5 2021 CONSOLIDATED FINANCIAL STATEMENTS *

* *This information forms an intregral part of the Annual Financial Report as provided in Article L.451-1-2 of the French Monetary and Financial Code.*

L'Oréal S.A. is a French company, with its registered office in France. It performs a sales activity that is specific to France.

At the same time, L'Oréal S.A. acts as a holding company and provides strategic coordination on the one hand and scientific, industrial and marketing coordination for the L'Oréal Group throughout the world on the other.

The subsidiaries operate the Group's business activities in the country or region in which they are located. To do so, they define the strategy specific to their market, make the most suitable choices, and manufacture, directly or indirectly, and market the products they decide to sell on their market.

Almost all of the subsidiaries are owned by L'Oréal S.A. which has a holding or control percentage equal or close to 100%.

The financial statements set out in this chapter present the results of the L'Oréal Group as a whole, including all subsidiaries.

The Statutory Auditors' Report on the consolidated financial statements has been included at the end of this chapter.

5.1. COMPARED CONSOLIDATED INCOME STATEMENTS

€ millions	Notes	2021	2020	2019
Net sales	**3.1**	**32,287.6**	**27,992.1**	**29,873.6**
Cost of sales		-8,433.3	-7,532.3	-8,064.7
Gross profit		**23,854.3**	**20,459.8**	**21,808.9**
Research & Innovation expenses		-1,028.7	-964.4	-985.3
Advertising and promotion expenses		-10,591.0	-8,647.9	-9,207.8
Selling, general and administrative expenses		-6,074.2	-5,638.5	-6,068.3
Operating profit	**3.1**	**6,160.3**	**5,209.0**	**5,547.5**
Other income and expenses	4	-432.0	-709.0	-436.5
Operational profit		**5,728.3**	**4,500.0**	**5,111.0**
Finance costs on gross debt		-38.0	-79.2	-75.4
Finance income on cash and cash equivalents		18.5	19.8	28.7
Finance costs, net		-19.4	-59.4	-46.7
Other financial income and expenses	9.4	-40.2	-36.5	-16.0
Sanofi dividends		378.3	372.4	363.0
Profit before tax and associates		6,046.9	4,776.5	5,411.4
Income tax	6	-1,445.4	-1,209.8	-1,657.2
Share of profit in associates		0.6	0.9	1.0
Net profit		**4,602.2**	**3,567.6**	**3,755.2**
Attributable to:				
• owners of the company		4,597.1	3,563.4	3,750.0
• non-controlling interests		5.1	4.2	5.2
Earnings per share attributable to owners of the company (euros)		8.24	6.37	6.70
Diluted earnings per share attributable to owners of the company (euros)		8.21	6.34	6.66
Earnings per share attributable to owners of the company, excluding non-recurring items (euros)	11.4	8.86	7.33	7.78
Diluted earnings per share attributable to owners of the company, excluding non-recurring items (euros)	11.4	8.82	7.30	7.74

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5.2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ millions	Notes	2021	2020	2019
Consolidated net profit for the period		**4,602.2**	**3,567.6**	**3,755.2**
Cash flow hedges		*-203.7*	*129.1*	*2.9*
Cumulative translation adjustments		*610.5*	*-790.2*	*188.2*
Income tax on items that may be reclassified to profit or loss(1)		*41.5*	*-23.3*	*-1.9*
Items that may be reclassified to profit or loss		**448.3**	**-684.4**	**189.2**
Financial assets at fair value through other comprehensive income	*9.3*	*1,192.2*	*-1,269.1*	*1,650.6*
Actuarial gains and losses	*11.3*	*585.5*	*-225.6*	*-327.7*
Income tax on items that may not be reclassified to profit or loss(1)		*-181.7*	*97.8*	*29.7*
Items that may not be reclassified to profit or loss		**1,596.0**	**-1,396.9**	**1,352.6**
Other comprehensive income		**2,044.3**	**-2,081.3**	**1,541.8**
Consolidated comprehensive income		**6,646.5**	**1,486.3**	**5,297.0**
Attributable to:				
● owners of the company		6,641.4	1,482.1	5,291.9
● non-controlling interests		5.1	4.2	5.1

(1) The tax effect is as follows:

€ millions	2021	2020	2019
Cash flow hedges	41.5	-23.3	-1.9
Items that may be reclassified to profit or loss	**41.5**	**-23.3**	**-1.9**
Financial assets at fair value through other comprehensive income	*-37.3*	*40.4*	*-51.7*
Actuarial gains and losses	*-144.4*	*57.4*	*81.4*
Items that may not be reclassified to profit or loss	**-181.7**	**97.8**	**29.7**
TOTAL	**-140.2**	**74.5**	**27.8**

5.3. COMPARED CONSOLIDATED BALANCE SHEETS

ASSETS

€ millions	Notes	31.12.2021	31.12.2020	31.12.2019
Non-current assets		**30,937.6**	**29,046.8**	**29,893.3**
Goodwill	7.1	11,074.5	10,514.2	9,585.6
Other intangible assets	7.2	3,462.8	3,356.3	3,163.8
Right-of-use assets	3.2	1,507.6	1,525.3	1,892.3
Tangible assets	3.2	3,266.2	3,225.2	3,644.3
Non-current financial assets	9.3	10,920.2	9,604.8	10,819.1
Investments accounted for under the equity method	8	9.9	11.1	10.9
Deferred tax assets	6.3	696.5	809.9	777.3
Current assets		**12,075.8**	**14,560.1**	**13,916.5**
Inventories	3.3	3,166.9	2,675.8	2,920.8
Trade accounts receivable	3.3	4,021.0	3,511.3	4,086.7
Other current assets	3.3	2,037.9	1,732.7	1,474.9
Current tax assets		136.2	234.4	148.1
Cash and cash equivalents	9.2	2,713.8	6,405.9	5,286.0
TOTAL		**43,013.4**	**43,606.9**	**43,809.8**

EQUITY & LIABILITIES

€ millions	Notes	31.12.2021	31.12.2020	31.12.2019
Equity	**11**	**23,592.6**	**28,998.8**	**29,426.0**
Share capital		111.5	112.0	111.6
Additional paid-in capital		3,265.6	3,259.8	3,130.2
Other reserves		19,092.2	18,642.5	16,930.9
Other comprehensive income		5,738.6	4,304.5	5,595.8
Cumulative translation adjustments		-279.1	-889.2	-99.2
Treasury shares		-8,940.2	—	—
Net profit attributable to owners of the company		4,597.1	3,563.4	3,750.0
Equity attributable to owners of the company		**23,585.7**	**28,993.0**	**29,419.3**
Non-controlling interests		6.9	5.8	6.7
Non-current liabilities		**2,837.6**	**3,478.0**	**3,515.3**
Provisions for employee retirement obligations and related benefits	5.4	360.6	1,013.5	772.9
Provisions for liabilities and charges	12.1	63.8	56.8	56.9
Non-current tax liabilities	6	344.8	397.9	310.2
Deferred tax liabilities	6.3	810.3	706.6	737.7
Non-current borrowings and debt	9.1	10.7	8.5	9.6
Non-current lease debt	9.1	1,247.5	1,294.7	1,628.0
Current liabilities		**16,583.2**	**11,130.1**	**10,868.5**
Trade accounts payable		6,068.1	4,764.5	4,658.4
Provisions for liabilities and charges	12.1	1,223.3	1,224.7	1,117.8
Other current liabilities	3.4	3,980.8	3,682.5	3,508.5
Income tax		268.9	215.1	334.8
Current borrowings and debt	9.1	4,619.4	856.4	841.2
Current lease debt	9.1	422.8	386.9	407.9
TOTAL		**43,013.4**	**43,606.9**	**43,809.8**

5.4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

€ millions	Common shares outstanding	Capital	Additional paid-in capital	Retained earnings and net profit	Other compre-hensive income	Treasury shares	Cumulative translation adjustments	Equity attributable to owners of the company	Non-controlling interests	Total equity
At 31.12.2018	**559,625,527**	**112.1**	**3,070.3**	**19,847.8**	**4,242.1**	**-56.5**	**-287.4**	**26,928.4**	**5.2**	**26,933.6**
Changes in accounting policy at 01.01.2019				-81.5				-81.5		-81.5
At 01.01.2019[(1)]	**559,625,527**	**112.1**	**3,070.3**	**19,766.3**	**4,242.1**	**-56.5**	**-287.4**	**26,847.0**	**5.2**	**26,852.2**
Consolidated net profit for the period				3,750.0				3,750.0	5.2	3,755.2
Cash flow hedges					*1.1*			*1.1*	*-0.1*	*1.0*
Cumulative translation adjustments							*174.1*	*174.1*		*174.1*
Hyperinflation							*14.1*	*14.1*		*14.1*
Other comprehensive income that may be reclassified to profit and loss					**1.1**		**188.2**	**189.3**	**-0.1**	**189.2**
Financial assets at fair value through other comprehensive income					*1,598.9*			*1,598.9*		*1,598.9*
Actuarial gains and losses					*-246.3*			*-246.3*		*-246.3*
Other comprehensive income that may not be reclassified to profit and loss					**1,352.6**			**1,352.6**		**1,352.6**
Consolidated comprehensive income				**3,750.0**	**1,353.7**		**188.2**	**5,291.9**	**5.1**	**5,297.0**
Capital increase	1,491,678	0.3	59.9	-0.1				60.0		60.0
Cancellation of Treasury shares		-0.8		-803.0		803.8				—
Dividends paid (not paid on Treasury shares)				-2,176.7				-2,176.7	-3.6	-2,180.3
Share-based payment				144.4				144.4		144.4
Net changes in Treasury shares	-3,000,000					-747.3		-747.3		-747.3
Changes in the scope of consolidation										
Other movements				-0.1				-0.1		-0.1
At 31.12.2019	**558,117,205**	**111.6**	**3,130.2**	**20,681.0**	**5,595.8**		**-99.2**	**29,419.3**	**6.7**	**29,426.0**
Consolidated net profit for the period				3,563.4				3,563.4	4.2	3,567.6
Cash flow hedges					*105.6*			*105.6*	*0.2*	*105.8*
Cumulative translation adjustments							*-801.8*	*-801.8*	*-0.3*	*-802.1*
Hyperinflation							*11.9*	*11.9*		*11.9*
Other comprehensive income that may be reclassified to profit and loss					**105.6**		**-789.9**	**-684.3**	**-0.1**	**-684.4**
Financial assets at fair value through other comprehensive income					*-1,228.8*			*-1,228.8*		*-1,228.8*
Actuarial gains and losses					*-168.1*			*-168.1*		*-168.1*
Other comprehensive income that may not be reclassified to profit and loss					**-1,396.9**			**-1,396.9**		**-1,396.9**
Consolidated comprehensive income				**3,563.4**	**-1,291.3**		**-789.9**	**1,482.1**	**4.2**	**1,486.3**
Capital increase	1,754,375	0.4	129.6	-0.2				129.8		129.8
Cancellation of Treasury shares										—
Dividends paid (not paid on Treasury shares)				-2,172.6				-2,172.6	-4.9	-2,177.5
Share-based payment				129.7				129.7		129.7
Net changes in Treasury shares										—
Changes in the scope of consolidation										—
Other movements				4.8				4.8	-0.1	4.7
At 31.12.2020	**559,871,580**	**112.0**	**3,259.8**	**22,206.0**	**4,304.5**	**—**	**-889.1**	**28,993.0**	**5.8**	**28,998.8**

(1) After taking account of the change in accounting policy pertaining to IFRS 15 "Revenue from Contracts with Customers" (note 1).

€ millions	**Common shares outstanding**	**Capital**	**Additional paid-in capital**	**Retained earnings and net profit[(2)]**	**Other comprehensive income**	**Treasury shares**	**Cumulative translation adjustments**	**Equity attributable to owners of the company**	**Non-controlling interests**	**Total equity**
At 31.12.2020	**559,871,580**	**112.0**	**3,259.8**	**22,206.0**	**4,304.5**	**—**	**-889.1**	**28,993.0**	**5.8**	**28,998.8**
Consolidated net profit for the period				4,597.1				4,597.1	5.1	4,602.2
Cash flow hedges					*-161.9*			*-161.9*	*-0.3*	*-162.2*
Cumulative translation adjustments							*582.4*	*582.4*	*0.3*	*582.7*
Hyperinflation							*27.8*	*27.8*		*27.8*
Other comprehensive income that may be reclassified to profit and loss					**-161.9**		**610.2**	**448.3**	**—**	**448.3**
Financial assets at fair value through other comprehensive income					*1,154.9*		*—*	*1,154.9*	*—*	*1,154.9*
Actuarial gains and losses					*441.1*		*—*	*441.1*	*—*	*441.1*
Other comprehensive income that may not be reclassified to profit and loss					**1,596.0**		**—**	**1,596.0**	**—**	**1,596.0**
Consolidated comprehensive income				**4,597.1**	**1,434.1**	**—**	**610.2**	**6,641.4**	**5.1**	**6,646.5**
Capital increase	800,780	—	5.8	—				5.8	—	5.8
Cancellation of Treasury shares		-0.5		-1,104.3		1,104.8		—	—	—
Dividends paid (not paid on Treasury shares)				-2,264.4				-2,264.4	-4.7	-2,269.1
Share-based payment				155.2				155.2	—	155.2
Net changes in Treasury shares	-25,260,000					-10,045.0		-10,045.0	—	-10,045.0
Changes in the scope of consolidation				—				—	—	—
Other movements[(2)]				99.8	—			99.8	0.6	100.4
AT 31.12.2021	**535,412,360**	**111.5**	**3,265.6**	**23,689.3**	**5,738.6**	**-8,940.2**	**-279.1**	**23,585.7**	**6.9**	**23,592.6**

(2) Of which €102.2 million pertaining to the IFRIC 2021 interpretation on IAS19 "Employee Benefits" on Attributing Benefit to Periods of Service.

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5.5. COMPARED CONSOLIDATED STATEMENTS OF CASH FLOWS

€ millions	Notes	2021	2020	2019
Cash flows from operating activities				
Net profit attributable to owners of the company		4,597.1	3,563.4	3,750.0
Non-controlling interests		5.1	4.2	5.2
Elimination of expenses and income with no impact on cash flows:				
● depreciation, amortisation, provisions and non-current tax liabilities		1,781.0	2,028.1	1,958.3
● changes in deferred taxes	6.1	83.6	-10.1	-42.5
● share-based payment (including free shares)	5.5	155.2	129.7	144.4
● capital gains and losses on disposals of assets		0.5	3.6	-14.0
Other non-cash transactions		16.5	5.8	1.9
Share of profit in associates net of dividends received		1.3	-0.6	-1.0
Gross cash flow		**6,640.4**	**5,724.1**	**5,802.3**
Changes in working capital	3.5	88.0	729.2	460.5
Net cash provided by operating activities (A)		**6,728.4**	**6,453.3**	**6,262.8**
Cash flows from investing activities				
Purchases of tangible and intangible assets		-1,075.2	-972.4	-1,231.0
Disposals of tangible and intangible assets		14.5	26.6	16.6
Changes in other financial assets (including investments in non-consolidated companies)		-117.3	-66.5	-65.9
Effect of changes in the scope of consolidation	2.2	-455.7	-1,626.8	-9.3
Net cash from investing activities (B)		**-1,633.7**	**-2,639.1**	**-1,289.6**
Cash flows from financing activities				
Dividends paid		-2,352.1	-2,190.6	-2,221.1
Capital increase of the parent company		5.8	129.7	60.0
Disposal (acquisition) of Treasury shares		-10,060.9	—	-747.3
Purchase of non-controlling interests		—	—	—
Issuance (repayment) of short-term loans		3,939.4	-74.8	-354.9
Issuance of long-term borrowings		—	—	—
Repayment of long-term borrowings		—	-3.6	-0.6
Repayment of lease debt		-396.4	-451.8	-425.8
Net cash from financing activities (C)		**-8,864.2**	**-2,591.1**	**-3,689.6**
Net effect of changes in exchange rates and fair value (D)		77.4	-103.2	10.5
Change in cash and cash equivalents (A+B+C+D)		**-3,692.1**	**1,119.9**	**1,294.0**
Cash and cash equivalents at beginning of the year (E)		**6,405.9**	**5,286.0**	**3,992.0**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	**9.2**	**2,713.8**	**6,405.9**	**5,286.0**

Income tax paid totalled €1,258.3 million, €1,316.3 million and €1,534.3 million for 2021, 2020 and 2019, respectively.Interest paid (excluding interest on lease debts) amounted to €1.7 million, €32.4 million and €21.6 million for 2021, 2020 and 2019, respectively.Dividends received totalled €379.8 million, €372.5 million and €364.1 million in 2021, 2020 and 2019, respectively. These are included within the gross cash flow.Cash outflow relating to leases amounted to €513.1 million (of which €37.0 million related to paid interests on lease debts) €574.1 million (of which €44.7 million related to paid interests on lease debts) and €570.8 million (of which €54.4 million related to paid interests on lease debts) for 2021, 2020 and 2019 including leases that do not fall under the scope of IFRS 16.

5.6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note contents

NOTE 1. Accounting principles

The consolidated financial statements of L'Oréal and its subsidiaries ("the Group") published for 2021, have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the European Union as of 31 December 2021.

On 9 February 2022, the Board of Directors closed the consolidated financial statements at 31 December 2021. The financial statements will not become final until they have been approved by the Annual General Meeting of shareholders to be held on 21 April 2022.

The Group did not anticipate any standards or interpretations not mandatorily applicable in 2021.

The Group is currently reviewing a decision of the IFRS IC:

In April 2021, a decision relating to IAS 38 "Intangible Assets" was published. It addressed the matter of how to account for the costs of configuring or customising software accessed *via* the cloud under a "Software as a service" (SaaS) agreement. At 31 December 2021, this analysis has not yet been finalised due to the operational complexity of implementing this decision.

Amendments and interpretations applied in 2021: Decision relating to IAS 19 "Employee Benefits" regarding the attribution of employee benefits to periods of service.

The method traditionally used to recognise obligations arising from defined benefit pension schemes involved attributing the rights on a straight-line basis over the entire career of the beneficiaries.

The IFRS IC recommended adjusting this method for defined benefit schemes that had the following characteristics:

- dependent on the length of service with the Company;
- capped at a specified number of years of service;
- payable from retirement age.

For this type of scheme, the decision published in late May 2021 states that rights vested over the period prior to retirement age should be attributed on a straight-line basis by limiting its duration to the specified number of years of service at which rights are capped.

Impact at Group level is focused on France and stands at €137.4 million gross and €102.2 million after tax, recorded as an increase in shareholders' equity. The impact on the income statement for the period is marginal.

Amendments and interpretation applied in 2020: IFRS 16 "Leases"

At 31 December 2020, the Group completed its analysis of the IFRS Interpretation Committee (IC) decision dated 26 November 2019. This decision relates to the duration of certain leases (indefinite term or short initial contractual term which is automatically renewable) as well as to the depreciation period for fixtures and fittings that are inseparable from the leased asset. This decision does not have a significant impact at the Group level.

The Group applied the amendment to IFRS 16, adopted by the European Union on 12 October 2020 and on 31 March 2021, relating to Covid-19-related rent relief reducing lease payments due on or before 30 June 2022. The amendments allow changes in terms of rent relief to be recognized immediately in income rather than spread over the term of the contract.

The impact is not material at the Group level.

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Change in accounting policy applied at 1 January 2019: IFRS 16 "Leases"

This standard took effect on 1 January 2019.

Key changes resulting from the standard are as follows:

- Accounting for operating leases as of 1 January 2019: all leases are accounted for under a single model consisting of recording a debt (present value of future lease payments) and a right-of-use asset.

The lease term is the non-cancellable period of each lease unless the Group is reasonably certain to exercise the contractual renewal options.

The right of use is depreciated over the term of the lease.

The discount rate used to assess the lease debt corresponds to the effective annual interest rate for each lease. We calculate it using the zero interest rate coupons received per currency and per maturity tranche, plus the Group credit spread.

L'Oréal selected the simplified retrospective approach and has measured the right of use of almost all its leases by determining their book value from the lease start date.

- 95% of the capitalised leases are property leases, including country head offices, stores and distribution centres. Other types of leases involve vehicle fleets, traditional handling equipment and packaging tools and equipment.
- Low value leases and leases that ended in 2019 are not included in the scope.
- On initial recognition, deferred tax are recognised.
- The restated balance sheet at 1 January 2019 is as follows:

€ millions		€ millions	
ASSETS		EQUITY & LIABILITIES	
		Equity	-82
Other intangible assets/ tangible assets	-92	Deferred tax liabilities	-10
Right-of-use assets	2,005	Non-current lease debt	1,751
Deferred tax assets	19	Other current liabilities	-129
Other current assets	2	Current lease debt	404
TOTAL	**1,934**	**TOTAL**	**1,934**

Change in accounting interpretation applied at 1 January 2019: Application of IFRIC 23

The application since 1 January 2019 of IFRIC 23 "Uncertainty Over Income Tax Treatments" has led the Group to the reclassification of uncertain tax provisions as *Non-current tax liabilities.*

1.1. Use of estimates

The preparation of the consolidated financial statements in accordance with international accounting standards requires that the Group make a certain number of estimates and assumptions that may affect the value of the Group's assets, liabilities, equity and net profit (loss).

These estimates and assumptions mainly concern the measurement of goodwill and other intangible assets, operating lease terms, provisions, non-current tax liabilities, pension obligations, deferred taxes and share-based payments. Estimates used by the Group in relation to these different areas are made based on information available when the accounts are prepared and are described in detail in each specific associated note.

