ALBERTO CULVER CO
Form S-3
May 30, 2002

As filed with the Securities and Exchange Commission on May 30, 2002
Registration No. 333-________

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ALBERTO-CULVER COMPANY
(Exact name of registrant as specified in its charter)

Delaware	36-2257936
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2525 Armitage Avenue
Melrose Park, Illinois 60160
(708) 450-3000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Gary P. Schmidt, Esq.
Alberto-Culver Company
2525 Armitage Avenue
Melrose Park, Illinois 60160
(708) 450-3000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this form are being offered pursuant to a dividend or interest reinvestment plans, please check the following box. [_]

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [_]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. [_]

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price(2)
Class B Common Stock, $.22 par value per per share	6,900,000	$52.33	$361,077,000

(1) Includes 900,000 shares of Class B common stock subject to the underwriters' over-allotment option.

(2) Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457(c) under the Securities Act of 1933, as amended, based upon the average of the high and low prices reported on the New York Stock Exchange on May 29, 2002.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated May ___, 2002.

6,000,000 Shares

Alberto-Culver Company

Class B Common Stock

All of the shares of Class B common stock in the offering are being sold by the selling stockholders identified in this prospectus. Alberto-Culver Company will not receive any proceeds from the sale of the shares.

The Class B common stock is listed on the New York Stock Exchange under the symbol "ACV." The last reported sale price of the Class B common stock on May 15, 2002 was $56.72 per share.

See "Risk Factors" beginning on page 5 to read about some of the factors you should consider before buying shares of Alberto-Culver's Class B common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial price to public	$	$
Underwriting discount	$	$
Proceeds, before expenses, to the selling stockholders	$	$

To the extent that the underwriters sell more than 6,000,000 shares of Class B common stock, the underwriters have the option to purchase up to an additional 900,000 shares of Class B common stock from certain trusts over which Carol L. Bernick, Vice-Chairman and a director of Alberto-Culver Company, has voting and investment power at the initial price to public less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on _______, 2002.

Goldman, Sachs & Co. Merrill Lynch & Co.

Banc of America Securities LLC Salomon Smith Barney

Prospectus dated __________, 2002.

[PHOTOS OF ALBERTO-CULVER COMPANY PRODUCTS]

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In this prospectus, references to "Alberto-Culver," the "company," "we," "our" and "us" refer to the Alberto-Culver Company and its subsidiaries, unless the context requires otherwise. References to our common stock without designation refer to both our Class A common stock and Class B common stock together.

The following are trademarks and servicemarks owned by us which appear in this prospectus: Advanced Alberto VO5, Alberto, Alberto Balsam, Alberto European, Alberto Family Fresh, Alberto Get Set, Alberto VO5, Antiall, Armstrong-McCall, Beauty Systems Group, Bliw, BSG, Comb-Thru, Consort, Date, Farmaco, FDS, Grumme Tvattsapa, HTH, Hydrology, Indola, Just for Me, L300, Molly McButter, Motions, Mrs. Dash, Pharbio, Pro-Line, Sally, Sally Beauty Supply, Salve, Samarin, Savette, Seltin, Soft & Beautiful, Soft & Beautiful Botanicals, Soraya, St. Ives Swiss Formula, Static Guard, SugarTwin, Suketter, TCB, Topz, TRESemme, Veritas, Victory Beauty Systems and VO5.

The following are trademarks and servicemarks of other companies which appear in this prospectus: Clairol (Procter & Gamble Haircare LLC), Graham Webb (Graham Webb International Limited Partnership), Jordan (Jordan Tannborster), L'Oreal (L'Oreal S.A.), Matrix (Matrix Essentials, Inc.), Paul Mitchell (John Paul Mitchell Systems), Redken (Redken Laboratories, Inc.), Revlon (Revlon Consumer Products Corporation), Sebastian (Sebastian International, Inc.), TIGI (Mascolo Brothers Limited) and Wella (The Wella Corporation).

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and the documents incorporated by reference. You should read this entire prospectus carefully, especially the risks of investing in the Class B common stock discussed under "Risk Factors" on pages 5-10.

ALBERTO-CULVER COMPANY

Alberto-Culver Company and its consolidated subsidiaries have three principal business segments. Our consumer products business includes two segments, Alberto-Culver North America and Alberto-Culver International, which develop, manufacture, distribute and market branded consumer products worldwide. These branded consumer products primarily consist of beauty and health care products and food and household products. Alberto-Culver North America includes our consumer products operations in the United States and Canada, while Alberto-Culver International sells our consumer products in more than 120 other countries. Our third segment, Specialty Distribution - Sally, consists of two operations: (1) Sally Beauty Supply, a domestic and international chain of cash-and-carry outlets offering professional beauty supplies to both professionals and retail consumers and (2) Beauty Systems Group, a full-service beauty products distributor offering professional brands directly to salons and through professional-only outlets in exclusive geographic territories.

Our Core Strengths

Alberto-Culver's steady growth and leadership position in global beauty products is due to several core strengths.

- Global Consumer Beauty Brands. Our global consumer products business has a long history with established brand names and generated approximately $1 billion in sales from over 120 countries in fiscal year 2001.

- Number One Chain of Cash-and-Carry Beauty Supply Stores in the United States. We hold the number one domestic position in cash-and-carry professional beauty distribution through our branded network of nearly 2,000 Sally Beauty Supply stores in the United States.

- Leading Supplier Within the Fragmented Direct-to-Salon Segment. Sally's Beauty Systems Group operates under exclusive territory licenses, selling professional-only brands directly to salons through approximately 900 professional sales consultants and 480 stores.

- Number Two Position in the Profitable Ethnic Hair Care Category. We believe that we hold the number two position by revenue in the domestic ethnic hair care category with our strong brands, including Motions, TCB, Soft & Beautiful and Just For Me.

- Consistent Outperformance of Hair Care and Skin Care Brands. Alberto-Culver's hair care and skin care brands continue to exceed the growth of the daily hair care/styling and skin care categories.

- Ten Consecutive Years of Record Sales and Record Earnings. During the last ten years, our sales have almost tripled and our net earnings have almost quadrupled, demonstrating our solid, consistent financial track record.

- Strong Cash Flow and Balance Sheet. Alberto-Culver's history of strong cash flow and earnings growth has enabled us to maintain a conservative capital structure and a high level of operational and strategic flexibility.

- Experienced Management Team. The second generation of the founding family of Alberto-Culver, along with a management team with substantial experience and expertise, leads the business with a continued vision of building and growing a premier consumer products and specialty beauty products distribution company.

Our Strategy

Alberto-Culver maintains a consistent operating strategy that provides significant opportunities for growth across its global beauty brands, Sally Beauty Supply stores and Beauty Systems Group. Our strategy includes the following:

- Consolidate and streamline the fragmented direct-to-salon segment;

- Continue product innovation;

- Increase consumer products profit margins through product optimization and further maximization of our global infrastructure;

- Continue roll-out of Sally Beauty Supply stores; and

- Acquire and grow consumer beauty brands and businesses.

THE OFFERING

Class B common stock offered by selling stockholders	6,000,000 shares
Common stock outstanding	There were 25,633,844 shares of Class A common stock and 32,331,640 shares of Class B common stock outstanding as of May 15, 2002. The number of shares outstanding will not change as a result of this offering.
Use of proceeds	The company will not receive any of the proceeds of this offering.
Risk factors	For a discussion of factors you should consider before buying shares of Class B common stock, see "Risk Factors" in this prospectus.
Class B Common Stock NYSE symbol	ACV

Alberto-Culver was incorporated under the laws of the State of Delaware in 1961. Our principal executive office is located at 2525 Armitage Avenue, Melrose Park, Illinois 60160-1163, and our telephone number is (708) 450-3000. We maintain a web site at "www.alberto.com." Information presented on our web site does not constitute part of this prospectus.

SUMMARY CONSOLIDATED FINANCIAL DATA

The summary consolidated financial data appearing below should be read together with the consolidated financial statements, notes and "Management's Discussion and Analysis of Results of Operations and Financial Condition" included elsewhere in this prospectus and with the consolidated financial statements, notes and other financial information we are incorporating by reference. The summary consolidated financial data for, and as of the end of each of the fiscal years 1997 through 2001 are derived from our audited consolidated financial statements. The summary consolidated financial data for, and as of the end of the six months ended March 31, 2001 and 2002 is derived from our unaudited consolidated financial statements. In our opinion, the unaudited consolidated financial statements reflect all adjustments, consisting only of normal, recurring adjustments, necessary for a fair presentation of such periods. Our results of operations for the six months ended March 31, 2002 do not necessarily indicate what our operating results will be for the full fiscal year.

(In thousands, except per share data)	Six Months Ended March 31, (Unaudited)		Fiscal Year Ende		
	2002	2001	2001	2000 (1)	19
Operating Results:					
Net sales (3)	$1,272,022	1,156,809	2,494,180	2,247,163	1,975
Cost of products sold (3)	653,512	597,218	1,217,429	1,105,750	973
Interest expense	13,353	13,931	27,309	23,747	14
Earnings before income taxes	95,298	75,028	167,236	154,281	133
Provision for income taxes	33,354	25,510	56,860	51,097	47
Net earnings (4)	61,944	49,518	110,376	103,184	86
Net earnings per share (4) (5):					
Basic	1.09	0.88	1.96	1.85	
Diluted	1.05	0.86	1.91	1.83	
Weighted Average Shares Outstanding (5):					
Basic	57,077	55,978	56,176	55,790	56
Diluted	58,890	57,592	57,838	56,410	57
Shares Outstanding at Period End (5):					
Class A	25,449	23,648	23,871	22,982	22
Class B	32,332	32,957	32,957	32,957	32
Financial Condition:					
Current ratio	2.11 to 1	2.25 to 1	2.25 to 1	2.17 to 1	1.92
Working capital	$443,082	445,557	486,646	399,748	309
Cash, cash equivalents and short-term investments	100,569	141,451	202,839	114,951	57
Property, plant and equipment, net	247,081	232,047	235,822	240,091	238
Total assets	1,561,675	1,435,572	1,516,501	1,385,598	1,181
Long-term debt	321,122	332,305	321,183	340,948	225

Stockholders' equity	772,321	678,499	736,009	632,260	565
Cash dividends	9,912	8,858	18,215	16,182	14
Cash dividends per share (5) (6)	0.1725	0.1575	0.3225	0.290	0

(1) Fiscal year 2000 includes a non-recurring gain from the sale of a trademark. The non-recurring gain increased earnings before income taxes by $9.3 million, net earnings by $6.0 million and basic and diluted earnings per share by 11 cents.

