Friday 13th October, 2000

# INTERIM REPORT FOR THE SIX MONTHS ENDED 30th JUNE 2000

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## VI. MANAGEMENT REPORT

**A) THE CONSOLIDATED GROUP**

**B) ANALYSIS BY SECTOR**

1- COSMETICS

2- DERMATOLOGY

**C) OUTLOOK**

**D) PARENT COMPANY**

## VII. AUDITORS' REVIEW REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED JUNE 30, 2000 AND THE INTERIM REPORT

## I. CONSOLIDATED BALANCE SHEET AT 30TH JUNE, 2000

| (EUR million) | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 30.06.00 | 31.12.99 New methodology *(1)* | 31.12.99 published figures | | 30.06.00 | 31.12.99 New methodology *(1)* | 31.12.99 published figures |
| **ASSETS (net)** | | | | **LIABILITIES** | | | |
| **FIXED ASSETS** | **6,199.7** | **5,789.2** | **5,908.4** | **SHAREHOLDERS' EQUITY** | **6,068.7** | **5,801.9** | **5,625.6** |
| | | | | Called-up share capital | 135.2 | 135.2 | 135.2 |
| | | | | Share premium account | 953.4 | 953.4 | 953.4 |
| | | | | | | | |
| | | | | Reserves | 4,521.9 | 3,926.1 | 3,749.8 |
| | | | | Net profit | 458.2 | 787.2 | 787.2 |
| **Goodwill** | **113.8** | **109.7** | **109.7** | | | | |
| **Intangible assets** | **3,566.5** | **3,293.9** | **3,293.9** | **MINORITY INTERESTS** | **13.4** | **10.5** | **10.5** |
| **Tangible assets** | **1,355.2** | **1,280.3** | **1,399.5** | **PROVISIONS FOR LIABILITIES AND CHARGES** | **536.7** | **500.6** | **574.8** |
| **Financial assets** | **142.4** | **134.6** | **134.6** | **LOANS** | **2,144.2** | **1,793.9** | **1,793.9** |
| Investments in non-consolidated companies and other long-term investments | 5.4 | 5.4 | 5.4 | Debenture loans | 6.3 | 6.0 | 6.0 |
| Long-term loans and other debtors | 67.3 | 63.3 | 63.3 | Long-term loans | 727.2 | 519.5 | 519.5 |
| Deposits and | | | | Short-term loans | | | |

| | | | |
|---|---|---|---|
| bonds | 69.7 | 65.9 | 65.9 |
| **Investments in associated companies** | **1,021.8** | **970.7** | **970.7** |
| **CURRENT ASSETS** | **5,549.7** | **4,942.5** | **4,721.2** |
| Stocks and work in progress | 1,058.8 | 979.8 | 979.8 |
| Prepayments to suppliers | 85.1 | 64.9 | 64.9 |
| Trade debtors | 2,388.7 | 1,875.4 | 1,875.4 |
| Other debtors and prepaid expenses | 1,010.6 | 942.7 | 721.4 |
| Short-term investments | 671.5 | 612.1 | 612.1 |
| Cash and other short-term funds | 335.0 | 467.6 | 467.6 |
| **UNREALISED TRANSLATION LOSSES** | **17.4** | **16.5** | **16.5** |
| **TOTAL ASSETS** | **11,766.8** | **10,748.2** | **10,646.1** |

| | | | |
|---|---|---|---|
| | 1,410.7 | 1,268.4 | 1,268.4 |
| **CURRENT LIABILITIES** | **2,982.9** | **2,624.3** | **2,624.3** |
| Customer prepayments | 7.5 | 0.2 | 0.2 |
| Trade creditors | 1,740.1 | 1,561.5 | 1,561.5 |
| Other creditors and deferred income | 1,235.3 | 1,062.6 | 1,062.6 |
| **UNREALISED TRANSLATION GAINS** | **20.9** | **17.0** | **17.0** |
| **TOTAL LIABILITIES** | **11,766.8** | **10,748.2** | **10,646.1** |