1.2. Scope and methods of consolidation

All companies included in the scope of consolidation have a financial year ending 31 December or close their accounts on that date.

All companies directly or indirectly controlled by the parent company L'Oréal have been fully consolidated.

Group companies that are jointly controlled with a limited number of other shareholders under a contractual agreement are consolidated under the equity method in accordance with IFRS 11.

Associates over which the Group has a significant influence have been accounted for by the equity method.

1.3. Translation of the accounts of foreign subsidiaries

The assets and liabilities of foreign subsidiaries are translated at closing exchange rates. Income statement items are translated at average exchange rates for the year.

The resulting translation difference attributable to the Group is entered directly under equity under the item *Cumulative translation adjustments,* while the translation difference attributable to non-controlling interests is recognised under the *Non-controlling interests* item.

1.4. Valuation of goodwill in foreign currencies

Goodwill generated on foreign companies is considered to form part of the assets and liabilities of the foreign company, and is therefore expressed in the entity's functional currency and translated using the closing exchange rates in effect at the closing date. Goodwill recorded before 1 January 2004 continues to be recorded in euros.

NOTE 2. Main events of the period

2.1. Changes in the scope of consolidation

2.1.1. Year 2021

Acquisitions

On 1 February 2021, L'Oréal finalised the acquisition of Takami Co. This company develops and markets under licence products from the Takami skincare brand; owned by Dr. Hiroshi Takami, the founder of the two eponymous dermatology clinics in Tokyo. Mainly available in Japan and in some Asian countries, notably in China.

At the same time, L'Oréal also renewed the brand licensing agreement with Dr. Takami for a very long period and signed a collaboration agreement with the Takami clinics.

Takami will be integrated into the L'Oréal Luxe Division.

On 8 December 2021, L'Oréal signed an agreement to acquire Youth to the People, a skincare company based in California inspired by superfood.

Youth to the People develops and markets high-performance skincare products known for innovative formulas that combine premium vegan blends of superfood extracts and science.

Available in the US, Canada, Australia and in select European countries where it enjoys a very strong appeal, the brand is marketed through an omnichannel distribution – mix of D2C e-commerce and selective distribution.

The brand will be integrated into the L'Oréal Luxe Division. In 2021, Youth to the People is expected to record over US$50 million of sales.

This acquisition was completed on 29 December 2021 and has been fully consolidated since that date.

The cost of these new acquisitions represented €524.8 million. The total amount of goodwill and other intangible assets resulting from their acquisitions provisionally amounted to €510,5 million.

In 2021, the acquisition of Takami represented €54.4 million in full-year net sales and -€7.7 million in full-year operating profit.

Sale

On 31 March 2021, L'Oréal finalised the sale of the Cosmeurop production site, located in Strasbourg, France to the Superga group.

2.1.2. Year 2020

Acquisition

On 31 March 2020, L'Oréal finalised the acquisition of the Mugler and Azzaro brands and perfumes belonging to the Clarins group for a cash amount of €1.3 billion, net of cash acquired.

This acquisition has been fully consolidated since that date.

On 18 June 2020, L'Oréal announced the acquisition of US skincare brand Thayers Natural Remedies. The brand will be integrated into L'Oréal's Consumer Products Division.

The distribution strategy, initially focused on a network of natural products stores, has evolved into a multi-channel approach that today includes mass-market retailers, specialised retailers, drug stores and online distribution. In 2019, Thayers generated sales of US$44 million. The acquisition was completed on 31 July 2020 and has been fully consolidated since that date.

The cost of these acquisitions represented €1.7 billion. The total amount of goodwill and other intangible assets resulting from these acquisitions amounted at their acquisition dates to €1,464 million for Azzaro and Mugler and €304.3 million for Thayers.

In 2020, these acquisitions represented €275.7 million in full-year net sales and €34.9 million in full-year operating profit.

Sale

On 4 February 2020, after some strategic thinking to ensure the best possible development for the Roger & Gallet brand, L'Oréal announced it had entered into exclusive negotiations with the French investment holding company Impala to sell this brand.

Founded in Paris in 1862, Roger & Gallet emerged from the world of Apothecary Perfumery inspired by the French art de vivre. Part of L'Oréal since 2008 following the acquisition of Yves Saint Laurent Beauté, Roger & Gallet offers a rich catalogue of fragrances in a range of perfumes, toiletries and skincare. In 2018, the brand generated sales of €52 million.

On 29 June 2020, L'Oréal and French investment holding company Impala announced that they had finalised the sale of the Roger & Gallet brand.

2.1.3. Year 2019

Acquisition

L'Oréal did not make any significant acquisition in 2019.

2.2. Impact of changes in the scope of consolidation in the cash flow statement

For 2021, these changes mainly related to the Takami and Youth to the People acquisitions.

For 2020, these changes mainly related to the Azzaro-Mugler and Thayers Natural Remedies acquisitions.

The impact of acquisitions is not material for 2019.

2.3. Transaction on share capital

On 7 December 2021, the L'Oréal Board of Directors approved a strategic transaction consisting of the repurchase by L'Oréal, as part of its share buyback programme, of 22.26 million of its own shares – representing 4% of its capital – from Nestlé. The total price paid to Nestlé was €8.904 billion. All shares redeemed by L'Oréal have been bought back for the express purpose of cancelling them. The transaction had a marginally accretive impact on the diluted net earnings per share in 2021, given that the shares were repurchased at the end of 2021, but will have a full-year accretive impact of at least 4% for the 2022 financial year.

This transaction led the Group to take out a bridging loan of €1.9 billion and issue commercial paper for €2.3 billion, with the balance financed by the cash available at 31 December 2021.

NOTE 3. Operating items – Segment information

Accounting Principles

Net sales

Net sales are recognised when the goods have been transferred to the customer.

Sales incentives, cash discounts and product returns are deducted from net sales, as are incentives granted to distributors or consumers resulting in a cash outflow, such as commercial cooperation, coupons, discounts and loyalty programmes.

Incentives granted to distributors and consumers arerecorded as a deduction from net sales when the followingtwo conditions are met at the same time: the service is notseparable from the sale of the product and it is not possibleto reasonably estimate the fair value of the cost of theservice.

Sales incentives, cash discounts, provisions for returns and incentives granted to customers are recorded simultaneously to the recognition of the sales if they can be estimated in a reasonably reliable manner, based mainly on statistics compiled from past experience and contractual conditions.

Cost of sales

The cost of goods sold consists mainly of the industrial production cost of products sold, the cost of distributing products to customers including freight and delivery costs, either directly or indirectly through depots, inventory impairment costs, and royalties paid to third parties.

Research and innovation expenses

Expenditure during the research phase is charged to the income statement for the financial year during which it is incurred.

Expenses incurred during the innovation phase are recognised as *Intangible assets* only if they meet all the following criteria set out in IAS 38:

- the project is clearly defined and the related costs are separately identified and reliably measured;
- the technical feasibility of the project has been demonstrated;
- the intention and ability to complete the project and to use or sell the products resulting from the project have been demonstrated;
- the resources necessary to complete the project and to use or sell it are available;
- the Group can demonstrate that the project will generate probable future economic benefits, as the existence of a potential market for the production resulting from the project, or its internal usefulness has been demonstrated.

In view of the very large number of innovation projects and uncertainties concerning the decision to launch products relating to these projects, L'Oréal considers that some of these capitalisation criteria are not met.

Advertising and promotion expenses

These expenses consist mainly of expenses relating to the advertisement and promotion of products to customers and consumers. They are charged to the income statement for the financial year in which they are incurred.

Selling, general and administrative expenses

These expenses relate mainly to sales teams and sales team management, marketing teams and administrative services, as well as general expenses and the costs and expenses of free shares.

Operating profit

Operating profit consists of gross profit less research and innovation expenses, advertising and promotion expenses, and selling, general and administrative expenses.

Tangible assets

Tangible assets are recorded on the balance sheet at their purchase price. They are not remeasured.

Assets financed by lease contracts are recognised as assets on the balance sheet under *Right-of-use* assets. The corresponding debt is recognised as a liability under *Lease debt*.

Investment subsidies are recorded as liabilities under *Other current liabilities*.

The components of tangible assets are recorded separately if their estimated useful lives, and therefore their depreciation periods, are materially different.

Tangible assets are depreciated using the straight-line method, over the following useful lives:

Buildings	40 years
Industrial machinery and equipment	5-15 years
Point-of-sales advertising: stands and displays	3 years
Other tangible assets	3-10 years

Depreciation and impairment losses are recorded in the income statement according to the use of the asset.

In view of their nature, tangible assets are considered to have a value of zero at the end of the useful lives indicated above.

Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is calculated using the weighted average cost method.

A provision is made for obsolete and slow-moving inventories on the basis of their probable net realisable value, estimated on the basis of historic and projected data.

Trade accounts receivable

Accounts receivable from customers are recorded at their nominal value, which corresponds to their fair value.

The current trade accounts receivable impairment methodology at L'Oréal reflects the level of expected losses on the customer portfolio, calculated on the basis of past statistics from the outset of the receivable. Moreover, this risk is contained thanks to the credit insurance policy applied by the Group.

Except when local conditions do not allow it, the Group has insurance cover for the subsidiaries.

3.1. Segment information

3.1.1. Information by business segment

The Group's business activities are organised into four Divisions. In its markets, each Operational Division develops and enhances a range of its own brand of consumer products:

- the Professional Products Division provides expertise to beauty professionals.

  For over 100 years, this Division has acquired extensive knowledge of, and provided tailored support solutions for, the hairdressing sector. It has built up a unique brand portfolio which currently includes L'Oréal Professionnel, Kérastase, Redken, Matrix and PureOlogy;
- the Consumer Products Division's goal is to democratise access to the best that the world of beauty has to offer.

  The Division is underpinned by four major global brands (L'Oréal Paris, Garnier, Maybelline New York and NYX Professional Makeup), and by the deployment of its specialised and regional brands (Stylenanda, Essie, Dark and Lovely, Mixa, Magic, etc.);
- L'Oréal Luxe creates exceptional experiences and products, for the most demanding consumers in selective distribution.

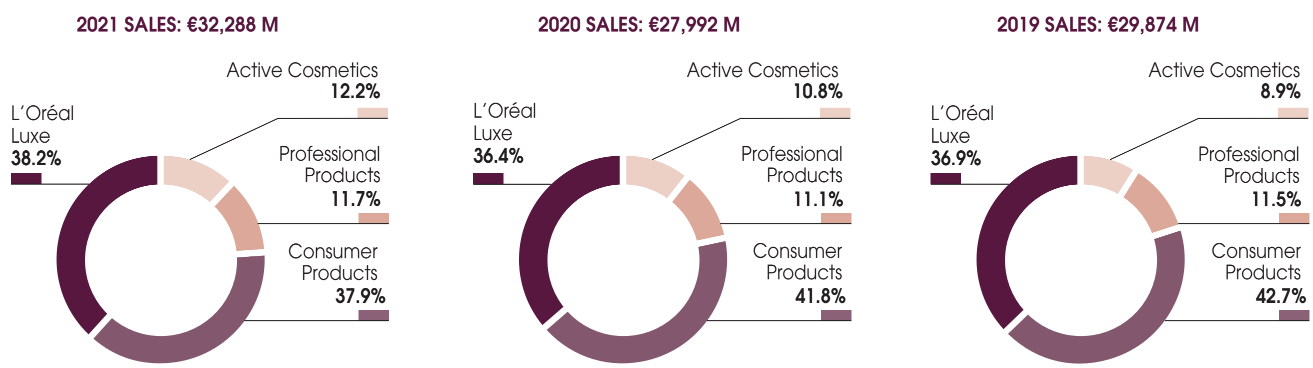
  The Division has built a unique portfolio of prestigious brands including iconic mainstream, aspirational, alternative and specialist brands (Lancôme, Kiehl's, Giorgio Armani Beauty, Yves Saint Laurent Beauté, Biotherm, Helena Rubinstein, Shu Uemura, IT Cosmetics, Urban Decay, Ralph Lauren, Mugler, Viktor&Rolf, Valentino, Azzaro, etc.);
- the Active Cosmetics Division, whose goal is to help everyone in their quest to have healthy and beautiful skin.

  Its portfolio of highly complementary brands (La Roche-Posay, Vichy, CeraVe, SkinCeuticals, etc.) is designed to keep pace with major skincare trends and recommendations of healthcare professionals.

The "non-allocated" item includes expenses incurred by the Functional Divisions, fundamental research and the cost of free shares not allocated to the Divisions. It also includes non-core businesses, such as reinsurance.

The performance of each Division is measured on the basis of operating profit.

WEIGHT OF NET SALES BY DIVISION OVER THE THREE PERIODS



€ millions 2021	Sales	Operating profit	Operational Assets (1)	Investments in tangible and intangible assets	Depreciation, amortisation and provisions
Professional Products	3,783.9	806.9	3,251.6	80.3	175.1
Consumer Products	12,233.5	2,466.0	10,186.6	370.7	709.1
L'Oréal Luxe	12,346.2	2,816.3	9,532.4	293.3	473.6
Active Cosmetics	3,924.0	990.5	2,957.4	80.1	117.5
TOTAL OF DIVISIONS	**32,287.6**	**7,079.7**	**25,927.9**	**824.4**	**1,475.3**
Non-allocated	-	-919.4	1,047.7	259.6	215.6
GROUP	**32,287.6**	**6,160.3**	**26,975.7**	**1,084.0**	**1,690.9**

(1) Operational assets mainly include goodwill, intangible and tangible assets, right-of-use assets, trade accounts receivable and inventories.

€ millions 2020	Sales	Operating profit	Operational Assets [1]	Investments in tangible and intangible assets	Depreciation, amortisation and provisions
Professional Products	3,097.3	581.7	2,962.6	63.1	198.8
Consumer Products	11,703.8	2,388.1	9,887.6	360.8	818.2
L'Oréal Luxe	10,179.9	2,275.9	8,773.4	277.2	545.9
Active Cosmetics	3,011.1	766.0	2,524.2	56.7	125.1
TOTAL OF DIVISIONS	**27,992.1**	**6,011.6**	**24,147.7**	**757.8**	**1,688.1**
Non-allocated	-	-802.6	1,042.6	167.4	198.4
GROUP	**27,992.1**	**5,209.0**	**25,190.3**	**925.2**	**1,886.4**

(1) Operational assets mainly include goodwill, intangible and tangible assets, right-of-use assets, trade accounts receivable and inventories.

€ millions 2019	Sales	Operating profit	Operational Assets [1]	Investments in tangible and intangible assets	Depreciation, amortisation and provisions
Professional Products	3,441.9	691.6	3,506.1	85.7	191.4
Consumer Products	12,748.2	2,574.6	10,700.0	514.3	780.7
L'Oréal Luxe	11,019.8	2,493.7	7,941.7	514.4	592.9
Active Cosmetics	2,663.7	620.8	2,374.1	66.1	92.3
TOTAL OF DIVISIONS	**29,873.6**	**6,380.7**	**24,521.8**	**1,180.5**	**1,657.3**
Non-allocated	-	-833.2	1,077.6	142.4	199.6
GROUP	**29,873.6**	**5,547.5**	**25,599.5**	**1,322.9**	**1,856.9**

(1) Operational assets mainly include goodwill, intangible and tangible assets, right-of-use assets, trade accounts receivable and inventories.

Operational assets can be reconciled to the 2021, 2020 and 2019 balance sheets as follows:

€ millions	2021	2020	2019
Operational assets	**26,975.7**	**25,190.3**	**25,599.5**
Non-current financial assets	10,920.2	9,604.8	10,819.1
Investments accounted for under the equity method	9.9	11.1	10.9
Deferred tax assets	696.5	809.9	777.3
Other current assets	1,697.4	1,584.9	1,317.1
Cash and cash equivalents	2,713.8	6,405.9	5,286.0
Non-allocated assets	**16,037.7**	**18,416.6**	**18,210.3**
TOTAL ASSETS	**43,013.4**	**43,606.9**	**43,809.8**

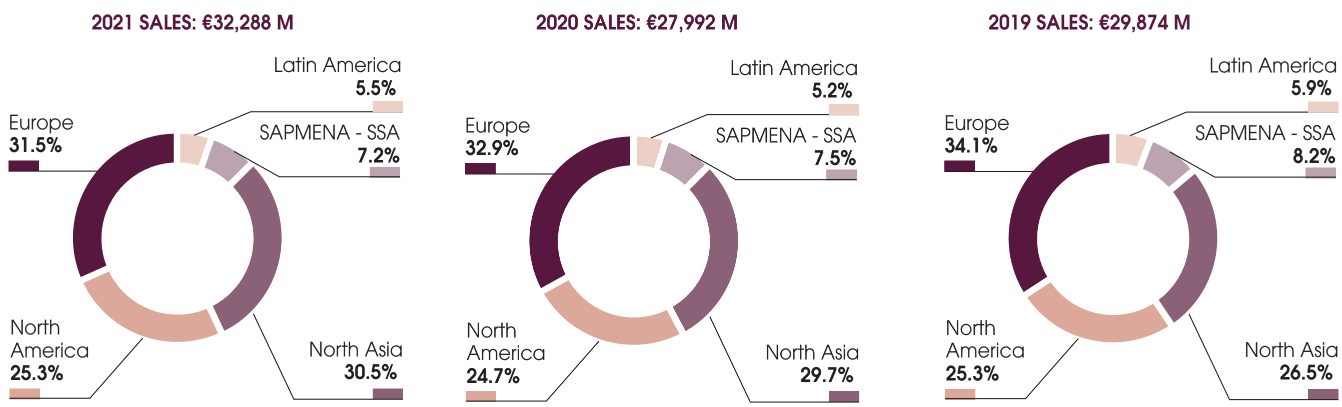
3.1.2. Information by geographic zone

All information is presented on the basis of geographic location of the subsidiaries.

During the first half of 2021, the Group redefined its geographic zones. Sales by geographic zone reflect this organisation and break down as follows: Europe, North America, North Asia, SAPMENA – SSA [1] and Latin America. The data relating to previous periods have been restated to reflect these changes.

3.1.2.1. Consolidated net sales by geographic zone

WEIGHT OF NET SALES BY GEOGRAPHIC ZONE OVER THE THREE PERIODS



(1) SAPMENA – SSA: South Asia Pacific, Middle East, North Africa and Sub-Saharan Africa.

€ millions	2021	Growth *(%)* Published data	Growth *(%)* Excluding exchange effect	2020	2019
Europe	10,184.8	10.7%	11.1%	9,199.3	10,186.8
North America	8,155.9	18.1%	21.8%	6,903.4	7,567.0
North Asia	9,863.3	18.6%	17.8%	8,318.1	7,908.2
SAPMENA – SSA	2,312.0	10.0%	16.0%	2,101.9	2,438.5
Latin America	1,771.5	20.6%	27.0%	1,469.3	1,773.1
GROUP	**32,287.6**	**15.3%**	**16.9%**	**27,992.1**	**29,873.6**

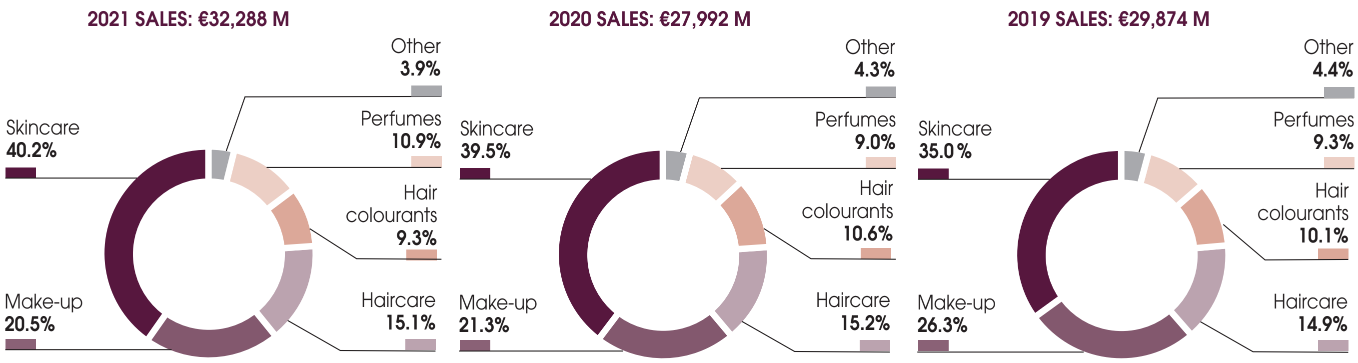
3.1.2.2. Breakdown of operational assets and consolidated investments by geographic zone

	2021		2020		2019	
€ millions	Operational assets	Investments in tangible and intangible assets	Operational assets	Investments in tangible and intangible assets	Operational assets	Investments in tangible and intangible assets
Europe	11,837.5	375.8	11,504.0	358.5	10,607.0	525.4
North America	7,636.3	208.5	6,991.0	193.7	7,789.0	332.3
North Asia	4,030.1	153.9	3,424.4	116.7	3,451.2	180.3
SAPMENA – SSA	1,170.7	52.7	1,059.6	48.8	1,202.4	74.9
Latin America	1,253.4	33.6	1,168.7	40.0	1,472.3	67.6
Non-allocated	1,047.7	259.6	1,042.6	167.4	1,077.6	142.4
GROUP	**26,975.7**	**1,084.0**	**25,190.3**	**925.2**	**25,599.5**	**1,322.9**

3.1.3. Sales by business segment

€ millions	2021	Growth *(%)* Published data	Growth *(%)* Excluding exchange effect	2020	2019
Skincare	12,982.3	17.5%	18.1%	11,051.7	10,453.1
Make-up	6,626.8	11.0%	12.6%	5,969.3	7,854.3
Haircare	4,880.1	14.7%	17.3%	4,254.3	4,460.9
Hair colourants	3,016.1	1.5%	3.9%	2,971.6	3,032.1
Perfumes	3,511.8	38.9%	41.1%	2,528.7	2,770.4
Other	1,270.6	4.4%	6.9%	1,216.5	1,302.8
GROUP	**32,287.6**	**15.3%**	**16.9%**	**27,992.1**	**29,873.6**

WEIGHT OF NET SALES BY BUSINESS SEGMENT OVER THE THREE PERIODS



3.2. Depreciation and amortisation expense and tangible assets

3.2.1. Depreciation and amortisation expenses

Depreciation and amortisation of tangible and intangible assets included in operating expenses amounted to €1,459.1 million, including €405.6 million for right-of-use (IFRS 16), €1,616.9 million, including €466.6 million for right-of-use (IFRS 16) and €1,616.8 million, including €445.1 million for right-of-use (IFRS 16) respectively, for 2021, 2020 and 2019.