(2) Fiscal year 1997 includes a non-recurring gain from an insurance settlement for the loss of our corporate airplane. The non-recurring gain increased earnings before income taxes by $15.6 million, net earnings by $9.8 million and basic and diluted earnings per share by $0.18 and $0.16, respectively.

(3) In the first quarter of fiscal year 2002, we adopted the provisions of the Financial Accounting Standards Board's (FASB) Emerging Issues Task Force (EITF) Issue No. 00-14, "Accounting for Certain Sales Incentives," and Issue No. 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products." EITF Issue No. 00-14 addresses the recognition, measurement and income statement classification for various types of sales incentives including coupons, rebates and free products. EITF Issue No. 00-25 addresses the income statement classification for various types of consideration paid by a vendor to a retailer. In connection with the adoption of EITF Issue Nos. 00-14 and 00-25, we reclassified certain amounts for the first half of fiscal year 2001 to conform to the current year presentation resulting in a $59.3 million reduction in net sales, a $5.8 million increase in cost of products sold and a $65.1 million decrease in promotion expenses for the six months ended March 31, 2001. Consolidated net earnings were not affected by these reclassifications.

Net sales, cost of products sold and promotion expense for the fiscal years ended September 30, 2001, 2000, 1999, 1998 and 1997 have not been restated for the adoption of EITF Issue Nos. 00-14 and 00-25 in the selected financial data table above. The impact of the adoption on the fiscal year ended September 30, 2001 has been quantified and, when restated, will result in a $115.1 million reduction in net sales, an $11.1 million increase in cost of products sold and a $126.2 million decrease in promotion expense. We are in the process of completing the reclassifications for the fiscal years ended September 30, 2000, 1999, 1998 and 1997 and, when completed later this fiscal year, we expect that the reported consolidated net sales for each of the fiscal years will be reduced by approximately 4-6%. Consolidated net earnings will not be affected by these reclassifications.

(4) We implemented the FASB's Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," in the first quarter of fiscal year 2002 for previously acquired intangibles. As required by SFAS No. 142, we ceased the amortization of goodwill and trade names effective October 1, 2001. In accordance with SFAS No. 142, results for fiscal years prior to fiscal year 2002 have not been restated for the effects of ceasing goodwill and trade name amortization. Had goodwill and trade name amortization been discontinued effective October 1, 1996, net earnings and earnings per share would have been as follows (in thousands, except per share data):

	Six Months Ended March 31,	Fiscal Year Ended Septem			
	2001	2001	2000	1999	199
Pro forma net earnings	$53,750	119,100	111,016	92,350	88,4
Pro forma net earnings per share:					
Basic	$ 0.96	2.11	1.99	1.64	1.
Diluted	$ 0.93	2.06	1.97	1.62	1.

(5) Net earnings per share, shares outstanding and cash dividends per share have been restated to reflect the 100% stock dividend on our Class A and Class B outstanding shares in February 1997.

(6) Cash dividends per share on Class A common stock and Class B common stock have been equal since the Class A shares were issued in April 1986.

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RISK FACTORS

You should consider carefully all of the information we have included or incorporated by reference in this prospectus before you decide whether to buy the Class B common stock offered hereby. In particular, you should consider carefully the risk factors described below.

If any of the following risks actually occur, our business, financial condition and/or results of operations may materially suffer. In that event, the trading prices of our common stock could fall, and you may lose all or part of the money you paid to buy our Class B common stock.

RISKS RELATED TO OUR BUSINESS

We cannot assure the successful implementation of our growth strategy.

As part of our growth strategy, we seek to increase profit margins through improved pricing and cost efficiencies, expand our geographic coverage, leverage our global infrastructure, extend our existing brands and acquire and grow select beauty brands and businesses.

Factors beyond our control, such as the price of raw materials or a general economic downturn, may limit our ability to reduce costs or improve pricing, thereby preventing us from obtaining additional profit margin improvements.

Implementation of our strategy involves the continued expansion of our Sally Beauty Supply stores and our Beauty Systems Group operations, both in the United States and abroad. There can be no guarantee that we will be able to acquire businesses or lease desirable store locations or that existing store locations will continue to be as profitable as in the past. There also can be no guarantee that we will be able to acquire and grow beauty brands and businesses.

Implementation of our strategy also involves the continued growth of our consumer products businesses in Europe, Scandinavia, Latin America, Asia and other international markets. We may have difficulty hiring and retaining qualified key employees or otherwise successfully managing the required maintenance and expansion of our infrastructure in these markets. We may have difficulty maintaining our successful distribution infrastructure and alliances in each of our major international markets.

The advertising and marketing expenditures relating to extending our existing brands through new products and the relaunching of existing products will typically constitute a higher percentage of sales than in the case of a well-established product. There can be no assurance that such expenditures will result in consumer acceptance and profitability for a new or relaunched product.

Changes in our relationships with our suppliers could have a material adverse effect on our business.

We are dependent on our relationships with our suppliers of beauty products, including our exclusive distributor contracts with certain professional-only brands such as Matrix, Paul Mitchell, Graham Webb, Redken, TIGI and Sebastian in portions of the United States, Canada and Mexico. Although we presently have no reason to believe that any of our major suppliers will cancel their distribution agreements with us (such agreements are cancelable on as little as 30 days notice), such a loss could cause a reduction in the sales of beauty products and the loss of the corresponding profit margins. Any such cancellation could have a material adverse effect on our business, results of operations and/or financial condition.

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We are also dependent upon suppliers of our key raw materials and third-party fillers. As with our suppliers of beauty products, although we have no reason to believe that any of our major materials suppliers or third-party fillers will terminate or materially reduce or modify their relationship with us, such a loss, reduction or modification could have a material adverse effect on our business, results of operations and/or financial condition.

We face competition in the beauty and health care products and beauty supply industries.

We face a variety of competitors in the domestic and international markets for our branded consumer products, some of which are significantly larger and more diversified and have substantially greater financial and marketing resources than we have. We compete with these companies primarily on the basis of:

- product innovation,
- ensuring product quality,
- appropriately pricing products,
- maintaining brand loyalty,
- anticipating and responding quickly to changing consumer preferences,
- providing strong and effective marketing support,
- ensuring product availability and optimizing supply chain efficiencies with suppliers and retailers, and

- maintaining strong relationships with suppliers and customers.

Our Sally Beauty Supply stores face domestic and international competition from a wide range of retail outlets, including mass merchandisers, drug stores and supermarkets, which carry a full line of beauty and health care products. In addition, our Beauty Systems Group competes with local and regional beauty supply stores and full-service dealers selling competing products directly to salons. Sally Beauty Company also faces competition from certain manufacturers in international markets, which use their own sales force to distribute their professional beauty products directly to salons.

Our markets are characterized by frequent introductions of new products and by the entry of other manufacturers as new competitors, both of which are typically accompanied by extensive advertising and marketing campaigns. Such campaigns are often very costly and can significantly affect our sales and earnings.

Increased competition in the beauty and health care products and beauty supplies industries could reduce our sales and profit margins and have a material adverse effect on our business, results of operations and/or financial condition.

Distribution delays or interruptions could decrease our sales and profitability.

We are highly dependent on ground and overseas transportation to deliver materials to our manufacturing facilities and merchandise to our distribution centers. We are also dependent on ground transportation to deliver merchandise from our distribution centers to each of our stores and to retail

customers which sell our consumer products. We rely on our vendors to provide our distribution centers with merchandise on a timely basis and on our internal inventory replenishment systems and procedures to assure that our stores and outlets for our beauty products have adequate merchandise in stock. Failure of merchandise to reach its destination on a timely basis could result in stores not being adequately stocked. Distribution delays or interruptions resulting from:

- third-party vendor delays in production, filling and/or shipping,
- work stoppages as a result of labor unrest or strikes,
- problems in hiring or training employees,
- disruptions in our internal inventory replenishment systems, the introduction of new systems or procedures or computer malfunctions,

or other factors could have a material adverse effect on our business, results of operations and/or financial condition.

Shifts or decreases in market demand could result in significant markdowns of our inventory and in loss of profitability.

We carry extensive inventory, largely as a result of the operations of Sally Beauty Company. Material shifts or decreases in market demand for merchandise could result in us carrying inventory that cannot be sold at anticipated retail prices and could result in significant markdowns and warehouse capacity problems. Failure to maintain proper inventory levels and purchase appropriate merchandise could result in a material adverse effect on our business, results of operations and/or financial condition.

In addition, general economic conditions that place pressure on the budgets of our customers and consumers could limit the income they otherwise have available to spend on our products and in our Sally Beauty Supply stores or to buy products distributed by the Beauty Systems Group, which could have a material adverse effect on our business, results of operations and/or financial condition.

Our success depends, in part, on our key employees.

Our success will depend, in part, on our ability to retain our key employees. These employees have substantial experience and expertise in our business and have made significant contributions to our growth and success. The unexpected loss of one or more of our key employees could have a material adverse effect on our business, results of operations and/or financial condition. See "Management."

Our business is exposed to domestic and foreign currency fluctuations.

Our international sales are generally denominated in foreign currencies, and this revenue could be materially affected by currency fluctuations. Approximately 23% of our sales were from international operations in fiscal year 2001. Our primary exposures are to fluctuations in exchange rates for the United States dollar versus the Swedish krona, the British pound sterling, the Canadian dollar, the Euro, the Australian dollar, the Mexican peso and the Argentine peso. Changes in currency exchange rates may also affect the relative prices at which we and our foreign competitors sell products in the same market. Although we occasionally hedge some exposures to changes in foreign currency exchange rates arising in the ordinary course of business, we cannot assure you that foreign currency fluctuations will not have a material adverse effect on our business, results of operations and/or financial condition.

