L'ORÉAL

HALF-YEAR FINANCIAL REPORT
At 30 June 2022

Contents

L'ORÉAL

Half-year Financial Report

at 30 June 2022

This is a free translation into English of the L'Oréal 2022 Half-year Financial Report issued in the French language and is provided solely for the convenience of English speaking readers. In case of discrepancy the French version prevails.

Half-year situation at 30 June 2022

The following statements have been examined by the Board of Directors of 28 July 2022 and have been the object of a limited review by the Statutory Auditors.

1. ACTIVITY REPORT

It should be noted that L'Oréal's half-year results are not representative of the full-year results.

1.1. THE GROUP CONSOLIDATED

Like-for-like, i.e. based on a comparable scope of consolidation and constant exchange rates, sales of the L'Oréal group grew by +13.5%.

The net impact of changes in the scope of consolidation was +0.4%.

Growth at constant exchange rates came out at +13.9%.

Currency fluctuations had a positive impact of +7.0%. If the exchange rates at 30 June 2022, i.e. €1 = $1.042, are extrapolated until 31 December, the impact of currency fluctuations on sales would be around +6.9% for the whole of 2022.

Based on reported figures, the Group's sales at 30 June 2022 amounted to 18.36 billion euros, an increase of +20.9%.

The Asian Travel Retail business unit was relocated on 1st July 2022, which generated anticipated invoicing of €90 million in June.

This had a positive impact of 110 basis points on second quarter like-for-like growth, and 60 basis points on the first half. This impact will be reversed in the third quarter 2022.

1.1.1. Consolidated income statements

Gross profit, at 13,430.6 million euros, came out at 73.1% of sales compared with 74.5%, a difference of 140 basis points compared with the first half of 2021.

Research & Innovation expenses, at 539.6 million euros, came out at 2.9% of sales.

Advertising and promotion expenses came out at 31.5% of sales, a decrease of 110 basis points.

Selling, general and administrative expenses, at 18.3% of sales, decreased by 80 basis points.

Overall, **operating profit** increased by +25.3% to 3,745.5 million euros and amounted to 20.4% of sales, an increase of 70 basis points compared with the first half of 2021.

Overall financial expenses came out at 16.4 million euros.

Sanofi dividends amounted to 468.2 million euros. This year, in addition to the annual dividend of 393.7 million euros, Sanofi paid an additional dividend-in-kind in the form of newly listed Euroapi shares for an amount of 74.5 million euros.

Income tax excluding non-recurring items came out at 943.0 million euros, i.e. a tax rate of 22.5%, higher than the first half of 2021.

Net profit excluding non-recurring items after non-controlling interests(1) came out at 3,254.0 million euros.

Earnings per share(2), at 6.05 euros, increased by +30.8% compared with the first half of 2021.

1.1.2. Cash flow statements / balance sheet

Gross cash flow amounted to 3,825.1 million euros, an increase of 14.7%.

The **change in working capital** amounted to -1,849 million euros.

Investments, at 638.3 million euros, represented 3.5% of sales.

Operating cash flow(3) amounted to 1,337.0 million euros, a decrease of 37.5%.

At 30 June 2022, after taking into account finance lease liabilities for 1,649 million euros, **net debt** amounted to 5,007 million euros.

(1) Net profit excluding non-recurring items, after non-controlling interests, excludes mostly capital gains and losses on disposals of long-term assets, impairment of assets, restructuring costs, tax effects and non-controlling interests.
(2) Diluted net profit per share, excluding non-recurring items, after non-controlling interests.
(3) Operating cash flow = Gross cash flow + changes in working capital - capital expenditure.

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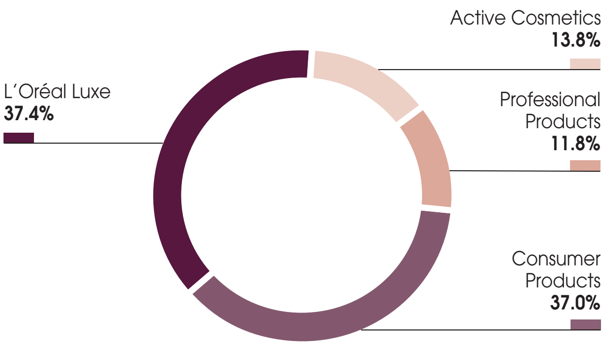
1.2. SEGMENT INFORMATION

1.2.1. Turnover by Division



At the end of June, the Professional Products Division recorded strong growth at +14.3% like-for-like and +21.7% reported.

The Division continued to grow strongly in all geographic Zones, with outstanding performance in India, mainland China, North America and Germany. This growth confirms the success of the Division's omnichannel strategy, with a significant increase in sales in e-commerce, in salons, and within the SalonCentric distribution network in the United States.

The Division increased its leadership in the dynamic haircare market, thanks in particular to the good performance of *Kérastase* and *Serie Expert* by *L'Oréal Professionnel*. In hair colour, the Division also recorded strong growth, with the success of its iconic lines: *Shades EQ* by *Redken* and *Inoa* by *L'Oréal Professionnel*; innovation continued with *Redken Color Gels Lacquers 10 Min*, which allows hairdressers to cover 100% of white hair in 10 minutes.

Always at the cutting edge, the Division expanded its service offering by launching L'Oréal's first marketplace for beauty professionals through the SalonCentric distribution network in the United States, thus reaffirming its global leadership.

The Consumer Products Division posted solid growth in the first half: +8.0% like-for-like and +13.9% reported, with an outstanding second quarter at +9.1%

This performance was driven by the success of all its major brands and their product innovations. In a dynamic global makeup market, the Division progressed even faster, thanks to the performance of *NYX Professional Makeup* and blockbuster launches like *True Match* serum by *L'Oréal Paris* and *Vinyl Ink* lipstick by *Maybelline New York*. The Division also recorded double-digit growth in haircare, with the global rollout of *Elvive Hyaluron Plump* as well as a successful focus on premium ranges. In skincare, *Garnier* continued to grow in the different Zones, with the success of its *Vitamin C Brightening Serum* and micellar waters.

In mainland China, the lockdown in Shanghai curbed product deliveries early in the second quarter. In June, *L'Oréal Paris* ranked No.1 beauty brand in the 6.18 Shopping Festival on Tmall. Elsewhere, the Division gained significant market share in the United States, accelerated in Europe and recorded outstanding performance in emerging markets, especially Mexico, Brazil, India and the Middle East.

Thanks to its advanced revenue growth management, the Division was able to create growth in both volume and value, while preserving its profitability.

In the first half of the year, L'Oréal Luxe recorded very strong growth of +16.4% like-for-like and +25.6% reported, again outperforming the global luxury beauty market.

The Division outperformed in all three of its categories. The super-premium brands *Lancôme Absolue* and *Helena Rubinstein* drove the growth in skincare along with the newly acquired brands *Takami* and *Youth to the People*. In fragrances, the Division grew by +35%; global mainstays such as *Libre* by *Yves Saint Laurent* and *Born in Roma* by *Valentino* were powerful growth drivers. Driven by the success of *Maison Margiela* and *Armani Privé*, the Collections segment is booming and showing strong potential. In makeup, the global brands *Lancôme* and *Yves Saint Laurent* and the category specialists *Shu Uemura* and *Urban Decay* grew significantly faster than the market, which continued to be dynamic.

The Division's performance is balanced across geographic Zones. L'Oréal Luxe accelerated strongly in SAPMENA-SSA and Latin America and reached very high market share levels in North Asia. Despite a difficult context in mainland China, L'Oréal Luxe achieved exceptional performance and reached a record market share there.

At the end of June, the Active Cosmetics Division posted very strong growth of +20.9% like-for-like and +28.0% reported. Building on a strengthened partnership with healthcare professionals, which is boosting the Division's recommendation-based model, the Active Cosmetics Division grew much faster than the dermocosmetics market. The Division achieved double-digit growth in all Zones, with remarkable performance in North America, Europe and SAPMENA–SSA.

Growth is balanced between e-commerce and brick-and-mortar, which maintained a good momentum over the half-year with a strong contribution from the drugstore and pharmacy channels.

La Roche-Posay, the primary contributor to the Division's growth, accelerated strongly, driven by *Cicaplast* and *Effaclar*, as well as the success of the patented sun protection innovation *UVMune 400*, the result of 10 years of research. *CeraVe* remained the Division's fastest growing brand, continuing to perform remarkably well in North America while pursuing its dynamic expansion in international markets. *Vichy* posted double-digit growth driven by the relaunch of *Neovadiol*, the success of the innovative *UV AGE* in a very dynamic sun protection market, and of the *Dercos* franchise in haircare. *Skinceuticals* accelerated in the second quarter, fuelled by the excellent performance of *A.G.E Interrupter* anti-wrinkle cream.