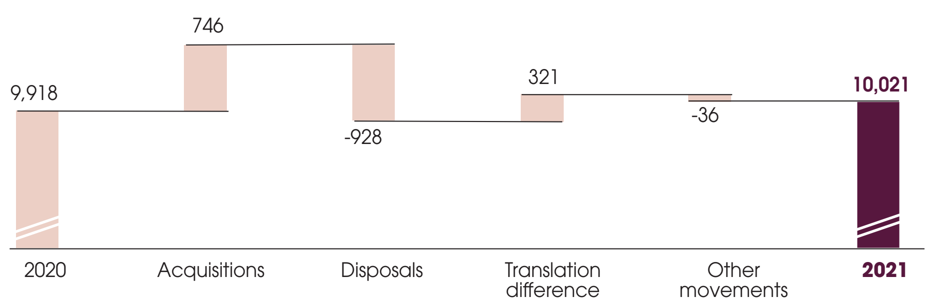
3.2.2. Tangible assets

€ millions 2021	31.12.2020	Acquisitions/ Depreciation	Disposals/ Reversals	Translation difference	Other movements (1)	31.12.2021
Land and buildings	2,334.7	42.2	-75.3	52.8	29.0	2,383.3
Machinery and equipment	3,639.7	133.8	-204.8	101.5	63.5	3,733.7
Point-of-sales advertising: stands and displays	2,096.4	203.8	-506.0	90.1	42.8	1,927.1
Other tangible assets and fixed asset in progress	1,846.8	366.4	-142.2	77.0	-171.0	1,976.9
Gross value	**9,917.6**	**746.2**	**-928.3**	**321.4**	**-35.7**	**10,020.9**
Land and buildings	1,251.2	89.9	-69.0	28.0	-8.1	1,292.0
Machinery and equipment	2,700.6	237.4	-203.3	75.0	-26.5	2,783.2
Point-of-sales advertising: stands and displays	1,664.9	317.9	-505.5	69.7	0.2	1,547.2
Other tangible assets	1,075.7	144.2	-140.1	47.1	5.5	1,132.4
Depreciation and provisions	**6,692.4**	**789.4**	**-917.9**	**219.8**	**-28.9**	**6,754.7**
TANGIBLE ASSETS – NET	**3,225.2**	**-43.2**	**-10.4**	**101.6**	**-6.8**	**3,266.2**

(1) These mainly include the effect of changes in the scope of consolidation and tangible assets in progress allocated to other fixed assets.

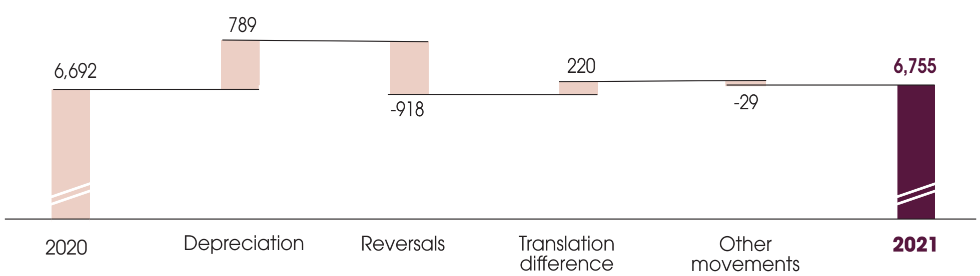
CHANGE IN GROSS FIXED ASSETS

(€ millions)



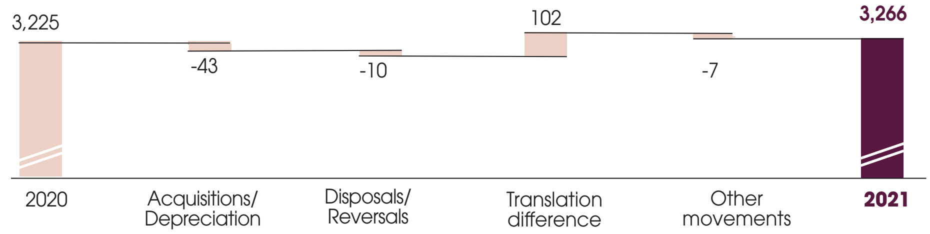
CHANGE IN DEPRECIATION, AMORTISATION AND PROVISIONS

(€ millions)



NET TANGIBLE ASSETS

(€ millions)



€ millions **2020**	**31.12.2019**	**Acquisitions/ Depreciation**	**Disposals/ Reversals**	**Translation difference**	**Other movements (1)**	**31.12.2020**
Land and buildings	2,333.3	47.2	-24.9	-101.0	80.3	2,334.7
Machinery and equipment	3,735.3	163.1	-120.3	-175.4	37.1	3,639.7
Point-of-sales advertising: stands and displays	2,358.1	221.0	-420.2	-144.4	81.8	2,096.4
Other tangible assets and fixed assets in progress	2,004.3	262.1	-97.5	-114.4	-207.8	1,846.8
Gross value	**10,431.1**	**693.4**	**-662.9**	**-535.2**	**-8.6**	**9,917.6**
Land and buildings	1,218.7	79.4	-19.3	-38.1	10.5	1,251.2
Machinery and equipment	2,732.6	259.2	-119.3	-115.0	-56.9	2,700.6
Point-of-sales advertising: stands and displays	1,774.4	408.2	-415.4	-113.9	11.6	1,664.9
Other tangible assets	1,061.0	165.0	-94.8	-66.4	11.0	1,075.7
Depreciation and provisions	**6,786.8**	**911.7**	**-648.8**	**-333.4**	**-23.8**	**6,692.4**
TANGIBLE ASSETS – NET	**3,644.3**	**-218.3**	**-14.1**	**-201.8**	**15.2**	**3,225.2**

(1) These mainly consist of assets related to refurbishment costs for premises reclassified as rights of use after the Group applied IFRS 16 on 1 January 2019 (€33 million) and tangible assets in progress allocated to other fixed assets.

€ millions **2019**	**31.12.2018**	**Acquisitions/ Depreciation**	**Disposals/ Reversals**	**Translation difference**	**Other movements (1)**	**31.12.2019**
Land and buildings	2,259.2	43.1	-38.2	18.4	50.8	2,333.3
Machinery and equipment	3,585.1	158.3	-129.6	38.0	83.5	3,735.3
Point-of-sales advertising: stands and displays	2,147.8	372.2	-247.4	43.0	42.5	2,358.1
Other tangible assets and fixed assets in progress	1,922.1	384.0	-76.8	25.8	-250.8	2,004.3
Gross value	**9,914.3**	**957.6**	**-492.0**	**125.2**	**-74.0**	**10,431.1**
Land and buildings	1,169.9	77.1	-33.3	6.8	-1.8	1,218.7
Machinery and equipment	2,585.7	258.6	-126.7	24.9	-9.9	2,732.6
Point-of-sales advertising: stands and displays	1,559.4	440.2	-246.6	31.5	-10.1	1,774.4
Other tangible assets	974.7	168.3	-75.6	13.5	-19.9	1,061.0
Depreciation and provisions	**6,289.7**	**944.2**	**-482.2**	**76.8**	**-41.7**	**6,786.8**
TANGIBLE ASSETS – NET	**3,624.6**	**13.4**	**-9.8**	**48.4**	**-32.4**	**3,644.3**

(1) These mainly include the effect of changes in the scope of consolidation and tangible assets in progress allocated to other fixed assets.

5

3.2.3. Leases

3.2.3.1. Right-of-use assets

Right-of-use assets break down by type of underlying asset, as follows:

€ millions	**31.12.2021 Net**	**Depreciation and impairment losses (1) 2021**	**31.12.2020 Net**	**01.01.2020 Net**
Buildings	1,124.6	261.5	1,101.2	1,291.2
Stores	265.4	123.0	293.3	445.1
Key money	28.7	3.4	34.5	49.0
Others	88.8	17.1	96.3	106.9
RIGHT-OF-USE ASSETS	**1,507.6**	**405.0**	**1,525.3**	**1,892.3**

(1) Of which €405.6 million in depreciation for the period.

3.2.3.2. Lease debt

Lease debt break down as follows:

€ millions	31.12.2021	31.12.2020	31.12.2019
Lease debt due in more than 5 years	313.8	299.9	465.7
Lease debt due in between 1 and 5 years	933.7	994.8	1,162.3
Lease debt due in less than 1 year	422.8	386.9	407.9
LEASE DEBT	**1,670.3**	**1,681.6**	**2,035.9**

3.3. Inventories, Trade accounts receivable and Other current assets

3.3.1. Inventories

€ millions	31.12.2021	31.12.2020	31.12.2019
Finished products and consumables	2,770.3	2,492.2	2,724.0
Raw materials, packaging and semi-finished products	838.6	643.4	605.7
Gross value	**3,608.9**	**3,135.6**	**3,329.7**
Valuation allowance	442.1	459.8	409.0
INVENTORIES – NET	**3,166.9**	**2,675.8**	**2,920.8**

3.3.2. Trade accounts receivable

€ millions	31.12.2021	31.12.2020	31.12.2019
Gross value	4,069.7	3,565.4	4,133.5
Valuation allowance	48.7	54.1	46.8
NET VALUE	**4,021.0**	**3,511.3**	**4,086.7**

Trade accounts receivable are due within one year. The impairment of trade accounts receivable reflects the level of expected losses on the customer portfolio from the outset of the receivable. Moreover, except when local conditions do not allow it, the Group has insurance cover for the subsidiaries.

The non-collection risk on trade accounts receivables is therefore minimised, and this is reflected in the level of the allowance, which is less than 2% of gross receivables at the end of 2021.

3.3.3. Other current assets

€ millions	31.12.2021	31.12.2020	31.12.2019
Tax and employee-related receivables (excluding income tax)	707.9	639.0	616.0
Prepaid expenses	503.6	452.2	365.9
Derivatives	67.6	183.0	49.2
Current financial assets	4.8	6.7	23.3
Other current assets	753.9	451.8	420.4
TOTAL	**2,037.9**	**1,732.7**	**1,474.9**

3.4. Other current liabilities

€ millions	31.12.2021	31.12.2020	31.12.2019
Tax and employee-related payables (excluding income tax)	1,628.3	1,533.8	1,586.8
Credit balances on trade receivables	1,326.4	1,244.5	1,128.2
Fixed assets payables	386.6	385.1	434.5
Derivatives	240.4	94.9	123.6
Other current liabilities	399.1	424.3	235.4
TOTAL	**3,980.8**	**3,682.5**	**3,508.5**

3.5. Changes in working capital

This caption is broken down as follows:

€ millions	2021	2020	2019
Inventories	-373.3	101.9	-53.8
Trade accounts receivable	-407.1	315.3	-59.6
Trade accounts payable	1,086.8	345.3	110.7
Other receivables and payables	-218.5	(33.3)	463.2
TOTAL	**88.0**	**729.2**	**460.5**

NOTE 4. Other operational income and expenses

Accounting principles

Other income and expenses

The Other income and expenses item includes capital gains and losses on disposals of tangible and intangible assets, impairment of assets, restructuring costs, and clearly identified, non-recurring income and expense items that are material to the consolidated financial statements.

The cost of restructuring operations is fully provisioned if it results from a group obligation towards a third party originating from a decision taken by a competent body which is announced to the third parties concerned before the end of the reporting period. This cost consists mainly of severance payments, early retirement payments, the cost of unworked notice periods, the costs of training for employees affected by the restructuring measures, and other costs relating to site closures. Any write-offs of fixed assets or impairment charged against inventories and other assets related directly to these restructuring measures are also recorded as restructuring costs.

Operational profit

Operational profit is calculated based on operating profit and includes other income and expenses such as capital gains and losses on disposals of tangible and intangible assets, impairment of assets, and restructuring costs.

This item breaks down as follows:

€ millions	2021	2020	2019
Capital gains and losses on disposals of tangible and intangible assets (1)	-0.4	-3.5	14.0
Impairment of tangible and intangible assets (2)	-337.5	-89.8	-142.8
Restructuring costs (3)	-149.6	-382.1	-120.2
Other (4)	55.5	-233.5	-187.5
TOTAL	**-432.0**	**-709.0**	**-436.5**

(1) Including:
- in 2020, mainly the capital loss of-€2.7 million on the disposal of Roger & Gallet (after recognition of a €62 million impairment on intangible assets at 31 December 2019);
- in 2019, €11 million in capital gains on property sales in Germany.

(2) Including:
- in 2021, the goodwill of IT Cosmetics (-€254,7 million) and the brand Magic (-€82,8 million);
- in 2020, the residual brand and goodwill of Clarisonic for €63.6 million and €24.6 million respectively, due to the brand's discontinuation;
- in 2019, the brand and goodwill of Clarisonic and Roger & Gallet for €80 million and €59 million, respectively.

(3) Including:
- in 2021, the ongoing restructuring of the organisation and distribution of the Luxe and Professional Divisions in Europe (€60.8 million), the reorganisation of the Consumer Products Division's sales forces in North Asia (€29 million), the restructuring of an industrial activity in Eastern Europe (€10 million), the restructuring of production in Germany (€18.2 million) and the reorganisation of Urban Decay's distribution structures in 17 countries (€9.2 million);
- in 2020, the reorganisation of the distribution structures of the Luxe Division in North America (€96.3 million) and in Asia-Pacific (€27.2 million), the repositioning ofcertain distribution channels in China (€27.8 million), the reorganisation of organisational and distribution structures within the Luxe and Professional Divisions in Western Europe (€85.9 million), the continued redesign of NYX Professional Makeup's distribution channels (€66.3 million), the repositioning of the Decléor Carita brands and theirsales strategy (€22.5 million), as well as the operational impact of the discontinuation of the Clarisonic brand (€18.9 million);
- in 2019, the redesign of NYX Professional Makeup's distribution channels (€76 million), the refocus of production facilities on Luxe, mostly in France (€11 million),restructuring Clarisonic manufacturing in the US (€8.6 million), reorganising distribution, organisational and accounting structures in Europe (€9 million) and additional costs for various reorganisation projects in 2018, primarily in Brazil (€8.2 million).

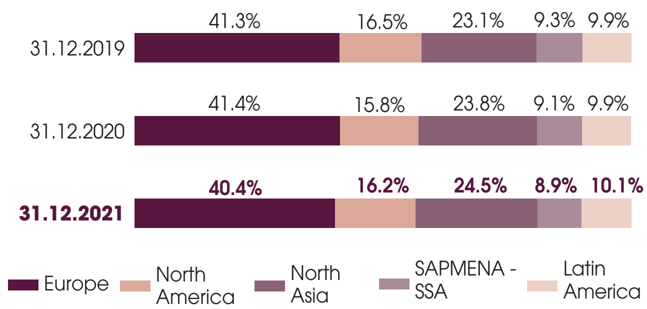
(4) Including:
- in 2021, the reversal of a provision for disputes related to intellectual property (€45.6 million), the write-down of Earn-out Style Nanda and Atelier Cologne earn-out debts (€44.2 million), partially offset by charitable donations (€16 million) and acquisition costs (€14.3 million);
- in 2020, certain specific and identifiable costs relating to the consequences of the public health crisis borne during the first half of the year including €27 million in additional health costs (additional hygiene measures, protective measures for employees, thermal cameras, etc.) and the costs incurred by a total and sudden suspension of activity over clearly defined lockdown periods imposed by local authorities. These include €43 million relating to own points of sales (mainly the salaries of beauty advisers and costs relating to the amortisation of store rights-of-use net of any subsidies received from lessors) and €70 million mainly corresponding to the salaries of the Professional Products Division's sales force, the Luxe Division's beauty advisers in Department stores and the Medical Doctors' sales forces which were prohibited from visiting the United States. Acquisition-related costs (€24 million) and disputes related to intellectual property (€20 million);
- in 2019, acquisition-related costs (€6.1 million), the increase of the Stylenanda earn-out (€56.5 million), the disputes related to intellectual property (€55.8 million)and the profit-sharing adjustment following the agreement signed with the French tax administration for the 2014-2018 tax audits (€56.7 million).

NOTE 5. Number of employees, personnel costs and employee benefits

5.1. Number of employees

	31.12.2021	31.12.2020	31.12.2019
Europe	34,503	35,372	36,322
North America	13,806	13,492	14,480
North Asia	20,900	20,345	20,335
SAPMENA – SSA	7,609	7,739	8,153
Latin America	8,594	8,444	8,684
TOTAL (1)	**85,412**	**85,392**	**87,974**

(1) Excluding employees of equity-accounted companies.



5.2. Personnel costs

€ millions	2021	2020	2019
Personnel costs (including welfare contributions) (1)	**6,471.1**	**6,124.2**	**6,131.1**

(1) Excluding employees of equity-accounted companies.

Personnel costs include pension expenses (excluding interest components), the cost of any share-based payments (stock options and free shares), and payroll taxes.

5.3. Executive compensation

Costs recorded in respect of compensation and similar benefits granted to the Management Committee and the Board of Directors can be analysed as follows:

€ millions	2021	2020	2019
Directors' fees	1.4	1.4	1.3
Salaries and benefits including employer welfare contributions	40.5	40.3	40.1
Employee retirement obligation charges	11.2	12.9	10.8
SHARE-BASED PAYMENT (STOCK OPTIONS AND FREE SHARES)	**27.2**	**27.5**	**33.7**

The number of executives who were members of the Management Committee was 19 at 31 December 2021 compared with 20 at 31 December 2020 and at 31 December 2019.

5.4. Post-employment benefits, termination benefits and other long-term employee benefits

Accounting principles

The Group operates pension, early retirement and other employee benefit schemes depending on local legislation and regulations.

For obligatory state schemes and other defined-contribution schemes, the Group recognises in the income statement contributions payable when they are due. No provision has been set aside in this respect as the Group's obligation does not exceed the amount of contributions paid.

The characteristics of the defined benefit schemes in force within the Group are as follows:

- French regulations provide for specific length-of-service awards payable to employees on retirement. An early retirement plan and a defined benefit plan have also been set up. In some Group companies there are also measures providing for the payment of certain healthcare costs for retired employees. These obligations are partially funded by an external fund, except those relating to healthcare costs for retired employees;
- for foreign subsidiaries with employee retirement schemes or other specific obligations relating to defined benefit plans, the excess of the projected benefit obligation over the scheme's assets is also recognised by setting up a provision for charges on the basis of the actuarial value of employees' vested rights.

The charges recorded in the income statement during the year include:

- additional rights vested by employees during the accounting period;
- the impact of any change to existing schemes on previous years or of any new schemes;
- the change in the value of the discounted rights over the past year;
- income on external funds calculated on the basis of the discount rate applied to the benefit obligation.

The latter two items represent the interest component of the pension costs. The interest component is shown within Net financial income on the *Other financial income and expenses* item.

To determine the discounted value of the obligation for each scheme, the Group applies an actuarial valuation method based on the final salary (projected unit credit method). The obligations and the fair value of plan assets are assessed each year using length-of-service, life expectancy, staff turnover by category and economic assumptions (such as inflation rate and discount rate).

The Group applies a simplified granular approach to calculate its service cost for the period. Under this simplified approach, two different discount rates are used to calculate the obligation and the service cost based on the duration of the future cash flows relating to each of these items. Financial costs are calculated by applying the discount rate used for the obligation to plan assets and by applying the differential interest rate to service cost for the period.

Actuarial gains and losses arising on post-employment defined benefit obligations are recognised in equity.

Actuarial gains and losses in relation to other benefits such as jubilee awards and long-serve bonuses are immediately charged to the income statement.

The liability corresponding to the Company's net defined benefit obligation regarding its employees is recorded in the balance sheet on the *Provisions for employee retirement obligations and related benefits* line.

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The actuarial assumptions used to calculate these obligations take into account the economic conditions specific to each country or Group company. The main weighted average assumptions for the Group are as follows:

In %	31.12.2021	31.12.2020	31.12.2019
Discount rate (commitment)	1.6%	1.1%	1.6%
Discount rate (service cost)*	1.8%	1.4%	1.9%
Salary increases	3.6%	3.4%	3.5%

* *Used for the services cost for the following financial year.*

	31.12.2021			31.12.2020			31.12.2019		
	Initial rate	Final rate	Application of final rate	Initial rate	Final rate	Application of final rate	Initial rate	Final rate	Application of final rate
Expected rate of health care inflation	5.3%	4.2%	2027	5.3%	4.2%	2027	5.7%	4.2%	2027

The discount rates are obtained by reference to market yields on high quality corporate bonds having maturity dates equivalent to those of the obligations.