Our ability to conduct business in or import products from international markets may be affected by legal, regulatory, political and economic risks.

Our ability to capitalize on growth in new international markets and to grow or maintain the current level of operations in our existing international markets is subject to risks associated with international operations. These include:

- unexpected changes in regulatory requirements and
- new tariffs or other barriers to some international markets.

We are also subject to political and economic risks in connection with our international operations, including:

- political instability,
- changes in diplomatic and trade relationships, and
- economic fluctuations in specific markets.

We cannot predict whether quotas, duties, taxes or other similar restrictions will be imposed by the United States, the European Union or other countries upon the import or export of our products in the future, or what effect any of these actions would have on our business, results of operations and/or financial condition. Changes in regulatory or geopolitical policies and other factors may have a material adverse affect on our business in the future or may require us to modify our current business practices.

RISKS RELATED TO OUR COMMON STOCK AND THE OFFERING

The prices of our common stock may fluctuate which may cause our Class B common stock to trade at a substantially lower price than you paid.

Various factors, such as economic conditions and volatility in the financial markets, including changes in investor sector preferences; announcements or significant developments with respect to the beauty and health care products or beauty care industries; actual or anticipated variations in our quarterly or annual financial results; the introduction of new products by us or our competitors; changes in other conditions or trends in our industries or in any of our significant markets; changes in governmental regulation; or changes in securities analysts' estimates of our future performance or that of our competitors or our industries; could cause the market prices of our common stock to fluctuate substantially or our Class B common stock to trade at a substantially lower price than you paid.

Shares eligible for future sale may have a potential adverse effect on our stock price.

Upon completion of this offering, we expect that 2,207,562 shares of Class A common stock and 9,219,723 shares of Class B common stock will be beneficially owned by Leonard H. and Bernice E. Lavin, their daughter Carol L. Bernick and her husband Howard B. Bernick, assuming the underwriters do not exercise their over-allotment option. The number of shares of Class A common stock and Class B common stock outstanding, as of May 15, 2002, was 25,633,844 and 32,331,640, respectively.

Future sales of substantial amounts of shares of either class of our common stock in the public market could adversely affect the prevailing market prices of our common stock and could impair our ability to raise capital through future sales of our equity securities. All of the shares sold in this offering

will be freely tradable without restriction under the Securities Act, unless purchased by our affiliates. See "Shares Eligible for Future Sale."

Alberto-Culver, its directors, including Mr. and Mrs. Lavin, Mr. and Mrs. Bernick and William W. Wirtz, Michael H. Renzulli, President of Sally Beauty Company, the selling stockholders and certain trusts and other entities over which the Lavins, Bernicks and Mr. Wirtz have voting and investment power, will agree not to sell or transfer any Class A common stock or Class B common stock without the prior written approval of Goldman, Sachs & Co. for a period of 90 days from the date of this prospectus, subject to certain exceptions. Sales of a substantial number of shares of either class of our common stock following the expiration of these lock-up periods could cause the prices of our common stock to fall. See "Underwriting."

We may decide in the future to declassify our common stock and revert to a single class capital structure.

In 1986, we established our current dual class common stock capital structure consisting of Class A and Class B common shares. The principal differences between the Class A common stock and the Class B common stock are

(i) voting rights - one-tenth and one vote per share, respectively, and (ii) dividend rights - no dividend may be paid on Class B common stock unless an equal or greater dividend is paid on Class A common stock, and dividends may be paid on Class A common stock in excess of dividends paid or without paying dividends on Class B common stock. The shares of Class B common stock have historically traded at a premium to the shares of Class A common stock. Over the past 36 months, this premium has ranged from 3.9% to 25.6%, based on closing stock prices as of April 30, 2002. On May 29, 2002, the day before the filing of this offering, the Class B common stock closed at $52.43, a 10.6% premium to the Class A closing price. See "Description of Capital Stock."

Under the terms of the amendment to our restated certificate of incorporation approved by the stockholders in 1986 (and as we disclose annually in our proxy statement and financial statement footnotes), all, but not less than all, of the Class A shares may at any time be converted into Class B shares on a share-for-share basis at the option of the company. From time-to-time, the Board of Directors has considered the question of whether it would be advisable and in the best interests of Alberto-Culver and its shareholders to declassify the two classes of common stock and revert to the single class capital structure which existed before 1986.

Most recently, in the spring of 2002, the Board undertook a serious review of a possible declassification. Although no action or Board vote was undertaken in that regard, it was the sense of the Board that a declassification would have significant merit, but that it may not be advisable and in the best interests of the company and its shareholders at that time because of a difficult accounting issue, which has arisen as a result of recently issued accounting guidance. That accounting issue arises from the fact that (i) employee stock options and restricted stock are granted in shares of Class A common stock and (ii) pursuant to Issue 41 of the FASB's EITF Issue No. 00-23 (effective January 24, 2002), a declassification may result in either "variable accounting" treatment or a new "measurement date" for outstanding options and unvested restricted stock in shares of Class A common stock, either of which would materially reduce reported net earnings with a non-cash charge in the period of declassification and in each quarter of the remaining vesting periods of the outstanding options and restricted stock. In order to reduce or eliminate an earnings charge related to a potential future declassification, the Board is considering issuing stock options and restricted stock grants in the future in shares of Class B common stock rather than Class A common stock. The Board reserves the right to revisit this matter from time-to-time and at any time could conclude that it would be advisable and in the best interests of the company and its shareholders to pursue a declassification with or without a resolution of this accounting issue.

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If the two classes of common stock were to be declassified, it is possible that, at least in the short-term thereafter, the shares of common stock which had previously been represented by Class B shares would trade below the market prices at which the Class B common stock had traded previously.

Our principal stockholders could significantly influence decisions pertaining to the company, and the anti-takeover effect of two classes of stock and associated voting rights and other provisions of our organizational documents could discourage attempts to acquire us.

Holders of our Class B common stock are entitled to one vote per share and holders of our Class A common stock are entitled to one-tenth of one vote per share. Currently, the shares beneficially owned by members of the Lavin and Bernick families represent 39.2% of the voting power of our common stock. Upon completion of this offering, assuming the underwriters do not exercise their over-allotment option, members of the Lavin and Bernick families will beneficially own 2,207,562 shares of Class A common stock and 9,219,723 shares of Class B common stock, representing 27.1% of the voting power of our common stock. Accordingly, if they vote in the same manner, members of the Lavin and Bernick families will still be able to significantly affect the disposition of many matters submitted to a vote of our stockholders, including the election of directors, mergers, acquisitions, dispositions, going private transactions and other extraordinary corporate transactions and their terms. In addition, various provisions of our organizational documents may have the effect of discouraging a third party from pursuing a non-negotiated takeover of us. See "Description of Capital Stock."

The dividend rights of our classes of common stock vary.

The cash dividends paid on our Class A common stock and Class B common stock have been identical since the original issuance of Class A common stock in 1986. However, under our restated certificate of incorporation, dividends may be paid on the Class A common stock in excess of dividends paid, or without paying dividends, on the Class B common stock. See "Description of Capital Stock--Dividends and Distributions."

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FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference herein may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements are based on management's current expectations and assessments of risks and uncertainties and reflect various assumptions concerning anticipated results, which may or may not prove to be correct. Some of the factors that could cause actual results to differ materially from estimates or projections contained in such forward-looking statements include:

- the pattern of brand sales, including variations in sales volume within periods,
- competition within the relevant product markets, including the ability to develop and successfully introduce new products, ensuring product quality, pricing, promotional activities, introduction of competing products and continuing customer acceptance of existing products,
- loss of distributorship rights,
- risks inherent in acquisitions and strategic alliances,
- the loss of one or more key employees,
- the effects of a prolonged United States or global economic downturn or recession,
- changes in costs, including changes in labor costs, raw material prices or advertising and marketing expenses,
- the costs and effects of unanticipated legal or administrative proceedings, and
- variations in political, economic or other factors such as

currency exchange rates, inflation rates, tax changes, legal and regulatory changes or other external factors over which we have no control.

Alberto-Culver has no obligation to update any forward-looking statement in this prospectus or any incorporated document.

PRICE RANGE OF CLASS B COMMON STOCK AND DIVIDENDS

Our Class B common stock is quoted on the New York Stock Exchange under the symbol "ACV." The following table shows, for the fiscal periods indicated, the high and low sales prices per share as reported on the NYSE Composite Tape.

	High	Low
Fiscal Year Ending September 30, 2002:		
First Quarter	$45.90	$38.13
Second Quarter	55.82	42.80
Third Quarter (through May 15, 2002)	57.91	52.50
Fiscal Year Ended September 30, 2001:		
First Quarter	$43.50	$28.44
Second Quarter	42.75	36.88
Third Quarter	44.45	37.15
Fourth Quarter	46.26	37.35
Fiscal Year Ended September 30, 2000:		
First Quarter	$27.63	$22.31
Second Quarter	27.13	19.38
Third Quarter	31.81	23.19
Fourth Quarter	31.50	27.38

We paid cash dividends for Class B common stock of $.3225 per share in fiscal year 2001 and $.29 per share in fiscal year 2000. Our current quarterly dividend for Class B common stock is $.09 per share. See "Description of Capital Stock--Dividends and Distributions."

On May 15, 2002, the last reported sales price on the NYSE was $56.72 per share for our Class B common stock. On May 15, 2002, there were 886 holders of record of our Class B common stock.

USE OF PROCEEDS

Alberto-Culver will not receive any of the proceeds of the shares of Class B common stock sold by the selling stockholders.

