

L'ORÉAL

FIRST QUARTER 2007 SALES A GOOD START TO THE YEAR

4. 268 BILLION EUROS, UP BY + 7.9% like-for-like

**DYNAMIC GROWTH FROM ALL DIVISIONS
CONTINUED SOLID GROWTH IN WESTERN EUROPE
SIGNIFICANT ACCELERATION IN NEW MARKETS**

The sales of the L'Oréal group, at March 31st 2007, amounted to 4. 268 billion euros, an increase of + 8.4% (based on reported figures). Growth in the cosmetics branch amounted to + 4.1%. Like-for-like (i.e. based on a comparable structure and identical exchange rates) the increase in the group's sales was + 7.9% (+ 8% excluding The Body Shop). The net impact of changes in consolidation, mainly as a result of the acquisitions of The Body Shop and Sanoflore – which were consolidated in July and October 2006 respectively – amounted to + 4.6%.

Currency fluctuations had a negative impact of - 4.1% (at the exchange rate of March 31st 2007 the impact would be - 2.6% for the whole of 2007). Growth excluding the exchange rate impact was + 12.5%.

Commenting on the figures, Mr Jean-Paul Agon, Chief Executive Officer of L'Oréal, said: *“The first quarter sales figures are encouraging, even if they cannot be considered to be an indication of overall annual performance. The group's growth is progressing as we had announced: Western Europe remains solid, North America is progressively returning to growth and the new markets have made a good start to the year. All the divisions contributed equally to this dynamic performance.*

Currency fluctuations had a strongly negative impact on the first quarter and their effect will be felt, if less severely, throughout the year.

This good start to the year confirms that we can be confident in meeting the target we have set ourselves: to return to a growth rate bracket of + 6% to + 8% like-for-like for 2007.”

Sales growth by operational division and geographic zone

€millions	Quarterly sales		Growth	
	1st quarter 2006	1st quarter 2007	Like-for-like	Reported
<u>By operational division</u>				
- Professional Products	523	542	+ 7.5 %	+ 3.6 %
- Consumer Products	2,061	2,147	+ 8.2 %	+ 4.2 %
- Luxury Products	903	928	+ 7.5 %	+ 2.7 %
- Active Cosmetics	359	393	+ 10.2 %	+ 9.3 %
Cosmetics total	3,872	4,030	+ 8,0 %	+ 4.1 %
<u>By geographic zone</u>				
Western Europe	1,849	1,920	+ 4.0 %	+ 3.8 %
North America	1,014	963	+ 3.7 %	- 5,0 %
Rest of the World, including:	1,009	1,147	+ 19.9 %	+ 13.7 %
- Asia	388	408	+ 12.5 %	+ 5.2 %
- Latin America	225	244	+ 19.0 %	+ 8.7 %
- Eastern Europe	214	289	+ 30.6 %	+ 34.8 %
- Other countries	182	206	+ 22.8 %	+ 13,0 %
Cosmetics total	3,872	4,030	+8,0 %	+ 4.1%
The Body Shop		169	+ 6,4 %	
Dermatology ⁽¹⁾	66	69	+ 10.3 %	+ 4.3 %
Group total	3,938	4,268	+ 7.9 %	+ 8.4 %

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

Cosmetics Division Sales trends by division and by geographic zone

- The **Professional Products Division** recorded like-for-like growth of + 7.5%. All geographic zones and all brands achieved good progress.
 - L'Oréal Professionnel successfully launched its *Color Suprême* colourant, a new product designed for women with more than 80% grey hair, which made headway with a very large number of client salons and new L'Oréal customers. The new *Série Expert* haircare range continued its advance in all geographic zones, and in Japan in particular.
 - Kérastase maintained its very high growth, with particular success from its *Age Recharge* range, *Densitive* nutritional supplements and the launch of *Oléo Curl*.
 - Redken launched *Urban Experiment*, an alternative styling range, at a major convention of 10,000 hair stylists in Las Vegas.
 - Matrix launched its *Vavoom Gold Heat* styling range and consolidated its position in Russia, Poland, Brazil and China with the success of its *Biologie* range.