1.2.2. Operating profit by Division

	30.06.2021		31.12.2021		30.06.2022	
	€ millions	% of sales	€ millions	% of sales	€ millions	% of sales
By Division						
Professional Products	363.9	20.5%	806.9	21.3%	458.7	21.2%
Consumer Products	1,193.4	20.0%	2,466.0	20.2%	1,359.8	20.0%
L'Oréal Luxe	1,301.9	23.8%	2,816.3	22.8%	1,647.8	24.0%
Active Cosmetics	570.0	28.8%	990.5	25.2%	703.5	27.7%
Total Divisions before non-allocated	**3,429.1**	**22.6%**	**7,079.7**	**21.9%**	**4,169.9**	**22.7%**
Non-allocated[1]	*-441.0*	*-2.9%*	*-919.4*	*-2.8%*	*-424.4*	*-2.3%*
GROUP	**2,988.1**	**19.7%**	**6,160.3**	**19.1%**	**3,745.5**	**20.4%**

(1) Non-allocated expenses = Central Group expenses, fundamental research expenses, stock options and free grant of shares expenses and miscellaneous items.

The L'Oréal group is managed on an annual basis. This means that half-year operating profits cannot be extrapolated for the whole year.

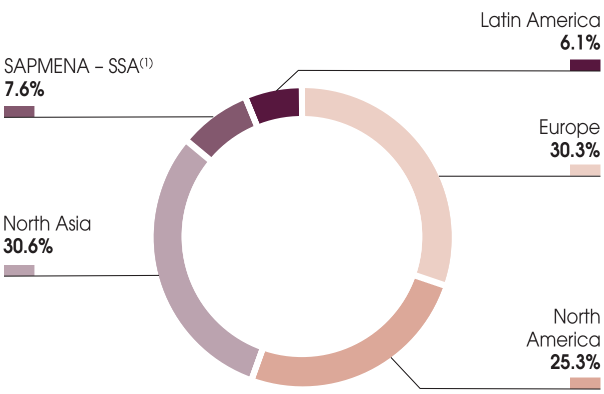
The profitability of the **Professional Products Division** increased from 20.5% to 21.2%.

The profitability of the **Consumer Products Division** came out at 20.0%, as in the first half of 2021.

The profitability of **L'Oréal Luxe** improved by 20 basis points to 24.0%.

The profitability of the **Active Cosmetics Division** decreased by 110 basis points, to 27.7%.

1.2.3. Sales by geographic zone



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

1.2.3.1. Europe

The Zone achieved strong growth of +14.3% like-for-like and +14.6% reported.

With the lifting of public health restrictions in the majority of countries, the European beauty market was dynamic in the first half and has now exceeded 2019 levels. All categories grew, and L'Oréal outperformed the market in the majority of countries, particularly Spain-Portugal, Germany and Italy. L'Oréal continued to strengthen its positions in e-commerce.

The Active Cosmetics Division significantly increased its market share, with *La Roche-Posay* posting very strong growth and *CeraVe* expanding rapidly. Reinforcing its leadership, L'Oréal Luxe recorded outstanding performance in fragrances, despite supply chain constraints. The performance of the Consumer Products Division was driven by makeup and skincare. The Professional Products Division reported balanced growth between hair colour and haircare.

The Group's activities in Ukraine, which were put on hold on 24 February following the invasion, were resumed in a limited capacity in response to customer demand. In Russia, the Group has temporarily closed all its own stores and e-commerce sites and suspended all industrial and media investments. In accordance with European and American sanctions, it has suspended the sales of all products except essential daily products.

1.2.3.2. North America

In the first half of the year, the Zone grew by +11.6% like-for-like and +23.5% reported.

Sales continued to grow amid a robust market that has returned to pre-Covid levels. As brick-and-mortar recovers, growth is balanced between online and offline. Product innovations, dedication to service improvement and a major focus on valorisation across all Divisions were key to L'Oréal's success in the first half. Despite real improvements, supply chain pressures persisted in a context of strong growth.

The Consumer Products Division continued to grow with innovations in all categories, led by *NYX Professional Makeup*, which successfully completed its transformation. The performance of L'Oréal Luxe was driven by fragrances, while the recently acquired brand *Youth to the People* bolstered the Division's skincare range. The Professional Products Division also beat the market, driven by *SalonCentric* and the recovery of salons, as well as its strong innovation strategy. The Active Cosmetics Division significantly outpaced the market, with *La Roche-Posay* and *CeraVe* achieving very strong growth.

1.2.3.3. North Asia

The Zone recorded growth of +10.5% like-for-like and +20.3% reported.

Amid the Covid-19 resurgence in the Zone, L'Oréal achieved exceptional performance, with all three selective Divisions posting double-digit growth. L'Oréal Luxe recorded spectacular market share gains, with the activations of *Lancôme, Helena Rubinstein* and *Yves Saint Laurent*, and also the successful rollout of *Urban Decay* and *Maison Margiela* while the Active Cosmetics and Professional Products Divisions were driven by the success of *La Roche-Posay, Skinceuticals* and *Kérastase*. The Consumer Products Division improved in the second quarter thanks to strong innovation initiatives from *Maybelline New York* and *L'Oréal Paris*.

In mainland China, the beauty market contracted significantly at the beginning of the second quarter due to the lockdown. Thanks to its robust supply infrastructure, L'Oréal was able to cope with disruptions and achieved solid performance, with double-digit growth in June, reinforcing its market share in all Divisions during the second quarter, with L'Oréal Luxe reaching a historic market share. The Group leveraged its excellence in e-commerce and six of its brands featured in the top 12 during the Tmall 6.18 Shopping Festival: *L'Oréal Paris* ranked No.1 in total beauty and in skincare in particular; *Kérastase* was ranked No.1 in haircare, while *Stylenanda 3CE* topped the makeup ranking. *L'Oréal Paris* also topped the rankings in the new platform created by ByteDance (TikTok/Douyin).

In the rest of the Zone, L'Oréal outperformed the market in South Korea, and, in Japan, the recently acquired *Takami* brand is growing very fast.

1.2.3.4. SAPMENA – SSA[1]

The Zone grew sharply by +23.0% like-for-like and +28.3% reported.

In SAPMENA, L'Oréal grew much faster than the market. The Group met booming demand from brick-and-mortar outlets in the Zone, while continuing to grow online, with a strong activation strategy. The performance in SAPMENA was largely driven by the outstanding sales dynamic in India. In the Pacific region, L'Oréal confirmed its recovery in Australia with double-digit growth in the second quarter. In South-East Asia, the gradual return of tourist footfall has contributed to the recovery of sales in the region; L'Oréal saw a dramatic recovery in offline sales in Malaysia and continued to grow in Thailand and Vietnam thanks to the success of the Active Cosmetics Division. In the Middle East, the Gulf states saw spectacular sales growth.

In Sub-Saharan Africa (SSA), the Group progressed much faster than the market and achieved an outstanding performance, driven by South Africa and Kenya.

1.2.3.5. Latin America

The Zone recorded an excellent performance, with growth of +22.3% like-for-like and +39.1% based on reported figures.

The beauty market continued to expand in all countries, with particularly strong growth in Mexico and an acceleration in Brazil and Chile.

In this context, L'Oréal gained market share, driven by the outstanding performance of the Consumer Products Division. L'Oréal recorded double-digit growth in all Divisions and all countries, with a significant acceleration in Mexico and the remarkable growth of the Consumer Products Division in Brazil. All categories posted strong growth. The weight of online sales continued to increase, and L'Oréal recorded strong growth in brick-and-mortar.

