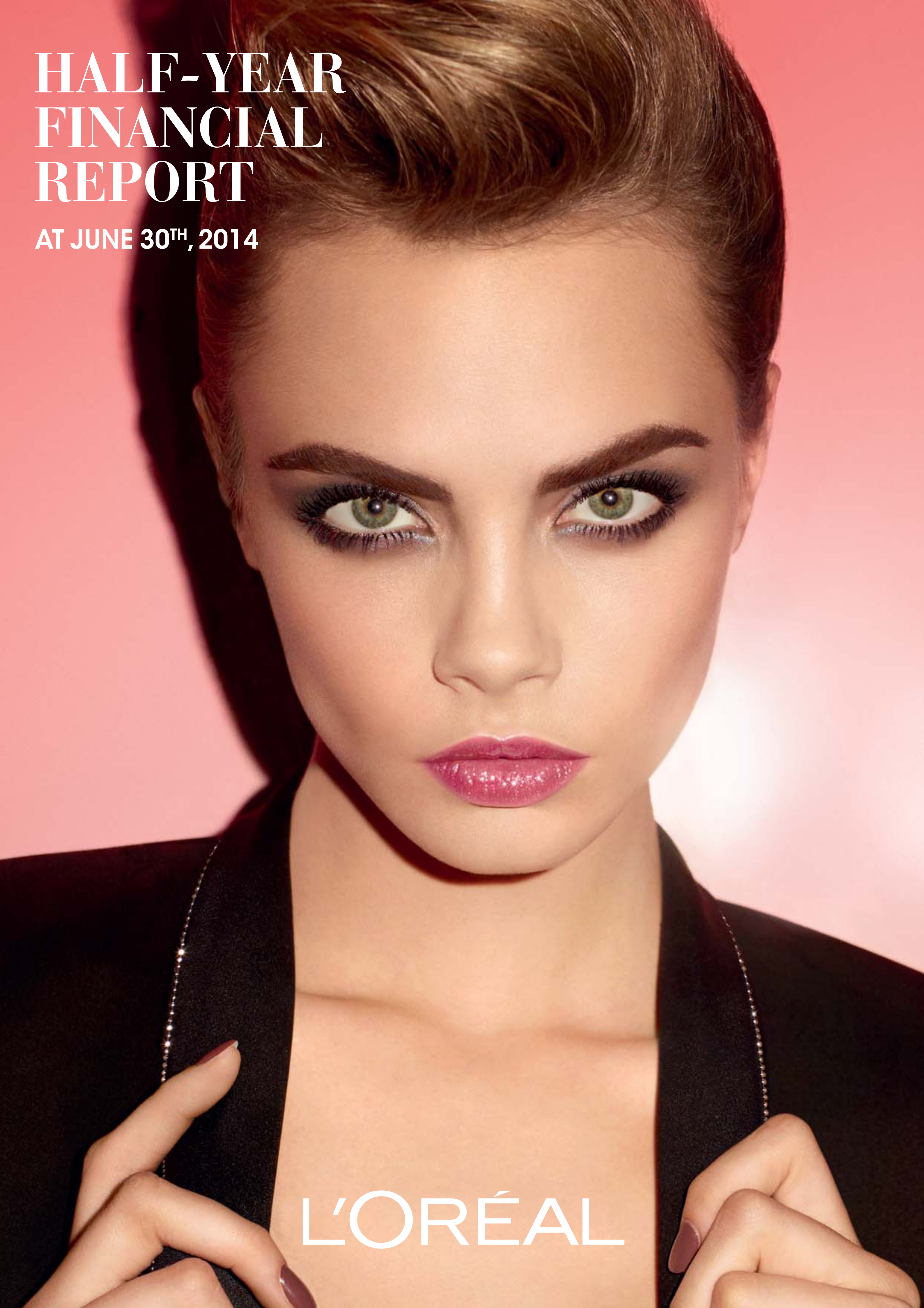
HALF-YEAR FINANCIAL REPORT

AT JUNE 30TH, 2014



L'ORÉAL

Contents

HALF-YEAR FINANCIAL *REPORT*

AT JUNE 30TH, 2014

Half-year situation at June 30th, 2014

The following statements have been examined by the Board of Directors of July 31st, 2014 and have been the object of a limited review by the Statutory Auditors.
This is a free translation into English of the L'Oréal 2014 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.

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/ 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, the sales growth was +3.8%.

The net impact of changes in consolidation was -0.2%.

