L'ORÉAL

Half-Year Financial Report

At 30 June 2020

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L'ORÉAL

HALF-YEAR FINANCIAL REPORT

at 30 June 2020

Half-year situation at 30 June 2020

The following statements have been examined by the Board of Directors of 30 July 2020 and have been the object of a limited review by the Statutory Auditors.

This is a free translation into English of the L'Oréal 2020 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.

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 structure and identical exchange rates, sales of the L'Oréal group was at -11.7%.

The net impact of changes in the scope of consolidation was +0.3%.

Evolution at constant exchange rates amounted to -11.4%.

Currency fluctuations had a negative impact of -0.3%. If the exchange rates at 30 June 2020, *i.e.* €1 = $1.121, are extrapolated until 31 December 2020, the impact of currency fluctuations on sales would be approximately -1.5% for the whole of 2020.

Based on reported figures, the Group's sales at 30 June 2020 amounted to €13.07 billion, *i.e.* -11.7%.

1.1.1. Consolidated income statements

Gross profit, at €9,564 million, came out at 73.1% of sales, stable compared to the first half of 2019.

Research and Development expenses, at €455 million, came out at 3.5% of sales.

Advertising and promotion expenses came out at 30.5% of sales, an increase of 30 basis points.

Selling, general and administrative expenses, at 21.1% of sales, have increased by 80 basis points compared to the 2019 first half.

Overall, **operating profit** came out at €2,357 million, an increase of 150 basis points compared to the 2019 first half, at 18.0% of sales.

Overall financial expenses came out at €36.5 million.

Sanofi dividends amounted to €372 million.

Income tax excluding non-recurring items came out at €547 million, *i.e.* a tax rate of 20.3%, lower than the 2019 first half.

Net profit excluding non-recurring items after non-controlling interests (1) came out at €2,144 million.

Earnings per share (2), at €3.82, has decreased by -12.7% compared with the first half of 2019.

Non-recurring items amounted to €322 million, net of tax, of which €407 million other income and expenses, principally made of: asset depreciation for €90 million, restructuring charges of €133 million, and costs generated by the sanitary crisis for €140 million, including health protection measures for employees and expenses derived from the decisions made by the different government authorities, to impose a sudden and total closing of some of our businesses due to lockdown measures over a defined period of time.

After taking into account the non-recurring items, the net profit after non-controlling interests came out at €1,822.5 million.

1.1.2. Cash flow statements / balance sheet

Gross cash flow amounted to €2,668 million. Its evolution is in line with the net profit.

The **change in working capital** amounted to €889 million.

Investments, at €504 million, represented 3.8% of sales.

Operating cash flow amounted to €1,274 million.

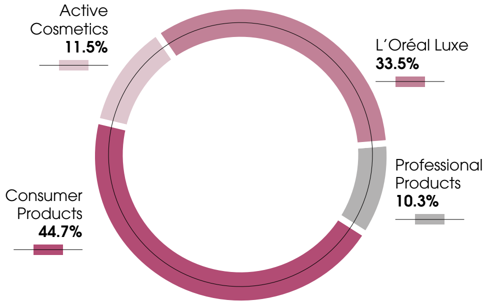
At 30 June 2020, after taking into account finance lease liabilities for €1,858 million, **net cash** amounted to €2,161 million.

(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 earnings per share, excluding non-recurring items, after non-controlling interests.

1.2. SEGMENT INFORMATION

1.2.1. Turnover by Division



At the end of June, the Professional Products Division is at -21.3% like-for-like and -21.7% reported.

After a good start to the year, particularly with its biggest brand, *L'Oréal Professionnel,* the Professional Products Division saw its activity penalised by the health crisis, with the sudden closure of hair salons worldwide. Towards the end of the quarter, the Division's performance progressively improved. With the gradual reopening of hair salons, many countries returned to growth, particularly the United States, Germany and China. *Kérastase* continued to outperform the market, thanks to the successful launch of *Genesis* and its omni-channel development.

E-commerce posted record growth in the first half, confirming the acceleration of the Division's digital transformation. The support provided to hairdressers during the crisis, by freezing debts, providing online education and making masks and hand sanitiser gels available, has strengthened L'Oréal's position as both the market and industry leader.

The Consumer Products Division is at -9.4% like-for-like and -10.4% reported in the first half.

The health crisis triggered a sharp deceleration in the makeup market, with a negative impact on the performance of *Maybelline New York* and *NYX Professional Makeup* in particular. The Division's business overall is stable excluding makeup. In haircare, *Fructis* maintained its strong growth thanks to *Fructis Hair Food.* In face care, *L'Oréal Paris* continued to grow and outperformed the market, thanks to the launch of serums in the *Revitalift* range. Furthermore, the Division made market share gains in the highly dynamic home-use hair colour market. The Division delivered an excellent performance in China, particularly with *3CE Stylenanda* in makeup, and made market share gains in most of the major European countries. The good performance in Brazil, which ended the first half in positive territory, is also worth noting.

The Group's digital leadership has enabled it to make the most of e-commerce all over the world, in China for example, but also in the United States, where online sales more than doubled in the first half.

All the geographic zones have drawn up a powerful acceleration plan for the second half, focused on three priorities: accelerating the pace of innovation, major "Back to Beauty" initiatives, and the intensification of media investments to stimulate demand.

The L'Oréal Luxe Division ended the first half at -16.8% like-for-like and -14.9% reported, in a luxury beauty market that contracted by some 23%.

The Division continued to make market share gains, harnessing the power of its top brands, especially those with strong positions in skincare, such as *Kiehl's, Lancôme* and *Helena Rubinstein.* The latest fragrance launches, such as *Libre* by *Yves Saint Laurent,* also performed strongly, alongside the historic pillars. Makeup remains the category most affected by the crisis.

L'Oréal Luxe is making market share gains across all zones, with the sole exception of North America. At the end of the first half, the first encouraging signs of upturn were confirmed in the major luxury markets, particularly in Asia and especially in China, where the Division returned to growth of more than 30%[1]. But this is also true of Western Europe (France, Germany) where Mother's Day and Father's Day triggered an upturn in consumption.

The Division has continued to see very strong growth in e-commerce, which worldwide has increased by more than 65%[2]. Travel Retail however continues to be severely affected by the low level of air traffic.

The gradual reopening of brick-and-mortar outlets and the sustained plan of major global launches in the second half should enable L'Oréal Luxe to benefit from the rebound in business and to outperform the market.

(1) *Like-for-like: based on a comparable structure and identical exchange rates.*

(2) *Sales achieved on our brands' own websites + estimated sales achieved by our brands corresponding to sales through our retailers' e-commerce websites (non-audited data). Like-for-like evolution.*

In a sluggish dermocosmetics market, the Active Cosmetics Division posted sustained growth at +9.0% like-for-like and +6.0% reported, at the end of June.

In the second quarter, the Division produced a robust performance at +4.3%[1]. This was the result of the strong mobilisation of the teams, who used digital leverage to intensify brand activation and strengthen relationships with prescribers and consumers. The Division benefited from its expertise in e-commerce, which became the number one growth driver in all zones. The Division's performance was particularly strong in Asia and in North America, where *CeraVe, SkinCeuticals,* and *La Roche-Posay* posted double-digit growth and new market share gains.

These same brands have also produced an excellent performance on a global level. *CeraVe,* in particular, the number one brand in terms of contribution to the Division's growth, posted double-digit growth in all zones.

1.2.2. Operating profit by Division

	30.06.2019		31.12.2019		30.06.2020	
	€ millions	% of sales	€ millions	% of sales	€ millions	% of sales
BY DIVISION						
Professional Products	327.9	19.1%	691.6	20.1%	140.0	10.4%
Consumer Products	1,351.1	20.7%	2,574.6	20.2%	1,243.7	21.3%
L'Oréal Luxe	1,227.3	23.8%	2,493.7	22.6%	892.0	20.4%
Active Cosmetics	376.1	26.5%	620.8	23.3%	433.8	28.9%
Total Divisions before non-allocated	**3,282.3**	**22.2%**	**6,380.7**	**21.4%**	**2,709.5**	**20.7%**
Non-allocated (1)	*-393.9*	*-2.7%*	*-833.2*	*-2.8%*	*-352.3*	*-2.7%*
GROUP	**2,888.4**	**19.5%**	**5,547.5**	**18.6%**	**2,357.2**	**18.0%**

(1) Non-allocated expenses = Central Group expenses, fundamental research expenses, stock options and free grant of shares expenses and miscellaneous items. As a % of total Divisions sales.

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

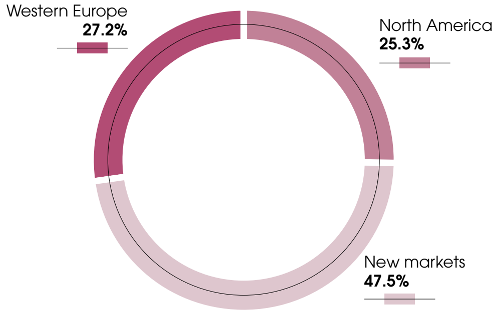
The profitability of the **Professional Products Division** has gone from 19.1% to 10.4%.