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

1.3. IMPORTANT EVENTS DURING THE PERIOD

- On 9 February 2022, the Board of Directors of L'Oréal cancelled, effective as of 10 February 2022, the 22,260,000 L'Oréal shares repurchased from Nestlé, in accordance with the Board's decisions on 7 December 2021. As of 10 February 2022, **L'Oréal's capital** is formed by 535,412,372 shares with equivalent voting rights.
- On 22 February, L'Oréal joined forces with more than 30 personal care companies and professional associations to form the **EcoBeautyScore Consortium**. The goal is to develop an industry-wide environmental impact assessment and scoring system for cosmetics products.
- On 25 February, **David Greenberg** was appointed CEO of L'Oréal USA, President of North America Zone, and member of the Executive Committee.
- On 3 March, for the fifth year in a row, L'Oréal was among the top 20 most gender-equitable companies in the world in **Equileap's Global Gender Equality Ranking**. The Group is again No.1 in France. The research examined 3,895 companies, representing 102 million employees globally, on gender equality across 23 countries based on 19 in-depth criteria.
- On 11 March, L'Oréal received a **Long-Term Issuer credit rating** from Standard and Poor's, and an Issuer Rating of Aa1 from Moody's. The outlooks assigned to the ratings by both agencies are "Stable". On 22 March, L'Oréal announced that it had successfully priced its inaugural **public bond offering**[(1)]**,** ***including a sustainability-linked tranche***, for an aggregate nominal value of 3 billion euros. The new issuance was very well received by the market, with total demand of 10.7 billion euros, just over 3.5 times the combined total of the offering.
- On 17 March, the **2021 Universal Registration Document** was filed with the Autorité des Marchés Financiers. It is made available to the public according to the terms of the regulations in force and may be viewed on the www.loreal-finance.com website.
- On 21 March, **L'Oréal** marked International Fragrance Day by announcing a **strategic partnership** in beauty with leading neurotech company **EMOTIV**. The initiative aims to help consumers find the perfect fragrance, personalised to fit their preferences, by combining an EMOTIV neurotech device with proprietary L'Oréal scents and algorithms. Created in conjunction with EMOTIV by L'Oréal's Technology Incubator, luxury brand *Yves Saint Laurent* and a team of fragrance experts, the unique fragrance consultation experience connects neuro responses to fragrance preferences through a multi-sensor EEG-based headset.
- On 21 April, L'Oréal announced the launch of a **Circular Innovation Fund** to scale breakthrough circular innovative solutions from around the world. As an anchor investor, L'Oréal is contributing 50 million euros to this new 150 million euros fund. The investment is part of its L'Oréal for the Future sustainability programme.
- On 17 May, L'Oréal announced the launch of its **third Employee Share Ownership Plan**. The plan was successfully rolled out in more than 60 countries and gives L'Oréal employees, in France and internationally, the possibility to be even more closely linked to the Group's development.
- On 20 May, L'Oréal's corporate venture capital fund BOLD (Business Opportunities for L'Oréal Development) announced a **minority investment in SPARTY, Inc.**, a Japanese startup dedicated to personalised beauty. This investment marks the first venture capital investment by L'Oréal in Japan.
- On 24 May, after 10 years of research, L'Oréal introduced **UVMune 400**, its first sun filtering technology to effectively protect the skin against ultra-long UVA rays, which are the most insidious. With this major scientific breakthrough, L'Oréal is helping to prevent sun-induced deep skin damage, which is a major public health issue.
- On 25 May, L'Oréal announced the launch of the **L'Oréal BOLD Female Founders** initiative designed to support female-led startups. It will be developed by its venture capital fund BOLD (Business Opportunities for L'Oréal Development) with a dedicated initial allocation of 25 million euros.
- From 15 to 18 June, at **Viva Technology** 2022 in Paris, L'Oréal unveiled its vision for the Future of Beauty with an **exploration of Web3 and the metaverse**, alongside **immersive beauty experiences** such as Scent-Sation by *Yves Saint Laurent Beauté*, in partnership with EMOTIV, to help consumers navigate the world of fragrance; or L'Oréal *Water Saver*, named one of TIME magazine's 100 Best Inventions of 2021, a groundbreaking showerhead that uses rocket engine technology to create a luxurious and efficient hair washing experience, while reducing water consumption by 61% compared to standard methods.
- On 23 June, the Fondation L'Oréal and UNESCO celebrated 45 eminent women scientists from over 35 countries at the **For Women in Science International Awards** ceremony, a showcase of female scientific excellence. Fifteen STEM researchers received the Award in recognition of their outstanding scientific achievements, along with 30 young female scientists who earned the title of *International Rising Talents*.
- 24 June marked the 30th anniversary of **L'Oréal Brandstorm**, the innovation competition for students from all over the world, this year organised in partnership with Salesforce.
- On 28 June, at the award ceremony for the **Young Shareholders Golden Palms**, created by EDHEC Business School and the Federation of Individual Investors and Investment Clubs (F2iC), L'Oréal received the "Palme de la Pédagogie". This award recognises the company that has made the most effort to inform and communicate with its shareholders.

(1) Not for release, publication or distribution, directly or indirectly, in or into the United States, Canada, Japan or Australia.

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1.4. RISK FACTORS AND TRANSACTIONS BETWEEN RELATED PARTIES

1.4.1. Risk factors

The risk factors are the same type as those described in section 3.5. of the 2021 Universal Registration Document, which do not present any significant change over the first half of 2022.

The amounts relating to the financial and market risks as at 30 June 2022 are described in Note 9 to the financial statements in the summary half-year consolidated financial statements in this Report.

1.4.2. Transactions between related parties

Transactions between the companies consolidated under the equity method do not represent a significant amount at 30 June 2022.

Moreover, over the first six months of 2022, there was no significant transaction concluded with a member of the management bodies or a shareholder with substantial influence over the Group.

1.5. PROSPECTS

"L'Oréal performed remarkably well in the first half of the year, with growth of +13.5% like-for-like and +20.9% reported.

After two years of the pandemic, consumers confirm their desire to socialise and indulge themselves with innovative and superior beauty products, which in turn is fueling the growth of the beauty market. L'Oréal grew twice as fast as the market and has strengthened its position as the world's No.1 beauty company.

Our performance is increasingly balanced. Balanced between volume and value growth. Balanced between offline growth, with the reopening of retail outlets in most countries, and e-commerce[1] growth which continues at a double-digit pace. Balanced between geographic Zones, all of which posted double-digit growth, with strong performance in emerging markets (SAPMENA–SSA[2]), Latin America) and outstanding performance in mainland China in a very challenging context, thanks to our expertise in e-commerce. Balanced across our Divisions, with our three selective Divisions achieving double-digit growth and the Consumer Products Division recording a significant acceleration in the second quarter. Lastly, every major category achieved double-digit growth.

Our proven capacity to valorise our portfolio through innovation and control our costs allowed us to absorb the impact of higher raw material prices, mitigate supply chain pressures, and continue to invest efficiently in our brands, while improving profitability and creating sustainable value.

Our L'Oréal for the Future programme reached an important milestone: after the United States in 2021, we achieved carbon neutrality across all our sites in the North Asia Zone. In addition, the success of our third employee share ownership plan, rolled out in more than 60 countries, demonstrates the strong commitment of our employees worldwide.

Mindful of the current uncertainties and instability, we are convinced that our unique, balanced model, our incredible innovation capacity, our strong brand portfolio, the passion and agility of our teams and our financial strength are the assets that will enable us to pursue our profitable and sustainable growth strategy.

We remain optimistic about the outlook for the global beauty market and confident in our ability to outperform in 2022 and achieve another year of growth in sales and profits."

1.6. SUBSEQUENT EVENTS

- On 5 July, L'Oréal was granted the **Award for ESG Purpose and Commitments** at the 2022 General Meeting and Gender Balance Awards ceremony, organised by the Institut du Capitalisme Responsable.
- On 22 July, L'Oréal announced that **all its sites in the North Asia Zone have achieved carbon neutrality** (scopes 1 & 2), by using exclusively renewable energy. This result illustrates the Group's efforts to fight climate change and is an important step towards achieving the objectives of the L'Oréal for the Future programme.
- On 28 July, the Board of Directors has decided, under the authorisation voted by the Annual General Meeting of 21 April 2022, to set up a share buyback programme during the second half of 2022 amounting to a maximum of 500 million euros and with a maximum number of shares to be acquired of 2 million. The shares thus repurchased are intended to be cancelled[3].

(1) *Sales achieved on our brands' websites and with e-commerce pure players + estimated sales achieved by our brands corresponding to sales through our retailers' websites (non-audited data).*
(2) *SAPMENA–SSA: South Asia Pacific, Middle East, North Africa, Sub-Saharan Africa.*
(3) *The L'Oréal Universal Registration Document filed with the AMF (Autorité des Marchés Financiers) on 17 March 2022 includes, on page 416, the other pieces of information that must appear in the share buyback programme description pursuant to Article 241-2 of the General Regulation of the AMF.*

2.

2022 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1. COMPARED CONSOLIDATED INCOME STATEMENTS

€ millions	Notes	1st half 2022	1st half 2021	2021
Net sales	**3.1**	**18,366.3**	**15,196.6**	**32,287.6**
Cost of sales		-4,935.8	-3,869.5	-8,433.3
Gross profit		**13,430.6**	**11,327.1**	**23,854.3**
Research & innovation expenses		-539.6	-489.1	-1,028.7
Advertising and promotion expenses		-5,793.3	-4,951.6	-10,591.0
Selling, general and administrative expenses		-3,352.2	-2,898.2	-6,074.2
Operating profit	**3.1**	**3,745.5**	**2,988.1**	**6,160.3**
Other income and expenses	4	-34.5	-315.3	-432.0
Operational profit		**3,711.0**	**2,672.8**	**5,728.3**
Finance costs on gross debt		-14.0	-22.5	-38.0
Finance income on cash and cash equivalents		29.0	12.4	18.5
Finance costs, net		**15.0**	**-10.1**	**-19.4**
Other financial income and expenses		-31.4	-19.2	-40.2
Sanofi dividends	9.6	468.2	378.3	378.3
Profit before tax and associates		**4,162.8**	**3,021.7**	**6,046.9**
Income tax		-940.0	-654.0	-1,445.4
Share of profit in associates		1.1	0.3	0.6
Net profit		**3,224.0**	**2,368.0**	**4,602.2**
Attributable to:				
• owners of the Company		3,222.8	2,362.6	4,597.1
• non-controlling interests		1.2	5.4	5.1
Earnings per share attributable to owners of the Company *(euros)*		6.02	4.22	8.24
Diluted earnings per share attributable to owners of the Company *(euros)*		6.00	4.21	8.21
Earnings per share attributable to owners of the Company, excluding non-recurring items *(euros)*	10.3	6.07	4.65	8.86
Diluted earnings per share attributable to owners of the Company, excluding non-recurring items *(euros)*	10.3	6.05	4.63	8.82