***(1)*** See section V, Notes to the Consolidated Financial Statements

## II. CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30TH JUNE, 2000

| | Six months ended 30.06.00 *(1)* | Six months ended 30.06.99 New methodology *(1)* | Six months ended 30.06.99 Published figures | Year ended 31.12.99 New methodology *(1)* | Year ended 31.12.99 Published figures |
|---|---|---|---|---|---|
| **NET SALES** | **6,149.9** | **5,372.5** | **5,372.5** | **10,750.7** | **10,750.7** |
| Purchases and variations in stock | -1,122.1 | -1,054.4 | -1,054.4 | -2,038.9 | -2,038.9 |
| Personnel costs | -1,039.1 | -909.1 | -893.4 | -1,882.5 | -1,852.8 |
| Other operating income and expense | -3,014.7 | -2,590.6 | -2,587.1 | -5,102.7 | -5,092.4 |
| Taxes other than on income | -72.9 | -64.3 | -64.3 | -131.4 | -131.4 |
| Depreciation and provisions | -210.9 | -184.9 | -186.1 | -329.3 | -328.9 |
| **OPERATING PROFIT** | **690.2** | **569.2** | **587.2** | **1,265.9** | **1,306.3** |
| Exchange gains and losses | -28.2 | -6.8 | -6.8 | -36.0 | -36.0 |
| **ADJUSTED OPERATING PROFIT *(2)*** | **662.0** | **562.4** | **580.4** | **1,229.9** | **1,270.3** |
| Financial expense or income - net | -60.3 | -49.1 | -49.1 | -104.6 | -104.6 |
| Exceptional expense or income - net | - | - | -2.3 | - | -10.7 |
| **PRE-TAX PROFIT OF FULLY CONSOLIDATED COMPANIES** | **601.7** | **513.3** | **529.0** | **1,125.3** | **1,155.0** |
| Employee profit-sharing | - | - | -15.7 | - | -29.7 |
| Corporate tax | -224.1 | -196.8 | -196.8 | -428.7 | -428.7 |

| | | | | | |
|---|---|---|---|---|---|
| **NET PROFIT OF FULLY CONSOLIDATED COMPANIES** | **377.6** | **316.5** | **316.5** | **696.6** | **696.6** |
| Group share of net profit of associated companies | 91.0 | 66.7 | 66.7 | 136.5 | 136.5 |
| **NET PROFIT BEFORE CAPITAL GAINS AND LOSSES AND MINORITY INTERESTS** | **468.6** | **383.2** | **383.2** | **833.1** | **833.1** |
| Gains/losses on disposal of fixed assets after tax - net | 2.2 | -0.7 | -0.7 | -2.3 | -2.3 |
| Restructuring costs after tax | -4.9 | -4.9 | -4.9 | -31.3 | -31.3 |
| Amortisation of goodwill | -4.0 | -2.8 | -2.8 | -6.5 | -6.5 |
| | | | | | |
| **NET BOOK PROFIT BEFORE MINORITY INTERESTS** | **461.9** | **374.8** | **374.8** | **793.0** | **793.0** |
| **Minority interests** | **-3.7** | **-3.5** | **-3.5** | **-5.8** | **-5.8** |
| **NET BOOK PROFIT AFTER MINORITY INTERESTS** | **458.2** | **371.3** | **371.3** | **787.2** | **787.2** |
| **NET PROFIT BEFORE CAPITAL GAINS AND LOSSES, AFTER MINORITY INTERESTS** | **464.9** | **379.5** | **379.5** | **827.5** | **827.5** |
| | | | | | |
| Number of shares outstanding ***(3)*** | 676,062,160 | 676,062,160 | 676,062,160 | 676,062,160 | 676,062,160 |
| Earnings per share (EUR) | 0.6876 | 0.5614 | 0.5614 | 1.2239 | 1.2239 |