Currency fluctuations had a negative impact of -5.1%. If the exchange rates at June 30th, 2014, *i.e.* €1 = $1.366, are extrapolated up to December 31st, the impact of currency fluctuations on sales would be approximately -3.5% for the whole of 2014.

Growth at constant exchange rates was +3.6%.

Based on reported figures, the Group's sales at June 30th, 2014 amounted to €11.17 billion, a decrease of -1.5%.

1.1.1. Consolidated income statements

Gross profit, at €8,023 million, has come out at 71.8% of sales, compared with 71.7% in the first half of 2013, representing an improvement of 10 basis points.

Research and Development expenses have increased from 3.2% to 3.3% as a percentage of sales. This increase illustrates the Group's constant determination to support its Research and Innovation effort.

Advertising and promotion expenses came out at 29.3% of sales, which is 70 basis points below the first-half 2013 level, as announced at the beginning of the year.

Selling, general and administrative expenses, at 21.1% of sales, have come to a higher level, by 50 basis points, compared to the first half of 2013.

Overall, the **operating profit** at €2,029 million, has grown by 0.2%, and amounts to 18.2% of sales. At constant exchange rates, operating profit growth would have been +4.5%.

Overall finance costs amounted to €8.1 million, compared with €12.9 million in the first half of 2013. This decline reflected the continuing strengthening of our financial structure in the first half.

The **Sanofi dividends** for 2013 amounted to €331 million.

Income tax excluding non-recurring items amounted to €575 million, representing a taxation rate of 24.5%, slightly above the rate of the first half of 2013, which came out at 24.1%.

Net profit from continuing operations, excluding non-recurring items, attributable to owners of the company, which amounted to €1,773.5 million, is flat compared to that of the first half of 2013.

Net EPS, calculated without taking into account the impact of the strategic transaction with Nestlé, amounted to €2.92. It is flat compared to that of the first half of 2013.

Net profit attributable to owners of the company, amounted to €1,734.8 million, an increase of 1.5%.

1.1.2. Cash flow statements/balance sheet

Gross cash flow amounted to €2,108 million, up by 2.2% compared with the first half of 2013.

As is the case each year in the first half, the **change in working capital** has increased significantly. In this half, the increase is very close to that of the first half of 2013, at €598 million.

Investments at €484 million, represent 4.3% of sales.

Operating cash flow has come out at €1,025 million, up by 5.9%.

After payment of the dividend and acquisitions, consisting mainly of the acquisitions of Magic Holdings, *Decléor* and *Carita*, the **residual cash flow** amounts to -€1,346 million.

At June 30th, 2014, **net cash** is positive at €922 million.

The balance sheet structure is particularly robust, as **shareholders' equity** amounted to €22.9 billion, has been strengthened compared with December 31st, 2013.

1.2. SEGMENT INFORMATION

1.2.1. Turnover by branch

1.2.1.1. COSMETICS

The Professional Products Division has posted growth of +3.0% like-for-like and -1.7% based on reported figures. The Division's growth was weaker in Asia, but has been confirmed in Western Europe and the United States.

- Haircare, driven by the new *Biolage* by *Matrix,* and hair colourants, boosted by the further success of ODS[2] technology, are the main contributors to growth. Styling is growing strongly, thanks to the relaunch of *TecniArt* by *L'Oréal Professionnel* and *Redken's* styling range.
- The return to growth in mature markets has been confirmed. The Division is maintaining good momentum in the New Markets (excluding Japan), which are still dynamic, especially in India, Russia and Brazil.

The Consumer Products Division recorded growth of +2.0% like-for-like and -4.2% based on reported figures. Well-positioned to benefit from the gradual improvement in European markets, the Division was nevertheless held back by an American mass market that has been slow to pick up, and, to a certain extent, by slower growth of the market in the emerging countries.

- Recent launches, which have provided a strong boost in hair where the Division is continuing to win market share, have been less effective in facial skincare in the first part of the year. The Division is maintaining its very good momentum in haircare, particularly in China, in Europe with the launches of *Fibralogy* by *L'Oréal Paris* and *Ultimate Blends* by *Garnier,* and in the United States with sustained growth on both *L'Oréal Paris Advanced Haircare* and *Garnier Fructis*. In hair colourants, the roll-out of *Garnier Olia* continues. In make-up, *L'Oréal Paris* is expanding well, and is innovating with *Butterfly* and *Miss Manga* mascaras.