The profitability of the **Consumer Products Division** improved by 60 basis points at 21.3%.

L'Oréal Luxe posted a profitability of 20.4% compared to 23.8% in the first half of 2019.

The profitability of the **Active Cosmetics Division** increased again to achieve a very high level at 28.9%.

1.2.3. Sales by geographic zone



1.2.3.1. Western Europe

The zone is at -16.1% like-for-like and -15.6% reported. The market in Western Europe has been heavily impacted by lockdown measures, and by the closure of hair salons, department stores and perfumeries in almost all countries. Since mid-May, the market has started to pick up, particularly in the haircare and skincare categories. The upturn is however more gradual in makeup and sun care. The southern countries, such as Spain and Italy, have felt the strongest impact, because the lockdown there was longer and e-commerce structurally less developed, while Germany, the Netherlands, and the Scandinavian countries proved more resilient.

(1) Like-for-like: based on a comparable structure and identical exchange rates.

In this difficult context, the Consumer Products Division doubled its online sales, and performed very strongly in home-use hair colour. *Garnier* strengthened its positions, with a particularly good start for the *Fructis Hair Food* line. L'Oréal Luxe outperformed its market, especially in fragrances and in skincare with *Biotherm*. At the end of June, the Active Cosmetics Division posted growth for its brands *La Roche-Posay* and *SkinCeuticals*. *CeraVe* accelerated very strongly, but *Vichy* has been held back by a contraction in the anti-ageing market. The Professional Products Division has been hit by hair salon closures, but the recovery is encouraging. E-commerce was very dynamic in the second quarter at +91%[(1)], even after lockdown measures were eased.

1.2.3.2. North America

The zone is at -15.2% like-for-like and -13.1% reported. The second quarter was severely impacted by lockdown measures. If the market is showing encouraging signs of recovery since the progressive re-opening of points of sale, uncertainty remains due to a contrasted sanitary situation between different States in the United States. The most notable achievement is the considerable e-commerce acceleration in all Divisions that remains very dynamic even after point of sales reopening.

The Consumer Products Division was penalised by its strong footprint in makeup. It reinforced its leadership in hair colour and accelerated in skincare thanks to *L'Oréal Paris Revitalift Hyaluronic Acid Serum* and *10% Pure Glycolic Acid Serum*. The Division had strong market share gains online with triple digit growth. L'Oréal Luxe mitigated the impact of store closures with an acceleration of its skincare, thanks to *Kiehl's, Lancôme* and *IT Cosmetics*, and e-commerce which more than doubled in the second quarter. The Professional Products Division suffered during April and May, but saw a rebound in June with the reopening of the hair salons. The Division reinforced its partnership with hair salons through financial support during the crisis, especially through SalonCentric with double-digit growth in June. The Active Cosmetics Division continued to record double-digit growth and significant market share gains. *CeraVe* had great momentum at more than 50%, supported by digital investment. *SkinCeuticals* also posted double-digit growth.

1.2.3.3. New Markets

- **Asia Pacific:** the zone is at -3.9% like-for-like and -3.4% reported, most countries still being impacted by the pandemic during the second quarter.

  Mainland China is at +17.5% like-for-like and +16.2% reported.

  The Chinese beauty market rebounded into positive territory in the second quarter. The appetite of Chinese consumers for big brands, quality, and products they can trust, remains very strong. Various shopping festivals, online and offline, also helped to stimulate the rapid recovery of the market. L'Oréal China accelerated its growth in the second quarter, outperforming the market, and gained market shares in all Divisions and in the skincare, makeup and haircare categories. Following a strong first quarter, online sales remained dynamic. Since May, sales in department stores and boutiques also returned to growth. During the important online shopping festival on 18 June, L'Oréal gained significant market share, thanks to its expertise in digital activation. *L'Oréal Paris* and *Lancôme* took the top two positions in the Tmall shopping day ranking.

  In **the rest of the Asia Pacific Zone,** the situation remains contrasted in most countries. The countries least hit by the pandemic such as South Korea, Taiwan, Australia, New Zealand and Vietnam, were back to growth in the month of June, while Japan and South Asia were still affected by their high exposure to the makeup category. Due to the total absence of tourism, Hong Kong (SAR) remains significantly under the 2019 sales. The evolution of the pandemic in India remains progressive and is affecting consumption significantly.

  Despite this overall difficult situation, the L'Oréal Luxe and Active Cosmetics Divisions gained market share in all major markets, especially in the skincare category.

  E-commerce is, for all the Divisions and markets, another strong growth driver achieving close to 60%[(1)] growth across the zone.

- **Latin America:** the zone is at -13.9% like-for-like and -25.0% reported, with contrasted situations by country. It is worth noting the good performance of the Consumer Products Division in Brazil, and the Active Cosmetics Division, driven by *CeraVe*. After a widespread lockdown in April and May, there were signs of recovery in all of the zone's markets in June. This was driven by a gradual reopening of points of sale, but also by the acceleration of e-commerce in the second quarter, which posted triple-digit growth. Skincare growth was strong. Hair colour recorded sustained growth in the Consumer Products Division, whilst the Professional Products Division was held back by the closure of hair salons in most countries throughout the second quarter. The Active Cosmetics Division was stable. L'Oréal Luxe continued to gain market shares in the zone.

- **Eastern Europe:** the zone is at -12.1% like-for-like and -14.2% reported. While the health situation is improving in Central Europe, where most retail channels are open, Russia, Turkey and Ukraine are still facing an acceleration of the pandemic, and have therefore been more impacted by the crisis. Onlythe Active Cosmetics Division posted growth in the second quarter, while the other Divisions saw sales decrease, especially the Professional Products Division following the closure of hair salons. In June however, there were very encouraging signs of an upturn, especially for the L'Oréal Luxe and Active Cosmetics Divisions which both increased sales. E-commerce was dynamic, accounting for more than 16%of sales.

- **Africa, Middle East:** the zone is at -17.4% like-for-like and -19.1%reported. The Middle East continues to be affected by the pandemic, particularly Saudi Arabia, Egypt and Pakistan, where retail outlets have been facing recurring point of sales closures. The pandemic started later in Sub-Saharan Africa, but accelerated strongly in May and June. All the Divisions are feeling its impact, with Active Cosmetics being the one least affected.

(1) Sales achieved on our brands' own websites + estimated sales achieved by our brands corresponding to sales through our retailers' e-commerce websites (non-audited data). Like-for-like evolution.

1.3. IMPORTANT EVENTS DURING THE PERIOD

- On 26 February, L'Oréal was recognised as one of the World's Most Ethical Companies by the Ethisphere Institute, a global leader in defining and advancing the ethical standards of business practices. This is the eleventh time that L'Oréal has achieved this recognition, underscoring its commitment to leading with integrity and prioritising ethical business practices.
- On 17 March, the 2019 Universal Registration Document was registered with the French Market Authorities. The Universal Registration Document comprises the Annual Financial Report, an Integrated Report, the Reports from the Auditors and their fees, and the information required for the share buyback programme.
- On 30 March, the Board of Directors of L'Oréal held a meeting, and in view of exceptional circumstances linked to the COVID-19 epidemic, decided to postpone the Annual General Meeting, initially scheduled for 21 April, to 30 June 2020.
- On 31 March, after obtaining the necessary authorisations from the relevant authorities, L'Oréal finalised the acquisition of the Mugler brands and Azzaro fragrances from Clarins Group, in accordance with the terms announced on 21 October 2019.
- On 14 May, L'Oréal announced the appointment of Myriam Cohen-Welgryn, who joined the Group as President of the Active Cosmetics Division and thus became a member of the Executive Committee. She succeeds Brigitte Liberman, who elected to retire at the end of the year, following 34 years within the Group.
- On 18 June, L'Oréal announced the signing of an agreement to acquire Thayers Natural Remedies, a US-based natural skincare brand, from Henry Thayer Company. The brand will be integrated into L'Oréal's Consumer Products Division.
- On 25 June, L'Oréal launched its new sustainability programme "L'Oréal for the Future", laying down the Group's latest set of ambitions for 2030. In view of increasingly urgent environmental and social challenges, L'Oréal is accelerating its transformation in the fields of sustainability and inclusion.
- On 29 June, L'Oréal finalised the sale of the Roger & Gallet brand to the French investment holding Impala, following the announcement on 4 February 2020.
- On 30 June, the Annual General Meeting of L'Oréal was held behind closed doors. All the resolutions were approved, including the dividend at €3.85 per share, the same as 2019.

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 2019 Universal Registration Document, which do not present any significant change over the first half of 2020, and which must be supplemented with the sanitary crisis risk related to the business described below.