Bond quality is assessed by reference to the AA-/Aa3 minimum rating provided by one of the three main credit-rating agencies.

Discount rates can be broken down by geographic zone as follows:

In %	2021	2020	2019
Weighted average (all countries) based on the benefit obligation	**1.6%**	**1.1%**	**1.6%**
Of which:			
Euro zone			
Discount rate (commitment) (1)	1.0%	0.5%	0.9%
Discount rate (service cost)*	1.1%	0.6%	1.0%
USA			
Discount rate (commitment)	2.5%	2.0%	2.8%
Discount rate (service cost)*	2.8%	2.3%	3.0%
United Kingdom			
Discount rate (commitment)	2.0%	1.5%	2.0%
Discount rate (service cost)*	2.0%	1.5%	2.0%

(1) The weighted average for 2021 consists of a 1.02% discount rate on annuity plans with an average term of 19.86 years and a 0.72% discount rate on capital plans with an average term of 11.23 years.
** Used for the service cost for the following financial year.*

A 50 basis point decrease in the discount rates would increase the projected defined benefit obligations by €237.0 million for the euro zone, €89.0 million for the United States and €74.5 million for the United Kingdom.

The expected returns on plan assets are based on the discount rates used.

The breakdown of plan assets is as follows:

In %	31.12.2021	31.12.2020	31.12.2019
Equity securities (1)	36.6%	35.2%	33.9%
Bonds	54.1%	57.2%	57.8%
Property assets (2)	4.3%	4.6%	4.8%
Monetary instruments	3.3%	0.9%	0.6%
Other(1)	1.7%	2.1%	2.9%
TOTAL	**100%**	**100%**	**100%**

(1) Of which L'Oréal shares: none.
(2) Of which property assets occupied by Group entities: none.

The allocation of plan assets has to comply with specific investment limits for the different classes of assets and meet minimum rating criteria for monetary instruments and bonds.

Fluctuations during 2021, 2020 and 2019 are set out below:

€ millions	Present value of defined benefit obligation	Plan assets	Net provisions
Balance at 31 December 2018	**4,144.4**	**-3,755.5**	**388.9**
Service cost during the period	168.8	-	168.8
Interest cost	111.8	-	111.8
Expected return on assets	-	-99.5	-99.5
Past service cost: new plans/plan amendments	72.9	-	72.9
Curtailments	-100.3	-	-100.3
Settlements	-	-	-
Benefits paid	-198.4	151.9	-46.5
Contributions paid	6.3	-58.9	-52.6
Actuarial gains and losses	706.6	-378.9	327.7
Translation differences	67.9	-66.3	1.6
Other movements	-5.3	5.6	0.3
Balance at 31 December 2019	**4,974.5**	**-4,201.6**	**772.9**
Service cost during the period	201.2	-	201.2
Interest cost	80.0	-	80.0
Expected return on assets	-	-66.7	-66.7
Past service cost: new plans/plan amendments	-12.7	-	-12.7
Curtailments	-21.2	-	-21.2
Settlements	-1.0	1.1	0.2
Benefits paid	-227.7	161.9	-65.9
Contributions paid	4.1	-85.3	-81.3
Actuarial gains and losses	483.1	-257.5	225.6
Translation differences	-167.0	139.8	-27.2
Other movements	5.1	3.3	8.4
Balance at 31 December 2020	**5,318.4**	**-4,305.0**	**1,013.5**
Service cost during the period	221.9	-	221.9
Interest cost	60.5	-	60.5
Expected return on assets	-	-50.4	-50.4
Past service cost: new plans/plan amendments	-10.0	-	-10.0
Curtailments	-16.7	-	-16.7
Settlements	1.1	-	1.1
Benefits paid	-221.6	174.7	-46.9
Contributions paid	6.4	-101.1	-94.6
Actuarial gains and losses	-329.9	-255.2	-585.2
Translation differences	159.0	-151.4	7.5
Other movements (1)	-141.9	1.8	-140.0
BALANCE AT 31 DECEMBER 2021	**5,047.2**	**-4,686.6**	**360.6**

(1) Including -€137.4million pertaining to the IFRIC 2021 intrerpretation on IAS 19 "Employee Benefits" on Attribuintg Benefit to Periods of Service.

The total present value of defined benefit obligations breaks down as follows between wholly or partly funded plans and wholly unfunded plans:

€ millions	31.12.2021	31.12.2020	31.12.2019
Present value of defined benefit obligations wholly or partly funded	4,635.0	4,832.5	4,507.6
Fair value of plan assets	4,686.6	4,304.9	4,201.6
Net position of defined benefit obligations wholly or partly funded	-51.6	527.6	306.1
Present value of defined benefit obligations wholly unfunded	412.2	485.9	466.9

The retirement expense charged to the income statement is recorded within personnel expenses for the operating part and within financial costs for the financial part and can be analysed as follows:

€ millions	2021	2020	2019
Service cost during the financial year	221.9	201.2	168.8
Interest costs	60.5	80.0	111.8
Expected return on assets	-50.4	-66.7	-99.5
New plans/plan amendments (1)	-10.0	-12.7	72.9
Curtailments (1)	-16.7	-21.2	-100.3
Settlements	1.1	0.2	-
TOTAL	**206.4**	**180.9**	**153.6**

(1) (2019) Order no. 2019-697 transposing a European Directive dated 16 April 2014 into law no longer allows for new additional rights to be acquired in schemes opened on 20 May 2014 for employment periods after 31 December 2019. The net impact recorded in 2019 net income for these developments is +€17.5 million. L'Oréal finalised in 2021 the implementation of a replacement scheme for acquired rights in accordance with this Order for employment periods starting 1 January 2020, following publication of the circular on 23 December 2020. This scheme is considered a continuation of the former scheme due to its consistency in terms of population and benefits.

Contributions to defined contribution schemes recognised as an expense for 2021, 2020 and 2019 amounted to €559.3 million, €511.3 million and €524.80 million, respectively.

A change of 1% point in medical cost inflation would have the following impact:

€ millions	Increase of 1%	Decrease of 1%
Impact on projected benefit obligation	9.57	-7.99
Impact on current service cost and interest costs	0.23	-0.19

Actuarial gains and losses for the periods presented are as follows:

€ millions **2021**	Present value of defined benefit obligation	Plan assets	Net provisions
Actuarial gains and losses: experience adjustments	31.5	-255.2	-223.7
Actuarial gains and losses: demographic assumptions	23.2	-	23.2
Actuarial gains and losses: financial assumptions	-384.6	-	-384.6
TOTAL	**-329.9**	**-255.2**	**-585.2**

€ millions **2020**	Present value of defined benefit obligation	Plan assets	Net provisions
Actuarial gains and losses: experience adjustments	40.3	-257.5	-217.2
Actuarial gains and losses: demographic assumptions	7.2	-	7.2
Actuarial gains and losses: financial assumptions	435.6	-	435.6
TOTAL	**483.1**	**-257.5**	**225.6**

€ millions **2019**	Present value of defined benefit obligation	Plan assets	Net provisions
Actuarial gains and losses: experience adjustments	-25.5	-378.9	-404.4
Actuarial gains and losses: demographic assumptions	-36.6	-	-36.6
Actuarial gains and losses: financial assumptions	768.8	-	768.8
TOTAL	**706.6**	**-378.9**	**327.7**

5.5. Share subscription or purchase options – Free shares

Accounting principles

In accordance with the requirements of IFRS 2 "Share-based Payment", the value of options or free shares granted as calculated at the grant date is expensed in the income statement over the vesting period, which is generally five years for purchase options and four years for free shares.

The fair value of free shares corresponds to the value of the share at the grant date, less dividends expected to be paid during the vesting period.

The cost of the additional 2-year holding period applicable to French residents, for plans prior to 1 January 2016, is determined based on the interest rate granted to the employee, considered equivalent to the rate which would be granted by a bank to a private individual customer with an average financial profile.

The impact of IFRS 2 on profit for the period is booked on the *Selling, general and administrative expenses* item of the income statement at Group level, and is not allocated to the Divisions or geographic zones.

a) Share subscription or purchase options

There is no option plans in force at 31 December 2021.

Data concerning all share option plans during financial years 2021, 2020 and 2019 are set out below:

	31.12.2021		31.12.2020		31.12.2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Number of options not exercised at beginning of period	**57,397**	**€83.19**	**524,193**	**€81.91**	**1,313,801**	**€78.60**
Options granted	-		-		-	
Options exercised	-52,397	€83.19	-465,796	€81.76	-785,408	€76.43
Options expired	-5,000		-1,000		-4,200	
Number of options not exercised at end of period	**-**	**€-**	**57,397**	**€83.19**	**524,193**	**€81.91**
Of which:						
number of exercisable options at end of period	-	€-	57,397	€83.19	524,193	€81.91
expired options at end of period	-		-		-	
Weighted average share price		**€364.74**		**€273.24**		**€240.28**

b) Free shares

The table below summarises the data on free share plans vesting after 1 January 2019.

Grant date Stock subscription plans	Vesting date	Number of shares granted	Number of shares issued/allotted	Number of shares not finally vested
22.04.2015	23.04.2019	860,150	706,937	-
20.04.2016	21.04.2020	906,100	835,725	-
20.04.2017	21.04.2021	906,000	742,276	-
17.04.2018	18.04.2022	931,000	350	885,625
18.04.2019	19.04.2023	843,075	200	823,900
14.10.2020	15.10.2024	713,660	200	712,515
07.10.2021	08.10.2025	588,750	-	588,750

For the conditional grant of shares, the plan provides for a four-year vesting period after which vesting is effective and final, subject to meeting the conditions of the plan. After this vesting period, a two-year mandatory holding period applies for French residents, for plans prior to 1 January 2016, during which the shares cannot be sold.

The performance conditions apply to the 7 October 2021, 14 October 2020, 18 April 2019 and 17 April 2018 plans:

- for 50% of shares granted, the growth in comparable Cosmetics sales in relation to growth in net sales for a panel of competitors:
  - 2022, 2023 and 2024 financial years under the 2021 plan,
  - 2021, 2022 and 2023 financial years under the 2020 plan,
  - 2020, 2021 and 2022 financial years under the 2019 plan,
  - 2019, 2020 and 2021 financial years under the 2018 plan,
- for 50% of shares granted, the increase over the same period in the Group's consolidated operating profit.

  The calculation will be based on the mean of the performance in the:
  - 2022, 2023 and 2024 financial years under the 2021 plan,
  - 2021, 2022 and 2023 financial years under the 2020 plan,
  - 2020, 2021 and 2022 financial years under the 2019 plan,
  - 2019, 2020 and 2021 financial years under the 2018 plan,

and will use a predefined allocation scale based on the performance percentage achieved. No performance condition applies below a block of 200 shares.

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The plans of 22 April 2015, 20 April 201620 April 2017 were finally granted by the allocation of, respectively, 706,262 shares on 23 April 2019, 835,600 shares on 21 April 2020 and 742,276 shares on 21 April 2021.

At 31 December 2021, the performance conditions for plans in progress were deemed achieved.

The fair value of free shares is determined using the following assumptions:

	Stock subscription plans						
Grant date	April 2015	April 2016	April 2017	April 2018	April 2019	October 2020	October 2021
Risk-free rate of return	-0.02%	-0.06%	-0.35%	-0.28%	-0.25%	-0.53%	-0.60%
Discount for post-vesting transfer restrictions for French employees	1.70%	n/a	n/a	n/a	n/a	n/a	n/a
Expected dividends	1.52%	1.85%	1.82%	1.85%	1.58%	1.34%	1.11%
Share price	€177.10	€168.10	€181.75	€191.85	€243.80	€288.00	€360.00
Fair value							
• Employees resident in France	€161.49	€154.32	€166.90	€176.17	€226.25	€269.37	€339.34
• Employees not resident in France	€164.50	€154.32	€166.90	€176.17	€226.25	€269.37	€339.34

The expense recorded in 2021, 2020 and 2019 amounted to €152.3 million, €120.1 million and €143.2 million, respectively.

c) Capital increase reserved for employees

In September 2020, Group employees had the opportunity to join a Shareholding Plan based on a traditional format with discount and matching contribution.

The subscription price was set at €223.25, representing 80% of the average share price over the 20 trading sessions prior to the decision by the Chairman and Chief Executive Officer setting the subscription period from 17 September to 2 October 2020 during which 417,966 shares were subscribed. This number does not include the subscription reserved for a Trustee under the laws of England and Wales, as part of a Share Incentive Plan established for Group employees in the UK, for which the number of shares will be finalised in June 2021.

For French employees, free shares were offered upon subscription in proportion to their personal contribution to the plan with a maximum of 4 shares offered for 10 shares subscribed.

For employees in other countries, shares were offered under a free share plan with a continued employment condition fort he employee and proportionate to how much the employee contributes to the plan, with a maximum of 4 shares offered for10 shares subscribed. The shares will be allocated to employees on 3 November 2025 provided they are still with the Group on that date.

The IFRS 2 expense measuring the benefit offered to employees is calculated with reference to the fair value of the discount offered on the non-transferable shares.

The capital was increased on 3 November 2020 by 452,967, including matching shares.

The IFRS 2 expense for free shares recognised for the 2021 financial year amounted to €2.8 million and corresponds to the cost relating to employees outside France.

The IFRS 2 expense amounted respectively to €9.7 million and €1.4 million in 2020 and 2019.

NOTE 6. Income tax

Accounting principles

The income tax charge includes the current tax expense payable by each consolidated tax entity and the deferred tax expense. Deferred tax is calculated whenever there are temporary differences between the tax basis of assets and liabilities and their basis for consolidated accounting purposes, using the balance sheet liability method.

The restatement of assets and liabilities relating to lease contracts results in the booking of deferred tax.

Deferred tax includes irrecoverable taxation on estimated or confirmed dividends.

Deferred tax is measured using the tax rate enacted at the closing date and which will also apply when the temporary differences reverse.

Deferred tax assets generated by tax loss carryforwards are only recognised to the extent it is probable that the entities will be able to generate taxable profit against which they can be utilised.

Under the French system of tax consolidation, the taxable profits of some French companies are offset when determining the overall tax charge, which is payable only by L'Oréal, the parent company of the tax Group. Tax consolidation systems also exist outside France.

Uncertain tax positions are recorded in the balance sheet under *Non-current tax liabilities*. These correspond to an estimate of tax risks and litigation related to income tax for the various countries in which the Group operates.

6.1. Detailed breakdown of income tax

€ millions	2021	2020	2019
Current tax	1,361.7	1,219.9	1,699.7
Deferred tax	83.6	-10.1	-42.5
INCOME TAX	**1,445.4**	**1,209.8**	**1,657.2**

6.2. Analysis of tax charge

The income tax charge may be analysed as follows:

€ millions	2021	2020	2019
Profit from continuing operations before tax and associates	**6,046.9**	**4,776.5**	**5,411.4**
Theoretical tax rate	24.72%	26.37%	26.21%
Expected tax charge	**1,494.8**	**1,259.7**	**1,418.1**
Impact of permanent differences	17.3	31.4	64.4
Impact of tax rate differences	-74.3	-129.9	-161.6
Change in unrecognised deferred taxes	3.5	1.7	2.3
Effect of non-current tax liabilities (1)	-11.9	108.2	346.7
Other (2)	16.0	-61.3	-12.7
GROUP TAX CHARGE	**1,445.4**	**1,209.8**	**1,657.2**

(1) Including, in 2019, a €262 million expense to cover an agreement made with the French tax administration regarding a disagreement over which French products in our business fall under the tax base for 2014-2018.
(2) Including tax credits and taxes on dividend distributions.

The expected tax charge reflects the sum of pre-tax profit for each country, multiplied by the normal taxation rate. The theoretical tax rate reflects the total expected tax charge as a percentage of pre-tax profit.

The impact of any reduced tax rates existing in certain countries in addition to the normal tax rates is included on the line Impact of tax rate differences.

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6.3. Deferred taxes in the balance sheet

The net change in deferred taxes (assets and liabilities) can be analysed as follows:

€ millions	
Balance of deferred tax assets at 31 December 2018	**572.7**
Balance of deferred tax liabilities at 31 December 2018	**-673.7**
Income statement impact	42.5
Translation differences	3.8
Other effects [(1)]	94.3
Balance of deferred tax assets at 31 December 2019	**777.3**
Balance of deferred tax liabilities at 31 December 2019	**-737.7**
Income statement impact	10.1
Translation differences	-8.5
Other effects [(1)]	62.1
Balance of deferred tax assets at 31 December 2020	**809.9**
Balance of deferred tax liabilities at 31 December 2020	**-706.6**
Income statement impact	-83.6
Translation differences	-7.4
Other effects [(1)]	-126.0
BALANCE OF DEFERRED TAX ASSETS AT 31 DECEMBER 2021	**696.5**
BALANCE OF DEFERRED TAX LIABILITIES AT 31 DECEMBER 2021	**-810.3**

(1) Including mainly the deferred tax impact of currency hedging instruments recognised in equity, as well as the tax effect on actuarial gains and losses recognised in equity.

Deferred tax assets and liabilities recorded in the balance sheet may be broken down as follows:

	31.12.2021		31.12.2020		31.12.2019	
€ millions	Deferred tax assets	Deferred tax assets	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Temporary differences	672.3	498.8	783.3	431.4	760.2	422.5
Deferred tax liabilities on revaluation of Sanofi		311.5		275.2		315.2
Tax credits and tax loss carry-forwards	24.2		26.6		17.1	
DEFERRED TAX TOTAL	**696.5**	**810.3**	**809.9**	**706.6**	**777.3**	**737.7**

Deferred tax assets on temporary differences mainly relate to provisions for pensions and early retirement (€93.6 million, €263.8 million and €209.8 million respectively at the end of 2021, 2020 and 2019) and provisions for liabilities and charges (€115.9 million, €135.8 million and €136.5 million at the end of 2021, 2020 and 2019).

Deferred tax liabilities on temporary differences mainly include intangible assets acquired under business combinations other than non-tax-deductible goodwill.

Deferred tax assets whose recovery is not considered probable are not recorded in the financial statements; such assets amount to €16.4 million at 31 December 2021 compared with €14.3 million at 31 December 2020 and €17.0 million at 31 December 2019.

NOTE 7. Intangible assets

7.1. Goodwill

Accounting principles

Business combinations are accounted for by the purchase method. The assets, liabilities and contingent liabilities of the Company acquired are measured at fair value at the acquisition date. Any valuation differences identified when the acquisition is carried out are recorded under the corresponding asset and liability items.

Any residual difference between the cost of an acquisition and the Group's interest in the fair value of the identified assets and liabilities is recorded as Goodwill and allocated to the Cash Generating Units expected to benefit from the acquisition or the related synergies.

Goodwill generated on the acquisition of an associate is presented in the *Investments in associates* item.

For business combinations carried out after 1 January 2010, the main changes with regard to previously applicable accounting principles are set out below:

- for each acquisition, the Group chooses whether to recognise the full amount of goodwill regardless of the ownership interest acquired, or an amount of goodwill corresponding to its interest in the acquired company (previously the only method allowed);
- deferred tax assets recognised after the initial accounting is complete are included in profit or loss, and in contrast to previous practices, the amount of goodwill that would have been recorded had the deferred tax asset been recognised as an identifiable asset at the acquisition date is not deducted;
- costs incurred in respect of a business combination are now expensed and no longer included in the acquisition cost;
- the acquisition cost, which includes contingent consideration, is recognised and measured at its acquisition-date fair value. Subsequent changes in fair value, affecting in particular the contingent consideration recorded in liabilities, are recognised in Other income and expenses in the income statement and no longer treated as an adjustment to goodwill;
- any previous interest held in the acquiree prior to the date control was obtained is now remeasured at its acquisition-date fair value, with the corresponding gain or loss on remeasurement recognised on the income statement;
- purchase commitments for minority interests are recognised in financial debt at the acquisition-date fair value. Subsequent changes in fair value of the commitment are recognised by adjusting equity.

Goodwill is allocated by Cash Generating Units or by groups of Cash Generating Units. A Cash Generating Unit corresponds to one or more worldwide brands.

€ millions **2021**	**31.12.2020**	**Acquisitions/Disposals**	**Other movements**	**31.12.2021**
Redken/PureOlogy	639.2	1.5	37.3	678.1
L'Oréal Professionnel/Kérastase	403.7		14.3	417.9
Matrix	382.4	0.2	26.5	409.1
Professional Products Total	**1,425.3**	**1.7**	**78.0**	**1,505.1**
L'Oréal Paris	1,132.0		37.4	1,169.4
Mass Market make-up	971.5		48.4	1,019.9
Garnier	443.8		22.4	466.2
Stylenanda	423.7		-3.0	420.7
NYX Professional Makeup	304.5		20.4	324.8
LaSCAD	156.4		-	156.4
Other	341.2		34.2	375.5
Consumer Products Total	**3,773.1**	**-**	**159.8**	**3,932.9**
Perfumes	1,468.3		-14.8	1,453.5
Lancôme	829.1		8.8	837.9
IT Cosmetics	736.5		-221.1	515.4
YSL Beauté	535.5		0.5	536.0
Urban Decay	141.4		9.9	151.3
Shu Uemura	137.5		-0.8	136.6
Other	239.8	484.2	14.8	738.9
L'Oréal Luxe Total	**4,088.1**	**484.2**	**-202.7**	**4,369.6**
CeraVe	608.7		23.3	632.0
Vichy/Dermablend	314.4		7.2	321.6
La Roche-Posay	163.6		4.6	168.2
Other	140.9		4.2	145.1
Active Cosmetics Total	**1,227.6**	**-**	**39.3**	**1,266.9**
GROUP TOTAL	**10,514.2**	**485.9**	**74.5**	**11,074.5**

2021 acquisitions mainly relate to Takami and Youth to the People for €484.2 million. Allocation of the goodwill from these transactions to the CGUs has not yet been finalised.