- Amongst the geographic Zones, North America has been held back by a sluggish market and a high comparison base. The Division has posted solid growth in Western Europe and Brazil. The Division continues to be dynamic in Southern Asia, Eastern Europe and Africa, Middle East, where it is gaining market share.

The sales of **L'Oréal Luxe** grew by +7.4% like-for-like and +2.7% based on reported figures at end-June. The Division is continuing to make strong market share gains.

- *Urban Decay,* the Californian L'Oréal Luxe brand, driven by its cult *Naked Palette* product, is recording very strong growth, and the same is true of the American alternative brands *Kiehl's* and *Clarisonic*. *Giorgio Armani,* with its women's fragrance *"Sì", Yves Saint Laurent,* with its lip make-up, and *Ralph Lauren,* thanks to its fragrances *Polo Red* and *Midnight Romance,* are maintaining their dynamism. *Lancôme*'s fragrance *"La Vie est belle"* is now number one, both in the French market and in the five major European markets combined, and the brand has successfully launched *Visionnaire Crème.*
- The Division is expanding in all its strategic categories and is gaining market shares across all geographic zones, particularly in the New Markets, notably China, and in the United States and Western Europe.

In the first half, the **Active Cosmetics Division** continued its sustained growth at +8.1% like-for-like and +3.2% based on reported figures.

- The first-half headline was the very good start made by sun protection, both at *Vichy (Capital Soleil)* and at *La Roche-Posay (Anthelios). Vichy* is maintaining its momentum with the launch of *Aqualia Thermal* and the roll-out of *Teint Idéal.*

  La Roche-Posay has posted once again double-digit growth on every continent. Note the launch of *Effaclar Duo [+],* an anti-blemish corrective skincare line that unclogs pores and targets marks. It is strengthening the *Effaclar* franchise for acne-prone skin, one of the main reason of dermatological consultations. *Roger & Gallet* successfully launched a new fresh fragrance, *Gingembre Rouge,* in the second quarter.
- All the geographic zones are contributing to growth, with strong market share gains in France, Russia, Brazil and China.

1.2.1.2. THE BODY SHOP

At end-June, The Body Shop recorded sales of -1.7% like-for-like and -1.4% based on reported figures. Business in Europe, North America, the Middle East, Africa and Brazil, was driven by innovations. The strategic priority given to skincare is delivering, driving growth in this category. Asia is still facing challenges in certain markets, that are affecting performances.

At June 30th, 2014, The Body Shop has 3,041 points of sale, including those of Emporio Body Store.

1.2.2. Operating profit by Operational Division

NB: The announcement on February 11th, 2014, of the disposal of 50% of Galderma leads to account for this business in accordance with IFRS 5 accounting rule on discontinued operations. In accordance with IFRS 11 accounting rule, Innéov has been consolidated under the equity method of January 1st, 2014. All figures for earlier periods have been restated accordingly.

(2013 figures restated in accordance with IFRS 5 and IFRS 11 accounting rules)

	06.30.2013		12.31.2013		**06.30.2014**	
	€ millions	% of sales	€ millions	% of sales	**€ millions**	**% of sales**
By Operational Division						
Professional Products	307.3	20.1%	609.5	20.5%	294.7	19.6%
Consumer Products	1,190.2	20.8%	2,166.7	19.9%	1,157.2	21.1%
L'Oréal Luxe	566.2	20.0%	1,174.2	20.0%	590.6	20.3%
Active Cosmetics	247.1	27.7%	342.6	21.7%	259.5	28.2%
Total Divisions before non-allocated	**2,310.8**	**21.1%**	**4,293.0**	**20.2%**	**2,302.0**	**21.3%**
Non-allocated (1)	-294.8	-2.7%	-604.5	-2.8%	-275.7	-2.6%
Total Divisions after non-allocated	**2,016.1**	**18.4%**	**3,688.5**	**17.3%**	**2,026.3**	**18.7%**
The Body Shop	9.8	2.7%	71.9	8.6%	2.7	0.8%
GROUP	**2,025.9**	**17.9%**	**3,760.4**	**17.0%**	**2,029.0**	**18.2%**

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

With the exception of the **Professional Products Division,** whose profitability has declined from 20.1% to 19.6%, the profitability of each of the Divisions has increased during the first half:

- the **Consumer Products Division,** from 20.8% to 21.1%, representing a rise of 30 basis points;
- **L'Oréal Luxe,** from 20.0% to 20.3%, representing plus 30 basis points;
- and the **Active Cosmetics Division,** from 27.7% to 28.2%, that is plus 50 basis points.