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2.2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ millions	Notes	1st half 2022	1st half 2021	2021
Consolidated net profit for the period		**3,224.0**	**2,368.0**	**4,602.2**
Cash flow hedges		*-38.0*	*-155.6*	*-203.7*
Cumulative translation adjustments		*680.9*	*281.5*	*610.5*
Income tax on items that may be reclassified to profit or loss(1)		*6.9*	*31.8*	*41.5*
Items that may be reclassified to profit or loss		**649.8**	**157.7**	**448.3**
Financial assets at fair value through other comprehensive income	*8.3*	*913.2*	*1,151.6*	*1,192.2*
Actuarial gains and losses	*5.1*	*342.1*	*386.2*	*585.5*
Income tax on items that may not be reclassified to profit or loss(1)		*-116.9*	*-130.1*	*-181.7*
Items that may not be reclassified to profit or loss		**1,138.4**	**1,407.6**	**1,596.0**
Other comprehensive income		**1,788.2**	**1,565.3**	**2,044.3**
CONSOLIDATED COMPREHENSIVE INCOME		**5,012.2**	**3,933.3**	**6,646.5**
Attributable to:				
• owners of the Company		5,010.8	3,927.9	6,641.4
• non-controlling interests		1.4	5.4	5.1

(1) The tax effect is as follows:

€ millions	1st half 2022	1st half 2021	2021
Cash flow hedges	*6.9*	*31.8*	*41.5*
Items that may be reclassified to profit or loss	**6.9**	**31.8**	**41.5**
Financial assets at fair value through other comprehensive income	*-28.5*	*-36.9*	*-37.3*
Actuarial gains and losses	*-88.4*	*-93.3*	*-144.4*
Items that may not be reclassified to profit or loss	**-116.9**	**-130.1**	**-181.7**
TOTAL	**-110.0**	**-98.3**	**-140.2**

2.3. COMPARED CONSOLIDATED BALANCE SHEETS

ASSETS

€ millions	Notes	30.06.2022	30.06.2021	31.12.2021
Non-current assets		**32,578.9**	**30,192.7**	**30,937.6**
Goodwill	6	11,353.9	10,559.0	11,074.5
Other intangible assets	6	3,501.0	3,455.0	3,462.8
Right-of-use assets	3.2	1,491.8	1,414.3	1,507.6
Property, plant and equipment	3.2	3,441.0	3,182.9	3,266.2
Non-current financial assets	8.3	11,956.5	10,786.5	10,920.2
Investments accounted for the equity method		10.9	10.5	9.9
Deferred tax assets		823.8	784.5	696.5
Current assets		**14,590.0**	**13,762.9**	**12,075.8**
Inventories		3,988.3	2,948.2	3,166.9
Trade accounts receivable		5,064.6	3,991.8	4,021.0
Other current assets		2,399.6	1,869.4	2,037.9
Current tax assets		150.3	129.3	136.2
Cash and cash equivalents	8.2	2,987.4	4,824.3	2,713.8
TOTAL		**47,168.9**	**43,955.6**	**43,013.4**

EQUITY & LIABILITIES

€ millions	Notes	30.06.2022	30.06.2021	31.12.2021
Equity	**10**	**25,932.4**	**29,636.8**	**23,592.6**
Share capital		107.3	112.1	111.5
Additional paid-in capital		3,265.6	3,265.6	3,265.6
Other reserves		12,085.9	18,909.3	19,092.2
Other comprehensive income		6,845.8	5,588.5	5,738.6
Cumulative translation adjustments		401.7	-607.9	-279.1
Treasury shares				-8,940.2
Net profit attributable to owners of the Company		3,222.8	2,362.6	4,597.1
Equity attributable to owners of the Company		**25,929.1**	**29,630.2**	**23,585.7**
Non-controlling interests		3.3	6.6	6.9
Non-current liabilities		**5,527.3**	**2,987.6**	**2,837.6**
Provisions for employee retirement obligations and related benefits		62.1	650.0	360.6
Provisions for liabilities and charges	11.1	61.9	57.9	63.8
Non-current tax liabilities		290.9	364.2	344.8
Deferred tax liabilities		896.5	710.0	810.3
Non-current borrowings and debt	8.1	3,009.4	8.9	10.7
Non-current lease debt	8.1	1,206.5	1,196.5	1,247.5
Current liabilities		**15,709.2**	**11,331.3**	**16,583.2**
Trade accounts payable		6,467.6	5,386.3	6,068.1
Provisions for liabilities and charges	11.1	1,245.0	1,211.1	1,223.3
Other current liabilities		3,821.1	3,263.5	3,980.8
Income tax		396.1	224.3	268.9
Current borrowings and debt	8.1	3,336.4	863.6	4,619.4
Current lease debt	8.1	443.0	382.5	422.8
TOTAL		**47,168.9**	**43,955.6**	**43,013.4**

2.4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

€ millions	Common shares outstanding	Share capital	Additional paid-in capital	Retained earnings and net profit	Other comprehensive income	Treasury shares	Cumulative translation adjustments	Equity attributable to owners of the Company	Non-controlling interests	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 scope of consolidation										
Other movements(1)				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**
Impact of the application of the IFRIC decision on SaaS contracts				-152.5				-152.5		-152.5
At 01.01.2022(2)	**535,412,360**	**111.5**	**3,265.6**	**23,536.8**	**5,738.6**	**-8,940.2**	**-279.1**	**23,433.2**	**6.9**	**23,440.1**
Consolidated net profit for the period				3,222.8				3,222.8	1.2	3,224.0
Cash flow hedges					*-31.2*			*-31.2*	*0.1*	*-31.1*
Cumulative translation adjustments							*648.1*	*648.1*	*0.1*	*648.2*
Hyperinflation							*32.7*	*32.7*		*32.7*
Other comprehensive income that may be reclassified to profit and loss					**-31.2**		**680.8**	**649.6**	**0.2**	**649.8**
Financial assets at fair value through other comprehensive income					*884.7*			*884.7*		*884.7*
Actuarial gains and losses					*253.7*			*253.7*		*253.7*
Other comprehensive income that may not be reclassified to profit and loss					**1,138.4**			**1,138.4**		**1,138.4**
Consolidated comprehensive income				**3,222.8**	**1,107.2**		**680.8**	**5,010.8**	**1.4**	**5,012.2**
Capital increase	868,249	0.2		-0.2						
Cancellation of Treasury shares		-4.5		-8,935.8		8,940.2				
Dividends paid (not paid on Treasury shares)				-2,601.2				-2,601.2	-4.4	-2,605.6
Share-based payment				86.8				86.8		86.8
Net changes in Treasury shares										
Changes in scope of consolidation										
Other movements				-0.6				-0.6	-0.5	-1.1
AT 30.06.2022	**536,280,609**	**107.3**	**3,265.6**	**15,308.6**	**6,845.8**	**-**	**401.7**	**25,929.1**	**3.3**	**25,932.4**

(1) Of which €102.2 million pertaining to the IFRIC 2021 interpretation on IAS 19 "Employee Benefits" on "Attributing Benefit to Periods of Service".
(2) After taking account of the IFRIC final decision in April 2021 on set-up and customization costs for SaaS-type contracts software (note 1).

CHANGES IN FIRST-HALF 2021

€ millions	Common shares outstanding	Share capital	Additional paid-in capital	Retained earnings and net profit	Other comprehensive income	Treasury shares	Cumulative translation adjustments	Equity attributable to owners of the Company	Non-controlling interests	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				2,362.6				2,362.6	5.4	2,368.0
Cash flow hedges					*-123.6*			*-123.6*	*-0.2*	*-123.8*
Cumulative translation adjustments							*266.8*	*266.8*	*0.2*	*267.0*
Hyperinflation							*14.5*	*14.5*		*14.5*
Other comprehensive income that may be reclassified to profit and loss					**-123.6**		**281.3**	**157.7**	**-**	**157.7**
Financial assets at fair value through other comprehensive income					*1,114.7*			*1,114.7*		*1,114.7*
Actuarial gains and losses					*292.9*			*292.9*		*292.9*
Other comprehensive income that may not be reclassified to profit and loss					**1,407.6**		**-**	**1,407.6**	**-**	**1,407.6**
Consolidated comprehensive income				**2,362.6**	**1,284.0**	**-**	**281.3**	**3,927.9**	**5.4**	**3,933.3**
Capital increase	800,168	0.2	5.8	-0.2				5.8		5.8
Cancellation of Treasury shares										
Dividends paid (not paid on Treasury shares)				-2,264.4				-2,264.4	-4.7	-2,269.1
Share-based payment				75.9				75.9		75.9
Net changes in Treasury shares	-3,000,000					-1,104.8		-1,104.8		-1,104.8
Changes in scope of consolidation										
Other movements				-3.2				-3.2	0.1	-3.1
AT 30.06.2021	**557,671,748**	**112.1**	**3,265.6**	**22,376.7**	**5,588.5**	**-1,104.8**	**-607.9**	**29,630.2**	**6.6**	**29,636.8**