CAPITALIZATION

The following table shows our short-term borrowings and capitalization as of March 31, 2002. As we will not receive any of the proceeds of the sale of the Class B common stock sold by the selling stockholders and all of the shares to be sold are already outstanding, our short-term borrowings and capitalization will not change as a result of this offering. You should read this information in conjunction with our consolidated financial statements and related notes and the other financial information appearing elsewhere in or incorporated by reference in this prospectus.

(Dollars in thousands, except per share data)	March (Una
Short-term borrowings and current maturities of long-term debt	
Long-term debt, excluding current maturities:	
8.25% senior notes due November 2005	
6.375% debentures due June 2028	
Other	
Total long-term debt	
Stockholders' equity:	
Common stock, par value $0.22 per share:	
Class A authorized 75,000,000 shares; issued 30,612,798 shares (1)	
Class B authorized 75,000,000 shares; issued 37,710,655 shares	
Additional paid-in capital	
Retained earnings	
Accumulated other comprehensive income - foreign currency translation	
Deferred compensation	
Treasury stock, at cost (Class A common stock - 5,163,531 shares; Class B common stock - 5,379,015 shares)	
Total stockholders' equity	
Total capitalization	

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(1) Does not include 5,742,182 shares of Class A common stock issuable upon the exercise of outstanding employee and director stock options as of March 31, 2002.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data appearing below should be read together with the consolidated financial statements, notes and "Management's Discussion and Analysis of Results of Operations and Financial Condition" included elsewhere in this prospectus and with the consolidated financial statements, notes and other financial information we are incorporating by reference. The selected consolidated financial data for, and as of the end of each of the fiscal years 1997 through 2001 are derived from our audited consolidated financial statements. The selected consolidated financial data for, and as of the end of the six months ended March 31, 2001 and 2002 is derived from our unaudited consolidated financial statements. In our opinion, the unaudited consolidated financial statements reflect all adjustments, consisting only of normal, recurring adjustments, necessary for a fair presentation of such periods. Our results of operations for the six months ended March 31, 2002 do not necessarily indicate what our operating results will be for the full fiscal year.

(In thousands, except per share data)	Six Months Ended March 31 (Unaudited)		Fiscal Year Ended Se		
	2002	2001	2001	2000(1)	1999
Operating Results:					
Net sales (3)	$1,272,022	1,156,809	2,494,180	2,247,163	1,975,92
Cost of products sold (3)	653,512	597,218	1,217,429	1,105,750	973,70
Interest expense	13,353	13,931	27,309	23,747	14,84
Earnings before income taxes	95,298	75,028	167,236	154,281	133,78
Provision for income taxes	33,354	25,510	56,860	51,097	47,49
Net earnings (4)	61,944	49,518	110,376	103,184	86,29
Net earnings per share (4) (5):					
Basic	1.09	0.88	1.96	1.85	1.5
Diluted	1.05	0.86	1.91	1.83	1.5
Weighted Average Shares Outstanding (5):					
Basic	57,077	55,978	56,176	55,790	56,37
Diluted	58,890	57,592	57,838	56,410	57,16
Shares Outstanding at Period End (5):					
Class A	25,449	23,648	23,871	22,982	22,76
Class B	32,332	32,957	32,957	32,957	32,95
Financial Condition:					
Current ratio	2.11 to 1	2.25 to 1	2.25 to 1	2.17 to 1	1.92 to
Working capital	$ 443,082	445,557	486,646	399,748	309,15
Cash, cash equivalents and short-term investments	100,569	141,451	202,839	114,951	57,81
Property, plant and equipment, net	247,081	232,047	235,822	240,091	238,75
Total assets	1,561,675	1,435,572	1,516,501	1,385,598	1,181,49
Long-term debt	321,122	332,305	321,183	340,948	225,17
Stockholders' equity	772,321	678,499	736,009	632,260	565,78
Cash dividends	9,912	8,858	18,215	16,182	14,39
Cash dividends per share (5) (6)	0.1725	0.1575	0.3225	0.290	0.25

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(1) Fiscal year 2000 includes a non-recurring gain from the sale of a trademark. The non-recurring gain increased earnings before income taxes by

$9.3 million, net earnings by $6.0 million and basic and diluted earnings per share by 11 cents.

(2) Fiscal year 1997 includes a non-recurring gain from an insurance settlement for the loss of our corporate airplane. The non-recurring gain increased earnings before income taxes by $15.6 million, net earnings by $9.8 million and basic and diluted earnings per share by $0.18 and $0.16, respectively.

(3) In the first quarter of fiscal year 2002, we adopted the provisions of the FASB's EITF Issue No. 00-14, "Accounting for Certain Sales Incentives," and Issue No. 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products." EITF Issue No. 00-14 addresses the recognition, measurement and income statement classification for various types of sales incentives including coupons, rebates and free products. EITF Issue No. 00-25 addresses the income statement classification for various types of consideration paid by a vendor to a retailer. In connection with the adoption of EITF Issue Nos. 00-14 and 00-25, we reclassified certain amounts for the first half of fiscal year 2001 to conform to the current year presentation resulting in a $59.3 million reduction in net sales, a $5.8 million increase in cost of products sold and a $65.1 million decrease in promotion expenses for the six months ended March 31, 2001. Consolidated net earnings were not affected by these reclassifications.

Net sales, cost of products sold and promotion expense for the fiscal years ended September 30, 2001, 2000, 1999, 1998 and 1997 have not been restated for the adoption of EITF Issue Nos. 00-14 and 00-25 in the selected financial data table above. The impact of the adoption on the fiscal year ended September 30, 2001 has been quantified and, when restated, will result in a $115.1 million reduction in net sales, an $11.1 million increase in cost of products sold and a $126.2 million decrease in promotion expense. We are in the process of completing the reclassifications for the fiscal years ended September 30, 2000, 1999, 1998 and 1997 and, when completed later this fiscal year, we expect that the reported consolidated net sales for each of the fiscal years will be reduced by approximately 4-6%. Consolidated net earnings will not be affected by these reclassifications.

(4) We implemented the FASB's SFAS No. 142, "Goodwill and Other Intangible Assets," in the first quarter of fiscal year 2002 for previously acquired intangibles. As required by SFAS No. 142, we ceased the amortization of goodwill and trade names effective October 1, 2001. In accordance with SFAS No. 142, results for fiscal years prior to fiscal year 2002 have not been restated for the effects of ceasing goodwill and trade name amortization. Had goodwill and trade name amortization been discontinued effective October 1, 1996, net earnings and earnings per share would have been as follows (in thousands, except per share data):

	Six Months Ended March 31,	Fiscal Year End		
	2001	2001	2000	1
Pro forma net earnings	$53,750	119,100	111,016	92
Pro forma net earnings per share:				
Basic	$ 0.96	2.11	1.99	
Diluted	$ 0.93	2.06	1.97	

(5) Net earnings per share, shares outstanding and cash dividends per share have been restated to reflect the 100% stock dividend on our Class A and Class B outstanding shares in February 1997.

(6) Cash dividends per share on Class A common stock and Class B common stock have been equal since the Class A shares were issued in April 1986.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations

Three Months and Six Months Ended March 31, 2002 Compared to Three Months and Six Months Ended March 31, 2001

We achieved record second quarter net sales of $657.8 million in fiscal year 2002, up $64.8 million or 10.9% over the comparable period of the prior year. For the six-month period ending March 31, 2002, net sales reached a new high of $1.27 billion, representing a 10.0% increase compared to last year's six-month period. Fiscal year 2002 sales were negatively impacted by the effect of foreign exchange rates. Had foreign exchange rates this year been the same as the second quarter and first half of fiscal year 2001, sales would have increased 12.2% for the second quarter and 10.9% for the first half.

Net earnings were $32.7 million for the three months ended March 31, 2002, or 26.1% higher than the prior year's second quarter net earnings of $25.9 million. Basic earnings per share of 57 cents in the second quarter of fiscal year 2002 were 11 cents or 23.9% higher than the same period of fiscal year 2001. Diluted earnings per share for the current quarter increased 22.2% to 55 cents versus 45 cents in the same period of the prior year.

Net earnings for the six months ended March 31, 2002 were $61.9 million, or 25.1% higher than the prior year's first half net earnings of $49.5 million. Basic earnings per share of $1.09 in fiscal year 2002 were 21 cents or 23.9% higher than the same period of fiscal year 2001. Diluted earnings per share increased 22.1% to $1.05 compared to 86 cents in the first half of fiscal year 2001.

As discussed under "New Accounting Standards," we discontinued the amortization of goodwill and trade names at the beginning of fiscal year 2002. Had last year's results been restated to eliminate goodwill and trade name amortization, net earnings for the three months and six months ended March 31, 2002 would have increased $4.5 million or 16.1% and $8.2 million or 15.2%, respectively, compared to the prior year. Basic earnings per share for the three-month and six-month periods ended March 31, 2002 would have increased 7 cents or 14.0% and 13 cents or 13.5%, respectively, versus the prior year while diluted earnings per share would have increased 7 cents or 14.6% and 12 cents or 12.9%, respectively.

Compared to the same periods of the prior year, sales of Alberto-Culver North America consumer products increased 7.3% and 9.6% in the second quarter and first six months of fiscal year 2002, respectively. The second quarter and first half increases were primarily due to higher sales for TRESemme shampoos, conditioners and styling products, St. Ives Swiss Formula lotions and body washes and the TCB, Soft and Beautiful Botanicals and Just For Me ethnic hair care lines, along with increased sales for custom label filling operations.

Higher sales of TRESemme Hydrology also contributed to the first half increase.

Sales of Alberto-Culver International consumer products decreased 1.6% in the second quarter and 1.1% in the first half of fiscal year 2002 compared to last year. Fiscal year 2002 sales were negatively impacted by the effect of foreign exchange rates. Had foreign exchange rates this year been the same as the second quarter and first six months of fiscal year 2001, International sales would have increased 4.1% and 2.6%, respectively.

