

# L'ORÉAL

## 2007 Annual Sales:

**17.1 billion euros**

**STRONG GROWTH,**

**+8% like-for-like**

**Exceptional 4th quarter**

**+9.0% like-for-like**

**High growth in all divisions and all geographic zones**

**2007 results targets confirmed** • The sales of the L'Oréal group, at December 31st 2007, amounted to 17.063 billion euros, an increase of + 8.1% (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 + 8.0 %.

The impact of changes in consolidation, as a result of the acquisitions of *The Body Shop*, *Sanoflore*, *Beauty Alliance*, *PureOlogy* and *Maly's West*, amounted to + 3.6%.

The currency fluctuations had a negative impact of -3.5% for the full year 2007.

Growth excluding the exchange rate impact was + 11.6%.

• Commenting on these figures, Mr. Jean-Paul Agon, Chief Executive Officer of L'Oréal, said: "We achieved a quite exceptional 4th quarter, bolstered by a large number of initiatives, enabling us to end 2007 at +8%, right at the top of our target range.

*All the Divisions proved highly successful and made strong contributions to this result. All the zones played a part in this achievement. Western Europe confirmed its return to growth; performance in North America was satisfactory over the year as a whole; and our growth in the Rest of the World accelerated, with very strong increases in Eastern Europe, Asia and Latin America.*

*This solid organic growth, together with several strategic acquisitions, mean that the group has once again advanced significantly faster than the worldwide cosmetics market.*

*Overall, and despite the negative impact of exchange rates which was more pronounced in the 4th quarter, we are confirming our target of double-digit net earnings per share growth."* **Sales by**

**operational division and geographic zone**

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At December 31st 2007 4th quarter 2007

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€m Growth €m Growth

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Like-for-like Reported Like-for-like Reported

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### By operational division

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Professional Products 2,392 +7.5% +12.5% 622 +8.6% +17.9%

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Consumer Products 8,280 +7.9% +4.8% 1,990 +7.3% +3.5%

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Luxury Products 3,928 +8.4% +4.1% 1,156 +12.1% +7.1%

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Active Cosmetics 1,248 +10.8% +10.7% 264 +14.2% +13.1%

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**Cosmetics total 15,908 +8.0% +6.0% 4,045 +9.1% +7.0%**

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### By geographic zone

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Western Europe 7,250 +4.1% +3.7% 1,771 +5.3% +4.1%

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North America 4,004 +4.8% +1.3% 1,036 +7.2% +4.7%

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Rest of the World, of which: 4,654 +17.9% +14.5% 1,238 +17.0% +13.7%

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- Asia 1,580 +14.3% +7.0% 412 +15.5% +7.1%

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- Latin America 1,124 +14.6% +10.1% 304 +13.1% +9.7%

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- Eastern Europe 1,142 +29.4% +34.4% 327 +28.6% +32.0%

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- Other Countries 808 +15.4% +12.5% 196 +9.7% +8.9%

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**Cosmetics total 15,908 +8.0% +6.0% 4,045 +9.1% +7.0%**

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The Body Shop 787 +5.7% +80.9% 266 +4.1% +1.2%

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Dermatology (1) 368 +12.7% +6.9% 112 +14.5% +7.2%

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**Group total 17,063 +8.0% +8.1% 4,423 +9.0% +6.6%** *(Provisional, unaudited figures).*

*(1) Group share, i.e., 50% Cosmetics branch*

**Sales trends by division and by zone** • The Professional Products Division recorded strong like-for-like growth of +7.5%, consolidating its worldwide leadership.

- L'Oréal Professionnel is continuing its breakthrough in the seniors segment thanks to the success of two key product initiatives: Color Suprême hair colourant which is being rolled out worldwide, and the anti-ageing haircare range Age Densiforce.

- Redken has successfully launched its Fresh Curls range and has internationalised its Urban Experiment styling range.

- Matrix has accelerated its penetration outside the United States, particularly in Europe with the Biolage range.

- In the dynamic luxury hairdressing market, the Division is continuing to build a comprehensive offering to meet the needs of the most exclusive salons.