***(1)*** see section V, Notes to the Consolidated Financial Statements

***(2)*** Including exchange gains and losses

## III. STATEMENT OF MOVEMENTS IN SHAREHOLDERS' EQUITY

| | Called-up share capital | Share premium account | Translation adjustment ***(2)*** | Consolidated reserves and net profit | TOTAL |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| **At 31.12.1998 (new methodology) *(1)*** | **103.0** | **953.4** | **-434.5** | **4,496.1** | **5,118.0** |
| | | | | | |
| Conversion of called-up share capital into EUR | 32.2 | | | -32.2 | 0.0 |
| | | | | | |
| Dividends paid (not paid on own shares) | | | | -198.5 | -198.5 |
| | | | | | |
| Revaluations | | | | 4.6 | 4.6 |
| | | | | | |
| Translation adjustment | | | 128.7 | - | 128.7 |
| | | | | | |
| Other movements ***(3)*** | | | | -38.1 | -38.1 |
| | | | | | |
| Consolidated net profit after minority interests | | | | 787.2 | 787.2 |
| | | | | | |
| **At 31.12.1999 (new methodology)** | **135.2** | **953.4** | **-305.8** | **5,019.1** | **5,801.9** |
| | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| | | | | | |
| Dividends paid (not paid on own shares) | | | | -236.9 | -236.9 |
| | | | | | |
| Translation adjustment | | | 29.8 | - | 29.8 |
| | | | | | |
| Other movements | | | | 15.7 | 15.7 |
| | | | | | |
| Consolidated net profit after minority interests | | | | 458.2 | 458.2 |
| | | | | | |
| **At 30.06.2000** | **135.2** | **953.4** | **-276.0** | **5,256.1** | **6,068.7** |

1. see section V, Notes to the Consolidated Financial Statements

2. the figure of EUR – 434,5 million at 31/12/1998 includes EUR-63,5 million of translation adjustments for subsidiaries located in the Euro zone.

## IV. CONSOLIDATED CASH FLOW STATEMENTS [(1)]

| | Six months ended 30.06.00 | Six months ended 30.06.99 | Year ended 31.12.99 |
|---|---|---|---|
| | | | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| | | | |
| Net book profit of fully consolidated companies | 368.6 | 308.0 | 655.9 |
| | | | |
| Elimination of non-cash income and expenses with no impact on cash flow | | | |
| . depreciation and provisions | 221.0 | 161.5 | 330.2 |
| . gains/losses on disposals of fixed assets | 0.1 | 0.7 | 2.9 |
| . dividends received from associated companies | 49.1 | 33.7 | 33.7 |
| . other non-cash movements | -6.5 | -1.7 | 7.5 |
| | | | |
| **CASH FLOW** | 632.3 | 502.3 | 1,030.2 |
| | | | |
| . change in working capital requirement | -343.3 | -302.2 | 11.0 |
| | | | |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES (A)** | **289.0** | **200.1** | **1,041.2** |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| | | | |
| . acquisitions of assets | -202.5 | -273.8 | -542.2 |
| . movements in other financial assets | -67.7 | -2.6 | -198.9 |
| . disposals of assets | 7.7 | 3.0 | 16.9 |
| . effect of changes in scope of consolidation | -225.8 | -128.2 | -162.7 |
| | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES (B)** | **-488.3** | **-401.6** | **-886.9** |
| | | | |
| **CASH FLOWS FROM FINANCING** | | | |

| | | | |
|---|---|---|---|
| **ACTIVITIES** | | | |
| | | | |
| . dividends paid | -237.8 | -195.0 | -224.7 |
| . variation in debts | 248.0 | 182.1 | 72.9 |
| | | | |
| **NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES (C)** | **10.2** | **-12.9** | **-151.8** |
| | | | |
| . Effect of exchange rate fluctuations **(D)** | 3.4 | 10.9 | 16.8 |
| | | | |
| **CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C+D)** | **-185.7** | **-203.5** | **19.3** |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD (E)** | **604.9** | **585.6** | **585.6** |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD (A+B+C+D+E)** | **419.2** | **382.1** | **604.9** |

***(1)*** The new methodology (see section V, Notes to the Consolidated Financial Statements) does not affect the consolidated cash flow statement.

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### A) Accounting principles

With effect from 1st January, 2000, the group's financial statements are presented in euros.

The consolidated half-year financial statements have been drawn up in accordance with the same accounting principles as those used to prepare the statements of 31st December, 1999, with the exception of changes brought about by the application of Regulation 99-02 of the Comité de la Réglementation Comptable.

In accordance with the dispensation granted under Regulation 99-02, the group has decided not to restate the financial statements for prior periods based on the new method of accounting for acquisitions/disposals of shares in consolidated companies.

Adopting this new regulation has resulted in the following significant changes:

- Deferred taxes are now recognised for all temporary differences between the book value of assets and liabilities and their tax basis.