Our Specialty Distribution - Sally business segment achieved sales increases of 15.6% for the second quarter and 12.8% for the first six months of fiscal year 2002. The sales increases were mainly attributable to the expansion of Sally's full-service operations, higher sales for established Sally Beauty Company outlets and the addition of stores during the year. At March 31, 2002, Sally had 2,502 company-owned stores and 130 franchise stores offering a full range of professional beauty supplies.

Cost of products sold as a percentage of net sales was 51.7% for the second quarter and 51.4% for the first six months of fiscal year 2002 compared to 51.1% for the second quarter and 51.6% for the first half of the prior year. The increased cost of products sold percentage in the second quarter of fiscal year 2002 was primarily attributable to a reduction in sales due to higher stocking allowances related to new products and increased sales of lower margin custom label products. Compared to the same period of the prior year, the decreased cost of products sold percentage in the first half of fiscal year 2002 was primarily attributable to increased sales of higher margin consumer products and lower manufacturing costs, partially offset by increased stocking allowances and increased sales of lower margin custom label products.

Compared to the prior year, advertising, marketing, selling and administrative expenses in fiscal year 2002 increased $16.9 million or 6.9% for the second quarter and $38.6 million or 8.2% for the first six months. The increase primarily resulted from the higher selling and administrative costs associated with the growth of the Sally Beauty Company business and higher expenditures for advertising and marketing.

Advertising and marketing expense was $47.2 million for the second quarter and $93.3 million for the first half of fiscal year 2002 versus $46.4 million for the second quarter and $87.7 million for the first half of fiscal year 2001. The increase primarily resulted from higher advertising expenditures for Alberto-Culver North America related mainly to TRESemme Hydrology, TRESemme shampoos and conditioners and St. Ives Swiss Formula facials.

The provision for income taxes as a percentage of earnings before income taxes was 35.0% for the second quarter and first half of fiscal year 2002 compared to 34.9% for the second quarter and 34.0% for the first half of the prior year. The higher tax rate for the first half of fiscal year 2002 is mainly due to the mix of foreign taxable earnings.

Fiscal Year 2001 Compared to Fiscal Years 2000 and 1999

Fiscal year 2001 marked our tenth consecutive year of record sales and record operating earnings. Net sales for the year ended September 30, 2001 were $2.49 billion, an increase of 11.0% over prior year sales of $2.25 billion. Net sales in 1999 were $1.98 billion.

Record net earnings of $110.4 million in 2001 increased 13.6% from the prior year's net earnings of $97.2 million before the non-recurring gain described below. Excluding the fiscal year 2000 non-recurring gain, basic earnings per share of $1.96 in fiscal year 2001 were 22 cents or 12.6% higher than fiscal year 2000. Diluted earnings per share before the non-recurring gain increased 11.0% to $1.91 in fiscal year 2001 from $1.72 in fiscal year 2000.

In fiscal year 2000, we sold a European trademark with a nominal carrying value for $10.0 million. As a result, we recognized a non-recurring pre-tax gain of $9.3 million and an increase in net earnings of $6.0 million. Accordingly, basic and diluted earnings per share increased 11 cents as a result of the gain. Fiscal year 2001 net earnings increased $7.2 million or 7.0% compared to fiscal year 2000 net earnings including the non-recurring gain.

Sales of Alberto-Culver North America consumer products in fiscal year 2001 increased to $616.9 million from $551.6 million in fiscal year 2000. The current year sales increase primarily resulted from the Pro-Line International business acquired in March 2000, the introduction of TRESemme Hydrology and higher sales for St. Ives Swiss Formula facial products and body washes, the Motions line of hair care products and the Alberto VO5 Herbals line of shampoos and conditioners. In fiscal year 2000, sales increased 18.4% compared to 1999 sales of $466.0 million primarily due to higher sales of the Alberto VO5 Herbals line of shampoos and conditioners, St. Ives Swiss Formula facial and body wash product lines, the Motions line of hair care products, TRESemme hair care products and higher sales for custom label filling operations, along with the inclusion of sales related to the Pro-Line acquisition.

Alberto-Culver International consumer products sales increased 1.8% to $445.8 million in 2001 compared to $437.9 million in 2000. The fiscal year 2001 results were negatively impacted by the effect of foreign exchange rates. Had foreign exchange rates in fiscal year 2001 been the same as 2000, Alberto-Culver International sales would have increased 10.0%, primarily due to sales increases for Alberto-Culver's European and Latin American businesses. In fiscal year 2000, Alberto-Culver International's sales increased 1.6% to $437.9 million from $431.0 million in fiscal year 1999.

Sales of the Specialty Distribution - Sally business segment increased to $1.46 billion in fiscal year 2001, compared to $1.28 billion and $1.10 billion in 2000 and 1999, respectively. The sales increases of 14.0% in 2001 and 16.8% in 2000 were attributable to the expansion of Sally's full service operations, higher sales for established Sally Beauty Company outlets and the addition of stores during the year. The number of Sally stores increased 21.5% during the last three fiscal years to a total of 2,428 at September 30, 2001 compared to 2,325 and 2,157 at the end of fiscal years 2000 and 1999, respectively.

Cost of products sold as a percentage of sales was 48.8% in fiscal year 2001 compared to 49.2% in 2000 and 49.3% in 1999. The lower cost of products sold percentage in fiscal year 2001 compared to the prior year was primarily due to the introduction of higher margin new products and lower costs.

Advertising, promotion, selling and administrative expenses increased 11.3% in fiscal year 2001 and 14.2% in 2000. The increases in fiscal years 2001 and 2000 primarily resulted from the higher selling and administration costs associated with the growth of the Sally Beauty Company business and higher expenditures for advertising, promotion and market research.

Advertising, promotion and market research expenditures were $305.1 million, $286.4 million and $259.7 million in fiscal years 2001, 2000 and 1999, respectively. The higher expenses in fiscal year 2001 were mainly attributable to increased advertising and promotion expenditures for Alberto-Culver North America primarily related to the launch of TRESemme Hydrology and the acquisition of Pro-Line, and higher expenses for Alberto-Culver International primarily related to Advanced Alberto VO5, the introduction of a new product line in Mexico and the fiscal year 2000 acquisition of a skin care business in Poland.

Interest expense, net of interest income, was $21.8 million, $19.2 million and $12.7 million in fiscal years 2001, 2000 and 1999, respectively. Interest expense was $27.3 million in fiscal year 2001 versus $23.7 million in 2000 and $14.8 million in 1999. The increase in interest expense in fiscal year 2001 was primarily attributable to an additional $8.4 million of interest expense related to the $200 million of 8.25% senior notes issued in April 2000. The higher interest expense was partially offset by lower interest expense related to the repayment of borrowings under the revolving credit facility, the payoff of the $20.0 million of notes payable which matured in September 2000, and the repayment of borrowings under the Swedish krona revolving credit facility. Interest income in fiscal year 2001 was $5.5 million, compared to $4.5 million in 2000 and $2.1 million in 1999. The increase in fiscal year 2001

was principally due to higher interest income resulting from investing the net proceeds of the senior notes for a full year and interest income earned on cash generated by operations during the year.

The provision for income taxes as a percentage of earnings before income taxes was 34.0% in 2001, 33.1% in 2000 and 35.5% in 1999. The higher tax rate in fiscal year 2001 was primarily due to the mix of foreign taxable earnings.

Financial Condition

March 31, 2002 versus September 30, 2001

Working capital at March 31, 2002 was $443.1 million, a decrease of $43.5 million from $486.6 million at September 30, 2001. The resulting ratio of current assets to current liabilities was 2.11 to 1.00 at March 31, 2002 compared to 2.25 to 1.00 at September 30, 2001. The decrease in working capital and the ratio of current assets to current liabilities was primarily due to the cash paid for the acquisitions of Armstrong-McCall and other full-service beauty supply distributors by Sally Beauty Company during the first quarter of fiscal year 2002, offset in part by working capital generated from operations.

Cash and cash equivalents decreased $101.8 million during the first six months of fiscal year 2002 primarily due to the $101.2 million of acquisitions of full-service beauty supply distributors by Sally Beauty Company, the repurchase of $40.0 million of accounts receivable previously sold under the company's conduit facility and $32.2 million of capital expenditures, partially offset by cash flows from operating activities.

Accounts receivable increased $39.1 million to $208.7 million during the first six months of fiscal year 2002 primarily due to the repurchase of $40.0 million of accounts receivable previously sold under the company's conduit facility.

Inventories increased $30.6 million or 6.4% to $508.9 million during the first six months of fiscal year 2002 principally due to the acquisitions of full-service beauty supply distributors and the growth of Sally Beauty Company.

Net goodwill increased $69.9 million during the first six months of fiscal year 2002 mainly due to goodwill from acquisitions during the year, partially offset by the effects of foreign exchange rates.

Accounts payable increased $18.7 million to $210.1 million during the first half of fiscal year 2002 primarily due to increased inventory levels required to support sales growth.

Income taxes payable and deferred income taxes decreased $15.6 million to $54.0 million during the first six months of fiscal year 2002 mainly due to the timing of tax payments and tax benefits realized from the exercise of employee stock options in fiscal year 2002.

Accumulated other comprehensive income - foreign currency translation increased $25.7 million during the first half of fiscal year 2002 primarily due to the effect of the devaluation of the Argentine peso.

September 30, 2001 versus September 30, 2000

Working capital at September 30, 2001 was $486.6 million, an increase of $86.9 million from the prior year's working capital of $399.7 million. The resulting current ratio was 2.25 to 1.00 at September 30, 2001 compared to 2.17 to 1.00 last year. The increase in working capital and the current ratio was

primarily due to higher cash, cash equivalents and short-term investments principally resulting from cash generated from operating activities during the year.

Accounts receivable increased 10.0% to $169.7 million from $154.2 million last year. The increase was principally due to increased sales.

Inventories were $478.3 million at September 30, 2001, up 7.4% compared to $445.3 million last year. The increase primarily resulted from acquisitions and the growth of the Sally Beauty Company and Alberto-Culver North America businesses.