The Body Shop makes most of its profit in the second half, as it does every year. The first-half trend is therefore not significant.

1.2.3. Cosmetics sales by geographic zone

- **36.8%** *Western Europe*
- **24.3%** *North America*
- **38.9%** *New Markets*

1.2.3.1. WESTERN EUROPE

In Western Europe, the Group is maintaining its growth trend at +2.8% like-for-like and +2.4% based on reported figures. All the Divisions contributed to growth. The strong market share gains made by L'Oréal Luxe and the Active Cosmetics Division are worth noting. The Consumer Products Division is winning market share in haircare and hair colourants, and is continuing to prove dynamic with market share gains in Spain and Portugal.

1.2.3.2. NORTH AMERICA

In the first half, L'Oréal posted growth of +0.9% like-for-like and -4.4% based on reported figures. The Professional Products, Active Cosmetics and L'Oréal Luxe Divisions are gaining market shares.

Urban Decay is growing very strongly, establishing itself as the number two L'Oréal Luxe brand, after *Lancôme*. In a sluggish mass market environment in the first half of 2014, the Consumer Products Division was faced with a high 2013 comparison base. In hair, *L'Oréal Paris Advanced Haircare* and *Garnier Fructis* are winning market share, while *L'Oréal Paris* make-up is strengthening its position thanks to the new *Butterfly* mascara.

1.2.3.3. NEW MARKETS

- **Asia, Pacific:** L'Oréal recorded growth of +6.6% like-for-like and -0.8% based on reported figures. The market in this Zone is still dynamic, despite a slight slowdown, and the Group is continuing to win market share. The first half was marked by very good performances from the *Kiehl's, Yves Saint Laurent, Giorgio Armani, La Roche-Posay* and *Clarisonic* brands. By country, India, Hong Kong and Australia are contributing particularly strongly to this performance. Magic Holdings, the recent acquisition in China, posted solid sales growth over the period.
- **Latin America:** In the first half, L'Oréal recorded growth of +7.8% like-for-like and -8.9% based on reported figures. The growth of the Consumer Products Division is being driven by the good performances of *Elsève* and *Maybelline*. The three selective Divisions are performing well, with double-digit growth for L'Oréal Luxe and the Active Cosmetics Division. Growth is being driven by the success of *L'Oréal Professionnel* hair colourants, sun protection in all the Active Cosmetics brands, and fragrances at L'Oréal Luxe, such as *"La Vie est Belle"*, Polo Red and *"Sì"*.
- **Eastern Europe:** The Zone has posted growth of +6.1% like-for-like and -6.2% based on reported figures. L'Oréal Luxe and the Professional Products Division are proving highly dynamic in almost all countries in this Zone. The Consumer Products Division is winning market share across the Zone as a whole, reflecting the leadership now attained in hair colourants and the strong dynamism of deodorants.
- **Africa, Middle East:** The Zone achieved growth of +14.5% like-for-like and +9.3% based on reported figures, outperforming the market in the region. The good growth figures in Egypt, Pakistan and Saudi Arabia, and the acceleration in Nigeria and South Africa, are worth noting.

Market share gains are also accelerating in fragrances for L'Oréal Luxe, and in hair colourants and make-up for the Consumer Products Division in particular L'Oréal Paris and Maybelline. The Active Cosmetics brands are also recording strong growth in the Middle East.

1.3. IMPORTANT EVENTS DURING THE PERIOD

ACQUISITION OF MAGIC HOLDINGS

On January 9th, L'Oréal obtained the approval of the Ministry of Commerce of the People's Republic of China to proceed with the acquisition of all the shares of Magic Holdings International Ltd., a company listed on the Hong Kong stock exchange. On April 8th, 2014, the acquisition of Magic Holdings was finalised. This move marks L'Oréal's largest investment to date in the Chinese beauty market.

STRATEGIC TRANSACTION WITH NESTLÉ

On February 11th, L'Oréal and Nestlé announced a strategic transaction under which L'Oréal was to buy 48.5 million of its own shares from Nestlé (representing 8% of L'Oréal shares), under the suspensive condition of the sale by L'Oréal of its stake in the pharmaceutical laboratory Galderma. On March 20th, the Board of Directors of L'Oréal authorized the sale of Galderma to Nestlé after the employee representative bodies issued their opinion. The sales contract was signed on March 21st. (See *"Subsequent events"* section hereunder)

RENEWAL OF THE TENURE OF MR. JEAN-PAUL AGON AS CEO

On April 17th, 2014, the Annual General Meeting of L'Oréal shareholders renewed the tenure of Mr. Jean-Paul Agon as Director. The Board of Directors, which met at the end of the Annual General Meeting, decided to renew the duties of Mr. Jean-Paul Agon as Chairman and Chief Executive Officer.