Other movements mainly reflect the positive impact of changes in exchange rates for €317.7 million, as well as the recognition of an impairment loss on IT Cosmetics (€254.7 million).

The accumulated impairment losses relating to IT Cosmetics, L'Oréal Beauty Device, Magic, Softsheen-Carson and Yue Sai amounted to €265.6 million, €301.6 million, €165.5 million, €146.4 million and €33.6 million, respectively, at 31 December 2021.

€ millions

2020	31.12.2019	Acquisitions/Disposals	Other movements	31.12.2020
Redken/PureOlogy	681.0	0.5	-42.3	639.2
L'Oréal Professionnel/Kérastase	421.0		-17.3	403.7
Matrix	413.1		-30.7	382.4
Decléor and Carita [1]	137.4		-137.4	
Other	3.2	-3.2	-	-
Professional Products Total	**1,655.7**	**-2.7**	**-227.7**	**1,425.3**
Mass Market make-up	1,037.9		-66.4	971.5
L'Oréal Paris	910.2	253.1	-31.3	1,132.0
Garnier	503.9		-60.1	443.8
Stylenanda	430.7		-7.0	423.7
NYX Professional Makeup	327.8		-23.3	304.5
LaSCAD	158.3		-1.9	156.4
Other	356.8	-	-15.5	341.2
Consumer Products Total	**3,725.5**	**253.1**	**-205.5**	**3,773.1**
Lancôme	832.6		-3.5	829.1
IT Cosmetics	787.4		-50.9	736.5
YSL Beauté	536.1		-0.6	535.5
Perfumes [2]	457.7	1,119.4	-108.8	1,468.3
Urban Decay	152.7		-11.3	141.4
Shu Uemura	143.1		-5.6	137.5
L'Oréal Beauty Device [3]	24.6		-24.6	-
Skincare Premium [1]			173.0	173.0
Other	67.5		-0.7	66.8
L'Oréal Luxe Total	**3,001.8**	**1,119.4**	**-33.0**	**4,088.1**
CeraVe	635.4		-26.7	608.7
Vichy/Dermablend [4]	323.8	-1.1	-8.3	314.4
La Roche-Posay	169.0		-5.4	163.6
Other [1]	74.5		66.4	140.9
Active Cosmetics Total	**1,202.7**	**-1.1**	**26.1**	**1,227.6**
GROUP TOTAL	**9,585.6**	**1,368.7**	**-440.1**	**10,514.2**

(1) Reclassification related to Decléor/Carita.
(2) Allocation of Azzaro-Mugler goodwill to the Perfumes Cash Generating Unit.
(3) Following the discontinuation of the Clarisonic brand, residual goodwill was fully written down.
(4) Disposal of the Roger & Gallet brand on 29 June 2020.

2020 acquisitions mainly relate to Azzaro/Mugler and Thayers for €1,372 million.

Following the strategic repositioning of the Decléor and Carita brands within the Active Cosmetics and Luxe Divisions with effect from 1 July 2020, Decléor-Carita goodwill of €137.4 million was reallocated, respectively, to the Skinceuticals Cash Generating Unit for Decléor for €71.2 million and to the new Skincare Premium Cash Generating Unit for Carita for €66.1 million, in view of the expected synergies between the brands belonging to these Cash Generating Units.

Héléna Rubinstein goodwill of €106.9 million was reallocated to the Skincare Premium Cash Generating Unit with the Carita brand to reflect the new dedicated operational structure for these two Skincare brands.

Other movements mainly reflect the negative impact of changes in exchange rates for €413.7 million, as well as the recognition of an impairment loss on Clarisonic (€25 million) due to the discontinuation of the brand.

The accumulated impairment losses relating to L'Oréal Beauty Device, Magic, Softsheen-Carson and Yue Sai amounted to €282.9 million, €149.1 million, €136.5 million and €30.3 million, respectively, at 31 December 2020.

€ millions 2019	31.12.2018	Acquisitions/Disposals	Other movements	31.12.2019
Redken/PureOlogy	666.7	3.5	10.8	681.0
L'Oréal Professionnel/Kérastase	415.4		5.6	421.0
Matrix	405.8		7.3	413.1
Decléor and Carita	137.4		-	137.4
Other	3.1	-	0.1	3.2
Professional Products Total	**1,628.4**	**3.5**	**23.7**	**1,655.7**
Mass Market make-up	1,019.6		18.3	1,037.9
L'Oréal Paris	899.1		11.0	910.2
Garnier	513.2		-9.3	503.9
Stylenanda	429.5		1.3	430.7
NYX Professional Makeup	322.6		5.1	327.8
LaSCAD	158.3		-	158.3
Other	353.8		3.0	356.8
Consumer Products Total	**3,696.1**		**29.4**	**3,725.5**
Lancôme	825.3		7.3	832.6
IT Cosmetics	775.9		11.4	787.4
YSL Beauté	533.2		2.9	536.1
Perfumes	454.9		2.8	457.7
Urban Decay	150.2		2.5	152.7
Shu Uemura	137.9		5.3	143.1
L'Oréal Beauty Device (1)	71.3		-46.7	24.6
Other	65.0		2.6	67.5
L'Oréal Luxe Total	**3,013.7**	**-**	**-12.0**	**3,001.8**
CeraVe	629.5		5.9	635.4
Vichy/Dermablend	358.4		-34.6	323.8
La Roche-Posay	161.4		7.6	169.0
Other	73.4		1.1	74.5
Active Cosmetics Total	**1,222.7**		**-20.1**	**1,202.7**
Other	36.1		-36.1	-
GROUP TOTAL	**9,597.1**	**3.5**	**-15.0**	**9,585.6**

(1) This Cash Generating Unit mainly concerns Clarisonic.

No significant acquisitions or disposals took place during this financial year.

Other movements mainly reflect the positive impact of changes in exchange rates for €65.4 million, as well as the recognition of impairment losses on Clarisonic (€47 million) and Roger & Gallet (€36 million).

The accumulated impairment losses relating to L'Oréal Beauty Device, Magic, and Softsheen-Carson amounted to €279.7 million, €153.0 million, and €149.3 million, respectively at 31 December 2019.

7.2. Other intangible assets

Accounting principles

Intangible assets are recorded on the balance sheet at cost. Intangible assets identified following an acquisition as well as internally generated intangible assets are also included in this item.

a) Intangible assets acquired through business combinations

They mainly consist of brands, customer relationships and formulas and patents.

With regard to brands, the use of the "discounted cash flow" method is preferred to enable the value in use to be monitored more easily following the acquisition. Two approaches have been adopted to date:

- premium-based approach: this method involves estimating the portion of future cash flows that could be generated by the brand, compared with the future cash flows that the activity could generate without the brand;
- royalty-based approach: this involves estimating the value of the brand by referencing the levels of royalties demanded for the use of similar brands. It is based on sales forecasts drawn up by the Group.

These approaches are based on a qualitative analysis of the brand in order to ensure that the assumptions selected are relevant. The discount rate used is based on the weighted average cost of capital (WACC) for the target acquired. Terminal growth rates are consistent with available market data (generally 2.5% for Europe and 3% for the rest of the world, except in specific cases).

A brand may have a finite or an indefinite useful life span.

Local brands which are to be gradually replaced by an international brand already existing within the Group have a finite useful life span.

They are amortised over their useful lives as estimated at the date of acquisition.

International brands are brands which have an indefinite life span. They are tested for impairment at least once a year during the fourth quarter, and whenever an adverse event occurs. Adverse events may result among other things from an increase in market interest rates or from a decrease in actual net sales or operational profit compared to forecasts.

The impairment test consists of calculating the recoverable amount of the brand based on the model adopted when the acquisition took place.

Customer relationships refer to relations developed with customers either through contractual arrangements or by non-contractual means through constant revenue streams resulting from the target's competitive position or reputation in its market.

The useful life of a customer relationship is limited and varies depending on the estimated attrition rate of existing customers at the time of the acquisition.

The Group may decide to identify and value patents and formulas that it intends to develop.

The value of a patent or a formula is assessed on the basis of the future profits expected from its ownership in the future, in accordance with the royalty-based approach.

The amortisation period applicable to patents corresponds to the period during which they enjoy legal protection. Formulas, which are not protected by legal means, are amortised over a maximum period of 5 years.

b) Internally generated intangible assets

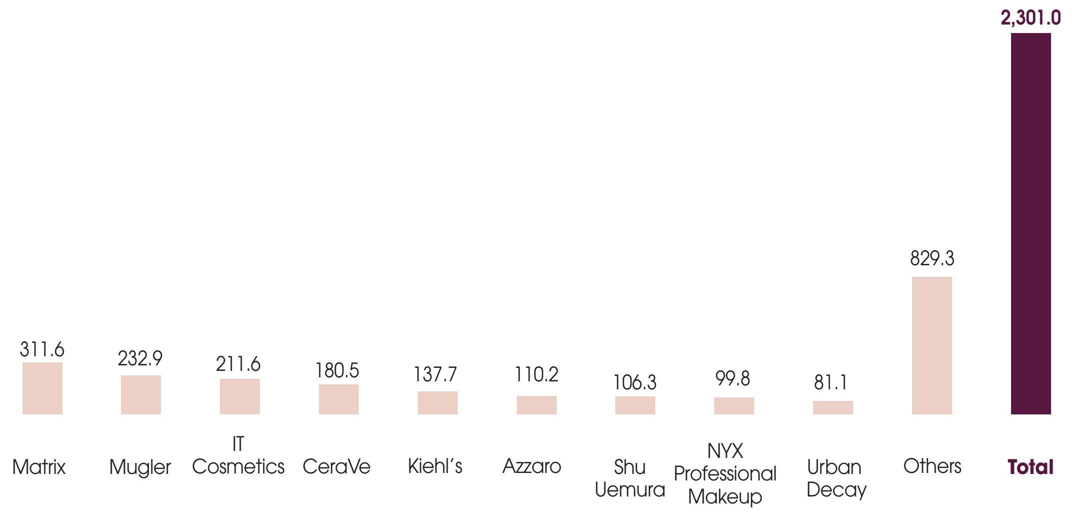
These mainly consist of software.

Innovation costs of software for internal use are capitalised for the programming, coding and testing phases. The costs of substantial updates and upgrades resulting in additional functions are also capitalised.

Capitalised innovation costs are amortised from the date the software is made available in the entity concerned and over its probable useful life, which, in most cases, is between five and eight years.

€ million 2021	31.12.2020	Acquisitions/ Depreciation	Disposals/ Reversals	Changes in the scope of consolidation	Other movements[1]	31.12.2021
Brands with indefinite useful life[3]	2,200.4				100.6	2,301.0
Amortisable brands and product ranges	92.3		-2.4		4.2	94.1
Licences and patents	738.7	14.6	-8.7	19.6	1.3	765.5
Software	1,627.5	62.1	-104.3	-1.9	155.7	1,739.1
Customer relationships	563.6	0.5	-0.6	6.3	43.2	613.0
Others	218.1	261.1	-0.3	-	-120.2	358.7
Gross value	**5,440.6**	**338.3**	**-116.3**	**24.0**	**184.8**	**5,871.4**
Brands with indefinite useful lif[2]	242.1	82.8			22.9	347.8
Amortisable brands and product ranges	73.6	3.2	-2.4		3.5	77.9
Licences and patents	180.1	21.8	-8.7		1.5	194.7
Software	1,114.1	193.7	-101.9	-2.1	25.4	1,229.2
Customer relationships	455.1	43.1	-0.6		39.0	536.6
Others	19.3	2.4	-0.3		1.1	22.5
Depreciation and provisions	**2,084.3**	**347.0**	**-113.9**	**-2.1**	**93.4**	**2,408.7**
OTHER INTANGIBLE ASSETS – NET	**3,356.3**	**-8.7**	**-2.5**	**26.2**	**91.5**	**3,462.8**

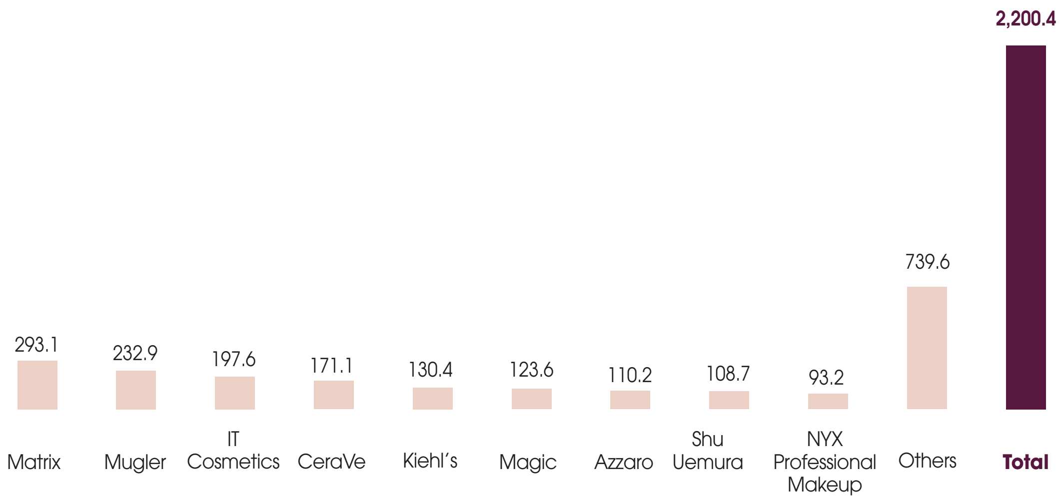
(1) Other movements mainly consisted of the impact of hyperinflation in Argentina and the positive change in exchange rates over the period totalling €102.2 million.
(2) Including the impairment of the brand Magic (€83 million), due to the exacerbated competition on on the masks market in China and its consequence on the slippage in Business Plan. The Magic technology is in contrast successfully implemented globally on brands Garnier and L'Oréal Paris.
(3) At end-2021, the gross value of brands with an indefinite useful life span breaks down as follows:



Accumulated impairment losses relating to brands amounted to €137.1 million on Magic, €96.5 million on Clarisonic, €54.2 million on Softsheen-Carson, €46.0 million on Yue-Sai and €14.0 million on Biomedic at 31 December 2021.

€ million **2020**	**31.12.2019**	**Acquisitions/ Depreciation**	**Disposals/ Reversals**	**Change in the scope of consolidation**	**Other movements[1]**	**31.12.2020**
Brands with indefinite useful life[2]	1,943.6	-	-23.2	387.5	-107.5	2,200.4
Amortisable brands and product ranges	99.0	0.1	-1.2	-	-5.7	92.3
Licences and patents	730.5	15.7	-5.2	0.8	-3.0	738.7
Software	1,549.6	71.6	-82.3	5.8	82.8	1,627.5
Customer relationships	610.8	-	-11.4	6.5	-42.3	563.6
Others	239.8	157.2	-9.6	-	-169.2	218.1
Gross value	**5,173.1**	**244.6**	**-132.9**	**400.7**	**-244.9**	**5,440.6**
Brands with indefinite useful life	212.4	63.6	-22.2	-	-11.7	242.1
Amortisable brands and product ranges	75.2	3.5	-1.2	-	-3.9	73.6
Licences and patents	172.9	10.3	-0.3	0.1	-2.9	180.1
Software	1,066.1	183.4	-82.3	4.7	-57.8	1,114.1
Customer relationships	458.7	42.7	-11.4	-	-34.9	455.1
Others	24.1	-	-3.6	-	-1.2	19.3
Depreciation and provisions	**2,009.4**	**303.4**	**-120.8**	**4.8**	**-112.4**	**2,084.3**
OTHER INTANGIBLE ASSETS – NET	**3,163.8**	**-58.8**	**-12.1**	**395.9**	**-132.5**	**3,356.3**

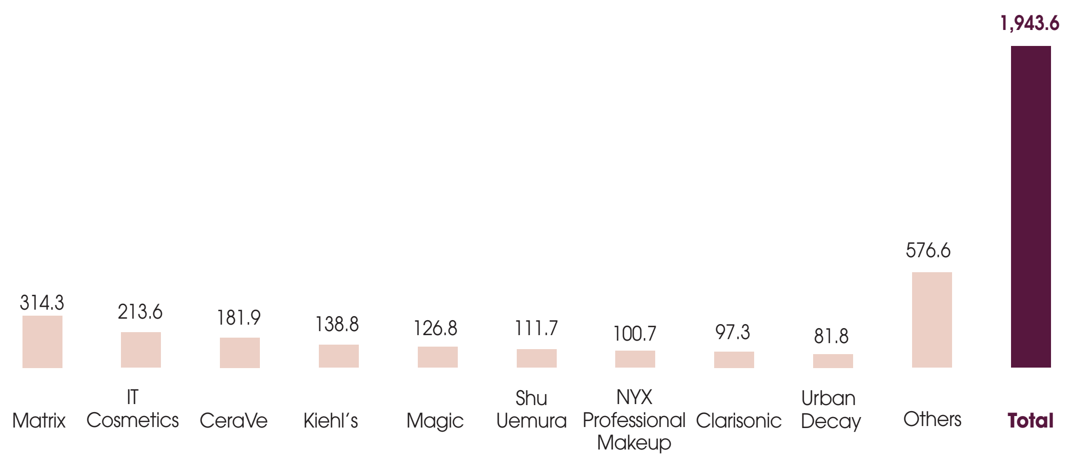
(1) Other movements mainly consisted of the impact of hyperinflation in Argentina and the negative change in exchange rates over the period totalling -€135.1 million.
(2) At end-2020, the gross value of brands with an indefinite useful life span breaks down as follows:



Accumulated impairment losses relating to brands amounted to €90.4 million on Clarisonic, €51.4 million on Softsheen-Carson, €44.9 million on Magic, €41.5 million on Yue-Sai and €14.0 million on Biomedic at 31 December 2020.

€ million 2019	31.12.2018	Acquisitions/ Depreciation	Disposals/ Reversals	Change in the scope of consolidation[2]	Other movements[1]	31.12.2019
Brands with indefinite useful life[2]	1,906.4	-	-		37.2	1,943.6
Amortisable brands and product ranges	101.3	-	-2.8		0.5	99.0
Licences and patents	579.9	140.1	-		10.5	730.5
Software	1,380.8	80.4	-38.1		126.5	1,549.6
Customer relationships	605.0	-	-	1.3	4.4	610.8
Key money	74.2	-	-	-	-74.2	-
Others	197.6	144.9	-8.6	-	-94.1	239.8
Gross value	**4,845.1**	**365.4**	**-49.5**	**1.3**	**10.8**	**5,173.1**
Brands with indefinite useful life	156.1	55.3	-		1.0	212.4
Amortisable brands and product ranges	72.3	3.5	-0.9		0.3	75.2
Licences and patents	163.7	8.7	-		0.5	172.9
Software	936.5	157.0	-38.0		10.6	1,066.1
Customer relationships	404.2	48.2	-		6.3	458.7
Key money	14.1				-14.1	-
Others	10.8	10.2	-4.8		7.9	24.1
Depreciation and provisions	**1,757.8**	**282.9**	**-43.7**	**-**	**12.4**	**2,009.4**
OTHER INTANGIBLE ASSETS – NET	**3,087.3**	**82.5**	**-5.8**	**1.3**	**-1.6**	**3,163.8**

(1) Other movements mainly include the reclassification of €60.1 million in key money to right-of-use assets on 1 January 2019, which was offset by the final granting of the acquisition of Logocos purchased in 2018. The Group allocated €14.5 million to the brands with an indefinite useful life span line and €9.9 million to the Licences and patents line. Lastly, there was a €31.3 million positive change in exchange rates over the period.
(2) At end-2019, the gross value of brands with an indefinite useful life span breaks down as follows:



7.3. Impairment tests on intangible assets

Accounting principles

Goodwill is not amortised. It is tested for impairment at least once a year during the fourth quarter or whenever an adverse event occurs. Adverse events may result among other things from an increase in market interest rates or from a decrease in actual net sales or operational profit compared to forecasts.

Impairment tests consist of comparing the carrying amount of assets including goodwill with the recoverable amount of each Cash Generating Unit. A Cash Generating Unit corresponds to one or more worldwide brands. A Cash Generating Unit can contain several brands depending on organisational criteria and particularly when distribution circuits and commercial/management structures are pooled. Recoverable values are determined on the basis of discounted operating cash flow forecasts covering a period of 10 years (the period considered necessary for the strategic positioning of an acquisition) and a terminal value. The cash flows are determined in the currencies of the countries in question and are translated, in the same way as the net carrying amounts to which they are compared, at the estimated exchange rate for the following year. The discount rate used for these calculations is based on the weighted average cost of capital (WACC), which amounted to 7.8% in 2021, to 7.3% in 2020 and 6.8% in 2019 for amounts in euro, adjusted where appropriate by a country risk premium according to the geographic zones concerned. The discount rates are post-tax rates applied to post-tax cash flows, and result in recoverable amounts identical to those obtained by applying pre-tax rates to pre-tax cash flows. The assumptions adopted in terms of sales growth and terminal values are reasonable and consistent with the available market data (generally 2.5% for Europe and 3% for the rest of the world for terminal values except in specific cases).