The effect of this change of method on results for the six month periods ended 30th June, 2000 and 30th June, 1999 was not material. The effect on the opening balance of shareholders' equity was an increase of EUR 176.3 million.

- Employee profit-sharing is reclassified under Personnel expenses in the Profit and loss account, and Prepaid expenses/Deferred income are reclassified under Other debtors and Other creditors respectively in the balance sheet.

In addition, recurrent exceptional income and expenses have been reclassified under Other operating income and expenses.

Pension and other employee benefit commitments not recorded in the balance sheet totalled EUR 444.9 million before tax at 30th June, 2000.

Assets acquired under finance leases will be capitalised in the financial statements at 31st December, 2000, in accordance with the recommended method. The impact on the half-year financial statements is not significant.

### B) Scope of activities

The group, via its subsidiary L'ORÉAL USA, acquired the operations of KIEHL'S in June 2000. This business will be consolidated with effect from 1st July, 2000.

The investment, which mainly comprises intangible assets, is currently being allocated to the accounts. It appears under Intangible assets in the consolidated balance sheet at 30th June 2000.

In addition, the group's Argentinian subsidiary PRODESCA has acquired 100% of LABORATOIRES YLANG S.A. which has been fully consolidated since 1st February, 2000. The fair value of the investment consists mainly of intangible assets.

## C. Analysis by sector/geographical zone

### 1- Breakdown of consolidated sales by sector

| | Six months ended 30.06.00 | | Growth (%) | | Six months ended 30.06.99 | | Year ended 31.12.99 | |
|---|---|---|---|---|---|---|---|---|
| | EUR million | % | Published figures | Excluding exchange rate impact | EUR million | % | EUR million | % |
| Cosmetics | 5,993.2 | *97.5* | 14.5 | 8.4 | 5,233.8 | *97.4* | 10,481.0 | *97.5* |
| Dermatology *(1)* | 116.9 | *1.9* | 13.1 | 2.9 | 103.4 | *1.9* | 198.7 | *1.8* |
| Other | 39.8 | *0.6* | 13.0 | 4.5 | 35.3 | *0.7* | 71.0 | *0.7* |
| **GROUP** | **6,149.9** | ***100.0*** | **14.5** | **8.2** | **5,372.5** | ***100.0*** | **10,750.7** | ***100.0*** |

***(1)*** share attributable to the group, i.e. 50%.

### 2- Breakdown of consolidated sales by geographical zone

| | Six months ended 30.06.00 | | Growth (%) | | Six months ended 30.06.99 | | Year ended 31.12.99 | |
|---|---|---|---|---|---|---|---|---|
| | EUR million | % | Published figures | Excluding exchange rate impact | EUR million | % | EUR million | % |
| Western Europe | 3,349.5 | *54.5* | 6.2 | 5.3 | 3,153.8 | *58,7* | 5,966.0 | *55.5* |
| North America | 1,694.3 | *27.5* | 21.9 | 7.6 | 1,390.4 | *25.9* | 2,957.0 | *27.5* |
| Rest of the World | 1,106.1 | *18.0* | 33.5 | 19.7 | 828.3 | *15.4* | 1,827.7 | *17.0* |
| **GROUP** | **6,149.9** | ***100.0*** | **14.5** | **8.2** | **5,372.5** | ***100.0*** | **10,750.7** | ***100.0*** |

### 3- Breakdown of adjusted operating profit by sector

| | Six months ended 30.06.00 | Six months ended 30.06.99 New methodology *(1)* | Six months ended 30.06.99 Published figures | Year ended 31.12.99 New methodology *(1)* | Year ended 31.12.99 Published figures |
|---|---|---|---|---|---|
| | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Cosmetics | 631.3 | 541.4 | 557.2 | 1,195.5 | 1,234.9 |
| Dermatology | 32.9 | 24.7 | 26.3 | 39.4 | 41.2 |
| Other | -2.2 | -3.7 | -3.1 | -5.0 | -5.8 |
| **GROUP** | **662.0** | **562.4** | **580.4** | **1,229.9** | **1,270.3** |

***(1)*** see section V, Notes to the Consolidated Financial Statements.

### 4- Breakdown of net intangible and tangible assets by sector

| | 30.06.00 | 31.12.99 New methodology (1) | 31.12.99 Published figures |
|---|---|---|---|
| **Cosmetics** | 4,659.0 | 4,319.2 | 4,438.4 |
| **Dermatology** | 233.5 | 224.6 | 224.6 |
| **Other** | 29.2 | 30.4 | 30.4 |
| **GROUP** | **4,921.7** | **4,574.2** | **4,693.4** |

(1) see paragraph D of Notes to the Balance Sheet.