ACQUISITION OF DECLÉOR AND CARITA

On February 19th L'Oréal and Shiseido signed an acquisition contract by which L'Oréal acquired *Decléor* and *Carita*. Finalised on April 30th, 2014, the acquisition of the *Decléor* and *Carita* brands provides the Professional Products Division with a key position in the worldwide professional skincare market in beauty institutes, spas and hair salons.

ACQUISITION OF NYX COSMETICS

On June 18th, 2014, L'Oréal announced the signing of a definitive agreement to acquire *NYX Cosmetics,* a mass market brand rooted in professional make-up artistry with its headquarters in Los Angeles. (see "subsequent events" section hereafter)

1.4. RISK FACTORS AND TRANSACTIONS BETWEEN RELATED PARTIES

1.4.1. Risk factors

Risk factors are similar to those presented in the volume 1.8 of the 2013 Registration Document (pages 20 to 27) and did not change significantly during the first half-year of 2014.

The amounts relating to market and financial risks at June 30 2014 are described in notes 16 and 17 in section "Notes to financial statements" of this Half-year Report.

1.4.2. Transactions between related parties

Transactions between the companies consolidated under the equity method do not represent a significant amount at June 30th, 2014. Furthermore, during the first six months of 2014, there was no significant transaction concluded with a member of the senior management or with a shareholder having a material influence on the Group, with the exception of the transactions with Nestlé (the buyback of 48.5 million L'Oréal shares and the disposal by L'Oréal to Nestlé of its stake in Galderma) which were concluded during the first six months of 2014 and were finalised on July 8, 2014.

1.5. PROSPECTS

A good progression in operating profitability was once again achieved in the first half, at 18.2% of sales, further illustrating the robustness of L'Oréal's strong value-creating business model.

First-half sales showed contrasts by distribution channel. L'Oréal Luxe is growing rapidly, driven by the vitality of the novel brands *Urban Decay, Kiehl's* and *Clarisonic* and by the success of fragrances with Lancôme, *"La Vie est Belle"* and Giorgio Armani, *"Sì"*. The Active Cosmetics Division also delivered a very good performance thanks to *La Roche-Posay*, which this year once again is growing very strongly, the continuing recovery of *Vichy*, and the roll-out of *SkinCeuticals*. The Professional Products Division is confirming its gradual improvement across all its brands. The Consumer Products Division's growth is held back by a sluggish American market and, to a certain extent, by a slowdown in the New Markets, but remains solid in Western Europe.

In an uncertain economic and monetary environment, we are confident in the Group's ability to once again outperform the market in 2014 and to post another year of like-for-like sales growth, improved profitability and increased net earnings per share.

Following the finalisation on July 8th, 2014 of the strategic transaction between L'Oréal and Nestlé, the Group will record this year a capital gain of more than €2 billion. The cancellation of 48.5 million shares will have an accretive impact of more than 5% on net earnings per share on a full year basis.

1.6. SUBSEQUENT EVENTS

- The strategic transaction with Nestlé announced on February 11th, 2014 (the buyback and cancellation by L'Oréal of 48.5 million of its own shares -representing 8% of its share capital- and the disposal by L'Oréal to Nestlé of its stake in Galderma) was finalised on July 8th, 2014. The sale of Galderma will result, in the second half of the year, in a capital gain net of tax of about €2.1 billion.
- The acquisition of NYX Cosmetics, a mass market brand rooted in professional make-up artistry with its headquarters in Los Angeles, announced on June 18th, 2014, was finalised on July 30th, 2014.