Net property, plant and equipment decreased $4.3 million to $235.8 million at September 30, 2001. The decrease resulted primarily from depreciation during fiscal year 2001 and the effects of foreign exchange rates, substantially offset by expenditures for additional Sally stores, acquisitions, office facilities, machinery and equipment and information systems.

Accounts payable of $191.4 million at September 30, 2001 increased $7.6 million compared to 2000, primarily due to the timing of inventory purchases and vendor payments, partially offset by the effects of foreign exchange rates.

Long-term debt decreased $19.8 million to $321.2 million at September 30, 2001 principally due to the elimination of borrowings under our Swedish krona revolving credit facility.

Total stockholders' equity increased $103.7 million to $736.0 million at September 30, 2001. The increase was primarily due to net earnings for the fiscal year and proceeds from the exercise of employee stock options, partially offset by dividend payments and the weakening of certain foreign currencies against the United States dollar.

Liquidity and Capital Resources

Fiscal Year 2001 Compared to Fiscal Years 2000 and 1999

Our primary sources of cash over the past three years have been from funds provided by operating activities and the issuance of $200 million of 8.25% senior notes in April 2000. Operating activities provided cash of $165.2 million, $119.1 million and $83.6 million in 2001, 2000 and 1999, respectively.

We have obtained long-term financing as needed to fund acquisitions and other growth opportunities. We may also obtain funds prior to their actual need in order to take advantage of opportunities in the debt markets. In April 2000, we issued $200 million of 8.25% senior notes due November 2005. In June 1998, we issued $120 million of 6.375% debentures due June 2028. In September 1997, we obtained a five-year, $200 million revolving credit facility, which was increased to $250 million in fiscal year 2000. The facility, which had no borrowings outstanding at September 30, 2001 or 2000, may be drawn in U.S. dollars or in certain foreign currencies. Under debt covenants, we have the ability to incur up to $780 million of additional borrowings.

The primary uses of cash during the three-year period ending September 30, 2001 were $225.9 million for acquisitions, $221.5 million for repayments of long-term debt, $122.1 million for capital expenditures, $48.8 million for cash dividends and $43.9 million for purchases of treasury stock.

Compared to 1998, cash dividends per share increased 40.2% over the three-year period ended September 30, 2001. Cash dividends paid on Class A and Class B common stock were $.3225 per share in 2001, $.290 per share in 2000 and $.255 per share in 1999.

We anticipate that cash flows from operations and available credit will be sufficient to fund operating requirements in future years. During fiscal year 2002, we expect that cash will continue to be used for acquisitions, capital expenditures, new product development, market expansion and dividend payments. We may also purchase shares of our common stock depending on market conditions. During fiscal years 1998 and 1999, our Board of Directors authorized the purchase of up to 9.0 million shares of our Class A common stock. As of September 30, 2001, 1.7 million Class A shares remained available for purchase under the authorizations. No Class A shares have been purchased under this program since October 1999.

Inflation

We were not significantly affected by inflation during the period from October 1, 1998 through March 31, 2002. Management continuously attempts to resist cost increases and counteract the effects of inflation through productivity improvements, cost reduction programs and price increases within the constraints of the highly competitive markets in which we operate.

Market Risk

As a multinational corporation that manufactures and markets products in countries throughout the world, we are subject to certain market risks including foreign currency, interest rates and government actions. We consider a variety of practices to manage these market risks, including, when deemed appropriate, the occasional use of derivative financial instruments. We use derivative financial instruments only for risk management and do not use them for trading or speculative purposes. As of September 30, 2001, we had no material derivative financial instruments outstanding.

We are exposed to potential gains or losses from foreign currency fluctuations affecting net investments and earnings denominated in foreign currencies. Our primary exposures are to changes in exchange rates for the United States dollar versus the Swedish krona, the British pound sterling, the Canadian dollar, the Euro, the Australian dollar, the Mexican peso and the Argentine peso.

Our various currency exposures often offset each other, providing a natural hedge against currency risk. Periodically, specific foreign currency transactions such as inventory purchases and intercompany transactions are hedged with forward contracts to reduce the foreign currency risk. Gains and losses on these foreign currency hedges are included in the basis of the underlying hedged transactions. As of September 30, 2001, we had no material outstanding foreign currency contracts.

We consider combinations of fixed rate and variable rate debt, along with varying maturities, in our management of interest rate risk. At September 30, 2001, we had no variable rate long-term debt outstanding.

We have periodically used interest rate swaps to manage interest rate risk on debt securities. These instruments allow us to exchange variable rate debt into fixed rate or fixed rate debt into variable rate. Interest rate differentials paid or received on these arrangements are recognized as adjustments to interest expense over the life of the agreement. At September 30, 2001, we had no interest rate swaps outstanding.

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Our quantitative information on market risk as of September 30, 2001 is as follows (in millions):

	Debt	
Expected Maturities	Short-Term Fixed Rate	Long-Term Fixed Rate
2002 (3.3% average rate)	$2.9	--
2003 (8.9% average rate)	--	1.1
2004 (7.8% average rate)	--	0.1
2006 (8.3% average rate)	--	200.0
Thereafter (6.4% average rate)	--	120.0
Total	$2.9	321.2
Fair Value	$2.9	336.1

We are exposed to credit risk on certain assets, primarily cash equivalents, short-term investments and accounts receivable. The credit risk associated with cash equivalents and short-term investments is mitigated by our policy of investing in securities with high credit ratings.

We provide credit to customers in the ordinary course of business and perform ongoing credit evaluations. Concentrations of credit risk with respect to trade receivables are limited due to the number of customers comprising our customer base. We believe our allowance for doubtful accounts is sufficient to cover customer credit risks.

There have been no material changes in our market risk during the six months ended March 31, 2002.

On May 1, 2002, we entered into an interest rate swap agreement with a notional amount of $100 million in order to convert a portion of our fixed rate 8.25% senior notes into a variable rate obligation. The swap agreement, which matures on November 1, 2005, is designated as a fair value hedge. Under the interest rate swap agreement, we will receive semi-annual interest payments at a fixed rate of 8.25% and are required to make semi-annual interest payments at a variable rate based on a fixed spread over the six-month London Interbank Offered Rate. The differential to be paid or received on the interest rate swap will be recorded as an adjustment to interest expense over each semi-annual period. On a pro-forma basis taking into account the interest rate swap, approximately 69% of our $321.1 million of long-term debt at March 31, 2002 is based on a fixed interest rate with the remaining 31% based on a variable interest rate.

New Accounting Standards

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133, as amended by SFAS Nos. 137 and 138, requires companies to record derivatives on the balance sheet as assets and liabilities, measured at fair value. The accounting treatment of gains or losses resulting from changes in the values of those derivatives is dependent on the use of the derivative and whether it qualifies for hedge accounting. We were required to comply with SFAS No. 133, as amended, in the first quarter of fiscal year 2001 and its adoption did not have a material effect on the consolidated financial statements.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition." SAB No. 101 provides guidance in applying generally accepted accounting principles to revenue recognition. We implemented SAB No. 101 in the first quarter of fiscal year 2001 and its adoption did not have a material effect on the consolidated financial statements.

In September 2000, FASB's EITF reached a consensus on Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs." EITF Issue No. 00-10 addresses the income statement classification of shipping and handling fees and costs. We implemented EITF Issue No. 00-10 in the first quarter of fiscal year 2001 and its adoption did not have a material effect on the consolidated financial statements.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS No. 140 replaces SFAS No. 125 and revises the standards for accounting for securitizations and other transfers of financial assets and collateral. We implemented SFAS No. 140 in the third quarter of fiscal year 2001 and its adoption did not have a material effect on the consolidated financial statements.

In June 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 addresses financial accounting and reporting for business combinations. SFAS No. 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets, requires companies to discontinue the amortization of goodwill and certain other intangible assets and requires an impairment test of existing goodwill and certain other intangible assets based on a fair value method. We adopted SFAS No. 141 in the fourth quarter of fiscal year 2001. We also adopted SFAS No. 142 in the fourth quarter of fiscal year 2001 for new acquisitions and in the first quarter of fiscal year 2002 for previously acquired intangibles. In accordance with SFAS No. 142, we determined that our trade names have indefinite lives and, therefore, the amortization of trade names was discontinued effective October 1, 2001. Based on the results of our transitional impairment testing, no impairment of indefinite-lived trade names existed at October 1, 2001. In addition, as required by SFAS No. 142, we ceased the amortization of goodwill effective October 1, 2001. In accordance with the adoption provisions of SFAS No. 142, we have completed the required transitional goodwill impairment tests and have determined that goodwill was not impaired as of October 1, 2001, the date of adoption. Prospectively, goodwill will be reviewed for impairment at least annually, with its ongoing recoverability monitored based on applicable reporting unit performance and consideration of significant events or changes in the overall business environment.

