521	
Dermatology	255	
Nine months total	12,639	
<u>Fourth quarter:</u>		
Cosmetics	4,045	
The Body Shop	266	
Dermatology	112	
Third quarter total	4,423	
<u>Year:</u>		
Cosmetics	15,908	
The Body Shop	787	
Dermatology	368	
Year total	17,063	