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/ CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1. COMPARED CONSOLIDATED INCOME STATEMENTS

€ millions	Notes	1st half 2014	1st half 2013 (1)	2013 (1)
Net sales	**4**	**11,174.6**	**11,342.4**	**22,124.2**
Cost of sales		-3,151.2	-3,212.7	-6,379.4
Gross profit		**8,023.4**	**8,129.7**	**15,744.8**
Research and development		-367.2	-364.4	-748.3
Advertising and promotion		-3,270.9	-3,400.5	-6,621.7
Selling, general and administrative expenses		-2,356.2	-2,338.9	-4,614.4
Operating profit	**4**	**2,029.0**	**2,025.9**	**3,760.4**
Other income and expenses	7	-48.0	-28.5	-128.6
Operational profit		**1,981.1**	**1,997.4**	**3,631.8**
Finance costs on gross debt		-13.0	-10.3	-23.1
Finance income on cash and cash equivalents		23.1	18.6	36.4
Finance costs, net		**10.1**	**8.3**	**13.3**
Other financial income (expenses)		-18.2	-21.2	-44.7
Sanofi dividends		331.1	327.5	327.5
Profit before tax and associates		**2,304.0**	**2,311.9**	**3,928.0**
Income tax		-607.1	-615.9	-1,043.6
Share of profit in associates		-1.5	0.6	-3.0
Net profit from continuing operations		**1,695.4**	**1,696.6**	**2,881.4**
Net profit from discontinued operations	**3**	**41.0**	**14.0**	**80.0**
Net profit		**1,736.4**	**1,710.6**	**2,961.4**
Attributable to:				
◆ owners of the company		1,734.8	1,708.9	2,958.2
◆ non-controlling interests		1.6	1.7	3.2
Earnings per share attributable to owners of the company *(euros)*		2.89	2.86	4.95
Diluted earnings per share attributable to owners of the company *(euros)*		2.85	2.81	4.87
Earnings per share of continuing operations attributable to owners of the company *(euros)*	8.2	2.82	2.84	4.82
Diluted earnings per share of continuing operations attributable to owners of the company *(euros)*	8.2	2.79	2.79	4.73
Earnings per share of continuing operations attributable to owners of the company, excluding non-recurring items *(euros)*	8.3	2.96	2.97	5.07
Diluted earnings per share of continuing operations attributable to owners of the company, excluding non-recurring items *(euros)*	8.3	2.92	2.92	4.99

(1) The consolidated income statements for full-year 2013 and first-half 2013 have been restated to reflect the impacts of IFRS 5 concerning discontinued operations (see note 3) along with the impact of applying IFRS 11 (see note 1).

2.2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ millions	Notes	1st half 2014	1st half 2013	2013
Consolidated net profit for the period		**1,736.4**	**1,710.6**	**2,961.4**
Financial assets available-for-sale		*54.4*	*973.0*	*677.4*
Cash flow hedges		*-73.8*	*-18.6*	*13.2*
Cumulative translation adjustments		*69.3*	*-104.2*	*-457.0*
Income tax on items that may be reclassified to profit or loss (1)		*18.3*	*-35.1*	*-32.1*
Items that may be reclassified to profit or loss		**68.2**	**815.1**	**201.5**
Actuarial gains and losses	*14.4*	*-139.8*	*-*	*188.9*
Income tax on items that may not be reclassified to profit or loss (1)		*49.3*	*-*	*-63.8*
Items that may not be reclassified to profit or loss		**-90.5**	**-**	**125.1**
Other comprehensive income		*-22.3*	*815.1*	*326.6*
Consolidated comprehensive income		**1,714.1**	**2,525.7**	**3,288.0**
Attributable to:				
◆ **owners of the company**		**1,712.2**	**2,524.0**	**3,284.9**
◆ non-controlling interests		1.9	1.7	3.1

(1) The tax effect is as follows:

€ millions	1st half 2014	1st half 2013	2013
Financial assets available-for-sale	*-2.3*	*-40.2*	*-28.0*
Cash flow hedges	*20.6*	*5.1*	*-4.1*
Items that may be reclassified to profit or loss	**18.3**	**-35.1**	**-32.1**
Actuarial gains and losses	*49.3*	*-*	*-63.8*
Items that may not be reclassified to profit or loss	**49.3**	**-**	**-63.8**
TOTAL	**67.6**	**-35.1**	**-95.9**