- The **Consumer Products Division** achieved a like-for-like growth of + 8.2%. The division maintained its solid growth in Western Europe and North America and reaped the rewards of its sustained investments in the BRIMC (1) countries with a strong acceleration in the new markets.
 - The Garnier brand achieved remarkable progress, driven by its performance in North America and the new markets. The ongoing success of Garnier's *Nutrisse* colourants and *Fructis* haircare range was backed up by the success of its new skincare, body care and sun protection offers.
 - L'Oréal Paris strengthened its position across all geographic zones with two-figure growth in make-up and skincare. Successful launches were the engine behind this growth: *Telescopic* mascara, *Accord Parfait* foundation, *Dermo Expertise Revitalift Eyes*, *Age Re-Perfect Pro-Calcium Night*, the *Men Expert* skincare range for men, and *Casting Crème Gloss* in the colourants segment.
 - Maybelline New York started the year with an impressive advance in the BRIMC countries, driven in particular by the successful launches of *Watershine Elixir* and the brand's new *Define A Lash* mascara.

(1) BRIMC: Brazil, Russia, India, Mexico and China

- The **Luxury Products Division** grew by + 7.5% like-for-like, reflecting very significant acceleration at the start of the year, particularly in Western and Eastern Europe.
 - The fragrance business was very dynamic, especially in the men's fragrance segment with the high-profile launch of Lancôme's *Hypnôse Homme* represented by the actor Clive Owen, the success of *Antidote*, the new men's fragrance from Viktor & Rolf launched at the end of 2006, and the launch of Ralph Lauren's *Double Black*. Women's fragrances also recorded strong growth, driven by the Cacharel brand as a whole and by its new fragrance *Liberté*, and by Giorgio Armani with the continuing global success of *Code Donna*.
 - The Division's strong first-quarter performance also reflects the international success of skincare products such as Lancôme's *Absolue Premium 3x*, featuring the new molecule Pro-Xylane, Helena Rubinstein's *Face Sculptor* with its new spokeswoman Demi Moore, and *MultiRecharge* from *Biotherm*.
 - Highlights in the make-up segment include the continuing success of Lancôme's *Color Fever* lipstick, of *Rouge Unlimited* by *Shu Uemura*, and of Lancôme's *Color Ideal* foundation.
- Growth in the **Active Cosmetics Division** continued with a steady increase of + 10.2% in like-for-like sales; the division's performance was especially dynamic in North America and all areas within the Rest of the World.
 - All the division's brands achieved strong growth, driven by a good performance from existing products and the positive impact of launches including skincare products *Neovadiol* and *Normaderm* from Vichy, and La Roche-Posay's *Substiane* and *Redermic* skincare products, and *Toleriane* foundation.
 - Innéov also achieved very high sales growth, boosted by the launch of *Innéov Cellulite*.
 - The integration of Sanoflore is progressing well.

Western Europe: Continued solid growth

With like-for-like growth of + 4%, **Western Europe** saw solid sales, especially in **Great Britain, Spain and Scandinavia**; results in France and Germany were more uneven.

The **Professional Products Division** performed well across all countries in this zone, especially in Germany and Spain. New products from *Kérastase*, *L'Oréal Professionnel* and *Redken* were well received by hair salons, in particular the new formula for *L'Oréal Color Suprême*.

Consumer Products continue to grow steadily, especially in the UK, Spain and Scandinavia. *Garnier* sales were boosted by the success of the *Fructis* range in Spain and Italy. *L'Oréal Paris* enjoyed a similar success with the Colour Rich Nude lipstick range, the Vita Lift Anti-Wrinkle & Firming Moisturizer from the *Men's Expert* line and the *Casting Crème Gloss* hair colourant. *Dream Matte Mousse* blush and eyeshadow by *Maybelline* were also a resounding success.

The **Luxury Products Division** achieved very strong growth in Western Europe, driven mainly by advances in Great Britain, Spain and France. The roll-out of boutique and counter openings for the Kiehl's and Shu Uemura brands continued. Giorgio Armani continued to make headway with *Armani Code* and *Armani Code Donna*. Viktor & Rolf captured a substantial market share with the Europe-wide launch of *Antidote*.

Active Cosmetics had a good start to the year in most of the countries. La Roche Posay made strong progress across all markets, while Innéov is achieving very rapid growth.

North America: progressive recovery

In North America like-for-like sales growth amounted to + 3.7% like-for-like.

In the **Professional Products Division**, sales to salons were boosted by the launch of *Urban Experiment* Redken's new styling range, and strong growth in colourant lines by Matrix, Redken and L'Oréal Professionnel. The division is successfully continuing the process of restructuring its distribution and has finalised the acquisition of a 100% stake in Beauty Alliance, a distributor of professional products to salons (see press release of April 12th 2007).