### 5- Breakdown of net intangible and tangible assets of the Cosmetics sector by geographical zone

| | 30.06.00 | 31.12.99 New methodology (1) | 31.12.99 Published figures |
|---|---|---|---|
| **Western Europe** | 2,922.9 | 2,898.8 | 2,939.7 |
| **North America** | 1,417.2 | 1,168.9 | 1,221.7 |
| **Rest of the World** | 318.9 | 251.5 | 277.0 |
| **Total Cosmetics** | **4,659.0** | **4,319.2** | **4,438.4** |

(1) see paragraph D of Notes to the Balance Sheet.

## D. Notes to the consolidated balance sheet

### 1- Intangible assets

The change occurring during the period is principally due to changes in the scope of consolidation.

### 2- Immobilisations corporelles

With effect from 1st January, 2000 point-of-sale equipment, stands and display units - which were recorded under tangible assets until 31st December, 1999 - are now included under "Prepaid expenses". The total amount reclassified at 31st December, 1999 was EUR 119.2 million.

Investments for the period totalled EUR 151.6 million.
Depreciation for the period totalled EUR 108.8 million.

### 3- Titres mis en équivalence

| *(EUR million)* | Contribution at 30.06.00 | | | | |
|---|---|---|---|---|---|
| | % of called-up share capital held | Consolidated shareholders' equity | Consolidated profit for the half-year | Total | 31.12.99 |
| **Sanofi-Synthélabo** | 19.57% | 894.4 | 87.5(1) | 981.9 | 933.3 |
| **MARIE-CLAIRE GROUP** | 48.98% | 33.6 | 5.8 | 39.4 | 37.1 |
| **C.C.B. (Japan)** | 20.00% | 0.5 | - | 0.5 | 0.3 |
| **Investments in associated companies** | | **928.5** | **93.3** | **1,021.8** | **970.7** |

*(1) Including Euros 2.3 million of net capital gains recorded by SANOFI-SYNTHÉLABO during the first half of 2000, classified under capital gains/losses on disposals of fixed assets, net of tax.*

**4- Trade debtors**

The variation compared with 31st December, 1999 is largely due to seasonal fluctuations.

**5- Other debtors and prepaid expenses**

The variation is due to the reclassification mentioned above (§ D-2) and to the recognition of deferred tax assets on all temporary difference between the book value of assets and liabilities and their tax basis.

**6- Short-term investments**

| *(EUR million)* | 30.06.00 | 31.12.99 |
|---|---|---|
| L'ORÉAL's own shares (1) | 553.5 | 479.1 |
| Investments in unit trusts and other short-term investments | 126.1 | 136.8 |
| Financial instruments | 7.2 | 11.3 |
| **Gross value of investments** | **686.8** | **627.2** |
| L'ORÉAL's own shares | 15.1 | 15.1 |
| Investments in unit trusts and other short-term investments | 0.2 | - |
| Financial instruments | - | - |
| **Provisions for impairment in value** | **15.3** | **15.1** |
| **Short-term investments - net** | **671.5** | **612.1** |

*(1)* Before the 10-for-1 share split of the L'ORÉAL share on 3rd July, 2000.

L'ORÉAL's own shares acquired for the purposes of stock option plans represented a net value of EUR 538.4 million, for a total of 1,290,050 shares.

During the first half of 2000, 120,000 shares were purchased and options were exercised on 21,300 shares. The average market value of the 1,290,050 L'ORÉAL shares in June 2000 was EUR 1,055.1 million.

**7- Loans**

The increase in loans is in part attributable to the financing of acquisitions made during the first half of the year.