In addition to the very fast growth achieved by Kérastase with the launch of Noctogenist, the Division now includes the American brand PureOlogy acquired in May, and the newly created Shu Uemura Art of Hair range, whose launch in the United States and Europe is just beginning.

• The Consumer Products Division posted like-for-like growth of +7.9% in 2007, a very significant acceleration compared with previous years.

The dynamism of the different countries and the strong programme of new products enabled the three major brands - L'Oréal Paris, Garnier and Maybelline New-York - to produce very similar performances.

- The skincare category was the division's number one growth driver with some major successes: for L'Oréal Paris they were Skin Genesis, a cell rejuvenation skincare line, Men Expert Hydra Energetic and the new Revitalift, world number one in the anti-wrinkle segment. Garnier is continuing to build up this category across the world by making use of the major franchises Ultralift, Nutritionist and Light while adapting them to each zone.

- Make-up was also very dynamic, with a large number of innovations: in mascara with Define-A-Lash from Maybelline and Telescopic from L'Oréal Paris, in foundations with Bare Natural by L'Oréal Paris and Superstay Silky by Maybelline, and in lipstick with Color Riche and Glam Shine 6h from L'Oréal Paris.

• The Luxury Products Division ended the year with +8.4% like-for-like growth, with a fourth quarter at +12.1%, driven by powerful product initiatives.

- Perfumes were particularly dynamic in the fourth quarter, thanks to the launches of Diesel Fuel for Life (for men and women), Emporio Diamonds, the new women's fragrance from Giorgio Armani and the men's fragrance Polo Explorer by Ralph Lauren. Sales were also excellent for Trésor by Lancôme, with American actress Kate Winslet as its new ambassador, and the strong development of Viktor & Rolf. The Division, already world number one in this category, is further strengthening its positions.

- The skincare category is doing well, particularly anti-ageing products. Lancôme is achieving worldwide success with the new Rénergie Morpholift R.A.R.E line, and Biotherm and Shu Uemura

are having similar success with ReMinérale and Phytoblack Lift respectively. The premium skincare line Armani Crema Nera is being started up worldwide.

- In make-up, Lancôme sales accelerated in the 4th quarter thanks to Virtuôse mascara, which is consolidating the brand's position in the mascara market, and in the whole selective make-up segment. There was also a major success for the mascara Lash Queen Féline Blacks from Helena Rubinstein. Armani is continuing its global brand development with the very upmarket expansion of Giorgio Armani Cosmetics make-up. And the growth of Shu Uemura make-up accelerated at the end of the year, as it capitalised on its new foundation Face Architect.

- The growth of Active Cosmetics continued at the high rate of +10.8% like-for-like, with a strong 4th quarter at +14.2%.

- Vichy took advantage of the successful launch of Aqualia Thermal and the Vichy Homme range.

- The growth of La Roche-Posay accelerated thanks to the success of the facial skincare products and the launch of Biomédic, a new range of peeling products exclusively for use by dermatologists.

- Innéov also achieved strong growth, becoming number one in oral cosmetics sold in European pharmacies.

- Sanoflore and SkinCeuticals started their globalisation programmes in the fourth quarter.

**Western Europe** Growth in Western Europe amounted to + 4.1% like-for-like, as the market trend appears to have held up well. Sales trends rose very significantly in the United Kingdom and Spain. In France and Germany trends improved in the second half of the year.

- The Professional Products Division turned in good performances in all the countries, particularly in Germany and the United Kingdom. The American brands Matrix and Redken are growing strongly, fulfilling their role as growth relays.

- The Consumer Products Division won market share, strengthening its leadership thanks to the outstanding performance of L'Oreal Paris and Maybelline. Market share gains have been particularly substantial in facial skincare, foundation and lipstick.

All the European countries have positive growth rates, even though the quarter was marked by substantial returns of sun protection products. In addition to very good performances in Spain, Great Britain and Sweden, sell-through increased substantially in Germany, particularly in facial skincare as the Division advanced significantly faster than the market.

- The Luxury Products Division is accelerating very strongly with excellent performances in Great Britain, France and Italy. It has been galvanised by the success of Diesel, and the men's fragrance in particular, which has made the top three in several European markets. The Kiehl's and Shu Uemura brands are clearly becoming growth relays for the Division.