BUSINESS RISK / SANITARY CRISIS

Description of the risk	Risk management
Because of its global presence, L'Oréal is exposed to epidemics or other public sanitary crises in the 74 countries in which it operates. The main risks identified cover various of the Group's business activities: • impairment of the health, safety and security of employees in the context of their duties and their business travel, and confinement of the population that prevents employees from entering their work site, particularly the production and distribution sites; • supply difficulties or the unavailability of raw materials and components, and limitations on production and distribution capacities relating to the restrictive sanitary measures implemented by the authorities of the countries where the Group operates; • Reduced demand for products related to the impact of restrictions on access to physical points of sale, including in the Travel Retail sector, which is particularly sensitive to sanitary crises; • financial difficulties of suppliers and customers as the result of a drastic reduction in their activity levels. The beginning of 2020 was marked by the COVID-19 sanitary crisis, which has spread around the world and continues to affect the various geographic zones in which the Group operates. Depending on its duration, geographic spread and the resulting social and economic consequences, a sanitary crisis may have a significant impact on the Group's business activities and its ability to achieve its objectives.	L'Oréal has established a crisis management process to prevent and limit the impacts of undesirable events on all its entities. Facing a sanitary crisis, the Group's priority is to protect the health, safety and security of its employees. The Group is responding to this type of crisis by complying with the directives of the authorities in the countries where it operates, and by applying its high, global standards for managing safety and health at its operating sites and during business travel. The Group's information systems allow for large-scale development of flexible and remote working methods and are the subject of adequate security protection procedures. The policies to manage the supply chain and inventories, and the business continuity plans for the industrial and logistics sites, allow the Group to anticipate the actions required to manage disturbances. The long-term relations built with the Group's strategic suppliers, the policies for diversification of sourcing and operational continuity plans, help to limit the impacts of these crises. The Group's presence in all types of distribution channels, particularly its online sales capacities developed with a variety of partners (owned sites, e-retailers, pure players), as well as its expertise in digital consumer relations, maximise the opportunities for growth in disturbed environments. Lastly, the Group's global and balanced presence, in terms of geographic zones and product categories and distribution channels, the very high responsiveness and adaptive abilities of its teams through its strategically concentrated and operationally decentralised organisational model, as well as the strength of its financial position, all contribute to its ability to handle the economic consequences of these crises.

The amounts relating to the financial and market risks as at 30 June 2020 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 2020. Moreover, over the first six months of 2020, 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

The L'Oréal group has shown great resilience during this first half of 2020, marked by the crisis of the COVID-19 pandemic.

The Group's first priority during this period was to ensure the health and welfare of its employees everywhere in the world, to protect its small clients and suppliers with credit and payment facilities, and to be in solidarity with healthcare workers with the donation of more than 15 million units of hand sanitiser gel and moisturising hand cream.

The consumption of beauty products over the period was strongly impacted by the closure of millions of points of sale (hair salons, perfumeries, department stores, airport stores, etc.) which caused a real crisis of supply, rather than demand, with consumers temporarily unable to purchase products and services.

In these exceptionally difficult circumstances, each Division of L'Oréal has demonstrated great business resilience. The Active Cosmetics Division has managed to maintain good growth. The Consumer Products Division limited the impact on sales despite its heavy weight in makeup, which was the category that slowed the most. The L'Oréal Luxe and Professional Products Divisions were remarkably successful at maintaining relatively solid activity, thanks to e-commerce, despite the closure of almost all of their points of sale. As a result, the Group overall has managed to outperform the beauty market over the period. It has seen its activity accelerate month after month since April, and is progressively returning to growth.

This business resilience was made possible by several key strengths of the Group. First of all, our lead in the field of digital and e-commerce, which proved to be crucial during the crisis and is now even bigger, with e-commerce growing by +64.6%(1) over the first half. L'Oréal's performance in mainland China was also decisive, with growth in the second quarter of +30%(2). Finally, the power of our brands and our major products, which are a true refuge for consumers in these troubled times. We must also underline the tremendous mobilisation and remarkable agility of our teams throughout the world.

At the same time, the Group was able to deliver results that demonstrate solid resistance: profitability at 18% close to the annual level of 2019, limited decline in earnings per share, and overall a very well preserved profit and loss account, with a high gross margin, lower costs, and investment in research and business drivers maintained in relative value.

We approach this second half with lucidity, confidence and resolve. Lucidity because the global health crisis is unfortunately not over. Confidence because consumers' appetite for beauty is intact, access to points of sale should be easier going forward, and e-commerce will continue to get stronger. And finally resolve because in this second half of the year, we are embarking on an aggressive plan of new product launches and business drivers to stimulate, in partnership with our retail partners, the return of the consumption of beauty products. We are therefore determined to outperform the market, find again the path to growth if the sanitary conditions allow it, and deliver solid profitability.

1.6. 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.

(1) Sales achieved on our brands' own websites + estimated sales achieved by our brands corresponding to sales through our retailers' e-commerce websites (non-audited data). Like-for-like evolution.

(2) Like-for-like: based on a comparable structure and identical exchange rates.

2

2020 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1. COMPARED CONSOLIDATED INCOME STATEMENTS

€ millions	Notes	1st half 2020	1st half 2019	2019
Net sales	**3.1**	**13,076.5**	**14,811.5**	**29,873.6**
Cost of sales		-3,512.3	-3,988.5	-8,064.7
Gross profit		**9,564.2**	**10,823.0**	**21,808.9**
Research and innovation expenses		-455.3	-459.7	-985.3
Advertising and promotion expenses		-3,986.5	-4,471.7	-9,207.8
Selling, general and administrative expenses		-2,765.2	-3,003.3	-6,068.3
Operating profit	**3.1**	**2,357.2**	**2,888.4**	**5,547.5**
Other income and expenses	4	-407.1	-170.4	-436.5
Operational profit		**1,950.1**	**2,718.0**	**5,111.0**
Finance costs on gross debt		-33.3	-40.7	-75.4
Finance income on cash and cash equivalents		10.6	18.3	28.7
Finance costs, net		**-22.7**	**-22.4**	**-46.7**
Other financial income and expenses		-13.8	-7.8	-16.0
Sanofi dividends		372.4	363.0	363.0
Profit before tax and associates		**2,286.0**	**3,050.8**	**5,411.4**
Income tax		-463.1	-718.1	-1,657.2
Share of profit in associates		0.7	-	1.0
Net profit		**1,823.6**	**2,332.7**	**3,755.2**
Attributable to:				
• owners of the company		1,822.5	2,326.7	3,750.0
• non-controlling interests		1.1	6.0	5.2
Earnings per share attributable to owners of the company *(euros)*	10.3	3.26	4.15	6.70
Diluted earnings per share attributable to owners of the company *(euros)*	10.3	3.25	4.13	6.66
Earnings per share of continuing operations attributable to owners of the company, excluding non-recurring items *(euros)*	10.3	3.84	4.40	7.78
Diluted earnings per share of continuing operations attributable to owners of the company, excluding non-recurring items *(euros)*	10.3	3.82	4.38	7.74

2.2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ millions	Notes	1st half 2020	1st half 2019	2019
Consolidated net profit for the period		**1,823.6**	**2,332.7**	**3,755.2**
Cash flow hedges		*106.6*	*-6.9*	*2.9*
Cumulative translation adjustments		*-271.8*	*79.7*	*188.2*
Income tax on items that may be reclassified to profit or loss (1)		*-27.9*	*4.5*	*-1.9*
Items that may be reclassified to profit or loss		-193.1	77.3	189.2
Financial assets at fair value through profit or loss	8.3	*129.1*	*29.6*	*1,650.6*
Actuarial gains and losses	5.1	*-159.2*	*-131.3*	*-327.7*
Income tax on items that may not be reclassified to profit or loss (1)		*36.5*	*33.0*	*29.7*
Items that may not be reclassified to profit or loss		6.4	-68.7	1,352.6
Other comprehensive income		**-186.7**	**8.6**	**1,541.8**
CONSOLIDATED COMPREHENSIVE INCOME		**1,636.9**	**2,341.3**	**5,297.0**
Attributable to:				
• owners of the company		1,635.8	2,335.4	5,291.9
• non-controlling interests		1.1	5.9	5.1

(1) The tax effect is as follows:

€ millions	1st half 2020	1st half 2019	2019
Cash flow hedges	*-27.9*	*4.5*	*-1.9*
Items that may be reclassified to profit or loss	**-27.9**	**4.5**	**-1.9**
Financial assets at fair value through profit or loss	*-3.4*	*-0.9*	*-51.7*
Actuarial gains and losses	*39.9*	*33.9*	*81.4*
Items that may not be reclassified to profit or loss	**36.5**	**33.0**	**29.7**
TOTAL	**8.6**	**37.5**	**27.8**