The use of discounted cash flow forecasts is preferred in order to determine recoverable amounts, unless details of similar recent transactions are readily available.

Impairment charged against goodwill cannot be reversed.

Impairment tests of Cash Generating Units for which the carrying amount of goodwill and intangible assets with indefinite useful lives is significant, are carried out based on the following data and assumptions:

		Discount rate *(%)*	
€ millions	Net carrying amount of goodwill and brands with an indefinite useful life	International excluding US	USA
Test 2021			
Perfumes	1,812.9	7.8	7.4
L'Oréal Paris	1,215.6	7.8	7.4
Mass Market make-up	1,067.5	7.8	7.4
Lancôme	852.7	7.8	7.4
CeraVe	812.5	7.8	7.4
Redken/PureOlogy	767.2	7.8	7.4
IT Cosmetics	726.9	7.8	7.4
Matrix	720.8	7.8	7.4
YSL Beauté	536.0	7.8	(1)
Stylenanda	494.6	7.8	(1)
Garnier	493.8	7.8	7.4
NYX Professional Makeup	424.6	7.8	7.4
L'Oréal Professionnel/Kérastase	417.9	7.8	7.4
Vichy/Dermablend	336.2	7.8	(1)
Shu Uemura	242.9	7.8	(1)
Urban Decay	232.4	7.8	7.4
Test 2020			
Perfumes	1,827.7	7.3	7.8
L'Oréal Paris	1,174.8	7.3	7.8
Mass Market make-up	1,017.5	7.3	7.8
IT Cosmetics	934.1	7.3	7.8
Lancôme	842.5	7.3	7.8
CeraVe	779.8	7.3	7.8
Redken/PureOlogy	722.1	7.3	7.8
Matrix	675.6	7.3	7.8
YSL Beauté	535.5	7.3	(1)
Stylenanda	498.2	7.3	(1)
Garnier	471.3	7.3	7.8
L'Oréal Professionnel/Kérastase	403.7	7.3	7.8
NYX Professional Makeup	397.6	7.3	7.8
Vichy/Dermablend	327.9	7.3	(1)
Shu Uemura	246.2	7.3	(1)
Urban Decay	217.8	7.3	7,8
Test 2019			
Mass Market make-up	1,085.7	6.8	7.8
IT Cosmetics	1,001.0	6.8	7.8
L'Oréal Paris	910.2	6.8	7.8
Lancôme	846.3	6.8	7.8
CeraVe	817.3	6.8	7.8
Redken/PureOlogy	771.1	6.8	7.8
Matrix	727.4	6.8	7.8
YSL Beauté	536.1	6.8	(1)
Garnier	535.6	6.8	7.8
Stylenanda	506.6	6.8	(1)
Perfumes	474.0	6.8	7.8
NYX Professional Makeup	428.5	6.8	7.8
L'Oréal Professionnel/Kérastase	421.0	6.8	7.8
Vichy/Dermablend	339.5	6.8	(1)
Shu Uemura	254.8	6.8	(1)
Urban Decay	234.5	6.8	7.8

(1) Since the US dollar amounts for these CGUs are not material, no specific discount rate has been used in this respect.

An impairment loss on the IT Cosmetics cash-generating unit was recorded for €254.7 million in view of adverse events, the performance not being in line with expectations. The slippage on the business plan results from the discontinuation of some very dilutive distribution channels in the United States.

The recoverable amount of the IT Cosmetics cash-generating unit was €750.8 million at the end of June 2021. The discount rate used at 31 December 2021 for this test were as follows: 7.4% for the USA and 7.8% for international.

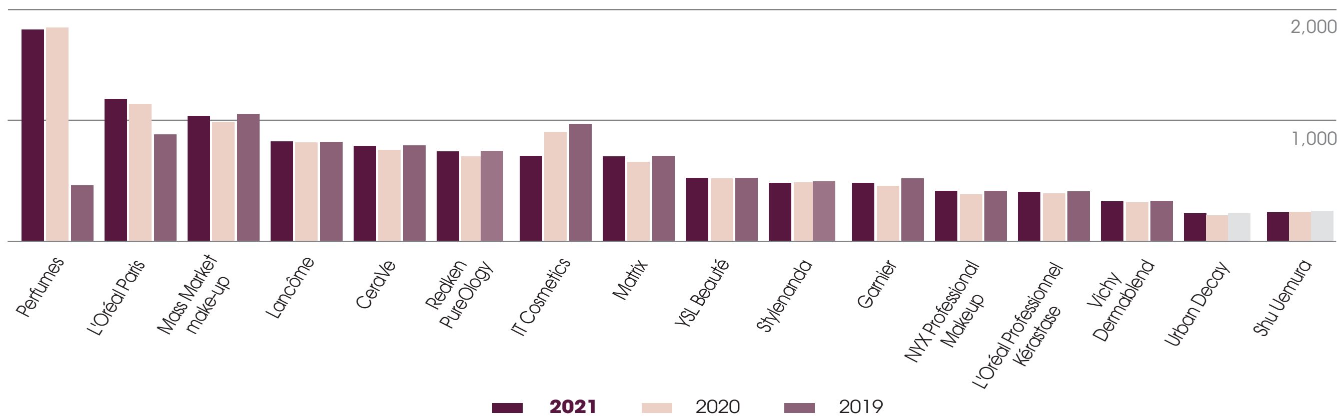
At 31 December 2021, a 1% increase in the discount rate on all the Group's Cash Generating Units would lead to an impairment loss risk of around €176.5 million.

A 1% decrease in the terminal growth rate on all the Group's Cash Generating Units would lead to an impairment loss risk of around €110.9 million.

The terminal growth rate is consistent with market data, *i.e.* 2.5% for Europe and 3% for the rest of the world.

A 1-point decrease in the margin rate over the business plan period on all the Group's Cash Generating Units would lead to an impairment loss risk of around €44.5 million.

The net carrying amount of goodwill and brands with indefinite useful life breaks down as follows for the largest Cash Generating Units:



NOTE 8. Investments accounted for under the equity method

€ millions	31.12.2021	31.12.2020	31.12.2019
Investments accounted for under the equity method			
LIPP Distribution	9.3	10.5	10.1
Other	0.6	0.6	0.8
TOTAL	**9.9**	**11.1**	**10.9**

NOTE 9. Financial assets and liabilities – Cost of debt

Accounting principles

Finance costs, net

Net financial debt consists of all current and non-current financial borrowings and debt, less cash and cash equivalents.

Net finance costs consist of income and expenses arising on the items making up net financial debt during the accounting period, including gains and losses on the corresponding interest rate and foreign exchange rate hedges. As interest rate derivatives are fully effective, no ineffectiveness impacts finance costs.

Borrowings and debt

Borrowings and debt are valued at amortised cost based on an effective interest rate.

In accordance with the principle of fair value hedge accounting, fixed-rate borrowings and debt swapped at a floating rate are valued on the balance sheet at market value. The resulting changes in value are recorded as finance costs and are offset by changes in the value of the related interest rate swaps.

The fair value of fixed-rate debt is determined by the discounted cash flow method using bond yield curves at the closing date, allowing for the spread corresponding to the Group's risk class to be taken into account.

The carrying amount of floating-rate debt is a reasonable approximation of its fair value.

Medium- and long-term borrowings and debt are recorded under Non-current liabilities. Short-term borrowings and debt as well as the current portion of medium- and long-term borrowings and debt are presented under *Current liabilities*.

Cash and cash equivalent

Cash and cash equivalents consist of cash in bank accounts, units of cash unit trusts and liquid short-term investments with a negligible risk of changes in value and a maturity date of less than three months at the date of acquisition.

Investments in shares and cash, which are held in an account blocked for more than three months, cannot be recorded under cash and are presented under *Other current assets*.

Bank overdrafts considered to be financing are presented in *Current borrowings and debt*.

The money-market unit trusts are classified as financial assets at fair value through profit or loss. As such, they are valued in the balance sheet at their market value at the closing date. Any related unrealised gains are accounted for in *Finance costs, Net in the income statement*.

The carrying amount of bank deposits is a reasonable approximation of their fair value.

Non-current financial assets

Non-current financial assets include investments in non-consolidated companies and long-term loans and receivables maturing after more than 12 months.

Investments in non-consolidated companies are classified as financial assets at fair value through other comprehensive income. As such, they are valued on the basis of their fair value, and unrealised losses and gains are accounted for through equity on the line *Other comprehensive income*.

The fair value of listed securities is determined on the basis of the share price at the closing date. For unlisted securities, in the absence of specific events, their acquisition cost is deemed to be the best possible estimate of fair value.

Long-term loans and receivables are considered to be assets generated by the business. As such, they are valued at amortised cost. If there is an indication of a loss in value, a provision for impairment is recorded.

9.1. Borrowings and debt

The Group takes out bank loans to cover its medium-term financing needs and issues short-term marketable instruments in France and commercial paper in the US to cover its financing needs in the short term. None of the Group's borrowings or debt contains an early repayment clause linked to financial ratios (covenants).

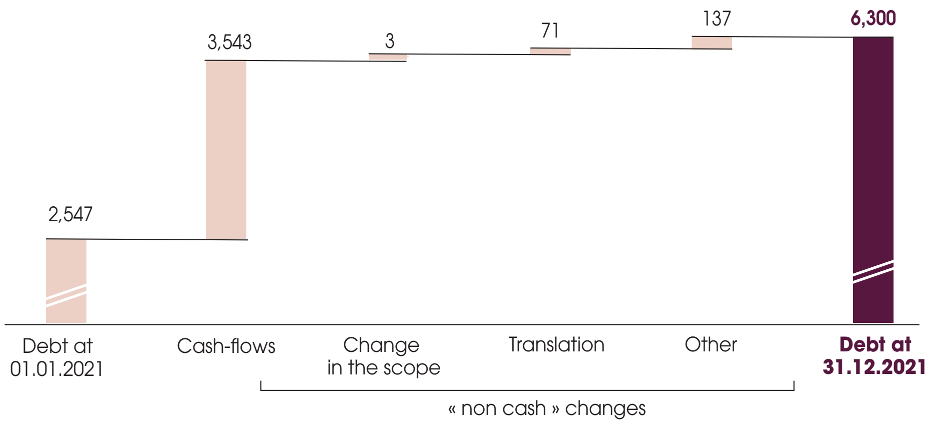
9.1.1. Debt by type

€ millions	31.12.2021		31.12.2020		31.12.2019	
	Non-current	Current	Non-current	Current	Non-current	Current
Short-term marketable instruments [1]	-	2,507.0	-	706.4	-	601.1
MLT bank loans	-	-	-	-	-	-
Lease debt	1,247.5	422.8	1,294.7	386.9	1,628.0	407.9
Overdrafts	-	118.7	-	61.6	-	136.8
Other borrowings and debt[2]	10.7	1,993.7	8.6	88.3	9.6	103.3
TOTAL	**1,258.2**	**5,042.2**	**1,303.3**	**1,243.2**	**1,637.6**	**1,249.1**

To finance the repurchase of its own shares from Nestlé (see note 2.3.), the Group:
(1) issued commercial paper (€2,300 million) and
(2) took out a bridging loan (€1,904 million).

9.1.2. Change in debt

			"Non-cash" changes				
€ millions	31.12.2020	Cash-flows	Changes in the scope of consolidation	Translation adjustments	Changes in fair value	Other	31.12.2021
Short-term marketable instruments	706.5	1,787.7	-	12.9	-	-	2,507.1
MLT bank loans	-	-	-	-	-	-	-
Lease debt	1,681.5	-396.4	2.3	69.1	-	313.8	1,670.3
Overdrafts	61.7	55.9	-	1.1	-	-	118.7
Other borrowings and debt	96.9	2,095.7	1.1	-12.6	-	-176.7	2,004.4
TOTAL	**2,546.5**	**3,542.9**	**3.4**	**70.5**	**-**	**137.1**	**6,300.4**



9.1.3. Debt by maturity date

€ millions	31.12.2021	31.12.2020	31.12.2019
Less than 1 year [1]	5,042.2	1,243.2	1,249.1
1 to 5 years	933.7	994.8	1,162.3
More than 5 years	324.4	308.5	475.3
TOTAL	**6,300.4**	**2,546.5**	**2,886.7**

(1) At 31 December 2021 the Group had confirmed undrawn credit lines for €5,000 million compared with €5,363.0 million at 31 December 2020 and €3,801.1 million at 31 December 2019. These lines were not subject to any covenants.

Estimated interest expense at 31 December 2021, as at 31 December 2020 and 31 December 2019, is not material given the outstanding debt at these dates, comprising short-term marketable instruments drawn at very short terms and at negative interest rates in France, very short-term miscellaneous borrowings contracted locally by subsidiaries, and lease debts.

These estimates are computed on the basis of the effective interest rate at the end of the financial year, after allowing for hedging instruments and assuming that no debt is rolled over at maturity.

9.1.4. Debt by currency excluding lease debts

€ millions	31.12.2021	31.12.2020	31.12.2019
Euro (EUR)	4,441.4	382.0	284.2
US dollar (USD)	59.2	368.4	422.2
Colombian Peso (COP)	21.2	34.8	27.0
Turkish lira (TRY)	19.3	5.4	0.4
Danish Krone (DDK)	11.0	0.1	0.5
Malaysian Ringgit (MYR)	12.7	-	-
South African Rand (ZAR)	10.9	14.0	9.3
Chilean Peso (CLP)	8.8	24.1	27.5
Kenyan Shilling (KES)	12.9	6.4	11.5
Egyptian Pound (EGP)	8.3	13.9	14.5
Pakistani Rupee (PKR)	8.0	7.4	6.2
Other	16.3	8.4	47.4
TOTAL	**4,630.0**	**864.9**	**850.7**

9.1.5. Breakdown of fixed rate – floating rate debt (after allowing for interest rate hedging instruments)

€ millions	31.12.2021	31.12.2020	31.12.2019
Floating rate	4,529.9	768.2	757.4
Fixed rate including lease debts	1,770.5	1,778.3	2,129.3
TOTAL	**6,300.4**	**2,546.5**	**2,886.7**

9.1.6. Effective interest rates

Effective interest rates on Group debt after allowing for hedging instruments are -0.54% in 2021 compared with 0.39% in 2020 and 0.99% in 2019 for short-term marketable instruments.

There is no medium- to long-term bank loan at 31 December 2021 as at 31 December 2020 and 31 December 2019.

9.1.7. Average debt interest rates

Average debt interest rates after allowing for hedging instruments break down as follows:

	31.12.2021	31.12.2020	31.12.2019
Euro (EUR) (1)	-0.51%	-0.30%	-0.45%
US dollar (USD)	0.08%	0.90%	2.34%

(1) The fall in euro interest rates is now reflected by drawdowns of short-term marketable instruments with negative interest rates.

9.1.8. Fair value of borrowings and debt

The fair value of fixed-rate debt is determined for each loan by discounting future cash flows, based on bond yield curves at the balance sheet date, after allowing for the spread corresponding to the Group's risk rating.

The net carrying amount of outstanding bank loans and other floating-rate loans is a reasonable approximation of their fair value.

The fair value of borrowings and debt amounted to €6,300.4 million at 31 December 2021 compared with €2,546.5 million at 31 December 2020 and €2,886.7 million at 31 December 2019.

The fair value of borrowings and debt excluding IFRS 16 amounted to €4,630.0 million at 31 December 2021 compared with €864.9 million at 31 December 2020 and €850.8 million at 31 December 2019.

9.1.9. Debt covered by collateral

No debt was covered by material amounts of collateral at 31 December 2021, 2020 and 2019.

9.1.10. Confirmed credit lines

At 31 December 2021, L'Oréal and its subsidiaries had €5,000 million of confirmed undrawn credit lines, compared with €5,363.0 million at 31 December 2020 and €3,801.1 million at 31 December 2019.

The maturities of the credit lines at 31 December 2021 are broken down as follows:

- €0 million at less than one year;
- €2,500.0 million between one and four years;
- €2,500.0 million at more than five years.

9.2. Cash and cash equivalents

€ millions	31.12.2021 Carrying amount	31.12.2021 Acquisition cost	31.12.2020 Carrying amount	31.12.2020 Acquisition cost	31.12.2019 Carrying amount	31.12.2019 Acquisition cost
Marketable securities	513.2	513.3	3,739.9	3,743.5	3,042.4	3,044.6
Bank accounts and other cash and cash equivalents	2,200.6	2,201.6	2,666.0	2,680.5	2,243.6	2,243.6
TOTAL	**2,713.8**	**2,714.9**	**6,405.9**	**6,424.0**	**5,286.0**	**5,288.2**

Marketable securities consist mainly of SICAV money-market funds and unit trusts (on which the return is based on EONIA). They are considered as financial assets at fair value through profit or loss.

Term accounts with a maturity of less than three months at inception are shown on the *Bank accounts and other cash and cash equivalents* line.

9.3. Non-current financial assets

€ millions	31.12.2021 Carrying amount	31.12.2021 Acquisition cost	31.12.2020 Carrying amount	31.12.2020 Acquisition cost	31.12.2019 Carrying amount	31.12.2019 Acquisition cost
Investments in non-consolidated companies						
Sanofi (1)	10,472.6	4,033.5	9,304.5	4,033.5	10,595.5	4,033.5
Other listed securities (2)	34.5	20.6	30.7	12.0	5.8	9.8
Unlisted securities (3)	277.9	336.4	154.4	244.7	89.1	179.4
Financial assets at amortised cost						
Non-current loans and receivables	135.2	137.2	115.1	117.1	129.0	131.4
TOTAL	**10,920.2**	**4,527.7**	**9,604.8**	**4,407.3**	**10,819.4**	**4,354.1**

(1) L'Oréal's stake in Sanofi was 9.36% at 31 December 2021. The carrying amounts at 31 December 2021, 31 December 2020 and 31 December 2019 (€10,472.6 million, €9,304.5 million and €10,595.5 million (respectively) correspond to the market value of the shares based on the closing price at each of these dates (€88.58, €78.70 and €89.62, respectively). The acquisition cost of €4,033.5 million corresponds to an entry cost of €34.12. The investment is measured at fair value through other comprehensive income.
(2) This heading includes listed securities of biotechnology start-ups.
(3) This heading mainly includes:
- strategic investments in investment funds measured at fair value through other comprehensive income including 50 million subscribed over 2020 in the L'Oréal fund for the regeneration of nature;
- securities of our subsidiaries in Venezuela deconsolidated since 31 December 2015, for €94.4 million fully written down.
In the absence of specific events, their acquisition cost is deemed to be the best possible estimate of fair value.

9.4. Other financial income and expenses

This item is broken down as follows:

€ millions	2021	2020	2019
Interest component of pension costs	-10.1	-13.3	-12.3
Other financial income and expenses	-30.1	-23.3	-3.7
TOTAL	**-40.2**	**-36.6**	**-16.0**

NOTE 10. Derivatives and exposure to market risks

Accounting principles

Derivative instruments entered into to hedge identifiable foreign exchange and interest rate risks are accounted for in accordance with hedge accounting principles.

Forward foreign exchange contracts and options are put in place in order to hedge items recorded in the balance sheet (fair value hedges) and cash flows on highly probable future commercial transactions (cash flow hedges).

All foreign exchange hedging instruments are recorded on the balance sheet at their market value, including those which relate to purchases and sales in the next accounting period. Hence changes in the fair value of these hedging instruments is recorded as follows:

- changes in the market value linked to variations in the time value of forwards used as hedges are recognised in equity and the amount accumulated in equity impacts the income statement at the date on which the hedged transactions are completed;
- changes in the market value linked to variations in the spot rate between the inception of the hedge and the closing date are charged to equity, and the amount accumulated in equity impacts income statements at the date on which the transactions hedged are completed. Any remaining hedge ineffectiveness is recognised directly in the income statement.

In accordance with hedge accounting, unrealised exchange gains and losses relating to unsold inventories are deferred in the inventories item in the balance sheet. Similarly, if a currency hedge has been taken out in respect of fixed assets purchased with foreign currency, these assets are valued in the balance sheet on the basis of the hedging rate.

The Group may decide to hedge certain investments in foreign companies. Exchange gains or losses relating to these hedges are directly charged to consolidated equity, under the item Cumulative translation adjustments.

With regard to interest rate risk, fixed-rate debt and financial loans hedged by interest rate *swaps* are valued in the balance sheet at their market value. Changes in the fair value of these items are recorded as finance costs and offset by adjustments to the fair value of the related hedging derivatives. Floating-rate debt and financial loans are valued at cost, which corresponds to their market value. The swaps or caps which hedge these items are valued in the balance sheet at their market value, with changes in value recorded directly through equity on the *Other comprehensive income* item.

The fair value of interest rate derivative instruments is their market value. This market value is calculated by the discounted cash flow method at the interest rate effective at the closing date.

To manage its exposure to currency and interest rate risks arising in the course of its normal operations, the Group uses derivatives negotiated with counterparties rated investment grade.

In accordance with Group rules, currency and interest rate derivatives are set up exclusively for hedging purposes.

10.1. Hedging of currency risk

The Group is exposed to currency risk on commercial transactions recorded on the balance sheet and on highly probable future transactions.

The Group's policy regarding its exposure to currency risk on future commercial transactions is to hedge, before the end of the year, a large part of the currency risk for the following year, using derivatives based on operating budgets in each subsidiary.

All the Group's future foreign currency flows are analysed in detailed forecasts for the coming budgetary year. Any currency risks identified are hedged by forward contracts or options in order to reduce as far as possible the currency exposure of each subsidiary. The term of the derivatives is aligned with the Group's settlements. Exchange rate derivatives are negotiated by FINVAL or, in exceptional cases, directly by the Group's subsidiaries. Such transactions are supervised by the Group's Treasury department.