2.3. COMPARED CONSOLIDATED BALANCE SHEETS

Assets

€ millions	Notes	06.30.2014	06.30.2013 (1)	12.31.2013 (1)
Non-current assets		**22,051.2**	**21,910.8**	**21,489.3**
Goodwill	9	6,941.6	6,299.1	6,206.0
Other intangible assets	9	2,157.5	2,135.5	2,105.4
Property, plant and equipment	10	2,982.6	2,894.2	2,891.2
Non-current financial assets	11	9,262.1	9,499.7	9,204.0
Investments in associates	12	0.8	370.9	435.2
Deferred tax assets		706.6	711.4	647.5
Current assets		**12,026.7**	**8,542.0**	**9,389.6**
Current assets excluding assets held for sale		***11,593.7***	***8,542.0***	***9,389.6***
Inventories		2,217.4	2,146.9	2,085.2
Trade accounts receivable		3,576.7	3,484.1	3,022.8
Other current assets		1,615.1	1,500.1	1,500.2
Current tax assets		41.7	62.6	122.1
Cash and cash equivalents	13	4,142.8	1,348.3	2,659.3
Assets held for sale	***3***	***433.0***	-	-
TOTAL		**34,077.9**	**30,452.8**	**30,878.9**

(1) Includes the impact of applying IFRS 11 (see note 1).

Equity & liabilities

€ millions	Notes	06.30.2014	06.30.2013 (1)	12.31.2013 (1)
Equity	**14**	**22,913.2**	**21,788.0**	**22,642.8**
Share capital		121.7	121.2	121.2
Additional paid-in capital		2,222.3	1,839.6	2,101.2
Other reserves		15,731.0	14,713.8	14,220.8
Other comprehensive income		4,278.5	4,505.7	4,370.1
Cumulative translation adjustments		-497.4	-213.6	-566.4
Treasury stock		-685.3	-891.5	-568.1
Net profit attributable to owners of the company		1,734.8	1,708.9	2,958.2
Equity attributable to owners of the company		**22,905.6**	**21,784.1**	**22,637.0**
Non-controlling interests		7.6	3.9	5.8
Non-current liabilities		**2,014.4**	**2,085.4**	**1,928.6**
Provisions for employee retirement obligations and related benefits		1,019.4	1,121.3	939.6
Provisions for liabilities and charges	15	175.8	188.4	174.5
Deferred tax liabilities		733.9	740.4	730.6
Non-current borrowings and debt	16	85.3	35.3	83.9
Current liabilities		**9,150.3**	**6,579.4**	**6,307.5**
Trade accounts payable		3,253.1	3,347.7	3,249.7
Provisions for liabilities and charges	15	514.7	494.7	528.8
Other current liabilities		2,061.4	1,942.5	2,095.5
Income tax		185.4	188.6	178.3
Current borrowings and debt	16	3,135.7	605.9	255.2
TOTAL		**34,077.9**	**30,452.8**	**30,878.9**

(1) Includes the impact of applying IFRS 11 (see note 1).

2.4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

€ millions	Common shares outstanding	Share capital	Additional paid-in capital	Retained earnings and net profit	Other compre-hensive income	Treasury stock	Cumulative translation adjustments	Equity attributable to owners of the company	Non-controlling interests	Total equity
At 12.31.2012	**598,356,662**	**121.8**	**1,679.0**	**16,547.4**	**3,586.4**	**-904.5**	**-109.4**	**20,920.7**	**4.8**	**20,925.5**
Consolidated net profit for the period				2,958.2				2,958.2	3.2	2,961.4
Financial assets available-for-sale					*649.5*			*649.5*		*649.5*
Cash flow hedges					*9.1*			*9.1*	*-0.1*	*9.0*
Cumulative translation adjustments							*-457.0*	*-457.0*		*-457.0*
Other comprehensive income that may be reclassified to profit and loss					**658.6**		**-457.0**	**201.6**	**-0.1**	**201.5**
Actuarial gains and losses					*125.1*			*125.1*		*125.1*
Other comprehensive income that may not be reclassified to profit and loss					**125.1**			**125.1**	**-**	**125.1**
Consolidated comprehensive income				**2,958.2**	**783.7**		**-457.0**	**3,284.9**	**3.0**	**3,288.0**
Capital increase	6,199,701	1.2	422.2					423.4		423.4
Cancellation of Treasury stock		-1.8		-996.7		998.5		-		-
Dividends paid (not paid on Treasury stock)				-1,380.6				-1,380.6	-2.5	-1,383.1
Share-based payment				97.2				97.2		97.2
Net changes in Treasury stock	-4,762,333			1.4		-662.1		-660.7		-660.7
Purchase commitments for minority interests				-48.3				-48.3	-0.9	-49.2
Changes in scope of consolidation								-	1.4	1.4
Other movements				0.4				0.4	-	0.4
At 12.31.2013	**599,794,030**	**121.2**	**2,101.2**	**17,179.0**	**4,370.1**	**-568.1**	**-566.4**	**22,637.0**	**5.8**	**22,642.8**
Consolidated net profit for the period				1,734.8				1,734.8	1.6	1,736.4
Financial assets available-for-sale					*52.1*			*52.1*		*52.1*
Cash flow hedges					*-53.2*			*-53.2*		*-53.2*
Cumulative translation adjustments							*69.0*	*69.0*	*0.3*	*69.3*
Other comprehensive income that may be reclassified to profit and loss					**-1.1**		**69.0**	**67.9**	**0.3**	**68.2**
Actuarial gains and losses					-90.5			-90.5		-90.5
Other comprehensive income that may not be reclassified to profit and loss					**-90.5**			**-90.5**		**-90.5**
Consolidated comprehensive income				**1,734.8**	**-91.6**		**69.0**	**1,712.2**	**1.9**	**1,714.1**
Capital increase	2,397,512	0.5	121.1					121.6	2.3	123.9
Cancellation of Treasury stock								-		-
Dividends paid (not paid on Treasury stock)				-1,507.3				-1,507.3	-2.9	-1,510.2
Share-based payment				54.5				54.5		54.5
Net changes in Treasury stock	-921,177					-117.2		-117.2		-117.2
Purchase commitments for minority interests				4.7				4.7	0.8	5.5
Changes in scope of consolidation								-	-0.3	-0.3
Other movements				0.1				0.1		0.1
At 06.30.2014	**601,270,365**	**121.7**	**2,222.3**	**17,465.8**	**4,278.5**	**-685.3**	**-497.4**	**22,905.6**	**7.6**	**22,913.2**