2.3. COMPARED CONSOLIDATED BALANCE SHEETS

ASSETS

€ millions	Notes	30.06.2020	30.06.2019	31.12.2019
Non-current assets		**30,806.3**	**28,054.8**	**29,893.3**
Goodwill	6	10,856.5	9,571.1	9,585.6
Other intangible assets	6	3,066.7	3,014.1	3,163.8
Right-of-use assets	3.2	1,723.7	2,009.9	1,892.3
Property, plant and equipment	3.2	3,418.0	3,598.6	3,644.3
Non-current financial assets	8.3	10,932.2	9,157.8	10,819.1
Investments in associates		11.4	9.5	10.9
Deferred tax assets		797.8	693.8	777.3
Current assets		**15,045.7**	**12,438.3**	**13,916.5**
Inventories		2,947.6	2,930.1	2,920.8
Trade accounts receivable		3,756.1	4,514.4	4,086.7
Other current assets		1,698.1	1,529.3	1,474.9
Current tax assets		202.3	78.2	148.1
Cash and cash equivalents	8.2	6,441.6	3,386.3	5,286.0
TOTAL		**45,852.0**	**40,493.1**	**43,809.8**

EQUITY & LIABILITIES

€ millions	Notes	30.06.2020	30.06.2019	31.12.2019
Equity	**10**	**28,987.0**	**27,122.1**	**29,426.0**
Share capital		111.9	112.3	111.6
Additional paid-in capital		3,158.2	3,108.8	3,130.2
Other reserves		18,581.3	17,659.5	16,930.9
Other comprehensive income		5,680.9	4,171.0	5,595.8
Cumulative translation adjustments		-371.0	-207.5	-99.2
Treasury shares		-	-56.5	-
Net profit attributable to owners of the company		1,822.5	2,326.7	3,750.0
Equity attributable to owners of the company		**28,983.8**	**27,114.3**	**29,419.3**
Non-controlling interests		3.2	7.8	6.7
Non-current liabilities		**3,414.2**	**3,350.5**	**3,515.3**
Provisions for employee retirement obligations and related benefits		941.4	552.5	772.9
Provisions for liabilities and charges and other non-current liabilities	11.1	308.7	354.1	367.1
Deferred tax liabilities		693.8	685.7	737.7
Non-current borrowings and debt	8.1	9.6	9.4	9.6
Non-current lease debt	8.1	1,460.7	1,748.8	1,628.0
Current liabilities		**13,450.8**	**10,020.5**	**10,868.5**
Trade accounts payable		4,124.6	4,498.8	4,658.4
Provisions for liabilities and charges	11.1	1,029.6	1,016.9	1,117.8
Other current liabilities		5,160.1	2,767.7	3,508.5
Income tax		326.9	309.7	334.8
Current borrowings and debt	8.1	2,411.5	1,025.2	841.2
Current lease debt	8.1	398.1	402.2	407.9
TOTAL		**45,852.0**	**40,493.1**	**43,809.8**

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	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**
Change 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*	*0.0*	*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 profit or loss					*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 scope of consolidation								-		-
Other movements				-0.1				-0.1		-0.1
At 31.12.2019	**558,117,205**	**111.6**	**3,130.2**	**20,680.9**	**5,595.8**	**-**	**-99.2**	**29,419.3**	**6.7**	**29,426.0**
Consolidated net profit for the period				1,822.5				1,822.5	1.1	1,823.6
Cash flow hedges					*78.7*			*78.7*		*78.7*
Cumulative translation adjustments							*-276.8*	*-276.8*		*-276.8*
Hyperinflation							*5.0*	*5.0*		*5.0*
Other comprehensive income that may be reclassified to profit and loss					78.7		-271.8	-193.1		-193.1
Financial assets at fair value through profit or loss					*125.7*			*125.7*		*125.7*
Actuarial gains and losses					*-119.3*			*-119.3*		*-119.3*
Other comprehensive income that may not be reclassified to profit and loss					6.4			6.4	-	6.4
Consolidated comprehensive income				**1,822.5**	**85.1**		**-271.8**	**1,635.8**	**1.1**	**1,636.9**
Capital increase	1,180,975	0.2	28.0	-0.2				28.1		28.1
Cancellation of Treasury shares								-	-	-
Dividends paid (not paid on Treasury shares) (2)				-2,166.5				-2,166.5	-4.9	-2,171.3
Share-based payment				67.3				67.3		67.3
Net changes in Treasury shares								-		-
Changes in scope of consolidation								-	0.3	0.3
Other movements				-0.3				-0.3		-0.3
AT 30.06.2020	**559,298,180**	**111.9**	**3,158.2**	**20,403.8**	**5,680.9**	**-**	**-371.0**	**28,983.8**	**3.2**	**28,987.0**

(1) After taking into account of the change in accounting policy pertaining to IFRS 16 "Leases" (see Note 1).
(2) As the Annual General Meeting to approve the financial statements as at 31 December 2019 was held on 30 June 2020, the dividends for financial year 2019 were not paid at 30 June 2020 and are presented on the balance sheet in "Other current liabilities".

CHANGES IN FIRST-HALF 2019

€ 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	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				-81.8				-81.8		-81.8
At 01.01.2019 [1]	**559,625,527**	**112.1**	**3,070.3**	**19,766.1**	**4,242.1**	**-56.5**	**-287.4**	**26,846.7**	**5.2**	**26,851.9**
Consolidated net profit for the period				2,326.7				2,326.7	6.0	2,332.7
Cash flow hedges					*-2.4*			*-2.4*		*-2.4*
Cumulative translation adjustments							*67.8*	*67.8*	*-0.1*	*67.8*
Hyperinflation							*12.0*	*12.0*		*12.0*
Other comprehensive income that may be reclassified to profit and loss					-2.4		79.9	77.5	-0.1	77.4
Financial assets at fair value through profit or loss					*28.6*			*28.6*		*28.6*
Actuarial gains and losses					*-97.4*			*-97.4*		*-97.4*
Other comprehensive income that may not be reclassified to profit and loss					-68.8			-68.8	-	-68.8
Consolidated comprehensive income				**2,326.7**	**-71.2**		**79.9**	**2,335.4**	**5.9**	**2,341.3**
Capital increase	1,226,092	0.2	38.5	-0.1				38.6		38.6
Cancellation of Treasury shares								-		-
Dividends paid (not paid on Treasury shares)				-2,176.7				-2,176.7	-3.6	-2,180.3
Share-based payment				70.0				70.0		70.0
Net changes in Treasury shares								-		-
Changes in scope of consolidation								-	0.3	0.3
Other movements				0.3				0.3		0.3
AT 30.06.2019	**560,851,619**	**112.3**	**3,108.8**	**19,986.3**	**4,171.0**	**-56.5**	**-207.5**	**27,114.3**	**7.8**	**27,122.1**

(1) After taking into account of the change in accounting policy pertaining to IFRS 16 "Leases" (note 1).

2.5. COMPARED CONSOLIDATED STATEMENTS OF CASH FLOWS

€ millions	Notes	1st half 2020	1st half 2019	2019
Cash flows from operating activities				
Net profit attributable to owners of the company		1,822.5	2,326.7	3,750.0
Non-controlling interests		1.1	6.0	5.2
Elimination of expenses and income with no impact on cash flows:				
• depreciation, amortisation, provisions and other non-current liabilities		787.4	923.8	1,958.3
• changes in deferred taxes		-16.3	-20.9	-42.5
• share-based payment (including free shares)		67.3	70.0	144.4
• capital gains and losses on disposals of assets		4.5	-1.9	-14.0
Other non-cash transactions		2.9	1.6	1.9
Share of profit in associates net of dividends received		-0.7	-	-1.0
Gross cash flow		**2,668.6**	**3,305.3**	**5,802.3**
Changes in working capital		-889.2	-813.0	460.5
Net cash provided by operating activities (A)		**1,779.4**	**2,492.3**	**6,262.8**
Cash flows from investing activities				
Purchases of property, plant and equipment and intangible assets		-504.8	-559.8	-1,231.0
Disposals of property, plant and equipment and intangible assets		18.6	8.1	16.6
Changes in other financial assets (including investments in non-consolidated companies)		6.6	-22.1	-65.9
Effect of changes in the scope of consolidation		-1,316.5	-7.2	-9.3
Net cash from investing activities (B)		**-1,796.0**	**-581.0**	**-1,289.6**
Cash flows from financing activities				
Dividends paid		-82.6	-2,198.2	-2,221.1
Capital increase of the parent company		28.1	38.6	60.0
Capital increase of subsidiaries		-	-	-
Disposal (acquisition) of Treasury shares		-	-	-747.3
Purchase of non-controlling interests		-	-	-
Issuance (repayment) of short-term loans		1,509.3	-82.9	-354.9
Issuance of long-term borrowings		-	-	-
Repayment of long-term borrowings		-	-0.6	-0.6
Repayment of lease debt		-219.7	-158.3	-425.8
Net cash from financing activities (C)		**1,235.1**	**-2,401.4**	**-3,689.6**
Net effect of changes in exchange rates and fair value (D)		-62.8	-115.6	10.5
Change in cash and cash equivalents (A+B+C+D)		**1,155.6**	**-605.7**	**1,294.0**
Cash and cash equivalents at beginning of the period (E)		**5,286.0**	**3,992.0**	**3,992.0**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	**8.2**	**6,441.6**	**3,386.3**	**5,286.0**

Income tax paid totalled €595.2 million, €534.3 million, and €1,534.3 million for first-half 2020, first-half 2019 and year 2019, respectively.