- The Active Cosmetics Division recorded high growth in the 4th quarter, reflecting in particular the rapid growth of La Roche-Posay and the launch of Sanoflore and SkinCeuticals in the major countries in the zone.

**North America** With market growth slower than in 2006, the group's sales growth in North America amounted to +4.8%, with a strong 4th quarter (+7.2%).

- The Professional Products Division, already the market leader, continued to gain market share,

particularly in hair colourants, and strengthened control of its distribution by acquiring professional distributors Beauty Alliance and Maly's West. With the acquisition of PureOlogy, the launch of Shu Uemura Art of Hair, and the strong growth of Kerastase, the division is intensifying its presence in the booming segment of the most exclusive salons.

- The Consumer Products Division has continued to win market share, particularly in make-up with the major successes of Bare Naturale and Infallible Lip by L'Oréal Paris. Skincare products achieved strong growth thanks to the strategic launch of Nutritioniste by Garnier at the start of the year, and Skin Genesis from L'Oréal Paris.
- The Luxury Products Division sales grew slightly faster than the market trend; thanks to very robust sales in fragrances, the division consolidated its leadership in men's fragrances with the success of Diesel Fuel for Life and Ralph Lauren Explorer. Lancôme strengthened its number one position in anti-ageing skincare with the success of Absolue 3x Ultimate Serum, Collaser Eye and Renergie Microlift R.A.R.E. and in mascara with the successful launch of Virtuose.
- The Active Cosmetics Division has continued its roll-out, with the expansion of its drugstore distribution in the north-east of the U.S.A. and in California, and thanks to the high growth of SkinCeuticals.

**New markets** The strong dynamism of markets continued in all the regions. With a growth rate of +17.9% in the Rest of the World zone over the whole year, the group has greatly increased its penetration.

- The Asia Zone accelerated in the 4th quarter to +15.5%, reaching +14.3% like-for-like over the full-year. Growth in Japan amounted to +1.8%; in the rest of Asia, growth totalled +17.8%.
  - In the highly competitive Northern Asian markets (Japan and South Korea), the group's scores were positive, thanks in particular to the successes of the Professional Products Division in both countries, and the breakthroughs of Kiehl's, Shu Uemura and Biotherm in luxury products in South Korea.
  - In China, growth has been very rapid across all the divisions. In Consumer Products, L'Oréal Paris is expanding particularly quickly with Dermo-Expertise skincare, and also with the great success of Men Expert, demonstrating how fast Chinese men are opening up to products in this category. The Luxury Products Division has further strengthened its number 1 position, thanks in large measure to the good skincare performances of Yue Sai with Vital Essential.
  - Lastly, in the ASEAN countries, conquests are continuing, particularly for Consumer Products and the Garnier brand. The Garnier facial skincare range, strong in Thailand, has been extended to other countries.

The new subsidiary, L'Oréal Vietnam has been created, covering the 4 divisions.

- In Eastern Europe, growth has remained at an extremely high level: the group ended the year with growth of +29.4%. All the countries are recording very rapid growth, particularly Russia and Poland. L'Oréal Ukraine is now the third largest subsidiary in this zone, two years after its creation.
  - The Professional Products Division has become market leader in Russia, Poland and the Czech Republic. Matrix is now available in more than 10,000 salons in the zone; Redken has just been launched in Russia, the Czech Republic and Slovakia.

- The 3 brands of the Consumer Products Division are recording strong and evenly matched growth rates, driven in particular by L'Oréal Paris and Garnier skincare and by Maybelline and L'Oréal Paris make-up.

- The Luxury Products Division brands are growing twice as fast as the market, boosted by Lancôme, Biotherm and Giorgio Armani. The Division is reinforcing its number one position in the zone.

- In addition to the success of Vichy, long established as the market leader in pharmacy sales, La Roche-Posay is proving to be an important growth relay for the Division. Sanoflore and Skinceuticals are just starting up operations.

• Sales in Latin America grew by +14.6% like-for-like. Alongside the two major countries Brazil and Mexico, L'Oréal is recording spectacular growth in Argentina, Colombia, Venezuela and Panama, where a subsidiary was created this year.

- In Professional Products, the launch of the American brands Redken and Matrix in several countries is adding to the success of the already well established brands.