Higher growth rate in the **Consumer Products Division** was driven by the progress of the L'Oréal Paris brand in the make-up segment, with the success of *Telescopic* mascara, *Bare Natural* foundation and the launch of Garnier's *Nutritionist* skincare range, which achieved very encouraging initial results.

In the **Luxury Products Division** a strong performance from Lancôme in skincare – with success from *Absolue Bx* and *Collaser Yeux* – and in make-up with the new *Color Ideal* foundation offset a less favourable timing for fragrance launches at the start of the year.

The Kiehl's and Giorgio Armani brands continued to make strong progress.

The **Active Cosmetics Division** continued its roll-out, buoyed by the success of La Roche Posay's *Anthélios SX* and by Vichy's roll out in North-eastern USA and California.

New markets: significant acceleration

With a sales increase of + 19.9%, all the new markets recorded faster growth, confirming their position as the group's second-largest geographic zone, accounting for 28.5% of the group's cosmetics sales.

The **Asia zone** recorded like-for-like growth of + 12.5%.

- Growth at the Japanese subsidiary was driven by the success of **Professional Products**, and of the Kérastase brand in particular. **Consumer Products** saw a dynamic start to the year, notably with the high-profile launch of Maybelline's foundation *Angel Fit*.
- Asia excluding Japan recorded like-for-like growth of + 15.3%.
- China continued to make strong progress, driven by growth across all the divisions. **Consumer Products** launched the *Men Expert* men's range by L'Oréal Paris – which made very rapid progress, demonstrating the potential for men's products in this market. In the **Luxury Products Division**, the repositioned Yue-Sai brand started the year with notable growth.
- Expansion in Thailand continued, driven by the success of the **Consumer Products Division**, especially in the skincare segment with *Dermo-Expertise* from L'Oréal Paris and Garnier's *Skin Naturals*.

Growth in the **Latin America** zone increased by + 19% like-for-like, continuing the previous year's trend.

- **Brazil** remained a dynamic market, especially for **Professional Products**, with outstanding success from *Forte Therapy* by Matrix, and for the **Active Cosmetics Division** with *Redermic* by La Roche Posay. In **Consumer Products**, growth was driven by the success of Garnier's *Nutrisse* colourants and the *Elsève* range from L'Oréal Paris.
- In Mexico there was similar growth across all divisions. Argentina and Venezuela saw very rapid growth as our brands captured new market share in the very healthy cosmetics market.

The first quarter in **Eastern Europe** was extremely positive, with like-for-like growth of + 30.6%.

- This growth was driven by Russia where all divisions recorded very strong increases. **Luxury Products** achieved very rapid growth in a dynamic market boosted by the opening of a large number of prestige beauty outlets.
- Poland and Romania are also fast-growing markets for the group, with market share increases for **Consumer Products** and the **Active Cosmetics Division** in particular driven by La Roche Posay's expansion.
- Ukraine continues to show very strong growth.

In the **Other Countries**, like-for-like sales growth was + 22.8%.

- India saw accelerated growth with spectacular results in skincare, haircare and Garnier colourants.
- There was also strong growth in Australia and in Middle-East.

The Body Shop

Sales at **The Body Shop** grew by + 6.4% like-for-like.

Retail sales (1) increased by + 7.9%. On a comparable store base (2), retail sales increased by + 3.5%.

The company performed especially well in Canada, Japan and Russia; the USA saw a slower start to the year.

Sales growth was boosted by the success of recent initiatives like the skincare and body care ranges for sensitive skin containing *Aloe Vera*, and by new launches including the *Pink Grapefruit* range of toiletry and body care products, the *spring make-up* range and the *Seaweed* skincare range for combination and oily skins.

25 new stores were opened bringing the total to 2,290.

(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-quarter period (January 1st to March 31st, 2007) and over the same period in 2006.

Dermatology

Sales in the Dermatology division increased by +10.3% like-for-like. Sales growth at **Galderma** was driven in particular by the success of its psoriasis treatment *Clobex*.

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This **like-for-like** 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 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	
The Body Shop	-	
Dermatology	86.0	
Second quarter total	3, 847.1	
<u>First half:</u>		
Cosmetics	7, 633.4	
The Body Shop	-	
Dermatology	152.1	
First half total	7, 785.5	
<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>Year:</u>		
Cosmetics	15, 011.4	
The Body Shop	435.0	
Dermatology	343.7	
Year total	15, 790.1	