Interest paid (excluding interest on lease debts) amounted to €10.3 million, €15.4 million, and €21.6 million for first-half 2020, first-half 2019 and year 2019, respectively.

Interest paid on lease debts amounted to €22.7 million, €26.8 million and €54.4 million for first-half 2020, first-half 2019 and year 2019, respectively.

Dividends received totalled €372.5 million, €363.0 million, and €364.1 million for first-half 2020, first-half 2019 and year 2019, respectively. These are included within the gross cash flow.

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 2019.

The Board of Directors reviewed the condensed half-year consolidated financial statements as at 30 June 2020, on 30 July 2020.

The accounting policies applied are identical to those applied when preparing the annual consolidated financial statements for the year ended 31 December 2019, 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 or interpretations not mandatorily applicable in 2020.

Closing context – COVID-19

The first half of 2020 was marked by quarantine measures in many countries in which L'Oréal operates. In this context, activity slowed and the Group established very rigorous measures for operational budget discipline: a freeze on staff worldwide, a freeze on travel, a reduction in non-crucial expenditure, an in-depth revision of market resources and investments.

Given the spread of the COVID-19 virus, one of L'Oréal's absolute priorities was to provide all assistance from the Group and its solidarity wherever this was possible. As a result, around the world, L'Oréal chose to assist its small business customers and perfume houses by deferring debt payments because of the cash flow difficulties encountered until they can resume their activity. Most of the credit risk is covered by insurance policies. Among other measures, L'Oréal shortened payment periods for suppliers with the most exposure.

In order to take these measures into account, inventory depreciation methods were temporarily adjusted: the inventory outflow horizon was extended to take into account the quarantine (increased from six to eight months). The impact on the amount of the provision for inventory depreciation is not significant.

Sanitary measures were also established. Given the completely exceptional nature of these measures, the costs incurred were classified as "other operating income and expenses". L'Oréal also used this category to isolate the costs generated by a total shutdown of activity related to the lockdowns imposed by local authorities over very specific periods. These non-recurring costs correspond to the extraordinary financial impact suffered by the Group over the well-defined lockdown periods (see Note 4). These two types of costs do not by any means represent the full effect of the slowdown in the Group's business as a result of COVID-19.

In addition, in the first half of the year, the Group obtained a syndicated loan for €3.6 billion that was not used as at 30 June 2020.

In an environment that changes every day, it is difficult to predict how quickly the Group will be able to record a return to normal. The Group is facing a supply crisis and, as the example of China shows, this situation is not weakening consumers' desire for beauty, which remains intact. The beauty market is showing a marked restart as soon as lockdown measures are relaxed. Thus, the Group has not recognised impairment of intangible assets (see Note 6).

1.1. Change in accounting policy and interpretation applied at 1 January 2019

1.1.1. 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 Group is currently finalizing the analysis of the IFRS Interpretation Committee (IC) decision dated 26 November 2019. The Group does not anticipate any material impact.

  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**	
Other intangible assets/Property, plant and equipment	-92	Equity	-82
		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**

1.1.2. Applying IFRIC 23

Applying IFRIC 23 "Uncertainty over Income Tax Treatments" led the Group to reclassify uncertain tax provisions as "Other non-current liabilities under Provisions for liabilities and charges and other non-current liabilities".

NOTE 2. Main events of the period

2.1. Changes in the scope of consolidation

2.1.1. First-half 2020

Acquisition

On 31 March 2020, after obtaining the necessary authorizations from the relevant authorities, L'Oréal has finalized the acquisition of the Mugler brands and Azzaro fragrances from Clarins Group for an amount of €1.3 billion net of cash acquired. This acquisition has been fully consolidated since that date.

The total amount of goodwill resulting from this acquisition has been provisionally estimated at €1,386.1 million. The allocation of the purchase price to the identifiable intangible assets of this acquisition had not been finalised at 30 June 2020.

The impact of this acquisition on half-year sales is €23.4 million.

Disposal

On 4 February 2020, following a strategic review regarding the best development options for the Roger & Gallet brand, L'Oréal announced that it has entered in exclusive negotiation with the French investment holding Impala for the sale of that brand.

Founded in 1862 in Paris, Roger & Gallet has its origins in pharmacy fragrances, inspired by French *art de vivre*. Part of L'Oréal since the acquisition of Yves Saint Laurent Beauté in 2008, Roger & Gallet offers a rich catalogue of fragrance-based products including perfumes, toiletries and skincare.

In 2018, the brand generated €52 million of sales.

On 29 June 2020, L'Oréal and the French investment holding Impala have today finalised the sale of the Roger & Gallet brand.

2.1.2. Year 2019

L'Oréal did not make any significant acquisitions nor disposal in 2019.

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, Biolage, Pureology, Decléor* and *Carita*.
- 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 (*Essie, Niely, Dark and Lovely*, 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, Yves Saint Laurent Beauté, Giorgio Armani Beauty, Kiehl's, UrbanDecay, Biotherm, Ralph Lauren* and *IT Cosmetics)*. The recent acquisition of *Azzaro* and *Mugler* brands were recently added to this portfolio.

- 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 *(Vichy, La Roche-Posay, CeraVe* and *SkinCeuticals)* 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.

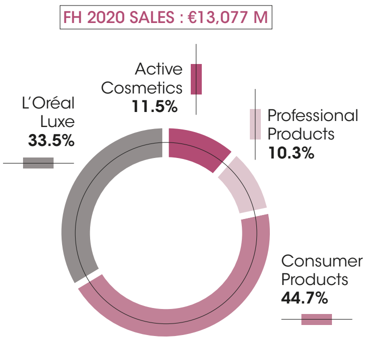
Data by Division are prepared using the same accounting principles as those used for the preparation of the consolidated financial statements.

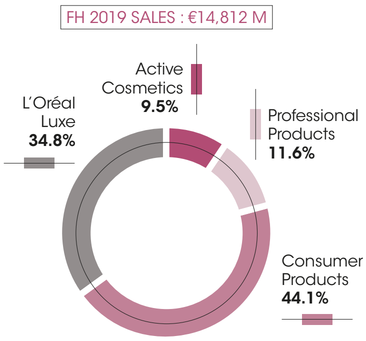
The performance of each Division is measured on the basis of operating profit.

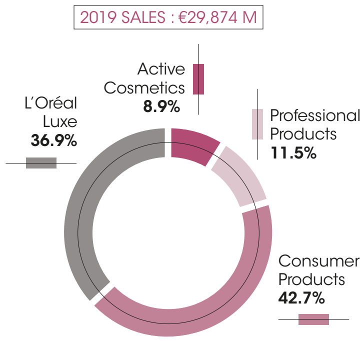
3.1.1.1. Net sales by Division

€ millions	1st half 2020	1st half 2019	2019
Professional Products	1,341.7	1,714.2	3,441.9
Consumer Products	5,850.7	6,530.5	12,748.2
L'Oréal Luxe	4,382.2	5,150.1	11,019.8
Active Cosmetics	1,501.9	1,416.7	2,663.7
GROUP	**13,076.5**	**14,811.5**	**29,873.6**

Net sales by Division changed as follows over the three periods:







3.1.1.2. Operating profit by Division

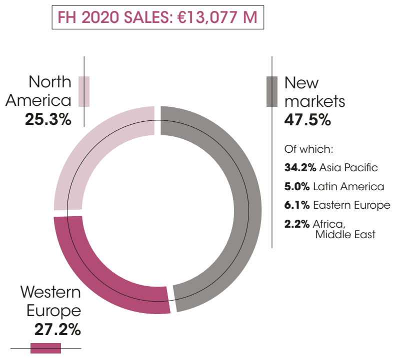
€ millions	1st half 2020	1st half 2019	2019
Professional Products	140.0	327.9	691.6
Consumer Products	1,243.7	1,351.1	2,574.6
L'Oréal Luxe	892.0	1,227.3	2,493.7
Active Cosmetics	433.8	376.1	620.8
TOTAL OF DIVISIONS	**2,709.5**	**3,282.3**	**6,380.7**
Non-allocated	-352.3	-393.9	-833.2
GROUP	**2,357.2**	**2,888.4**	**5,547.5**

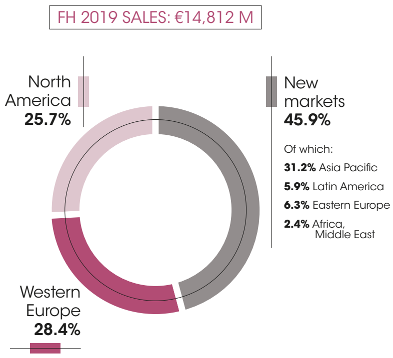
3.1.2. Consolidated net sales by geographic zone

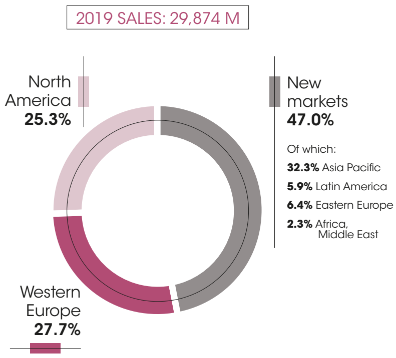
All information is presented on the basis of geographic location of the subsidiaries.