*Maturities of long and short-term debt are as follows:*

| *(EUR million)* | TOTAL | Due within one year | Due between 1 and 5 years | Due beyond 5 years |
|---|---|---|---|---|
| **Long-term debt** | 733.5 | 48.9 | 246.6 | 438.0 |
| **Short-term debt** | 1,410.7 | 1,410.7 | - | - |
| **TOTAL** | **2,144.2** | **1,459.6** | **246.6** | **438.0** |

## E. Notes to the profit and loss account

**Current and deferred tax**

The current and deferred tax expense for the first half of 2000 is calculated based on an estimated effective rate for the year applied to group results for the period.

## F. Post balance-sheet events

On 10th July, 2000, L'ORÉAL USA acquired MATRIX ESSENTIALS from the BRISTOL-MYERS-SQUIBB group; this company makes its sales primarily in the United States.

In early August 2000, L'ORÉAL USA finalised its tender offer for all shares of CARSON INC.; the approval granted by the Department of Justice requires the divestment of two brands ("GENTLE TREATMENT" and "ULTRA SHEEN SUPREME") and of the JOHNSON PRODUCTS name. The tender offer for the shares of CARSON SOUTH AFRICA is currently being finalised.

On 3rd July, 2000, a 10-for-1 share split was carried out on the L'ORÉAL share.

# VI. MANAGEMENT REPORT

## A. The consolidated group

L'ORÉAL's consolidated sales for the first half of 2000 reached a total of EUR 6.15 billions.

Exchange rate fluctuations had a positive impact of 6.2%, as compared with a negative impact of 2.8% in the first half of 1999, while changes in the scope of consolidation had a positive impact of 0.1%.

On a like-for-like basis - i.e. on the basis of a constant structure and constant exchange rates - L'ORÉAL's consolidated sales increased by 8.1% compared with the first half of 1999.

Net profit before capital gains and losses, and after minority interests, totalled EUR 464.9 million, an increase of 22.5% compared with the first half of 1999.

## B. Analysis by sector

### 1- Cosmetics

#### CONSUMER PRODUCTS

In the first half of 2000, consolidated sales in the Consumer Products Division stood at EUR 3.38 billion, an increase of 13.0% in the published figures and of 6.8% on a like-for-like basis.

The Consumer Products Division specialises in selling mass-market cosmetic products; its principal brands are L'ORÉAL PARIS, LABORATOIRES GARNIER AND MAYBELLINE.

The Division continued to capture market share in hair colourants and make-up products, especially in North America. LABORATOIRES GARNIER successfully launched a complete new range of styling products with fruit micro-waxes under the FRUCTIS brand. In the skincare sector, the PLENITUDE brand by L'ORÉAL PARIS recorded a strong increase in sales.

The acquisition of CARSON during the summer is a strategic move with a view to strengthening L'ORÉAL's position in the ethnic cosmetic products market, both in the United States and throughout the world.

#### LUXURY PRODUCTS

In the first half of 2000, consolidated sales in the Luxury Products Division stood at EUR 1.55 billion, an increase of 18.4% in the published figures and of 10.5% on a like-for-like basis.

The Luxury Products Division specialises in the selective distribution of major high value-added global brands - such as LANCÔME, BIOTHERM, GIORGIO ARMANI and RALPH LAUREN. This Division continued to capture market share in its key strategic regions: Europe, North America and Asia (including Japan).

The international roll-out of the BIOTHERM and HELENA RUBINSTEIN brands continued. The group acquired American brand KIEHL'S, which offers exceptional growth potential in the United States and worldwide. The major perfume names GIORGIO ARMANI, RALPH LAUREN and CACHAREL achieved impressive successes with the global franchises of EMPORIO ARMANI, ROMANCE and NOA. In the skincare and make-up sectors, innovative products like VINEFIT (LANCÔME) and RITUAL ROUGE (HELENA RUBINSTEIN) achieved instant success.

**PROFESSIONAL PRODUCTS**

In the first half of 2000, consolidated sales in the Professional Products Division stood at EUR 690 million, an increase of 15.7% in the published figures and of 10.1% on a like-for-like basis.

This division specialises in the sale of haircare products to hair styling professionals. During the first half-year, the Division saw strong expansion from all its brands, well in excess of the market average.

Within the L'ORÉAL PROFESSIONNEL brand, the successful launch of the highly innovative haircare range "SERIE EXPERT" and of the "MAJICONTRAST" colourants strengthened our position in the salon sector.