2.5. COMPARED CONSOLIDATED STATEMENTS OF CASH FLOWS

€ millions	Notes	1st half 2022	1st half 2021	2021
Cash flows from operating activities				
Net profit attributable to owners of the Company		3,222.8	2,362.6	4,597.1
Non-controlling interests		1.2	5.4	5.1
Elimination of expenses and income with no impact on cash flows:				
• depreciation, amortisation, provisions and non-current tax liabilities		626.8	910.3	1,781.0
• changes in deferred taxes		-57.3	-28.3	83.6
• share-based payment (including free shares)		86.8	75.9	155.2
• capital gains and losses on disposals of assets		-0.5	1.4	0.5
Other non-cash transactions		-53.6	8.1	16.5
Share of profit in associates net of dividends received		-1.1	0.6	1.3
Gross cash flow		**3,825.1**	**3,336.1**	**6,640.4**
Changes in working capital		-1,849.8	-675.1	88.0
Net cash provided by operating activities (A)		**1,975.4**	**2,661.0**	**6,728.4**
Cash flows from investing activities				
Purchases of property, plant and equipment and intangible assets		-638.3	-523.1	-1,075.2
Disposals of property, plant and equipment and intangible assets		3.6	12.5	14.5
Changes in other financial assets (including investments in non-consolidated companies)		-54.2	-23.9	-117.3
Effect of changes in the scope of consolidation		-10.2	-161.3	-455.7
Net cash from investing activities (B)		**-699.1**	**-695.8**	**-1,633.7**
Cash flows from financing activities				
Dividends paid		-2,641.2	-2,322.0	-2,352.1
Capital increase of the parent company			5.8	5.8
Disposal (acquisition) of Treasury shares			-1,104.8	-10,060.9
Purchase of non-controlling interests				
Issuance (repayment) of short-term loans		-1,216.6	26.5	3,939.4
Issuance of long-term borrowings		2,997.8		
Repayment of long-term borrowings				
Repayment of lease debt		-216.7	-200.9	-396.4
Net cash from financing activities (C)		**-1,076.7**	**-3,595.3**	**-8,864.2**
Net effect of changes in exchange rates and fair value (D)		73.9	48.5	77.4
Change in cash and cash equivalents (A+B+C+D)		**273.5**	**-1,581.6**	**-3,692.1**
Cash and cash equivalents at beginning of the period (E)		**2,713.8**	**6,405.9**	**6,405.9**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	**8.2**	**2,987.4**	**4,824.3**	**2,713.8**

Income tax paid totalled €944.1 million, €602.4 million, and €1,258.3 million for first-half 2022, first-half 2021 and year 2021, respectively.

Interest paid (excluding interest on lease debts) amounted to -€7.0 million, €4.2 million, and €1.7 million for first-half 2022, first-half 2021 and year 2021, respectively.

Dividends received totalled €396.3 million, €378.9 million, and €379.8 million for first-half 2022, first-half 2021 and year 2021, respectively. These are included within the gross cash flow.

Cash outflows relating to leases amounted to €279.2 million (of which €18.7 million related to interest paid on lease debt), €264.3 million (of which €18.6 million related to interest paid on lease debt) and €513.1 million (of which €37.0 million related to interest paid on lease debt) including leases that do not fall under the scope of IFRS 16 for first-half 2022, first-half 2021 and year 2021, respectively.

2.6. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes contents

NOTE 1. Accounting principles

The condensed half-year consolidated financial statements of L'Oréal and its subsidiaries ("the Group") have been prepared in accordance with the international accounting standard IAS 34. As condensed financial statements, they do not include all the information required by IFRS, International Financial Reporting Standards, for the preparation of the annual financial statements and must therefore be read in conjunction with the Group consolidated financial statements prepared in accordance with IFRS as adopted in the European Union for the year ending at 31 December 2021.

The Board of Directors reviewed the condensed half-year consolidated financial statements as at 30 June 2022, on 28 July 2022.

The accounting policies applied are identical to those applied when preparing the annual consolidated financial statements for the year ended 31 December 2021, except as regards income tax.

The tax charge (current and deferred) is calculated for the half year financial statements by applying to the profit for the period the estimated annual tax rate for the current tax year for each entity or tax group.

The Group did not anticipate any standards not mandatorily applicable in 2022.

Publication in April 2021 by the IFRIC of a decision related to IAS 38 "Intangible Assets" on Configuration or Customisation Costs in a Cloud Computing Arrangement within the frame of a "Software as a service" contract (SaaS). The application of this decision did not have any significant impact on the accounts of the Group.

NOTE 2. Main events of the period

2.1. Changes in the scope of consolidation

2.1.1. First-half 2022

Acquisition

L'Oréal did not make any significant acquisition in the first-half 2022.

2.1.2. Year 2021

Acquisition

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 is integrated into the L'Oréal Luxe Division.

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

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 ecommerce and selective distribution.

In 2021, Youth to the People exceeded US$50 million of sales. This acquisition was completed on 29 December 2021 and has been fully consolidated since that date ; the brand is integrated into the L'Oréal Luxe Division.

The cost of these new acquisitions represented €524.3 million. The total amount of goodwill and other intangible assets resulting from their acquisitions amounted to €507,7 million (of which €336.7 million of provisional intangibles pertaining to Youth to the People).

Sale

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

2.2. Other information

Russia-Ukraine conflict

This conflict has no material impact on the Group.

The Group decided to temporarily close all its own stores and directly operated counters in department stores in Russia as well as suspend all its business and advertising investments in the country.

The Group also decided to temporarily shut down the e-commerce sites of its brands in Russia.

Pursuant to the sanctions introduced by the European Union and the United States, the Group also suspended the sale of all its products except essential everyday items.

Sustainability-linked Bond issue

The Group issued a €3 billion bond in three tranches, one of which was in the amount of €1.3 billion and included environmental (ESG) criteria linked to the Group's CSR performance (note 8.1).

NOTE 3. Operating items – Segment information

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 democratize 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, Niely, 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, Youth to the People, Prada, Takami, 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.

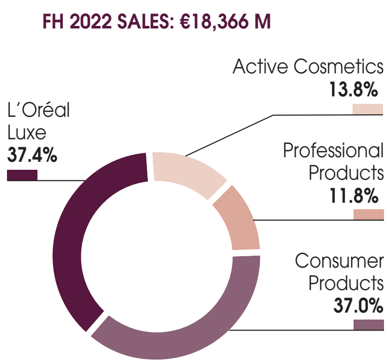
The "non-allocated" item includes expenses incurred by the Functional Divisions, fundamental research and the cost of free shares not allocated to the Divisions. It also includes noncore businesses, such as reinsurance.

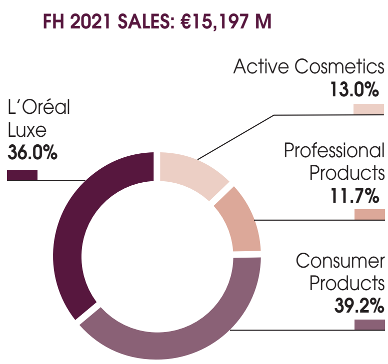
Data by Division are prepared using the same accounting principles as those used for the preparation of the consolidated financial statements.

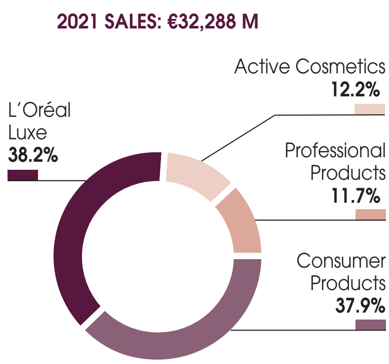
The performance of each Division is measured on the basis of operating profit.

3.1.1.1. Net sales by Division

WEIGHT OF NET SALES BY DIVISION OVER THE THREE PERIODS







€ millions	1st half 2022	Growth (%) Published data	Growth (%) Excluding exchange effect	1st half 2021	2021
Professional Products	2,163.8	21.7%	14.6%	1,778.7	3,783.9
Consumer Products	6,794.3	13.9%	8.2%	5,963.4	12,233.5
L'Oréal Luxe	6,871.6	25.6%	17.0%	5,472.2	12,346.2
Active Cosmetics	2,536.6	28.0%	21.4%	1,982.4	3,924.0
GROUP	**18,366.3**	**20.9%**	**13.9%**	**15,196.6**	**32,287.6**

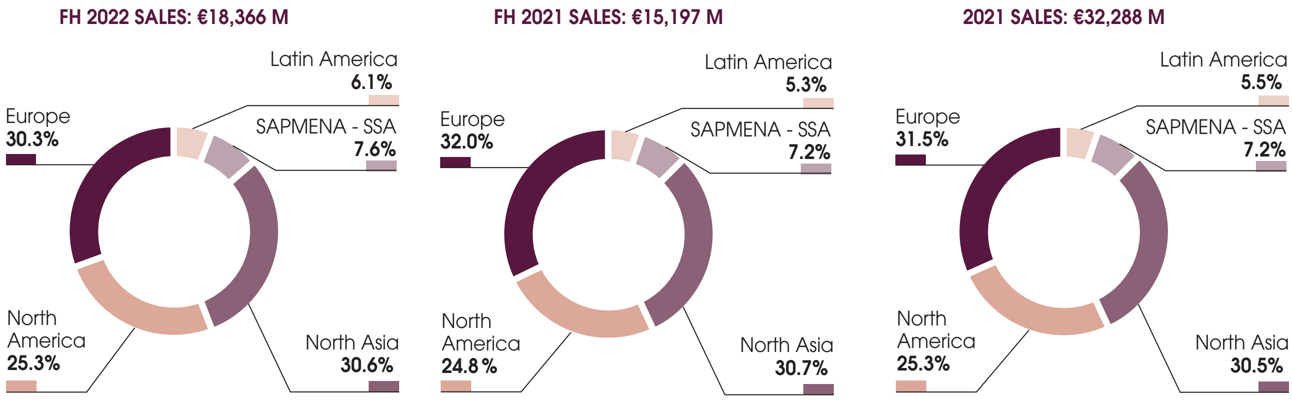
3.1.1.2. Operating profit by Division

€ millions	1st half 2022	1st half 2021	2021
Professional Products	458.7	363.9	806.9
Consumer Products	1,359.8	1,193.4	2,466.0
L'Oréal Luxe	1,647.8	1,301.9	2,816.3
Active Cosmetics	703.5	570.0	990.5
TOTAL OF DIVISIONS	**4,169.9**	**3,429.1**	**7,079.7**
Non-allocated	-424.4	-441.0	-919.4
GROUP	**3,745.5**	**2,988.1**	**6,160.3**