	1st half 2020		Growth (%)		1st half 2019		2019	
	€ millions	% of total	Published data	Excluding exchange effect	€ millions	% of total	€ millions	% of total
Western Europe	3,553.5	27.2%	-15.6%	-15.7%	4,212.6	28.4%	8,277.1	27.7%
of which France	1,055.1	8.1%	-18.1%	-14.2%	1,288.6	8.7%	2,479.5	8.3%
North America	3,307.7	25.3%	-13.1%	-15.1%	3,805.7	25.7%	7,567.0	25.3%
New Markets	6,215.4	47.5%	-8.5%	-6.6%	6,793.1	45.9%	14,029.5	47.0%
• Asia Pacific	4,468.5	34.2%	-3.4%	-4.0%	4,626.4	31.2%	9,658.0	32.3%
• Latin America	659.2	5.0%	-25.0%	-10.8%	878.6	5.9%	1,773.1	5.9%
• Eastern Europe	798.9	6.1%	-14.2%	-11.9%	931.3	6.3%	1,909.7	6.4%
• Africa, Middle East	288.8	2.2%	-19.1%	-19.4%	356.7	2.4%	688.7	2.3%
GROUP	**13,076.5**	**100.0%**	**-11.7%**	**-11.4%**	**14,811.5**	**100.0%**	**29,873.6**	**100.0%**

Net sales by geographic zone changed as follows over the three periods:







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 €793.2 million, including €213.0 million for right-of-use (IFRS 16) for the first-half 2020 compared with €769.3 million, including €209.5 million for right-of-use (IFRS 16) for first-half 2019 and €1,603.3 million including €445.1 million for right-of-use (IFRS 16)for year 2019.

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

Acquisitions for first-half 2020 amounted to €484.9 million, including €147.9 million for new leases (IFRS 16) compared with €660.6 million including €225.5 million for new leases (IFRS 16) for first-half 2019 and €1,330.9 million including €373.3 million for new leases (IFRS 16) for year 2019.

Depreciation and provision for first-half 2020 amounted to €680.1 million including €213.0 million for right-of-use assets (IFRS 16) compared with €665.4 million including €209.5 million for right-of-use assets (IFRS 16) for first-half 2019 and €1,389.3 million including €445.1 million for right-of-use assets (IFRS 16) for year 2019.

NOTE 4. Other operational income and expenses

This item breaks down as follows:

€ millions	1st half 2020	1st half 2019	2019
Capital gains and losses on disposals of property, plant and equipment and intangible assets (1)	-4.5	1.9	14.0
Impairment of property, plant and equipment and intangible assets (2)	-89.8	-79.8	-142.8
Restructuring costs (3)	-133.6	-90.4	-120.2
Other (4)	-179.2	-2.1	-187.5
TOTAL	**-407.1**	**-170.4**	**-436.5**

(1) Including:
– in the first half of 2020, the capital loss on the sale of Roger & Gallet for -€2.7 million (after impairment recorded at 31 December 2019 on intangible assets for €62 million) and the capital loss on the sale of Seed Phytonutrients for -€1.9 million;
– in 2019, €11 million in capital gains on property sales in Germany.

(2) Including:
– in the first half of 2020, the brand and residual goodwill of Clarisonic for €65.3 million and €24.6 million respectively because of the shutdown of the brand;
– in first-half 2019, the brand and goodwill of Clarisonic for €33 million and €47 million, respectively;
– In 2019, the brand and goodwill of Clarisonic and Roger & Gallet for €80 million and €59 million, respectively.

(3) Including:
– in the first half of 2020, the continued the redesign of NYX Professional Makeup's distribution channels (€55 million), the repositioning of the Decléor Carita brands and their marketing strategy (€21 million), the shutdown of the Clarisonic brand (€20 million) and the reorganisation of the organisational and distribution units of the Luxury and Professional Divisions in Western Europe (€23 million);
– in the first half of 2019, the redesign of NYX Professional Makeup's distribution channels (€70 million), the refocus of production facilities on Luxe, mostly in France (€9 million) and additional costs on various reorganisation projects in 2018, primarily in Brazil and Western Europe (€10 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 the first half of 2020, acquisition-related costs (€15 million), certain specific, identifiable costs related to the consequences of the health crisis, including incremental health costs (€27 million) (additional hygiene measures, protective measures for employees, thermal cameras, etc.) and costs generated by a sudden and complete shutdown of activity over the well-defined lockdown periods imposed by local authorities (€43 million) related to owned points of sale (primarily salaries of beauty advisors, costs related to the amortization of rights to use boutiques net of any subsidies received from lenders) and costs related primarily to salaries of the sales force of the Professional Products Division, of the beauty advisors in the department stores of the Luxury Division, and the sales forces of the Medical Doctors prohibited from professional travels in the United States (€70 million);
– in the first half of 2019, acquisition-related costs (€2 million);
– in 2019, acquisition-related costs (€6.1 million), the increase of the Stylenanda earn-out (€56.5 million), 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. Employee benefits – Free shares

5.1. Employee benefits – Actuarial gains and losses

a) At 30 June 2020

The decline in the interest rates used to determine the present value of our pension obligations recorded since 31 December 2019 is approximately 20 basis points for France and 50 basis points for the United States and the United Kingdom. It is partially offset by an upward trend in hedging assets for the United States and the United Kingdom. The hedging assets in France have lost value.

France and the United States are showing higher impacts of the increased pension provision for €139 million and €39 million respectively. In the United Kingdom, there is a lower impact of €18 million. These impacts were taken into account in the financial statements for the period ended 30 June 2020.

b) At 30 June 2019

The decline in the interest rates used to determine the present value of our pension obligations recorded since 31 December 2018 is approximately 75 basis points for the United States and France, and 25 basis points for the United Kingdom. It is virtually offset by an upward trend in hedging assets for the United States and the United Kingdom, and partially for France.

Upward impacts of approximately €1 million and €6 million on pension provisions for the United States and the United Kingdom respectively were not taken into account in the financial statements at 30 June 2019 due to their immaterial nature. Only the increase of approximately €131 million for France was included in these half-year financial statements.

5.2. Free shares

a) Vesting conditions

At 30 June 2020, no plan was implemented for year 2020.

The plan of 20 April 2016 was definitively vested by the allocation of 835,600 shares on 21 April 2020. The number of shares definitively awarded in respect of the 20 April 2016 plan took into account the percentage performance achieved at the end of the plan.

At 30 June 2020, the performance conditions were deemed satisfied.

b) Capital increase reserved for employees

In June 2018, 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 €162.52, 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 4 June to 18 June 2018 during which 423,916 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, with the final number of shares subscribed determined at 4,514 in November 2018.

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 employees' contribution to the plan, with a maximum of 4 shares offered for 10 shares subscribed. The shares will be allocated to employees on 25 July 2023 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 24 July 2018 by 455,613 shares and on 15 November 2018 by 6,524 shares.

The IFRS 2 expense for free shares granted amounted to:

- €5.1 million for French employees based on a subscription price of €162.52 per share; and
- €7.1 million for employees outside 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 €180.94 per share, except for the Share Incentive Plan for which the acquisition cost is €205.66 per share.

NOTE 6. Intangible assets

The increase in the *Goodwill* item of €1,270.9 million is essentially the result of the acquisition of Azzaro/Mugler that generated provisional goodwill in the amount of €1,386.1 million, and was slightly offset by the impairment of the goodwill from L'Oréal Beauty Device following the shutdown of the Clarisonic brand (-€24.6 million) and the negative change in foreign exchange rates for -€91 million.

The decrease in the *Other intangible assets* item for -€97.1 million is primarily the result of the impairment of the Clarisonic brand (-€65.3 million), and allocations to amortisation for the period in the amount of -€113 million and the negative change in foreign exchange rates for -€15.4 million. These impacts are primarily offset by acquisitions in the first half of the year amounting to €95.6 million.

Given the COVID-19 related crisis, we have integrated the slowdown in activity on flows for 2020 in the tests performed on the Cash Generating Units, retaining the same projections for growth and profitability as before the COVID-19 pandemic in the future years of the business plans. The impairment tests conducted in the first half of the year did not lead us to record impairments.

The discount rates used at 30 June for the tests are as follows: France 7%, United States 7.8%, Africa 13.5%, Brazil 12.4% and Colombia 10.8%.

At 30 June 2020, a 1% increase in the discount rate on the Cash Generating Units would lead to an impairment loss risk of around €7.4 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% decrease in the terminal growth rate on all sensitive Cash Generating Units would lead to an impairment loss risk of around €3.8 million.