- In Consumer Products, the Elsève Volume Control shampoo and haircare brand from L'Oréal Paris, created specifically for Latin American hair, has been rolled out in several countries.

- The Luxury Products Division is continuing its conquests in fragrances, and is rolling out new brands such as Kiehl's, which has opened 3 boutiques in Mexico.

- The Active Cosmetics Division is growing strongly, particularly in Brazil where it is number 1 in the dermocosmetics market. Brazil is now the second most important country in the world for the brand La Roche-Posay.

• In the Other Countries, like-for-like sales increased by +15.4%.

- In India, strong growth is continuing thanks to the performances in Garnier haircare and skincare with Light Matte.

- In South Africa, as in Australia, the L'Oréal Paris brand is growing strongly, particularly in make-up.

- All our brands are growing in the Maghreb and the Middle East.

**The Body Shop** Like-for-like sales growth at The Body Shop amounted to +5.7%.

Retail sales(1) increased by +7.9%. With a comparable store base (2), the increase in sales amounted to +3.3%.

- Sales at the end of the year, traditionally the strongest period, were marked by a belated but good level of store frequentation, and the success of gift box sales. 4th quarter sales were held back by the difficulties of a large industrial subcontractor, causing disruptions in the availability of certain products.

- Over the full year, trends in retail sales with a comparable store base were favourable in Western Europe. Growth was rapid in the Rest of the World, and in Russia, India, Hong Kong and Japan. There were contrasting performance trends in the United States.

- 161 stores were opened during 2007, taking the total to 2,426. The brand is now established in 59 countries.

(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 December 31st 2006 and over the same period in 2007. **Galderma**

During the last quarter of 2007, Galderma experienced solid development, yielding an annual turnover growth of +12.7% in 2007, like-for-like. Sales increased by + 14.4% in the Americas and by + 9.7% in Europe and the Rest of the World.

- This worldwide double digit increase was reinforced by the excellent performance of Differin® 0.1% and 0.3% (acne), Clobex® (psoriasis), Loceryl® (onychomycosis) and Cetaphil® (compromised skin).

- Epiduo™, Galderma's new highly effective acne product, recently received regulatory approval in Argentina and Europe.

- In the corrective and aesthetic dermatology segment, Galderma licensed the rights for a botulinum toxin A product. The Company also signed an agreement for the development and distribution rights of an innovative topical anesthetic for aesthetic medical procedures, which should be widely adopted by the industry as a new standard of care.

**Important events during the period** Disposal of 1.8% stake in Sanofi-Aventis

On November 14th 2007, the L'Oréal group sold a stake of 1.8% in Sanofi-Aventis capital, representing approximately 25 million shares.

This operation, which yielded proceeds of approximately 1.5 billion euros, enables L'Oréal to optimise its financial resources devoted to the financing of its development and strategic initiatives.

The detailed 2007 results will be published on 13/02/08 and a commentary will be given at the Financial Analysts Meeting on 14/02/08.

*"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](http://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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**Annex**

**L'Oréal group sales 2006/2007**

**(€ millions)**

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	2006	2007
<b><u>First quarter</u></b>		
Cosmetics	3,872.3	4,030
The Body Shop	-	169
Dermatology	66.1	69
First quarter total	3,938.4	4,268
<b><u>Second quarter</u></b>		
Cosmetics	3,761.1	3,984
The Body Shop	-	172
Dermatology	86.0	90
Second quarter total		



## About L'Oréal

L'Oréal has devoted itself to beauty for over 100 years. With its unique international portfolio of 34 diverse and complementary brands, the Group generated sales amounting to 25.8 billion euros in 2016 and employs 89,300 people worldwide. As the world's leading beauty company, L'Oréal is present across all distribution networks: mass market, department stores, pharmacies and drugstores, hair salons, travel retail, branded retail and e-commerce.

Research and innovation, and a dedicated research team of 3,870 people, are at the core of L'Oréal's strategy, working to meet beauty aspirations all over the world. L'Oréal's sustainability commitment for 2020 "Sharing Beauty With All" sets out ambitious sustainable development objectives across the Group's value chain. [www.loreal.com](http://www.loreal.com)

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