3.1.2. Consolidated net sales by geographic zone

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

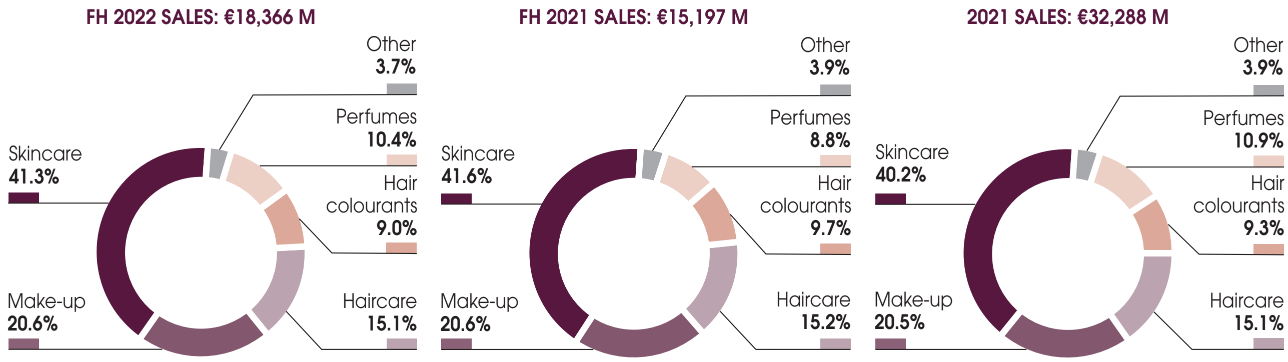
WEIGHT OF NET SALES BY GEOGRAPHIC ZONE OVER THE THREE PERIODS



€ millions	1st half 2022	Growth (%) Published data	Growth (%) Excluding exchange effect	1st half 2021	2021
Europe	5,567.2	14.6%	13.9%	4,857.1	10,184.8
North America	4,650.4	23.5%	12.2%	3,765.7	8,155.9
North Asia	5,620.1	20.3%	10.6%	4,670.9	9,863.3
SAPMENA/SSA	1,403.4	28.3%	22.9%	1,093.9	2,312.0
Latin America	1,125.3	39.1%	29.2%	809.0	1,771.5
GROUP	**18,366.3**	**20.9%**	**13.9%**	**15,196.6**	**32,287.6**

3.1.3. Sales by business segment

WEIGHT OF NET SALES BY BUSINESS SEGMENT OVER THE THREE PERIODS



€ millions	1st half 2022	Growth (%) Published data	Growth (%) Excluding exchange effect	1st half 2021	2021
Skincare	7,576.5	19.7%	12.1%	6,328.4	12,982.3
Make-up	3,783.4	20.8%	13.1%	3,131.3	6,626.8
Haircare	2,765.3	19.5%	14.0%	2,314.8	4,880.1
Hair colourants	1,660.7	12.1%	6.1%	1,481.0	3,016.1
Perfumes	1,901.0	41.7%	35.1%	1,341.4	3,511.8
Other	679.4	13.3%	8.2%	599.8	1,270.6
GROUP	**18,366.3**	**20.9%**	**13.9%**	**15,196.6**	**32,287.6**

3.2. Depreciation and amortisation expense, Property, plant and equipment and right-of-use assets

3.2.1. Depreciation and amortisation expenses

Depreciation and amortisation of property, plant and equipment and intangible assets included in operating expenses amounted to €712.3 million, including €207.5 million for right-of-use (IFRS 16) for the first-half 2022 compared with €698.5 million, including €193.8 million for right-of-use (IFRS 16) for first-half 2021 and €1,459.1 million including €405.6 million for right-of-use (IFRS 16) for year 2021.

3.2.2. Property, plant and equipment and right-of-use assets

Acquisitions for first-half 2022 amounted to €596.4 million, including €147.1 million for new leases (IFRS 16) compared with €407.0 million including €93.9 million for new leases (IFRS 16) for first-half 2021 and €1,121.0 million including €374.8 million for new leases (IFRS 16) for year 2021.

Depreciation and provision for first-half 2022 amounted to €606.7 million including €207.5 million for right-of-use assets (IFRS 16) compared with €580.1 million including €195.7 million for right-of-use assets (IFRS 16) for first-half 2021 and €1,195.1 million including €405.0 million for right-of-use assets (IFRS 16) for year 2021.

NOTE 4. Other operational income and expenses

This item breaks down as follows:

€ millions	1st half 2022	1st half 2021	2021
Capital gains and losses on disposals of property, plant and equipment and intangible assets	0.6	-1.2	-0.4
Impairment of property, plant and equipment and intangible assets(1)		-250.0	-337.5
Restructuring costs(2)	-8.9	-94.1	-149.6
Other(3)	-26.2	30.0	55.5
TOTAL	**-34.5**	**-315.3**	**-432.0**

(1) Including:
- in the first half of 2021, the goodwill of IT Cosmetics (-€250 million);
- in 2021, the goodwill of IT Cosmetics (-€254,7 million) and the brand Magic (-€82,8 million).

(2) Including:
- in the first half of 2022, an operational restructuring between Singapore and Malaysia (€5 million);
- in the first half of 2021, the continued redesign of the reorganisation of the organisational and distribution units of the Luxury and Professional divisions in Europe (€55.7 million), the reorganisation of the Consumer Products Division's sales force in North Asia (€27.6 million) and the discontinuation of the Shu Uemura brand in Korea (€5.6 million);
- 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).

(3) Including:
- in the first half of 2022, charitable donations (€12.7 million) and exceptional costs related to the conflict in Ukraine (€11.6 million);
- in the first half of 2021, a provision reversal (€45 million) related to intellectual property dispute partially offset by acquisition-related costs (€6 million);
- 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).

NOTE 5. Employee benefits – Free shares

5.1. Employee benefits – Actuarial gains and losses

a) At 30 June 2022

The rise in the interest rates used to determine the present value of our pension obligations recorded since 31 December 2021 for France is 215 basis points for annuity plans and 195 basis points for capital plans. The hedging assets in France have lost value.

France is showing lower impact of the pension provision for €338 million. This impact was taken into account in the financial statements for the period ended 30 June 2022. In other countries there is no significant impact taken into account in the financial statements at the end of June.

b) At 30 June 2021

The rise in the interest rates used to determine the present value of our pension obligations recorded since 31 December 2020 is approximately 40 basis points for France and the United Kingdom and 50 basis points for the United States. The hedging assets in France and the United States have gained value.

France and the United States are showing lower impacts of the pension provision for €294 million and €92 million respectively. These impacts were taken into account in the financial statements for the period ended 30 June 2021. In the United Kingdom, there is no significant impact taken into account in the financial statements at the end of June, the decline being offset by loss in value of hedging assets.

5.2. Free shares

a) Vesting conditions

At 30 June 2022, no plan was implemented.

The plan of 17 April 2018 was definitively vested by the allocation of 868,225 shares on 19 April 2022. The number of shares definitively awarded in respect of the 17 April 2018 plan took into account the percentage performance achieved at the end of the plan.

At 30 June 2022, the performance conditions were deemed satisfied.

b) Capital increase reserved for employees

In June 2022, 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 €254.9, representing 80% of the average share price over the 20 trading sessions prior to the decision by the Chief Executive Officer setting the subscription period from 8 June to 22 June 2022 during which 410,943 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 October 2023.

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 for the employee and proportionate to how much the employee contributes to the plan, with a maximum of 4 shares offered for 10 shares subscribed. The shares will be allocated to employees on 26 July 2027 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 26 July 2022 by 448,267 shares, including matching shares. The IFRS 2 expense for free shares granted amounted to:

- €9.5 million for French employees based on a subscription price of €254.9 per share; and
- €12.3 million for employees outside of France.

This cost is amortised over the vesting period and corresponds to the share reference value adjusted for the expected dividends over the vesting period, namely €286.36 per share.

The IFRS 2 expense for free shares recognised for the first-half of 2022 amounted to €11.2 million.

NOTE 6. Intangible assets

Since no event of an adverse nature occurred in the period, no impairment test was carried out at 30 June 2022.

No impairment was recognized against goodwill or other intangible assets in first-half 2022.

The increase in *Goodwill* of €279.4 million is essentially the result of the positive change in foreign exchange rates for €344.1 million.

The increase in *Other intangible assets* for €38.2 million is primarily the result of the acquisitions of the period (€166.9 million), the allocation of the Goodwill of Youth to the People to the brand (€64.6 million) and the positive change in foreign exchange rates (€108.7 million). These impacts are primarily offset by the impact of the IFRIC decision on SaaS costs (€194.5 million) and amortisation expenses of the period (€105.6 million).