A 1-point decrease in the margin rate over the business plan period on all Cash Generating Units would generate an impairment loss risk of around €4.1 million.

NOTE 7. Investments in associates

€ millions	30.06.2020	30.06.2019	31.12.2019
INVESTMENTS IN ASSOCIATES			
LIPP Distribution	10.6	8.6	10.1
Others	0.8	0.9	0.8
TOTAL	**11.4**	**9.5**	**10.9**

NOTE 8. Financial assets and liabilities – Cost of debt

8.1. Borrowings and debt

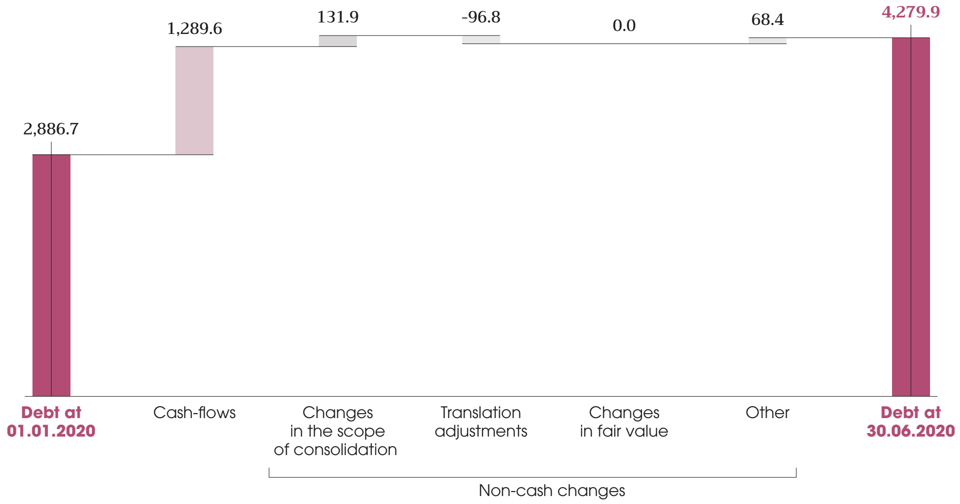
The Group takes out bank loans to cover its medium-term financing needs and issues short-term marketable instruments in France and commercial paper in the US to cover its financing needs in the short term. None of the Group's borrowings or debt contains an early repayment clause linked to financial ratios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

8.1.1. Debt by type

	30.06.2020		30.06.2019		31.12.2019	
€ millions	Non-current	Current	Non-current	Current	Non-current	Current
Short-term marketable instruments	-	2,141.7	-	754.3	-	601.1
MLT bank loans	-	-	-	-	-	-
Lease debt	1,460.7	398.1	1,748.8	402.2	1,628.0	407.9
Overdrafts	-	112.0	-	117.7	-	136.8
Other borrowings and debt	9.6	157.8	9.4	153.1	9.6	103.3
TOTAL	**1,470.3**	**2,809.6**	**1,758.2**	**1,427.4**	**1,637.6**	**1,249.1**

8.1.2. Change in debt

			Non-cash changes				
€ millions	31.12.2019	Cash-flows	Changes in the scope of consolidation	Translation adjustments	Changes in the scope of consolidation	Others	30.06.2020
Short-term marketable instruments	601.1	1,551.1	-	-10.4	-	-	2,141.7
MLT bank loans	-	-	-	-	-	-	-
Lease debt	2,035.9	-219.7	-	-40.3	-	82.7	1,858.8
Overdrafts	136.9	-1.1	-	-5.9	-	-17.8	112.0
Other borrowings and debt	112.9	-40.7	131.9	-40.2	-	3.4	167.4
TOTAL	**2,886.7**	**1,289.6**	**131.9**	**-96.8**	**-**	**68.4**	**4,279.9**



8.1.3. Debt by maturity date

€ millions	30.06.2020	30.06.2019	31.12.2019
Less than 1 year (1)	2,809.5	1,427.4	1,249.1
1 to 5 years	1,090.1	1,176.8	1,162.3
More than 5 years	380.2	581.4	475.3
TOTAL	**4,279.9**	**3,185.6**	**2,886.7**

(1) At 30 June 2020, the Group had confirmed undrawn credit lines for €7,178.5 million compared with €3,795.3 million at 30 June 2019 and €3,801.1 million at 31 December 2019. These lines were not subject to any covenants.

8.1.4. Debt by currency excluding lease debts

€ millions	30.06.2020	30.06.2019	31.12.2019
Euro (EUR)	1,171.3	533.8	284.2
US Dollar (USD)	1,051.6	311.6	422.2
Chilean Peso (CLP)	35.2	37.4	27.5
Colombian Peso (COP)	34.0	28.3	27.0
South African Rand (ZAR)	20.7	12.8	9.3
Egyptian Pound (EGP)	19.3	19.8	14.5
Chinese Yuan Renminbi (CNY)	17.5	10.5	13.4
Turkish Lira (TRY)	14.6	29.4	0.4
Kenyan Shilling (KES)	13.7	9.4	11.5
Israeli Shekel (ILS)	9.0	7.4	-
Pakistani Rupee (PKR)	8.3	5.0	6.2
Indonesian Rupee (IDR)	7.4	3.8	5.2
Ghanaian Cedi (GHS)	4.6	3.3	4.0
Others	13.8	22.1	25.4
TOTAL	**2,421.1**	**1,034.6**	**850.8**

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

€ millions	30.06.2020	30.06.2019	31.12.2019
Floating rate	2,253.9	914.1	757.4
Fixed rate including lease debt	2,026.0	2,271.5	2,129.3
TOTAL	**4,279.9**	**3,185.6**	**2,886.7**

8.1.6. Effective interest rates

Effective interest rates on Group debt after hedging instruments allocation are 0.73% at 30 June 2020 compared with 0.50% at 30 June 2019 and 0.99% at 31 December 2019 for short-term marketable instruments.

Medium and long-term bank loans amounted to €0.0 million at 30 June 2020 compared with €0.0 million at 30 June 2019 and at 31 December 2019.

8.1.7. Average debt interest rates

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

	30.06.2020	30.06.2019	31.12.2019
Euro (EUR) (1)	-0.34%	-0.44%	-0.45%
US Dollar (USD)	1.53%	2.48%	2.34%

(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 €2,421.1 million at 30 June 2020 compared with €1,034.6 million at 30 June 2019 and €2,886.7 million at 31 December 2019.

8.2. Cash and cash equivalents

	30.06.2020		30.06.2019		31.12.2019	
€ millions	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost
Marketable securities	4,455.8	4,459.4	1,407.2	1,407.2	3,042.4	3,044.6
Bank accounts and other cash and cash equivalents	1,985.8	1,985.8	1,979.1	1,979.1	2,243.6	2,243.6
TOTAL	**6,441.6**	**6,445.2**	**3,386.3**	**3,386.3**	**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.

8.3. Non-current financial assets

	30.06.2020		30.06.2019		31.12.2019	
€ millions	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost
INVESTMENTS IN NON-CONSOLIDATED COMPANIES						
• Sanofi (1)	10,717.3	4,033.5	8,974.6	4,033.5	10,595.5	4,033.5
• Unlisted securities (2)	104.3	190.8	63.3	158.2	94.9	189.2
FINANCIAL ASSETS AT AMORTISED COST						
• Non-current loans and receivables	110.5	112.8	119.9	122.6	129.0	131.4
TOTAL	**10,932.1**	**4,337.1**	**9,157.8**	**4,314.3**	**10,819.4**	**4,354.1**

(1) L'Oréal's stake in Sanofi was 9.41% at 30 June 2020. The carrying amounts at 30 June 2020, at 30 June 2019 and at 31 December 2019 (€10,717.3 million, €8,974.6 million and €10,595.5 million respectively) correspond to the market value of the shares based on the closing price at each of the dates (€90.65, €75.91 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 mainly includes:

– strategic investments in investment funds measured at fair value through other comprehensive income;

– 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 2020, the change in the mark to market value of the hedging instruments allocated to future transactions and deferred through equity amounts to €151.4 million, compared with €35.0 million at 30 June 2019 and €44.8 million at 31 December 2019.

9.2. Foreign exchange gains and losses

Foreign exchange gains and losses break down as follows:

€ millions	1st half 2020	1st half 2019	2019
Time value	-42.2	-58.0	-126.9
Other foreign exchange gains and losses	40.7	-18.2	-63.2
TOTAL	**-1.5**	**-76.3**	**-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 hedges in excess and recognized directly in the income statement under other foreign exchange gains and losses for €12.6 million for first-half 2020, -€3.5 million for first-half 2019 and -€9.2 million for year 2019.

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

€ millions	1st half 2020	1st half 2019	2019
Cost of sales	-3.3	-66.1	-161.9
Research and innovation expenses	2.9	6.4	16.5
Advertising and promotion expenses	-0.5	-9.0	-25.5
Selling, general and administrative expenses	-0.5	-7.5	-19.3
FOREIGN EXCHANGE GAINS AND LOSSES	**-1.5**	**-76.3**	**-190.1**

9.3. Hedging of interest rate risk

The Group did not have any interest rate hedging instruments at 30 June 2020, 30 June 2019 and 31 December 2019.