In accordance with SFAS No. 142, results for fiscal years prior to 2002 in the consolidated statement of earnings have not been restated for the effects of ceasing goodwill and trade name amortization. Had goodwill and trade name amortization been discontinued effective October 1, 2000, net earnings and earnings per share for the three and six months ended March 31, 2002 and 2001 would have been as follows (in thousands, except per share data):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2002	2001	2002	2001
Reported net earnings	$32,650	25,892	61,944	49,518
Elimination of goodwill and trade name amortization, net of income taxes	--	2,221	--	4,232
Pro forma net earnings	$32,650	28,113	61,944	53,750
Reported basic net earnings per share	$ 0.57	0.46	1.09	0.88
Elimination of goodwill and trade name amortization, net of income taxes	--	0.04	--	0.08
Pro forma basic net earnings per share	$ 0.57	0.50	1.09	0.96
Reported diluted net earnings per share	$ 0.55	0.45	1.05	0.86
Elimination of goodwill and trade name amortization, net of income taxes	--	0.03	--	0.07
Pro forma diluted net earnings per share	$ 0.55	0.48	1.05	0.93

The change in the carrying amount of goodwill by operating segment for the six months ended March 31, 2002 is as follows (in thousands):

Consumer Products	Specialty Distribution-

	North America	International	Sally
Goodwill, net:			
Balance as of September 30, 2001	$69,379	79,648	115,312
Additions	151	--	83,587
Foreign currency translation effect	--	(13,675)	(145)
Balance as of March 31, 2002	$69,530	65,973	198,754

Indefinite-lived trade names by operating segment at March 31, 2002 and September 30, 2001 are as follows (in thousands):

	March 31, 2002	September 30, 2001
Trade names, net:		
Consumer products:		
Alberto-Culver North America	$ 45,412	45,414
Alberto-Culver International	28,733	33,857
Total consumer products	74,145	79,271
Specialty Distribution - Sally	223	261
	$ 74,368	79,532

In May 2000, the FASB's EITF reached a consensus on Issue No. 00-14, "Accounting for Certain Sales Incentives." EITF Issue No. 00-14 addresses the recognition, measurement and income statement classification for various types of sales incentives including coupons, rebates and free products. In April 2001, the EITF reached a consensus on Issue No. 00-25," Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products." EITF Issue No. 00-25 addresses the income statement classification for various types of consideration paid by a vendor to a retailer. We adopted the provisions of EITF Issue Nos. 00-14 and 00-25 in the first quarter of fiscal year 2002. In connection with the adoption of EITF Issue Nos. 00-14 and 00-25, we reclassified certain amounts for the second quarter and first half of fiscal year 2001 to conform to the current year presentation resulting in a $29.6 million reduction in net sales, a $3.7 million increase in cost of products sold and a $33.3 million decrease in promotion expense for the three months ended March 31, 2001, and a $59.3 million reduction in net sales, a $5.8 million increase in cost of products sold and a $65.1 million decrease in promotion expenses for the six months ended March 31, 2001. Consolidated net earnings were not affected by these reclassifications.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets, including the presentation of discontinued operations in the statement of earnings. We are required to adopt the provisions of SFAS No. 144 no later than the first quarter of fiscal year 2003 and do not expect our implementation to have a material effect on the consolidated financial statements.

BUSINESS

Alberto-Culver Company and its consolidated subsidiaries have three principal business segments. Our consumer products business includes two segments, Alberto-Culver North America and Alberto-Culver International, which develop, manufacture, distribute and market branded consumer products worldwide. These branded consumer products primarily consist of beauty and health care products and food and household products. Alberto-Culver North America includes our consumer products operations in the United States and Canada, while Alberto-Culver International sells our consumer products in more than 120 other countries.

Beauty and health care products accounted for approximately 37%, 39% and 39% of our consolidated net sales for the years ended September 30, 2001, 2000 and 1999, respectively. Food and household products accounted for approximately 5%, 5% and 6% of our consolidated net sales for the years ended September 30, 2001, 2000 and 1999, respectively.

Our third segment, Specialty Distribution - Sally, consists of two operations: (1) Sally Beauty Supply, a domestic and international chain of cash-and-carry outlets offering professional beauty supplies to both professionals and retail consumers and (2) Beauty Systems Group, a full-service beauty products distributor offering professional brands directly to salons and through professional-only outlets in exclusive geographic territories. This segment accounted for approximately 58%, 56% and 55% of the company's consolidated net sales for the years ended September 30, 2001, 2000 and 1999, respectively.

Our Core Strengths

Alberto-Culver's steady growth and leadership position in global beauty products is due to several core strengths.

- Global Consumer Beauty Brands - Our global consumer products business has a long history with established brand names and generated approximately $1 billion in sales from over 120 countries in fiscal year 2001. Our three leading beauty brands are Alberto VO5/Alberto, St. Ives Swiss Formula and TRESemme. The Alberto VO5 and Alberto global hair care brands had over $300 million in sales in fiscal year 2001, with approximately 95% aided brand awareness in the domestic hair care segment and the number three unit market share in the domestic shampoo/conditioner category (all unqualified market share comparisons for consumer products included in "--Our Core Strengths" are based upon Information Resources Incorporated data). St. Ives Swiss Formula is a global skin care and hair care brand with over $160 million in sales in fiscal year 2001 and whose apricot scrub has the leading domestic stock keeping unit in the facial moisturizers and cleansers category. With a long professional heritage, the TRESemme hair care brand had over $100 million in sales in fiscal year 2001 and was one of the fastest growing brands in the retail shampoo/conditioner category, with sales growth of 41% and 56% in units and dollars, respectively, for the 52 weeks ended April 7, 2002.

- Number One Chain of Cash-and-Carry Beauty Supply Stores in the United States - We hold the number one domestic position in cash-and-carry professional beauty distribution through our branded network of nearly 2,000 Sally Beauty Supply stores in the United States. We have successfully become a partner to salon professionals by providing an extensive selection of professional products, the majority of which we believe are not available through food, drug or mass outlets. We believe the Sally business model is unique among retailers as it experiences very little seasonality, is

supported by minimal advertising and requires low capital investment for expansion. We are the only national retail chain offering a full line of professional beauty supplies to both salon professionals and retail consumers.

- Leading Supplier Within the Fragmented Direct-to-Salon Segment - Sally's Beauty Systems Group operates under exclusive territory licenses, selling professional-only brands such as Matrix, Paul Mitchell, Graham Webb, Redken, TIGI, Sebastian and others directly to salons through approximately 900 professional sales consultants and 480 stores. As a result of numerous acquisitions over the past several years, including the purchase of Armstrong-McCall in December 2001, we believe we have positioned Beauty Systems Group as the market consolidator in the United States. We also believe we have successfully leveraged our ability to acquire, integrate and grow businesses to become the distributor of choice within this segment.

- Number Two Position in the Profitable Ethnic Hair Care Category - With the acquisition of Pro-Line International in March 2000, added to our other ethnic hair care brands, we believe that we hold the number two position by revenue in the high margin domestic ethnic hair care category. Our strong brands include Motions, TCB, Soft & Beautiful and Just For Me. We believe the company has the number one professional brand, the number one children's brand and the number two relaxer position in the domestic ethnic hair care category.

- Consistent Outperformance of Hair Care and Skin Care Brands - Alberto-Culver's shampoos, conditioners, conditioning treatments and styling aid products have exceeded the growth of the daily hair care and styling category in 24 of the last 27 rolling 12-week periods in dollar sales. The dollar sales growth of our skin care products (including facials, body wash, scrubs and lotions) has also exceeded other brands in the category in 21 of the last 27 rolling 12-week periods.

- Ten Consecutive Years of Record Sales and Record Earnings - During the last ten years, our sales have almost tripled growing from $874 million in fiscal year 1991 to $2.49 billion in fiscal year 2001 and our net earnings have almost quadrupled with our net earnings reaching $110 million in fiscal year 2001 versus $30 million in fiscal year 1991. Our disciplined focus on our hair and skin care consumer products businesses and Sally Beauty Company has resulted in consistent revenue and earnings per share growth compounded annually at rates of 11% and 14%, respectively, over the last ten years. Moreover, we have increased our annual cash dividend for 18 consecutive years.

- Strong Cash Flow and Balance Sheet - Alberto-Culver's history of strong cash flow and earnings growth has enabled us to maintain a conservative capital structure and a low level of debt while steadily increasing the scale of our operations. We believe that we have maintained the financial flexibility to continue to grow our businesses, both organically and through selected acquisitions.

- Experienced Management Team - Alberto-Culver's entrepreneurial, experienced management team continues to lead it toward continued financial and operational success. The business has been managed by the founding family since it was acquired in 1955, and a second generation of the family, along with a management team with substantial experience and expertise, leads the business with a continued vision of building and growing a premier consumer products and specialty beauty products distribution company.

Our Strategy

Alberto-Culver maintains a consistent operating strategy that provides significant opportunities for growth across its global beauty brands, Sally Beauty Supply stores and Beauty Systems Group. Our strategy includes the following:

- Consolidate and Streamline the Fragmented Direct-to-Salon Segment. Beauty Systems Group currently operates in approximately 60% of the continental United States, allowing for significant additional acquisition opportunities in the highly fragmented full-service beauty supply distribution industry. Moreover, we often find that the limited sophistication and scale of the participants in this sector affords Beauty Systems Group the opportunity to use its infrastructure and experience to significantly improve the operating performance and margins of the acquired companies' store operations, sales force channel effectiveness and logistic functions.

- Continue Product Innovation. We believe that there are numerous opportunities for new innovations and product extensions within our existing strong brands. Successful extensions in the past two fiscal years include the Alberto VO5 Herbals and TRESemme Hydrology lines of shampoos and conditioners. We believe that we will continue to be able to leverage our existing brands by introducing additional products, with some at higher price points, as well as creating new sublines within our primary businesses. We recently opened a new $10 million research and development center at our corporate headquarters to continue to drive new product innovation and brand extensions.

- Increase Consumer Products Profit Margins Through Product Optimization and Further Maximization of Our Global Infrastructure. Capacity for margin expansion exists in all of our businesses through ongoing product innovation, improved pricing, achievement of cost efficiencies and prioritization of initiatives focused on fewer, larger geographies and brands. By pursuing this strategy, we have been able to grow our pre-tax margins for Alberto-Culver North America consumer beauty care brands from 4% in fiscal year 1994 to 9% in fiscal year 2001, while almost doubling our sales to $617 million in fiscal year 2001 from $333 million in fiscal year 1994. In addition, we continue to pursue ways to maximize the impact and benefits of our global infrastructure. By taking a more uniform and coordinated approach across the globe, we believe we will be able to take advantage of global economies in procurement, marketing, manufacturing and distribution that should lead to continued margin improvement.

- Continue Roll-Out of Sally Beauty Supply Stores. We believe that there are significant growth opportunities from the continued roll-out of Sally Beauty Supply stores both domestically and abroad. With nearly 2,000 domestic outlets to date, we believe there is significant potential for increased market penetration to over 3,000 stores in the United States alone. We plan to open approximately 40 to 50 new stores per year, net of store closings. Sally Beauty Company has only begun to establish its retail presence internationally with approximately 180 stores, focusing to date on the United Kingdom, Germany and Japan and recently entering Mexico. With only limited international presence, the company believes overseas markets represent a significant avenue for growth.