NOTE 7. Investments accounted for under the equity method

€ millions	30.06.2022	30.06.2021	31.12.2021
Investments accounted for under the equity method			
LIPP Distribution	10.4	9.9	9.3
Others	0.5	0.6	0.6
TOTAL	**10.9**	**10.5**	**9.9**

NOTE 8. Financial assets and liabilities – Cost of debt

8.1. 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).

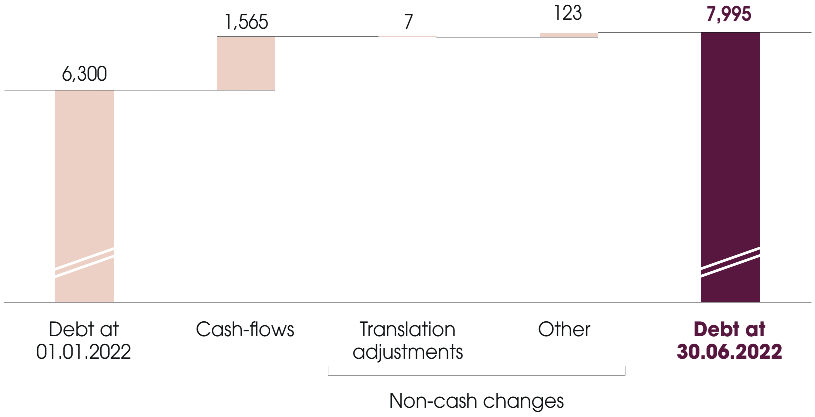
In March 2022, the Group conducted a bond issue totalling €3 billion. It comprised three tranches: a €750 million 2-year floating rate note; a €1,000 million 2-year fixed rate bond paying a coupon of 0.375% p.y.; a €1,250 million 4.25-year fixed rate Sustainability-Linked Bond paying a coupon of 0.875% p.y. and including environmental (ESG) criteria linked to the Group's internal performance.

8.1.1. Debt by type

	30.06.2022		30.06.2021		31.12.2021	
€ millions	Non-current	Current	Non-current	Current	Non-current	Current
Short-term marketable instruments		3,096.3		662.9		2,507.0
MLT bank loans						
Lease debt	1,206.5	443.0	1,196.5	382.5	1,247.5	422.8
Overdrafts		111.6		96.1		118.7
Other borrowings and debt	11.7	124.1	8.9	104.7	10.7	1,993.7
Bond	2,997.8	4.4				
TOTAL	**4,215.9**	**3,779.4**	**1,205.4**	**1,246.2**	**1,258.2**	**5,042.2**

8.1.2. Change in debt

			Non-cash changes				
€ millions	31.12.2021	Cash-flows	Changes in the scope of consolidation	Translation adjustments	Changes in fair value	Other	30.06.2022
Short-term marketable instruments	2,507.1	562.3		27.1			3,096.3
MLT bank loans							
Lease debt	1,670.3	-216.7		73.7		122.2	1,649.5
Overdrafts	118.7	-6.8		-0.3			111.6
Other borrowings and debt	2,004.4	-1,772.1		-93.3		1.2	140.1
Bond		2,997.8					2,997.8
TOTAL	**6,300.4**	**1,564.5**	**-**	**7.2**	**-**	**123.4**	**7,995.3**



8.1.3. Debt by maturity date

€ millions	30.06.2022	30.06.2021	31.12.2021
Less than 1 year[1]	3,779.4	1,246.2	5,042.2
1 to 5 years	3,890.1	912.7	933.7
More than 5 years	325.8	292.6	324.4
TOTAL	7,995.3	2,451.5	6,300.4

(1) At 30 June 2022, the Group had confirmed undrawn credit lines for €5,000 million as at 30 June 2021 and 31 December 2021. These lines were not subject to any covenants.

8.1.4. Debt by currency excluding lease debts

€ millions	30.06.2022	30.06.2021	31.12.2021
Euro (EUR)	5,078.0	225.9	4,441.4
US Dollar (USD)	1,106.4	484.3	59.2
Turkish Lira (TRY)	37.5	23.1	19.3
Colombian Peso (COP)	26.2	28.2	21.2
Korean Won (KRW)	13.9	12.0	
Chilean Peso (CLP)	10.3	23.2	8.8
Kenyan Shilling (KES)	10.3	10.2	12.9
Indonesian Rupee (IDR)	10.0		
Egyptian Pound (EGP)	9.2	10.7	8.3
Canadian Dollar (CAD)	7.8	8.0	3.2
Pakistani Rupee (PKR)	6.9	8.4	8.0
Other	29.3	38.4	47.7
TOTAL	6,345.8	872.4	4,630.0

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

€ millions	30.06.2022	30.06.2021	31.12.2021
Floating rate	3,968.5	759.1	4,529.9
Fixed rate including lease debt	4,026.8	1,692.4	1,770.5
TOTAL	7,995.3	2,451.5	6,300.4

8.1.6. Effective interest rates

Effective interest rates on Group debt after taking into account hedging instruments are 0.17% at 30 June 2022 compared with -0.12% at 30 June 2021 and -0.54% at 31 December 2021 for short-term marketable instruments.

They were no medium and long-term bank loans at 30 June 2022 as at 30 June 2021 and 31 December 2021.

8.1.7. Average debt interest rates

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

	30.06.2022	30.06.2021	31.12.2021
Euro (EUR)[1]	-0.53%	-0.41%	-0.51%
US Dollar (USD)	0.75%	0.08%	0.08%

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

8.1.8. 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 €7,995.3 million at 30 June 2022 compared with €2,451.5 million at 30 June 2021 and €6,300.4 million at 31 December 2021.

The fair value of borrowings and debt excluding IFRS 16 amounted to €6,341.4 million at 30 June 2022 compared with €872.4 million at 30 June 2021 and €4,630.0 million at 31 December 2021.

8.2. Cash and cash equivalents

	30.06.2022		30.06.2021		31.12.2021	
€ millions	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost
Marketable securities	538.6	538.6	2,167.3	2,169.3	513.2	513.3
Bank accounts and other cash and cash equivalents	2,448.8	2,450.3	2,657.0	2,659.7	2,200.6	2,201.6
TOTAL	**2,987.4**	**2,988.9**	**4,824.3**	**4,829.0**	**2,713.8**	**2,714.9**

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 and 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.

8.3. Non-current financial assets

	30.06.2022		30.06.2021		31.12.2021	
€ millions	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost
Investments in non-consolidated companies						
• Sanofi(1)	11,390.0	4,033.5	10,446.6	4,033.5	10,472.6	4,033.5
• Other listed securities(2)	104.7	95.2	37.8	18.7	34.5	20.6
• Unlisted securities(3)	307.6	371.1	180.3	257.6	277.9	336.4
Financial assets at amortised cost						
• Non-current loans and receivables	154.2	156.2	121.8	123.7	135.2	137.2
TOTAL	**11,956.5**	**4,656.0**	**10,786.5**	**4,433.5**	**10,920.2**	**4,527.7**

(1) L'Oréal's stake in Sanofi was 9.34% at 30 June 2022. The carrying amounts at 30 June 2022, at 30 June 2021 and at 31 December 2021 (€11,390.0 million, €10,446.6 million and €10,472.6 million respectively) correspond to the market value of the shares based on the closing price at each of the dates (€96.34, €88.36 and €88.58 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 as well as Euroapi shares for €77,4 million (reassessed cost) as an exceptional dividend paid in shares by Sanofi.

(3) This heading mainly includes:

- strategic investments in investment funds measured at fair value through other comprehensive income of which €50 million subscribed over 2021 in the Circular Innovation Fund and of which €50 million subscribed over 2020 in the L'Oréal Fund for Nature Regeneration;

- 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.

NOTE 9. Derivatives and exposure to market risks

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.

9.1. 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.

Based on information supplied by the subsidiaries, future operating transactions are covered by exchange rate hedges, either by options, or by purchases or sales of forward contracts.

At 30 June 2022, the change in the mark to market value of the hedging instruments allocated to future transactions and deferred through equity amounts to -€67.4 million, compared with €18.4 million at 30 June 2021 and -€29.5 million at 31 December 2021.

9.2. Foreign exchange gains and losses

Foreign exchange gains and losses break down as follows:

€ millions	1st half 2022	1st half 2021	2021
Time value	-30.2	-27.2	-70.5
Other foreign exchange gains and losses	-73.9	52.8	17.7
TOTAL	**-104.1**	**25.6**	**-52.8**

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 €14.3 million for first-half 2022, €0.1 million for first-half 2021 and €1.5 million for year 2021.

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

€ millions	1st half 2022	1st half 2021	2021
Cost of sales	-87.5	25.6	-37.2
Research and innovation expenses	12.9	-6.7	-4.2
Advertising and promotion expenses	-14.4	3.3	-5.9
Selling, general and administrative expenses	-15.1	3.4	-5.5
FOREIGN EXCHANGE GAINS AND LOSSES	**-104.1**	**25.6**	**-52.8**

9.3. Hedging of interest rate risk

The Group did not have any interest rate hedging instruments at 30 June 2022, 30 June 2021 and 31 December 2021.