As a non-financial corporation, FINVAL is subject to the European Market Infrastructure Regulations (EMIR). Published by the European Commission in September 2012, EMIR is aimed at moving OTC markets towards a centralised model, thereby enhancing market transparency and regulatory oversight and decreasing systemic risk using a guarantee mechanism. As the Group's companies must borrow and invest their cash in their own currency, the exchange rate risks generated by managing their own cash and debt are almost non-existent.

Owing to the Group's policy of currency risk hedging a large part of annual requirements for the following year before the end of the current year, the sensitivity of profit or loss to changes in foreign exchange rates at 31 December is marginal. The impact of changes in foreign exchange rates on the foreign exchange cash flow hedges reserve is described in note 11.3.

All derivative financial instruments held for currency risk hedging purposes have a maturity of less than 18 months at inception and break down as follows:

	Nominal			Market value		
€ millions	31.12.2021	31.12.2020	31.12.2019	31.12.2021	31.12.2020	31.12.2019
Currency futures						
Purchase of EURO against foreign currencies	**2,292.6**	**2,940.2**	**2,959.1**	**-139.8**	**95.4**	**-75.8**
EUR/CNY	540.7	937.5	678.8	-91.3	7.0	-5.7
EUR/USD	502.4	343.5	370.5	-26.3	30.2	-3.1
EUR/RUB	241.4	186.3	268.2	-8.2	10.2	-12.9
EUR/JPY	201.3	47.5	-13.6	3.3	0.1	-0.4
EUR/GBP	162.9	308.9	241.1	-6.8	1.1	-16.4
EUR/MXN	148.3	137.7	196.6	-4.8	-4.1	-6.4
EUR/BRL	117.5	70.9	85.4	-0.7	0.6	-
EUR/AUD	88.5	89.5	93.9	-1.9	-3.9	-1.4
EUR/CLP	57.9	50.2	48.7	5.5	-1.8	2.8
EUR/TWD	56.8	52.6	49.5	-1.2	3.7	-1.0
EUR/SAPMENA currencies	63.8	175.8	208.5	-3.9	0.6	-6.0
EUR/North Asia currencies	-	259.3	218.3	-	53.8	-13.7
EUR/Europe currencies	47.2	158.0	313.2	-1.6	-2.0	-6.7
EUR/Latin America currencies	28.4	22.3	29.6	-0.2	0.2	-0.4
EUR/SSA currencies	21.0	28.7	30.3	0.5	-2.2	-1.5
EUR/Other currencies	14.5	71.5	140.0	-2.2	1.8	-3.0
Purchase of USD against foreign currencies	**418.6**	**373.1**	**517.7**	**13.2**	**-18.2**	**-**
USD/SAPMENA currencies	238.9	232.6	256.7	2.7	-6.3	-1.3
USD/Latin America currencies	130.7	68.3	132.9	9.9	-5.7	4.0
USD/CAD	49.0	51.4	92.2	0.6	-3.6	-1.0
USD/Europe currencies	-	19.3	28.6	-	-2.2	-1.4
USD/SSA currencies	-	1.4	7.3	-	-0.4	-0.3
USD/Other currencies	-	-	-	-	-	-
Sale of USD against foreign currencies	**508.8**	**242.7**	**303.4**	**-5.6**	**-10.0**	**0.5**
USD/North Asia currencies	495.6	242.7	303.4	-6.5	-10.0	0.5
USD/Other currencies	13.2	-	-	0.9	-	-
Other currency pairs	**551.8**	**481.2**	**727.2**	**-4.1**	**2.7**	**-4.2**
CURRENCY FUTURES TOTAL	**3,791.9**	**4,037.1**	**4,507.3**	**-172.7**	**70.0**	**-79.5**
Currency options						
EUR/CNY	-	101.1	63.5	-	3.6	1.7
EUR/RUB	-	62.2	-	-	7.4	-
EUR/USD	69.4	37.7	40.9	-	2.9	0.7
EUR/BRL	11.1	26.0	9.9	0.1	2.1	0.8
EUR/MXN	7.7	21.8	-	-	0.5	-
EUR/TRY	-	9.4	19.7	-	1.5	1.2
EUR/GBP	-	-	33.3	-	-	0.3
EUR/HKD	70.4	-	-	-0.1	-	-
Other currency pairs	**-**	**18.6**	**7.8**	**-**	**0.6**	**0.6**
CURRENCY OPTIONS TOTAL	**158.5**	**276.7**	**175.1**	**-0.1**	**18.6**	**5.3**
Of which total options purchased	158.5	276.7	175.1	-0.1	18.6	5.3
TOTAL	**3,950.3**	**4,313.7**	**4,682.4**	**-172.4**	**88.6**	**-74.2**

The market values by type of hedging are as follows:

€ millions	2021	2020	2019
Fair value hedges [1]	-38.6	20.4	-25.6
Cash flow hedges	-133.9	68.2	-48.6
TOTAL	**-172.5**	**88.6**	**-74.2**

(1) Fair value hedges relate to currency risks on operating receivables and payables as well as on foreign currency investments and financing.

The fair value of the derivatives is their market value.

The Group has no significant foreign currency exposures that are not hedged in the balance sheet.

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10.2. Foreign exchange gains and losses

Accounting principles

Foreign exchange gains and losses resulting from the difference between the value of foreign currency operating income and expenses translated at the spot rate effective on the transaction date and at the exchange rate effective on the settlement date are recognised directly on the appropriate income and expense lines, after allowing for hedging derivatives.

Foreign exchange gains and losses break down as follows:

€ millions	2021	2020	2019
Time value	-70.5	-87.6	-126.9
Other foreign exchange gains and losses	17.7	94.0	-63.2
TOTAL	**-52.8**	**6.4**	**-190.1**

Foreign currency transactions are translated at the spot rate at the transaction date.

Assets and liabilities denominated in foreign currencies have been translated using the exchange rates effective at the closing date. Foreign exchange gains and losses also include the following items relating to derivative instruments:

- changes in market value linked to variations in the spot rate between the inception of the hedge and the date when the hedged transactions are completed;
- residual ineffectiveness linked to excess hedges and recognised directly in the income statement under other foreign exchange gains and losses for €1.5 million, €13.3 million and -€9.2 million in 2021, 2020 and 2019, respectively.

These amounts are allocated to the appropriate operating expense items. They are broken down as follows:

€ millions	2021	2020	2019
Cost of sales	-37.2	6.4	-161.9
Research and innovation expenses	-4.2	-2.1	16.5
Advertising and promotion expenses	-5.9	1.2	-25.5
Selling, general and administrative expenses	-5.5	0.9	-19.3
FOREIGN EXCHANGE GAINS AND LOSSES	**-52.8**	**6.4**	**-190.1**

10.3. Hedging of interest rate risk

The Group did not have any interest rate hedging instruments at 31 December 2021, 2020 and 2019.

10.4. Sensitivity to changes in interest rates

An increase of 100 basis points in interest rates would have had a direct negative impact of -€18.2 million on the Group's net finance costs at 31 December 2021, compared with a direct positive impact of €56.4 million at 31 December 2020 and a direct positive impact of €45.3 million at 31 December 2019. This calculation allows for cash, cash equivalents and derivatives, and assumes that total net debt/cash remains stable and that fixed-rate debt at maturity is replaced by floating-rate debt.

The impact of a 100 basis point rise in interest rates on the fair value of the Group's fixed-rate financial assets and liabilities, after allowing for any interest rate derivatives, can be estimated at -€1 million at 31 December 2021 compared with -€1.0 million at 31 December 2020 and -€0.9 million 31 December 2019.

10.5. Counterparty risk

The Group has financial relations with international banks rated investment grade by specialised agencies. The Group thus considers that its exposure to counterparty risk is low.

Furthermore, the financial instruments used to manage exchange rate and interest rate risk are issued by leading international banking counterparties.

10.6. Liquidity risk

The Group's liquidity risk can be assessed on the basis of its outstanding short-term debt under its short-term marketable instruments programme. Should these bank facilities not be renewed, the Group would have confirmed undrawn credit lines of €5,000 million at 31 December 2021. These lines were not subject to any covenants.

10.7. Shareholding risk

No cash has been invested in shares.

Available cash is invested with top-ranking financial institutions in the form of non-speculative instruments which can be drawn in very short periods. At 31 December 2021, marketable securities consist exclusively of unit trusts (note 9.2).

At 31 December 2021, the Group held 118,227,307 Sanofi shares for an amount of €10,472.6 million (note 9.3.). A change of plus or minus 10% in the market price of these shares relative to the market price of €88.58 on 31 December 2021 would have an impact of plus or minus €1,047.3 million before tax on Group equity.

The initial share price for Sanofi shares was €34.12.

The shares are valued based on their fair value, and unrealised losses and gains are accounted for through equity in the *Other comprehensive income* item.

At 31 December 2020, the Group held 118,227,307 Sanofi shares for an amount of €9,304.5 million (note 9.3). A change of plus or minus 10% in the market price of these shares relative to the market price of €78.70 on 31 December 2020 would have an impact of plus or minus €930.4 million before tax on Group equity.

At 31 December 2019, the Group held 118,227,307 Sanofi shares for an amount of €10,595.5 million (note 9.3). A change of plus or minus 10% in the market price of these shares relative to the market price of €89.62 on 31 December 2019 would have an impact of plus or minus €1,059.5 million before tax on Group equity.

10.8. Fair value hierarchy

IFRS 7 requires financial assets and liabilities recognised at fair value in the balance sheet to be classified according to three levels:

- level 1: quoted prices on an active market;
- level 2: valuation techniques using observable inputs;
- level 3: valuation techniques using unobservable inputs.

The table below provides an analysis of financial instruments recorded at fair value on the balance sheet by level of the fair value hierarchy.

€ millions **31 December 2021**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets at fair value				
Foreign exchange derivatives	-	67.6	-	67.6
Sanofi shares	10,472.6	-	-	10,472.6
Marketable securities	-	-	-	-
TOTAL ASSETS AT FAIR VALUE	**10,472.6**	**67.6**	**-**	**10,540.2**
Liabilities at fair value				
Foreign exchange derivatives	-	240.4	-	240.4
TOTAL LIABILITIES AT FAIR VALUE	**-**	**240.4**	**-**	**240.4**

€ millions **31 December 2020**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets at fair value				
Foreign exchange derivatives	-	183.0	-	183.0
Sanofi shares	9,304.5	-	-	9,304.5
Marketable securities	3,739.9	-	-	3,739.9
TOTAL ASSETS AT FAIR VALUE	**13,044.4**	**183.0**	**-**	**13,227.4**
Liabilities at fair value				
Foreign exchange derivatives	-	94.9	-	94.9
TOTAL LIABILITIES AT FAIR VALUE	**-**	**94.9**	**-**	**94.9**

€ millions **31 December 2019**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets at fair value				
Foreign exchange derivatives	-	49.2	-	49.2
Sanofi shares	10,595.5	-	-	10,595.5
Marketable securities	3,042.4	-	-	3,042.4
TOTAL ASSETS AT FAIR VALUE	**13,637.9**	**49.2**	**-**	**13,687.1**
Liabilities at fair value				
Foreign exchange derivatives	-	123.6	-	123.6
TOTAL LIABILITIES AT FAIR VALUE	**-**	**123.6**	**-**	**123.6**

10.9. Offsetting financial assets and financial liabilities

Financial assets and liabilities resulting from foreign exchange and/or interest rate hedging transactions entered into with the Group's counterparty banks are not offset in the balance sheet since they are FBF (French Banking Federation) or ISDA (International Swaps and Derivatives Association) agreements that only provide for offsetting in the event of default by one of the parties to the agreement. Accordingly, they do not meet the offsetting criteria set out in IAS 32.

Had the agreements been offset at the level of each counterparty bank, assets and liabilities would have decreased by €62.7 million, €75.5 million and €48.8 million respectively in 2021, 2020 and 2019.

NOTE 11. Equity – Earnings per share

11.1. Share capital and additional paid in capital

Share capital consists of 557,672,360 shares with a par value of €0.20 at 31 December 2021 following the exercise of subscription options for 52,397 shares, the issue of 5,327 shares for the employee shareholding plan in the UK, 743,056 free shares and the cancellation of 3,000,000 shares.

Share capital consists of 559,871,580 shares with a par value of €0.20 at 31 December 2020 following the exercise of subscription options for 465,796 shares, the issue of 452,979 shares for the employee shareholding plan and 835,600 free shares.

Share capital consisted of 558,117,205 shares with a par value of €0.20 at 31 December 2019, following the exercise of subscription options for 785,408 shares the issue of 8 shares for the employee shareholding plan, 706,262 free shares and the cancellation of 3,771,125 shares.

11.2. Treasury shares

Accounting principles

Treasury shares are recorded at acquisition cost and deducted from equity. Capital gains/losses on disposal of these items net of tax are charged directly to equity and do not contribute to profit for the financial year.

a) 2021

The change in the number of shares in 2021 was as follows:

In shares	Share capital	Treasury shares	Common shares outstanding
At 01.01.2021	**559,871,580**	**-**	**559,871,580**
Shares cancelled	-3,000,000	3,000,000	-
Options and free shares exercised	800,780	-	800,780
Treasury shares purchased	-	-25,260,000	-25,260,000
AT 31.12.2021	**557,672,360**	**-22,260,000**	**535,412,360**

The change in treasury shares in 2021 was as follows:

In shares	Buyback programme	Allocated to free-share plans	Total	€ millions
At 01.01.2021	**-**	**-**	**-**	**-**
Shares cancelled	-3,000,000	-	-3,000,000	-1,104.8
Options and free shares exercised	-	-	-	-
Treasury shares purchased	25,260,000	-	25,260,000	10,045.0
AT 31.12.2021	**22,260,000**	**-**	**22,260,000**	**8,940.2**

b) 2020

The change in the number of shares in 2020 was as follows:

In shares	Share capital	Treasury shares	Common shares outstanding
At 01.01.2020	**558,117,205**	**-**	**558,117,205**
Shares cancelled	-	-	-
Options and free shares exercised	1,754,375	-	1,754,375
Treasury shares purchased	-	-	-
AT 31.12.2020	**559,871,580**	**-**	**559,871,580**

c) 2019

The change in the number of shares in 2019 was as follows:

In shares	Share capital	Treasury shares	Common shares outstanding
At 01.01.2019	**560,396,652**	**-771,125**	**559,625,527**
Shares cancelled	-3,771,125	3,771,125	
Options and free shares exercised	1,491,678		1,491,678
Treasury shares purchased		-3,000,000	-3,000,000
AT 31.12.2019	**558,117,205**	**-**	**558,117,205**

The change in treasury shares in 2019 was as follows:

In shares	Buyback programme	Allocated to free-share plans	Total	€ millions
At 01.01.2019	**-**	**771,125**	**771,125**	**56.5**
Shares cancelled	-3,000,000	-771,125	-3,771,125	-56.5
Options and free shares exercised	-		-	-
Treasury shares purchased	3,000,000		3,000,000	-
AT 31.12.2019	**-**	**-**	**-**	**-**
€ millions	-	-	-	-

11.3. Other comprehensive income

The following tables indicate movements in this item:

€ millions	31.12.2021	31.12.2020	31.12.2019
Securities at fair value through other comprehensive income			
Reserve at beginning of period	5,293.2	6,562.3	4,911.7
Changes in fair value over period	1,192.2	-1,269.1	1,650.6
RESERVE AT END OF PERIOD	**6,485.4**	**5,293.2**	**6,562.3**

€ millions	31.12.2021	31.12.2020	31.12.2019
Cash flow hedges – foreign exchange			
Reserve at beginning of period	173.8	44.8	41.7
Changes in fair value over period	-75.2	78.7	201.8
Changes in fair value recorded through other comprehensive income	-128.4	50.3	-198.7
Deconsolidation	-	-	-
RESERVE AT END OF PERIOD	**-29.8**	**173.8**	**44.8**

The table below shows the impact of an increase or decrease of over 10% in the euro and US dollar against other currencies on the foreign exchange cash flow hedging reserve and the market value of the hedging instruments:

€ millions	31.12.2021	31.12.2020	31.12.2019
Impact of a 10% increase in the EUR against all other Group currencies	359.9	344.5	323.1
Impact of a 10% decrease in the EUR against all other Group currencies	-344.9	-324.2	-301.9
Impact of a 10% increase in the USD against key Group currencies	-80.4	-43.7	-27.0
Impact of a 10% decrease in the USD against key Group currencies	90.7	54.9	41.2

€ millions	31.12.2021	31.12.2020	31.12.2019
Cash flow hedges - interest rates			
Reserve at beginnning of period	-	-	-
Changes in fair value over period	-	-	-
Impairment loss recorded through other comprehensive income	-	-	-
RESERVE AT END OF PERIOD	**-**	**-**	**-**

€ millions	31.12.2021	31.12.2020	31.12.2019
Actuarial gains/(losses) and impact of asset ceiling			
Reserve at beginning of period	-1,283.7	-1,058.2	-730.5
Actuarial gains/(losses) over the period	584.1	-224.4	-327.7
Impact of asset ceiling	1.1	-1.1	-
Deconsolidation and other	0.2	-	-
RESERVE AT END OF PERIOD	**-698.3**	**-1,283.7**	**-1,058.2**

€ millions	31.12.2021	31.12.2020	31.12.2019
Other comprehensive income			
Gross reserve	5,757.4	4,183.2	5,548.8
Associated tax effect	-18.8	121.4	46.9
RESERVE NET OF TAX	**5,738.6**	**4,304.5**	**5,595.8**

11.4. Net profit excluding non-recurring items – Earnings per share

Accounting principles

Earnings per share are calculated in accordance with the rules set out in IAS 33.

Basic earnings per share are obtained on the basis of the weighted average number of shares outstanding during the year, less the average number of treasury shares held deducted from equity.

Where applicable, diluted earnings per share take into account dilutive stock options and free shares in accordance with the "treasury share method", under which sums collected on exercise or purchase are assumed to be allocated firstly to share buybacks at market price.

11.4.1. Reconciliation with net profit

Net profit excluding non-recurring items reconciles as follows with net profit attributable to owners of the company:

€ millions	2021	2020	2019
Net profit from attributable to owners of the company	**4,597.1**	**3,563.4**	**3,750.0**
Capital gains and losses on tangible and intangible assets	0.4	3.5	-14.0
Impairment of tangible and intangible assets	337.5	89.8	142.8
Restructuring costs	149.6	382.1	120.2
Other	-55.5	233.5	187.5
Tax effect on non-recurring items	-104.4	-161.5	165.0
Non-controlling interests on non-recurring items	-0.4	-	-0.1
Tax effect on acquisitions and internal restructuring	14.2	-11.8	5.5
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY EXCLUDING NON-RECURRING ITEMS	**4,938.5**	**4,099.0**	**4,356.9**

11.4.2. Earnings per share attributable to owners of the company

The tables below set out earnings per share attributable to owners of the company:

2021	Net profit – attributable to owners of the company *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company *(€)*
Earnings per share	4,597.1	557,600,698	8.24
Stock options	-	55,463	-
Free shares	-	2,135,384	-
DILUTED EARNINGS PER SHARE	**4,597.1**	**559,791,545**	**8.21**

2020	Net profit – attributable to owners of the company *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company *(€)*
Earnings per share	3,563.4	559,101,322	6.37
Stock options	-	274,942	-
Free shares	-	2,259,699	-
DILUTED EARNINGS PER SHARE	**3,563.4**	**561,635,963**	**6.34**

2019	Net profit – attributable to owners of the company *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company *(€)*
Earnings per share	3,750.0	559,739,718	6.70
Stock options	-	666,108	-
Free shares	-	2,407,303	-
DILUTED EARNINGS PER SHARE	**3,750.0**	**562,813,129**	**6.66**

11.4.3. Earnings per share excluding non-recurring items

The tables below set out in detail earnings per share excluding non-recurring items:

2021	Net profit attributable to owners of the company excluding non-recurring items *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company excluding non-recurring items *(€)*
Earnings per share excluding non-recurring items	4,938.5	557,600,698	8.86
Stock options	-	55,463	-
Free shares	-	2,135,384	-
DILUTED EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS	**4,938.5**	**559,791,545**	**8.82**

2020	Net profit attributable to owners of the company excluding non-recurring items *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company excluding non-recurring items *(€)*
Earnings per share excluding non-recurring items	4,099.0	559,101,322	7.33
Stock options	-	274,942	-
Free shares	-	2,259,699	-
DILUTED EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS	**4,099.0**	**561,635,963**	**7.30**

2019	Net profit attributable to owners of the company excluding non-recurring items *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company excluding non-recurring items *(€)*
Earnings per share excluding non-recurring items	4,356.9	559,739,718	7.78
Stock options	-	666,108	-
Free shares	-	2,407,303	-
DILUTED EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS	**4,356.9**	**562,813,129**	**7.74**

11.4.4. Calculation of the number of shares

All potential ordinary shares are included in the calculation of earnings per share since all stock option plans have a dilutive impact on the periods presented.

At 31 December 2021, 338,664,185 shares had been held in registered form for two years making them eligible for the 10% preferential dividend.

NOTE 12. Provisions for liabilities and charges – Contingent liabilities and material ongoing disputes

12.1. Provisions for liabilities and charges

Accounting principles

Provisions for liabilities and charges are set up to cover probable outflows for the benefit of third parties without any equivalent consideration being received by the Group in return. They mainly relate to restructuring costs, industrial, environmental and commercial risks relating to operations such as breach of contract, product returns, and employee-related risks.