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 2020, marketable securities consist mainly of unit trusts (see Note 8.2.).

At 30 June 2020, the Group held 118,227,307 Sanofi shares for an amount of €10,717.3 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 €90.65 on 30 June 2020 would have an impact of plus or minus €1,071.7 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.

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 2020	Level 1	Level 2	Level 3	Total fair value
ASSETS AT FAIR VALUE				
Foreign exchange derivatives		109.4		109.4
Sanofi shares	10,717.3			10,717.3
Marketable securities	4,455.8			4,455.8
TOTAL ASSETS AT FAIR VALUE	**15,173.1**	**109.4**	**-**	**15,282.5**
LIABILITIES AT FAIR VALUE				
Foreign exchange derivatives		50.9		50.9
TOTAL LIABILITIES AT FAIR VALUE	**-**	**50.9**	**-**	**50.9**

€ millions 30 June 2019	Level 1	Level 2	Level 3	Total fair value
ASSETS AT FAIR VALUE				
Foreign exchange derivatives		117.0		117.0
Sanofi shares	8,974.6			8,974.6
Marketable securities	1,407.1			1,407.1
TOTAL ASSETS AT FAIR VALUE	**10,381.7**	**117.0**	**-**	**10,498.7**
LIABILITIES AT FAIR VALUE				
Foreign exchange derivatives		179.5		179.5
TOTAL LIABILITIES AT FAIR VALUE	**-**	**179.5**	**-**	**179.5**

€ 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**

NOTE 10. Equity – Earnings per share

10.1. Share capital and additional paid in capital

Share capital consisted of 559,298,180 shares with a par value of €0.20 at 30 June 2020, compared with 561,622,744 shares at 30 June 2019 and 558,117,205 shares at 31 December 2019.

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 2020

The change in the number of shares in first-half 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	1,180,975		1,180,975
Treasury shares purchased			
AT 30.06.2020	**559,298,180**	**-**	**559,298,180**

b) Year 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 stock options/ free shares 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	-			

10.3. Net profit attributable to owners of the company excluding non-recurring items – Earnings per share

10.3.1. Reconciliation with net profit

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

€ millions	1st half 2020	1st half 2019	2019
Net profit attributable to owners of the company	**1,822.5**	**2,326.7**	**3,750.0**
Capital gains and losses on property, plant and equipment and intangible assets	4.5	-1.9	-14.0
Impairment of property, plant and equipment and intangible assets	89.8	79.8	142.8
Restructuring costs	133.6	90.4	120.2
Others	179.2	2.1	187.5
Tax effect on non-recurring items	-84.8	-30.8	165.0
Non-controlling interests on non-recurring items	-	-0.1	-0.1
Tax effect on acquisitions and internal restructuring	-	-	5.5
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY EXCLUDING NON-RECURRING ITEMS	**2,144.8**	**2,466.2**	**4,356.9**

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 (excluding the dilutive impact of shares carrying preferential dividend rights):

1st half 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	1,822.5	558,666,980	3.26
Stock options	-	338,304	-
Free shares	-	2,228,461	-
DILUTED EARNINGS PER SHARE	**1,822.5**	**561,233,745**	**3.25**

1st half 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	2,326.7	560,214,334	4.15
Stock options	-	773,899	-
Free shares	-	2,258,920	-
DILUTED EARNINGS PER SHARE	**2,326.7**	**563,247,153**	**4.13**

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**

10.3.3. Earnings per share excluding non-recurring items

The tables below set out in detail earnings per share from continuing operations attributable to owners of the company excluding non-recurring items (excluding the dilutive impact of shares carrying preferential dividend rights):

1st half 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	2,144.8	558,666,980	3.84
Stock options	-	338,304	-
Free shares	-	2,228,461	-
DILUTED EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS	**2,144.8**	**561,233,745**	**3.82**

1st half 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	2,466.2	560,214,334	4.40
Stock options	-	773,899	-
Free shares	-	2,258,920	-
DILUTED EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS	**2,466.2**	**563,247,153**	**4.38**

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**

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 and other non-current liabilities – Contingent liabilities and material ongoing disputes

11.1. Provisions for liabilities and charges and other non-current liabilities

11.1.1. Closing balances

€ millions	30.06.2020	30.06.2019	31.12.2019
Provisions for liabilities and charges and other non-current liabilities	**308.7**	**354.1**	**367.1**
Non-current provisions (1)	56.7	52.8	56.9
Non-current liabilities (2)	252.0	301.3	310.2
Current provisions for liabilities and charges	**1,029.6**	**1,016.9**	**1,117.8**
Provisions for restructuring	148.8	144.4	112.9
Provisions for product returns	315.2	346.9	351.1
Other current provisions (1)	565.6	525.6	653.7
TOTAL	**1,338.4**	**1,371.0**	**1,484.9**

(1) This item notably includes provisions for industrial, environmental and commercial risks relating to operations (breach of contract), personnel costs, investments in associates when the Group's share in the net asset is negative, as well as risks relating to investigations carried out by competition authorities (See note 11.2.2.a and b).
(2) This heading corresponds to uncertain tax positions. It includes an estimate of tax risks and litigation related to income tax for the various countries the Group operates in.

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

€ millions	30.06.2019	31.12.2019	Charges (2)	Reversals (used) (2)	Reversals (not used) (2)	Other (1)	30.06.2020
Provisions for restructuring	144.4	112.9	107.7	-64.3	-5.6	-1.9	148.8
Provisions for product returns	346.9	351.1	164.4	-168.3	-27.3	-4.7	315.2
Other provisions for liabilities and charges	578.4	710.7	76.3	-97.0	-37.0	-30.5	622.4
TOTAL	**1,069.7**	**1,174.7**	**348.4**	**-329.5**	**-69.9**	**-37.2**	**1,086.4**

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

€ millions	Charges	Reversals (used)	Reversals (not used)
Operating profit	240.6	-264.2	-64.2
Other income and expenses	107.7	-65.4	-5.7
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 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 €520.3 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 to partially cover this risk using the average prices applied by its subsidiaries as a basis for tax and not its whole third party net sales.

India – Advertising, marketing and promotional costs challenged

L'Oréal received several tax reassessment notices regarding financial years 2007/08 to 2015/16 for the most part concerning the tax deductibility of advertising, marketing and promotional expenses for a total amount of €165.3 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.

Europe – Mutual agreement procedures

Mutual agreement procedures were instigated against the Italian, French and Spanish 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 will be held during the second half of 2020.

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 Court of Appeal confirmed the initial amount of the fine. L'Oréal has filed a new appeal against this order.

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 2020, 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. 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 2020 amounting to €189.5 million at 30 June 2020 as at 30 June 2019 and 31 December 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 12. Acquisition in progress

On 18 June 2020, L'Oréal announced the signing of an agreement to acquire Thayers Natural Remedies, a US-based natural skincare brand from Henry Thayer Company. The brand will be integrated into L'Oréal's Consumer Products Division.

Headquartered in Easton Connecticut, Thayers Natural Remedies has a strong skincare heritage and offers a portfolio of high-quality products including toners and astringents. Founded in 1847 by Doctor Henry Thayer, the brand is best known for its iconic *Witch Hazel Aloe Vera Formula Facial Toner*, a bestselling product popular among a diverse group of consumers. The brand has expanded its distribution from natural grocery stores to a multichannel strategy which includes mass and beauty retailers, drugstores and e-commerce. Thayers Natural Remedies recorded sales of US $44 million in 2019.

The closing is subject to the standard regulatory approvals and other customary conditions.

NOTE 13. 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 2020 HALF-YEAR FINANCIAL INFORMATION

(Period from 1 January to 30 June 2020)

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.

To the Shareholders,

L'ORÉAL

14, rue Royale

75008 Paris

Ladies and Gentlemen,

In compliance with the assignment entrusted to us by your Shareholders' 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-year consolidated financial statements of L'Oréal, for the six months ended 2020;
- the verification of the information contained in the Half-year Management Report.

These condensed half-year consolidated financial statements were approved by the Board of Directors on 30 July 2020 based on the information available at that date in the evolving context of the COVID-19 health crisis and of difficulties in assessing its impact and future prospects. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of half-year 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-year 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.

II. Specific verification

We have also verified the information given in the Half-year Management Report on the condensed half-year consolidated financial statements subject to our review prepared on 30 July 2020.

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

Neuilly-sur-Seine and Paris-La Défense, 31 July 2020

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit
Anne-Claire Ferrié

Deloitte & Associés
Frédéric Moulin

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DECLARATION BY THE PERSON RESPONSIBLE FOR THE 2020 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, 30 July 2020,

On the authority of the Chairman and Executive Officer,

Christophe Babule,

Executive Vice-President, Chief Financial Officer

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