9.4. 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 30 June 2022, marketable securities consist mainly of unit trusts (see Note 8.2.).

At 30 June 2022, the Group held 118,227,307 Sanofi shares for an amount of €11,390.0 million (see Note 8.3.). A change of plus or minus 10% in the market price of these shares relative to the market price of €96.34 on 30 June 2022 would have an impact of plus or minus €1,139.0 million before tax on Group equity.

9.5. Fair value hierarchy

IFRS 7 as amended in 2009 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.

2

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 **30 June 2022**	Level 1	Level 2	Level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives		119.3		119.3
Euroapi shares	77.4			77.4
Sanofi shares	11,390.0			11,390.0
Marketable securities	538.6			538.6
TOTAL ASSETS AT FAIR VALUE	**12,006.0**	**119.3**	**-**	**12,125.3**
Liabilities at fair value				
Foreign exchange derivatives		377.8		377.8
TOTAL LIABILITIES AT FAIR VALUE	**-**	**377.8**	**-**	**377.8**

€ millions 30 June 2021	Level 1	Level 2	Level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives		70.9		70.9
Sanofi shares	10,446.6			10,446.6
Marketable securities	2,167.3			2,167.3
TOTAL ASSETS AT FAIR VALUE	**12,613.9**	**70.9**	**-**	**12,684.8**
Liabilities at fair value				
Foreign exchange derivatives		155.4		155.4
TOTAL LIABILITIES AT FAIR VALUE	**-**	**155.4**	**-**	**155.4**

€ 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**

9.6. Sanofi dividends

In addition to the €3.33 per share annual cash dividend awarded by Sanofi, which amounted to €393.7 million for the L'Oréal Group, Sanofi paid an extraordinary dividend in kind.

The Sanofi Group decided to list its wholly owned subsidiary Euroapi on the stock exchange on 6 May 2022 and to distribute 58% of its Euroapi shares to its shareholders. Consequently, the L'Oréal Group received 5,140,317 Euroapi shares amounting to €74.5 million, which was recognised as financial income.

NOTE 10. Equity – Earnings per share

10.1. Share capital and additional paid in capital

Share capital consisted of 536,280,609 shares with a par value of €0.20 at 30 June 2022, compared with 557,671,748 shares at 30 June 2021 and 557,672,360 shares at 31 December 2021.

10.2. Treasury shares

Shares acquired under the shareholder-approved L'Oréal share buyback programme are deducted from consolidated equity. Capital gains or losses relating to these shares are also recorded in equity net of tax.

a) First-half 2022

The change in the number of shares in first-half 2022 was as follows:

In shares	Share capital	Treasury shares	Common shares outstanding
At 01.01.2022	**557,672,360**	**-22,260,000**	**535,412,360**
Shares cancelled	-22,260,000	22,260,000	
Options and free shares exercised	868,249		868,249
Treasury shares purchased			
AT 30.06.2022	**536,280,609**	**-**	**536,280,609**

Treasury shares at end of December 2021 corresponding to the buyback of 22,260,000 shares from Nestlé ware cancelled by decision of the Board of Directors, effective as of 10 February 2022.

The change in Treasury shares in first-half 2022 was as follows:

In shares	Buyback programme	Allocated to stock options/ free shares plans	Total	*€ millions*
At 01.01.2022	**22,260,000**	**-**	**22,260,000**	**8,940.0**
Shares cancelled	-22,260,000		-22,260,000	-8,940.2
Options and free shares exercised				
Treasury shares purchased				
AT 30.06.2022	**-**	**-**	**-**	**-**
€ millions				

b) Year 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 stock options/ free shares 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**
€ millions			8,940.2	

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

10.3.1. Reconciliation with net profit

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

€ millions	1st half 2022	1st half 2021	2021
Net profit attributable to owners of the Company	**3,222.8**	**2,362.6**	**4,597.1**
Capital gains and losses on property, plant and equipment and intangible assets	-0.6	1.2	0.4
Impairment of property, plant and equipment and intangible assets		250.0	337.5
Restructuring costs	8.9	94.1	149.6
Others	26.2	-30.0	-55.5
Tax effect on non-recurring items	-6.1	-70.7	-104.4
Non-controlling interests on non-recurring items	-0.2		-0.4
Tax effect on acquisitions and internal restructuring	3.0	-7.2	14.2
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY EXCLUDING NON-RECURRING ITEMS	**3,254.0**	**2,600.0**	**4,938.5**

10.3.2. Earnings per share attributable to owners of the Company

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

1st half 2022	Net profit attributable to owners of the Company (€ millions)	Number of shares	Earnings per share attributable to owners of the Company (€)
Earnings per share	3,222.8	535,789,632	6.02
Stock options			
Free shares		1,751,906	
DILUTED EARNINGS PER SHARE	**3,222.8**	**537,541,538**	**6.00**

1st half 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	2,362.6	559,618,818	4.22
Stock options		108,872	
Free shares		2,105,864	
DILUTED EARNINGS PER SHARE	**2,362.6**	**561,833,554**	**4.21**

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**

10.3.3. Earnings per share excluding non-recurring items

The tables below set out in detail earnings per share attributable to owners of the Company excluding non-recurring items:

1st half 2022	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	3,254.0	535,789,632	6.07
Stock options			
Free shares		1,751,906	
DILUTED EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS	**3,254.0**	**537,541,538**	**6.05**

1st half 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	2,600.0	559,618,818	4.65
Stock options		108,872	
Free shares		2,105,864	
DILUTED EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS	**2,600.0**	**561,833,554**	**4.63**

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**

10.3.4. 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.

NOTE 11. Provisions for liabilities and charges – Contingent liabilities and material ongoing disputes

11.1. Provisions for liabilities and charges

11.1.1. Closing balances

€ millions	30.06.2022	30.06.2021	31.12.2021
Non-current provisions for liabilities and charges	**61.9**	**57.9**	**63.8**
Non-current provisions[1]	61.9	57.9	63.8
Current provisions for liabilities and charges	**1,245.0**	**1,211.1**	**1,223.3**
Provisions for restructuring	149.2	219.3	182.5
Provisions for product returns	443.5	380.5	405.9
Other current provisions[1]	652.2	611.3	634.9
TOTAL	**1,306.9**	**1,269.0**	**1,287.1**

(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, of which France for €189.5 million (see note 11.2.2.a and b).

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

€ millions	30.06.2021	31.12.2021	Charges[2]	Reversals (used)[2]	Reversals (not used)[2]	Other[1]	30.06.2022
Provisions for restructuring	219.3	182.5	15.4	-39.0	-18.6	8.9	149.2
Provisions for product returns	380.5	405.9	274.9	-216.2	-52.2	31.1	443.5
Other provisions for liabilities and charges	669.2	698.7	119.4	-98.1	-26.0	20.1	714.2
TOTAL	**1,269.0**	**1,287.1**	**409.7**	**-353.3**	**-96.8**	**60.1**	**1,306.9**

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

€ millions	Charges	Reversals (used)	Reversals (not used)
Operating profit	390.2	-314.3	-78.2
Other income and expenses	19.5	-39.0	-18.6
Net financial income			

11.2. Contingent liabilities and material ongoing disputes

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

11.2.1. 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.

L'Oréal received tax reassessment notices regarding the indirect IPI tax for financial years 2008 and 2011 to 2015 totalling €626 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 €41.5 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 €201.1 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, Indonesian and Singaporean tax authorities in order to eliminate double taxation following disagreements between these authorities.

11.2.2. 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 in the course of the year 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 second-half of 2022 or in the beginning of 2023.

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 30 June 2022, 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 30 June 2022 amounting to €192.2 million at 30 June 2022 unchanged from the provision at 30 June 2021 and 31 December 2021.

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 12. Subsequent events

No significant events occurred between the balance sheet date and the date when the Board of Directors authorised the condensed half-year consolidated financial statements for issue.

3. STATUTORY AUDITORS' REVIEW REPORT ON THE 2022 HALF-YEAR FINANCIAL INFORMATION

(Six months ended 30 June 2022)

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

L'ORÉAL

14, rue Royale

75008 Paris

To the Shareholders

In compliance with the assignment entrusted to us by your annual general meeting and in accordance with the requirements of article L. 451-1-2 III of the French monetary and financial code ("code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of L'Oréal for the six months ended 30 June 2022,
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements were prepared under the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris-La Défense, July 29th, 2022

The Statutory Auditors

French original signed by

DELOITTE & ASSOCIES	ERNST & YOUNG Audit
David Dupont-Noel	Celine Eydieu-Boutte

4. DECLARATION BY THE PERSON RESPONSIBLE FOR THE 2022 HALF-YEAR FINANCIAL REPORT

I declare that, to the best of my knowledge, the summary consolidated financial statements for the ending semester have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and profit and loss of the Company and all the other companies included in the scope of consolidation, and that this Half-year Activity Report includes a fair review of the important events which occurred during the first six months of the year, their impact on the half-year financial statements and the main transactions between related parties, and describes the principal risks and uncertainties for the remaining six months of the year.

Clichy, 28th July 2022,

On the authority of the Chief Executive Officer

Christophe Babule

Chief Financial Officer

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For the full version of the
2021 Universal Registration Document

visit www.loreal-finance.com
or the L'Oréal Finance app

L'ORÉAL

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