These provisions are estimated on the basis of the most likely assumptions or by using statistical methods, depending on the nature of the risks.

Provisions for liabilities and charges are recorded either as *Non-current liabilities* or as *Current liabilities*, depending on their type. Provisions for liabilities or disputes which must be settled within 12 months of the closing date, and those linked to the normal operating cycle (such as product returns), are recorded as *Current liabilities*. Other provisions for liabilities and charges are recorded as *Non-current liabilities*.

12.1.1. Closing balances

€ millions	31.12.2021	31.12.2020	31.12.2019
Provisions for liabilities and charges	**63.8**	**56.8**	**56.9**
Non-current provisions (1)	63.8	56.8	56.9
Current provisions for liabilities and charges	**1,223.3**	**1,224.7**	**1,117.8**
Provisions for restructuring	182.5	235.1	112.9
Provisions for product returns	405.9	352.4	351.1
Other current provisions (1)	634.9	637.3	653.7
TOTAL	**1,287.1**	**1,281.6**	**1,174.7**

(1) This item notably includes provisions for tax risks and litigation excluding corporate income tax, industrial, environmental and commercial risks relating to operations (breach of contract), personnel costs, investments accounted for under the equity method when the Group's share in the net asset is negative, as well as risks relating to investigations carried out by competition authorities (note 12.2.2.a and b).

12.1.2. Changes in provisions for liabilities and charges during the period

The change in this caption in 2021 can be analysed as follows:

€ millions	31.12.2019	31.12.2020	Charges (2)	Reversals (used) (2)	Reversals (not used) (2)	Other (1)	31.12.2021
Provisions for restructuring	113.0	235.1	130.5	-145.2	-45.4	7.5	182.5
Provisions for product returns	351.0	352.4	422.9	-305.4	-84.5	20.4	405.9
Other provisions for liabilities and charges	710.7	694.1	216.2	-97.7	-117.7	3.8	698.7
TOTAL	**1,174.7**	**1,281.6**	**769.6**	**-548.3**	**-247.6**	**31.7**	**1,287.1**

(1) Mainly resulting from translation differences.
(2) These figures can be analysed as follows:

€ millions	Charges	Reversals (used)	Reversals (not used)
Operating profit	639.1	-417.1	-155.8
Other income and expenses	130.5	-131.2	-91.8
Net financial income	-	-	-

The change in this caption in 2020 can be analysed as follows:

€ millions	31.12.2018	31.12.2019	Charges (2)	Reversals (used) (2)	Reversals (not used) (2)	Other (1)	31.12.2020
Provisions for restructuring	102.1	112.9	261.9	-110.9	-15.7	-13.1	235.1
Provisions for product returns	316.8	351.1	300.4	-227.0	-49.4	-22.7	352.4
Other provisions for liabilities and charges	608.5	710.7	219.0	-133.8	-58.8	-43.0	694.1
TOTAL	**1,027.4**	**1,174.7**	**781.3**	**-471.7**	**-123.9**	**-78.8**	**1,281.6**

(1) Mainly resulting from translation differences.
(2) These figures can be analysed as follows:

€ millions	Charges	Reversals (used)	Reversals (not used)
Operating profit	498.8	-357.6	-108.1
Other income and expenses	282.5	-114.1	-15.8
Net financial income	-	-	-

The change in this caption in 2019 can be analysed as follows:

€ millions	31.12.2017	31.12.2018	Charges (2)	Reversals (used) (2)	Reversals (not used) (2)	Other (1)	31.12.2019
Provisions for restructuring	146.0	102.1	89.1	-58.7	-13.3	-6.4	112.9
Provisions for product returns	303.6	316.8	301.0	-233.6	-38.6	5.5	351.1
Other provisions for liabilities and charges	623.6	608.5	278.9	-127.7	-62.2	13.2	710.7
TOTAL	**1,073.2**	**1,027.4**	**669.0**	**-420.0**	**-114.1**	**12.4**	**1,174.7**

(1) Mainly resulting from translation differences
(2) These figures can be analysed as follows:

€ millions	Charges	Reversals (used)	Reversals (not used)
Operating profit	530.7	-360.0	-100.8
Other income and expenses	138.3	-60.0	-13.3
Net financial income	-	-	-

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12.2. Contingent liabilities and material ongoing disputes

L'Oréal is party to several material disputes, described below:

12.2.1. Tax disputes

Brazil – IPI indirect tax base challenged

In January 2015, decree 8.393/2015 stated that commercial companies in Brazil would be liable for the indirect IPI tax on certain products as from 1 May 2015. L'Oréal is challenging the legal grounds of this decree and its application. In light of changes in market practices and a favourable change in the opinion of its advisers, since 1 January 2018 L'Oréal has recognised the IPI collected under income and the provision that had been funded was accordingly reversed in 2018.

L'Oréal received tax reassessment notices regarding the indirect IPI tax for financial years 2008 and 2011 to 2015 totalling €523.9 million, including interest and penalties. The Brazilian tax authorities are questioning the ex-works sales price to the commercial arm used to calculate the IPI tax base. After consulting with its tax advisors, L'Oréal considers that the Brazilian tax authorities' position is unfounded and has challenged these notices. L'Oréal continues its legal proceedings with the tax and legal authorities.

In light of the negative developments in administrative court decisions on the same matter for other Brazilian groups, L'Oréal funded a provision for €35 million to partially cover this risk.

India – Advertising, marketing and promotional costs challenged

L'Oréal received several tax reassessment notices regarding financial years 2007/08 to 2017/18 for the most part concerning the tax deductibility of advertising, marketing and promotional expenses for a total amount of €202.4 million including interest and penalties. After consulting with its tax advisors, L'Oréal decided to contest these notices and continues the legal proceedings with the administrative and legal authorities.

Mutual agreement procedures

Mutual agreement procedures were instigated vis-à-vis the Italian, French, Spanish, Indonesian and Singaporean tax authorities in order to eliminate double taxation following disagreements between these authorities.

12.2.2. Investigations carried out by the competition authorities

The national competition authorities in several European countries have launched investigations targeting the cosmetics industry in particular.

a) Europe (excluding France)

In Greece, in its decision passed down on 4 October 2017, the Greek competition authority condemned L'Oréal Hellas to pay a fine of €2.6 million for carrying out anti-competitive practices in 2005-2006. L'Oréal Hellas refuted all allegations of having engaged in anti-competitive practices with other luxury cosmetics manufacturers. The Greek Administrative Court of Appeal quashed this decision on 5 November 2018. The Greek competition authority lodged an appeal in cassation against this decision on 28 January 2019 and a hearing before the Council of State, which was postponed on numerous occasions, was finally held on 17 November 2020. The decision should be handed down during the first-half of 2022.

In Germany, after the German competition authority filed a lawsuit in 2008 in the area of personal care products, which was definitively closed in 2015, distributors filed a lawsuit seeking damages against L'Oréal Germany which has resulted in dismissals by the courts at this stage. These proceedings are still ongoing. L'Oréal Germany is contesting the merits of these claims and denies that any damages occurred.

b) France

In France, on 18 December 2014, the French competition authority handed down a fine of €189.5 million against L'Oréal in the hygiene products sector for events that took place in the early 2000s. On 27 October 2016, the Paris Court of Appeal upheld this first instance decision. L'Oréal refutes all accusations of concerted practices with its competitors and regrets that the French competition authority did not take into account the highly competitive French market in household and hygiene products as illustrated by the number of manufacturers and retailers present on the market, the large choice of products available to consumers, and the high degree of innovation and number of product launches.

Following an appeal lodged by L'Oréal, on 27 March 2019, the Court of Cassation partially overturned the ruling relating to the amount of the fine imposed on L'Oréal. On 18 June 2020, the Second Court of Appeal confirmed the initial amount of the fine. L'Oréal lodged a second appeal with the Court of Cassation against this ruling. The decision should be handed down during the first-half of 2022.

It should be noted that since the appeal and Cassation appeal do not entail a stay in the judgement, the fine provisioned at the end of 2014 was paid on 28 April 2015.

At 31 December 2021, the provision was maintained in liabilities and the payment recognised in *Other current assets*.

Following this ruling, the distributors filed lawsuits for damages against L'Oréal. These proceedings are in initial stages or resulted in dismissals by the courts. These proceedings are still ongoing. L'Oréal contests the merits of these claims and denies that any damages occurred.

A provision has been set aside for all disputes still in progress at 31 December 2021 amounting to €189.5 million at year-end unchanged from the provision at end-2020 and end-2019.

At the present time, no other exceptional events or disputes are highly likely to have a material impact on the earnings, financial situation, assets, or operations of the Company or the L'Oréal Group.

NOTE 13. Sustainable development and the climate

13.1. Measurement of assets and liabilities

a) Environmental risks

The Group strictly complies with regulations and laws relating to environmental protection, and does not expect current regulations to have any significant impact on the Group's operations, financial position, earnings or assets.

b) Mea surement of assets

For many years, L'Oréal has shown a strong commitment to environmental, social and societal responsibility. L'Oréal placed sustainability at the heart of its strategy, with the launch in 2013 of the Sharing Beauty With All programme with 2020 targets focused on sustainable production, sustainable innovation, sustainable consumption and shared growth.

In June 2020, L'Oréal initiated the second phase of its commitments to sustainable development, under the umbrella of the L'Oréal for the Future programme, with a new set of particularly ambitious and concrete targets for 2030, in order to cover all the impacts associated with its value chain: its production and distribution sites as well as its supply chains and the impacts associated with the use of products by consumers.

For example:

- the Group undertakes to reach carbon neutrality for all Group sites by 2025, by improving energy efficiency and using 100% renewable energy;
- by 2030, 100% of ingredients in formulas and biobased packaging materials will be traceable and come from sustainable sources. None of them will contribute to deforestation;
- by 2030, 100% of the plastics used in packaging will be from either recycled or biobased sources;
- by 2030, L'Oréal undertakes to innovate to enable its consumers to reduce by 25%, on average and per finished product, the water consumption and greenhouse gas emissions linked to the use of its products, compared to 2016.

The above commitments do not jeopardise the value of the Group's assets or the useful lives of our non-financial assets. In particular:

- our ongoing efforts to bring our products in line with consumer demand as part of L'Oréal for the Future are included in the Group's short-term strategic plans used in impairment tests on intangible assets with an indefinite useful life;
- to date, the adaptation of our plants and product formulas has not led us to identify any risk of our production lines becoming obsolete or experiencing a reduction in their value in use.

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13.2. Financing and investment

The Group's L'Oréal for the Future programme rests on its financing and short- and long-term investment strategies.

a) Financing

The credit lines indexed to the Group's sustainable development performance incorporate a borrowing cost adjustment mechanism.

The L'Oréal Group has a syndicated loan from 20 banks (€5 billion), which had not been used at the end of December 2021. This loan incorporates a mechanism whereby the margin is adjusted in line with the Group's performance with regard to four ESG KPIs: climate, biodiversity, resources and social commitment.

b) Short-term investment

The Group's available cash is mainly invested in SRI SICAV money-market funds. Investment in these types of SICAV accounted for 70% of all short-term investment in 2021.

c) Long-term investment

The Group recorded a total of €139 million in non-current financial assets related to sustainable development activities, measured at fair value through equity (see note 9.3).

- at the end of 2021, investment in the *Circular Innovation Fund* amounting to €50 million. L'Oréal is one of the main contributors to this impact investing fund, whose investment thesis is focused on the circular economy, structured around seven verticals including new packaging materials and solutions from the bioeconomy and the circular economy, green technology and waste and recycling collection services;
- in 2020, the creation of a fund for Nature Regeneration to financially support projects to restore natural marine, forest and agricultural ecosystems. This dedicated €50 million fund had already invested in three projects at the end of 2021 (creation of a Blue Carbon Facility, a reforestation project in Colombia and a pan-European project to reintroduce biodiversity);
- investment in start-ups (€39 million in total), including the Swiss environmental technology firm Gjosa, which developed innovative water saving solutions, the French biotech company Global Bioenergies, which developed a process to convert plant-based resources, and the green chemistry start-up Carbios, which developed enzymatic processes for plastic biodegradation and biorecycling.

NOTE 14. Off-balance sheet commitments

14.1. Lease commitments

These amounted to €257.9 million at 31 December 2021 compared with €257.5 millions at 31 December 2020 and €230.7 million at 31 December 2019, of which:

- €45.1 million was due within one year at 31 December 2021, compared with €44.3 million at 31 December 2020 and €41.8 million at 31 December 2019;
- €76.9 million was due within one to five years at 31 December 2021, compared with €72.3 million at 31 December 2020 and €48.5 million at 31 December 2019;
- €135.9 million was due in over five years at 31 December 2021, compared with €140.9 million at 31 December 2020 and 140.4 million at 31 December 2019.

14.2. Other off-balance sheet commitments

Confirmed credit lines are discussed in note 9.1.10.

Other significant off-balance sheet commitments have been identified and measured. They chiefly fall due within one year and are as follows:

€ millions	31.12.2021	31.12.2020	31.12.2019
Guarantees given [(1)]	312.2	326.5	398.5
Guarantees received	76.8	73.6	80.3
Capital expenditure orders [(2)]	504.2	255.6	329.6
Firm purchase commitments under logistics supply contracts	1,341.5	972.8	871.0

(1) These consist mainly of guarantees given to governmental bodies or concerning loans granted to third parties who are partners of the Group, and the net commitment toward the L'Oréal Foundation for its long-term action programme and commitment to pay into the fund dedicated to rebuilding the Notre-Dame Cathedral.
(2) Despite their strategic nature, none of these investments taken individually is material enough at Group level to warrant more detailed disclosure.

NOTE 15. Transactions with related parties

15.1. Transactions with associated companies (Related parties)

Equity-accounted companies include joint ventures only.

The consolidated financial statements include transactions carried out between the Group and its equity-accounted companies, considered to be related parties. The main transactions with these related parties and the associated outstanding balances are as follows:

€ millions	2021	2020	2019
Sales of goods and services	-	-	-
Financial expenses and income	-	-	-

The following receivables and payables were recorded on the balance sheet for the related parties:

€ millions	31.12.2021	31.12.2020	31.12.2019
Operating receivables	0.1	-	-
Operating payables	-	-	0.1
Financial receivables	0.1	0.1	0.1

15.2. Related parties with a significant influence on the Group

L'Oréal has been informed that on 16 December 2016, the members of the Bettencourt Meyers family group, and Mr. Jean-Paul Agon for 100 shares, signed lock-up agreements under the Dutreil law for 185,704,189 L'Oréal shares representing 33.065% of the capital and of the voting rights of the Company on the date of the agreement.

The lock-up agreements were concluded in application of Articles 787 B and 885 I bis of the French General Tax Code for a period of two years, tacitly renewable for one-year periods. They do not include any preferential rights for sales or acquisitions for the benefit of the signatories and do not constitute a concerted action vis-à-vis the Company.

In 2021, no significant transactions were carried out with a member of senior management or a shareholder with a significant influence, except for the operation above and the repurchase by L'Oréal from Nestlé of 22,260,000 of its own shares.

NOTE 16. Fees accruing to auditors and members of their networks payable by the Group

FEES FOR THE 2021 FINANCIAL YEAR

	PricewaterhouseCoopers				Deloitte & Associés			
	Auditor PricewaterhouseCoopers Audit		Network		Auditor Deloitte & Associés		Network	
€ millions excl. VAT	Amount	As a %	Amount	As a %	Amount	As a %	Amount	As a %
Review of interim, company and consolidated financial statements								
L'Oréal	1.2	55%	n/a	n/a	1.4	54%	n/a	n/a
Fully consolidated subsidiaries	0.7	32%	4.0	56%	0.6	22%	4.7	83%
Subtotal	**1.9**	**86%**	**4.0**	**56%**	**2.0**	**76%**	**4.7**	**83%**
Non-audit services (1)								
L'Oréal	0.3	14%	2.1	29%	0.6	24%	-	-%
Fully consolidated subsidiaries	-	-%	1.1	15%	-	-%	0.9	17%
Subtotal	**0.3**	**14%**	**3.2**	**44%**	**0.6**	**24%**	**0.9**	**17%**
TOTAL	**2.2**	**100%**	**7.2**	**100%**	**2.6**	**100%**	**5.6**	**100%**

(1) Mainly concerning acquisition audits.

FEES FOR THE 2020 FINANCIAL YEAR

	PricewaterhouseCoopers				Deloitte & Associés			
	Auditor PricewaterhouseCoopers Audit		Network		Auditor Deloitte & Associés		Network	
€ millions excl. VAT	Amount	As a %	Amount	As a %	Amount	As a %	Amount	As a %
Review of interim, company and consolidated financial statements								
L'Oréal	1.1	50%	n/a	n/a	1.4	57%	n/a	n/a
Fully consolidated subsidiaries	0.8	36%	3.9	40%	0.7	28%	4.7	93%
Subtotal	**1.9**	**86%**	**3.9**	**40%**	**2.1**	**85%**	**4.7**	**93%**
Non-audit services (1)								
L'Oréal	0.3	14%	3.3	32%	0.3	14%	-	-
Fully consolidated subsidiaries	-	-%	2.9	28%	-	-%	0.4	7%
Subtotal	**0.3**	**14%**	**6.2**	**60%**	**0.3**	**15%**	**0.4**	**7%**
TOTAL	**2.2**	**100%**	**10.2**	**100%**	**2.4**	**100%**	**5.1**	**100%**

(1) Mainly concerning acquisition audits.

NOTE 17. Subsequent events

No significant events occurred between the balance sheet date and the date on which the consolidated financial statements were approved by the Board of Directors.

5.7. CONSOLIDATED COMPANIES AT 31 DECEMBER 2021

5.7.1. Fully consolidated companies

Company	Head office	% interest
ATELIER COLOGNE (as a sub-group)	France	100.00
AZZARO MUGLER BEAUTÉ FRANCE	France	100.00
AZZARO MUGLER BEAUTÉ UK LIMITED	United Kingdom	100.00
BEAUTÉ, RECHERCHE & INDUSTRIES	France	100.00
BEAUTYCOS INTERNATIONAL COMPANY LIMITED	China	100.00
BEAUTYLUX INTERNATIONAL COSMETICS (SHANGHAI) CO LTD	China	100.00
BIOTHERM	Monaco	99.80
BOLD BUSINESS OPPORTUNITIES FOR L'ORÉAL DEVELOPMENT	France	100.00
CANAN KOZMETIK SANAYI VE TICARET A.S.	Turkey	100.00
CENTRE LOGISTIQUE D'ESSIGNY OU CLOE	France	100.00
CENTRE THERMAL DE LA ROCHE-POSAY	France	100.00
COBELSA COSMETICOS, S.A.	Spain	100.00
COMPAGNIE THERMALE HOTELIERE ET FINANCIERE – C.T.H.F.	France	99.98
COMPTOIR LAINIER AFRICAIN	Morocco	100.00
COSBEL S.A. DE C.V.	Mexico	100.00
COSMELOR LTD	Japan	100.00
COSMEPHIL HOLDINGS CORPORATION PHILIPPINES	The Philippines	100.00
COSMETIL	Morocco	49.80
COSMETIQUE ACTIVE INTERNATIONAL – CAI	France	100.00
COSMETIQUE ACTIVE PRODUCTION – C.A.P.	France	100.00
EGYPTELOR LLC	Egypt	100.00
ELEBELLE (PROPRIETARY) LIMITED	South Africa	100.00
EPISKIN	France	99.92
EPISKIN BRASIL BIOTECNOLOGIA EIRELI	Brazil	99.92
ERWITON S.A.	Uruguay	100.00
FAPAGAU & CIE	France	100.00
FAPROREAL	France	100.00
FINVAL	France	100.00
FITNE GESUNDHEIT UND WELLNESS GMBH	Germany	100.00
FRABEL S.A. DE C.V.	Mexico	100.00
GEMEY PARIS – MAYBELLINE NEW YORK	France	100.00
GUANGZHOU L'ORÉAL BUYCOOR INTERNET SCIENCE & TECHNOLOGY CO., LTD	China	100.00
HELENA RUBINSTEIN ITALIA S.P.A.	Italy	100.00
HOLDIAL	France	100.00
INTERBEAUTY COSMETICS LTD	Israel	92.97
INTERBEAUTY PRODUCTS LIMITED	Kenya	100.00
JSC L'ORÉAL	Russia	100.00
KOSMEPOL SP. Z.O.O.	Poland	100.00
L & J RE	France	100.00
L'ORÉAL TRAVEL RETAIL AMERICAS, INC.	United States	100.00
LA ROCHE-POSAY LABORATOIRE DERMATOLOGIQUE	France	99.98
LABORATOIRE SANOFLORE	France	100.00
LABORATORIOS DE COSMETICOS VOGUE S.A.S.	Colombia	100.00
LIBRAMONT ENERGIES VERTES – LEV	Belgium	100.00
LOA3	France	100.00
LOA6	France	100.00
LOA10	France	100.00
LOGISTICA 93 S.R.L.	Italy	100.00
LOGO-BAU VERWALTUNGSGESELLSCHAFT GMBH	Germany	100.00
LOGOCOS NATURKOSMETIK AG	Germany	100.00
L'ORÉAL (CHINA) CO. LTD	China	100.00
L'ORÉAL (THAILAND) LIMITED	Thailand	100.00
L'ORÉAL (UK) LIMITED	United Kingdom	100.00
L'ORÉAL ADRIA D.O.O.	Croatia	100.00