The KERASTASE and REDKEN brands continue their intensive international roll-out, in accordance with group strategy.

The acquisition of MATRIX will give the group leadership in the American market for professional products, where it is already present with the REDKEN, L'ORÉAL PROFESSIONNEL and KÉRASTASE brands.

**ACTIVE COSMETICS**

In the first half of 2000, consolidated sales in the Active Cosmetics Department stood at EUR 326 million, an increase of 11.6% in the published figures and of 10.6% on a like-for-like basis.

The Active Cosmetics Department sells cosmetic products to pharmacies and specialist health/beauty outlets. In this department (with the VICHY and LA ROCHE POSAY brands), the first half of the year saw buoyant growth, continuing internationalisation, successful product launches (including VICHY's skincare product NUTRILOGIE) and excellent performances from its sun protection products: CAPITAL SOLEIL by VICHY and ANTHELIOS by LA ROCHE POSAY.

### 2- Dermatology

In the first half of 2000, consolidated sales in the Dermatology Division stood at EUR 116.95 million, an increase of 13.1% in the published figures and of 2.9% on a like-for-like basis.

During the first half-year, GALDERMA - which is 50% consolidated by L'ORÉAL - maintained a good rate of growth. Five years after its launch in 1995, DIFFÉRINE®, the topical medication for acne developed by GALDERMA, has achieved market shares approaching 50% in a large number of countries. This product, along with the other products in its range, enabled GALDERMA to attain leadership in the global market for topical anti-acne products in June, with a market share of 19.7%.

LOCÉRYL®, the anti-fungal cream for onychomycosis acquired at the start of last year, continued its steady rate of growth. SILKIS®, a new topical vitamin D for the treatment of psoriasis, obtained its first marketing licenses in Europe and Latin America. Its launch in the autumn will assist GALDERMA's expansion in a new and important sector of the dermatology market.

## C. Outlook

Mr Lindsay OWEN-JONES, Chairman and Chief Executive Officer of L'ORÉAL, commented as follows on the publication of these figures: "Following the excellent results of the first half-year and taking account of the prospects for strong growth in the second half-year, annual results excluding the impact of acquisitions should show growth of around the same rate as in the first half."

The acquisitions of KIEHL'S, MATRIX and CARSON have now been finalised and these businesses will be consolidated in the second half of 2000.

For the year as a whole, these acquisitions should contribute around 2 percentage points of additional sales growth. The acquisitions may have a slight negative impact on profits for the year in 2000, but their impact should be positive from 2001 onwards.

**D. Parent company**

For the first half of 2000, parent company L'ORÉAL S.A. recorded sales of FF 4.31 billion, or EUR 0.66 billion, as compared with FF 3.87 billion (EUR 0.59 billion) in the first half of 1999.

For the same period, L'ORÉAL S.A. recorded a net profit of FF 3.88 billion, or EUR 0.59 billion, an increase of 12.7% compared with the first half of 1999

## VII. AUDITORS' REVIEW REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED JUNE 30, 2000 AND THE INTERIM REPORT

(This is a free translation of the original French text for information purposes only)

To the shareholders

In our capacity as Auditors of L'ORÉAL, we have performed a limited review of the accompanying condensed consolidated interim financial statements, expressed in Euro, as of June 30, 2000 and for the six-month then ended, which were prepared in accordance with the French Stock Exchange Regulation.

The condensed consolidated interim financial statements are the responsibility of the Board of Directors. Our responsibility, based on our limited review, is to report our conclusions on these interim financial statements.

We conducted our limited review in accordance with professional standards applicable in France. A limited review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters, in order to obtain reasonable assurance that the condensed consolidated interim financial statements do not contain any material errors. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards.

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial statements in order to present fairly the consolidated results of operations for the six months ended June 30, 2000 and the consolidated financial position and assets of L'ORÉAL and its consolidated subsidiaries as of that date.

As required by section 341-1 of the Companies Act of July 24, 1966, we have also reviewed the information given in the interim management report published with the condensed consolidated interim financial statements covered by our limited review.

We have no matters to report concerning the fairness of the information contained in this interim management report.

**Paris, September 29, 2000**

**The Statutory Auditors**

**Pierre Coll** **Patrice de Maistre**