- Acquire and Grow Consumer Beauty Brands and Businesses. Over the past decade, a series of select consumer beauty products acquisitions, including Cederroth, Molnlycke Toiletries, St. Ives and Pro-Line International, has broadened our product portfolio,

global footprint and infrastructure. We have cultivated the technology, expertise and infrastructure to continue to develop and leverage global, leading brands. As many consumer products and healthcare companies continue to divest non-core brands and individual businesses, we remain well positioned to benefit from these opportunities.

Alberto-Culver North America

Our major beauty and health care products marketed in the United States include the Alberto VO5, TRESemme and Consort lines of hair care products, the St. Ives Swiss Formula line of hair and skin care products and FDS feminine deodorant sprays. In fiscal year 2000, we acquired Pro-Line International, a maker of ethnic hair care products, including the Soft & Beautiful, Just For Me and Comb-Thru brands. We believe that this acquisition makes us the second largest domestic manufacturer and marketer of ethnic hair care products when combined with our Motions and TCB brands. Food and household products sold in the United States include Mrs. Dash salt-free seasoning blends, Molly McButter butter flavor sprinkles, SugarTwin sugar substitute and Static Guard anti-static spray.

In Canada, we sell most of the products marketed in the United States along with the Alberto European and Alberto Balsam lines of hair care products.

The Alberto-Culver North America segment also includes the manufacturing of custom label personal care products in the United States for other companies.

Alberto-Culver International

In the United Kingdom, we manufacture and market products such as the Alberto VO5, Advanced Alberto VO5, Alberto Balsam and TRESemme lines of hair care products and the St. Ives Swiss Formula line of hair and skin care products. We market Indola professional hair colors, shampoos, conditioners and styling products throughout Europe and other international markets.

In Latin America, the significant products sold by the company include the Alberto VO5, Alberto Get Set and Antiall lines of hair care products, the St. Ives Swiss Formula line of hair and skin care products, Veritas soap and deodorant body powder products and Farmaco soap products.

We manufacture, market and distribute beauty and health care products throughout Scandinavia and Europe through our Cederroth International subsidiary headquartered in Sweden. Such products include Salve adhesive bandages, Alberto VO5 hair care products, Samarin antacids, Seltin salt substitute, Jordan toothbrushes, Topz cotton buds, Savette wet wipes, Bliw liquid soaps, Date anti-perspirants and cologne for women, Alberto Family Fresh shampoo and shower products, Suketter artificial sweetener, the St. Ives Swiss Formula line of hair and skin care products, HTH and L300 skin care products, Grumme Tvattsapa detergents and Pharbio natural pharmaceuticals. In fiscal year 2000, Cederroth International purchased Soraya, a skin care company in Poland.

Our other international markets include Australia, Italy and New Zealand.

Specialty Distribution - Sally

Sally Beauty Company operates a network of cash-and-carry professional beauty supply stores under the name Sally Beauty Supply and also sells professional beauty products to hairdressers, beauticians and cosmetologists through its Beauty Systems Group full-service distribution business.

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As of March 31, 2002, Sally Beauty Company, including its Beauty Systems Group, had over 2,500 stores in the United States, Puerto Rico, the United Kingdom, Canada, Japan, Germany and Mexico. Through targeted acquisitions, organic growth and distribution and merchandising efficiencies, Beauty Systems Group achieved over $400 million in sales in fiscal year 2001, making it our fastest growing business unit.

Sally Beauty Supply stores provide salon owners, hairdressers and consumers with an extensive selection of hair care products, cosmetics, styling appliances and other beauty items, including brands such as Wella, Clairol, Revlon and L'Oreal. Sally Beauty Supply stores' professional customers purchase salon supplies at a discount, while its retail customers purchase professional products at a higher price.

Sally's Beauty Systems Group distributes professional beauty products to salons in exclusive, licensed territories in the Northeast, Midwest, Midsouth, Southwest, East and Southeast United States and portions of Canada and Mexico. Beauty Systems Group operates over 400 stores that are open exclusively to the salon professional and maintains a sales force that consists of approximately 900 professional distributor sales consultants who call on the salons directly. In addition to selling professional beauty products, these sales consultants train salon operators and owners in new styles, techniques and business practices. The brands sold in the Beauty Systems Group stores and through sales consultants, such as Matrix, Paul Mitchell, Graham Webb, Redken, TIGI and Sebastian are sold to consumers exclusively through salons and are not available at Sally Beauty Supply stores.

Product Development and Marketing

Many of our consumer products are developed in the company's laboratories. We recently invested approximately $10 million to establish a new research and development facility at our corporate headquarters. In fiscal year 2000, we established global structures for operations and research and development, which are designed to enable us to implement cost-savings initiatives more quickly on a broad scale and to shorten the time that it takes to develop an idea into a market-ready product. New products introduced by the company are assigned product managers, who guide the products from development to the consumer. The product managers are responsible for the overall marketing plans for the products and coordinate advertising and marketing activities.

In fiscal year 2001, with the introduction of the Herbals line, we increased the Alberto VO5 brand's share throughout the year to approximately 10% in units in the United States shampoo and conditioner category. Internationally, we introduced the Advanced Alberto VO5 line of shampoos, patented conditioners and treatments, a premium-priced line which features moisturizing formulas enhanced with time-released vitamins.

Through our St. Ives Swiss Formula brand, we built our position in the body wash category last year, leveraging the skin care and botanical experience that is the foundation of our St. Ives Swiss Formula line. In addition, we introduced to international markets a number of other St. Ives Swiss Formula skin care products that are successful in the United States, with encouraging results.

Under the TRESemme brand, we introduced a successful line of shampoos and conditioners called TRESemme Hydrology at a premium price point to the traditional TRESemme line. We also relaunched the traditional TRESemme line at a higher price point.

We allocate a large portion of our revenues to the advertising and marketing of consumer beauty products. Net earnings are materially affected by these expenditures, which are charged against income in the period incurred.

We regard television as the best medium for our advertising and use it to conduct extensive network, spot and cable television advertising campaigns. We also advertise through other media such as newspapers, magazines and radio, as well as through Sally Beauty Company's direct mailings to customers.

Extensive advertising and marketing are required to build and protect a product's market position. We believe there is significant consumer awareness of our major brands and that such awareness is an important factor in our operating results.

See "Risk Factors--Risks Related to our Business--We face competition in the beauty and health care products and beauty supply industries."

Competition

The domestic and international markets for our branded consumer products are highly competitive and sensitive to changes in consumer preferences and demands. Our competitors range in size from large, highly diversified companies (some of which have substantially greater financial resources than we do) to small, specialized producers. We compete primarily on the basis of innovation, product quality and price and believe that brand loyalty and consumer acceptance are also important factors to our success.

Sally Beauty Company experiences domestic and international competition from a wide range of retail outlets, including mass merchandisers, drug stores and supermarkets, carrying a full line of beauty and health care products. In addition, Sally Beauty Company competes with local and regional beauty supply stores and full-service dealers selling directly to salons through both professional distributor sales consultants and cash-and-carry outlets open only to salon professionals. Sally also faces competition from certain manufacturers which use their own sales forces to distribute their professional beauty products directly to salons.

See "Risk Factors--Risks Related to our Business--We face competition in the beauty and health care products and beauty supply industries."

Distribution

Our sales force and independent brokers sell our retail beauty and health care products and food and household products by calling upon retail outlets such as mass merchandisers, supermarkets, drug stores, dollar stores, wholesalers and variety stores.

Our sales representatives and brokers sell our professional hair care products primarily for the ethnic market in the United States to beauty supply outlets and to beauty distributors, who in turn sell to beauty salons, barber shops and beauty schools.

Our products are sold internationally in more than 120 countries, primarily through direct sales by our subsidiaries, independent distributors and licensees.

Sally Beauty Company, including its Beauty Systems Group, sells professional beauty supplies through over 2,500 stores located in 47 states, Puerto Rico, the United Kingdom, Canada, Japan, Germany and Mexico. Sally Beauty Supply stores are self-service, cash-and-carry and are primarily located in strip shopping centers. Sally operates the largest domestic chain of cash-and-carry beauty supply stores and as such is a major customer of some of the company's competitors in the personal care products industry. In addition, Sally's Beauty Systems Group distributes products in exclusive, licensed

territories in the Northeast, Midwest, Midsouth, East, Southeast and Southwest United States and portions of Canada and Mexico and sells only to the professional market through its stores and approximately 900 professional distributor sales consultants. Sally sells Alberto-Culver North America's professional hair care products, but these products represent only a small portion of Sally's selection of salon brands.

See "Risk Factors--Risks Related to our Business--Our business is exposed to domestic and foreign currency fluctuations," "--Our ability to conduct business in international markets may be affected by legal, regulatory, political and economic risks," and "--Distribution delays or interruptions could harm our sales and profitability."

MANAGEMENT

Executive Officers and Directors

The following sets forth information with respect to our directors and executive officers as of May 15, 2002.

Leonard H. Lavin, 82, the founder of Alberto-Culver, has served as a director and Chairman of Alberto-Culver since 1955. Mr. Lavin is the husband of Bernice E. Lavin, the father of Carol L. Bernick and the father-in-law of Howard B. Bernick.

Howard B. Bernick, 50, has served as a director of Alberto-Culver since 1986, as President of Alberto-Culver since 1988 and as Chief Executive Officer of Alberto-Culver since 1994. Mr. Bernick is also a director of AAR Corp. and the Wm. Wrigley Jr. Company. Mr. Bernick is the husband of Carol L. Bernick and the son-in-law of Leonard H. Lavin and Bernice E. Lavin.

Bernice E. Lavin, 76, has served as a director and Secretary and Treasurer of Alberto-Culver since 1955 and as Vice Chairman since 1994. Mrs. Lavin is the wife of Leonard H. Lavin, the mother of Carol L. Bernick and the mother-in-law of Howard B. Bernick.

Carol L. Bernick, 50, has served as a director of Al