Changes in first half 2013

€ millions	Common shares outstanding	Share capital	Additional paid-in capital	Retained earnings and net profit	Other compre-hensive income	Treasury stock	Cumulative translation adjustments	Equity attributable to owners of the company	Non-controlling interests	Total equity
At 12.31.2012	**598,356,662**	**121.8**	**1,679.0**	**16,547.4**	**3,586.4**	**-904.5**	**-109.4**	**20,920.7**	**4.8**	**20,925.5**
Consolidated net profit for the period				1,708.9				1,708.9	1.7	1,710.6
Financial assets available-for-sale					*932.8*			*932.8*		*932.8*
Cash flow hedges					*-13.5*			*-13.5*		*-13.5*
Cumulative translation adjustments							*-104.2*	*-104.2*		*-104.2*
Other comprehensive income that may be reclassified to profit and loss					**919.3**		**-104.2**	**815.1**		**815.1**
Actuarial gains and losses					-			-		-
Other comprehensive income that may not be reclassified to profit and loss					**-**		**-**	**-**	**-**	**-**
Consolidated comprehensive income				**1,708.9**	**919.3**		**-104.2**	**2,524.0**	**1.7**	**2,525.7**
Capital increase	2,206,942	0.4	160.6					161.0		161.0
Cancellation of Treasury stock		-1.0		-498.2		499.2		-		-
Dividends paid (not paid on Treasury stock)				-1,380.6				-1,380.6	-2.5	-1,383.1
Share-based payment				44.7				44.7		44.7
Net changes in Treasury stock	-3,829,135			0.5		-486.2		-485.7		-485.7
Other movements								-	-0.1	-0.1
At 06.30.2013	**596,734,469**	**121.2**	**1,839.6**	**16,422.7**	**4,505.7**	**-891.5**	**-213.6**	**21,784.1**	**3.9**	**21,788.0**

2.5. COMPARED CONSOLIDATED STATEMENTS OF CASH FLOWS

€ millions	Notes	1st half 2014	1st half 2013 (1)	2013 (1)
Cash flows from operating activities				
Net profit attributable to owners of the company		1,734.8	1,708.9	2,958.2
Non-controlling interests		1.6	1.7	3.2
Elimination of expenses and income with no impact on cash flows:				
◆ depreciation, amortisation and provisions		334.4	325.0	767.8
◆ changes in deferred taxes		22.6	7.0	15.9
◆ share-based payment (including free shares)		54.5	44.8	97.2
◆ capital gains and losses on disposals of assets		-0.2	-2.3	0.1
Net profit from discontinued operations		-41.0	-14.0	-80.0
Share of profit in associates net of dividends received		1.5	-8.1	-4.6
Gross cash flow		**2,108.2**	**2,063.0**	**3,757.9**
Changes in working capital		-598.0	-592.1	-67.6
Net cash provided by operating activities (A)		**1,510.2**	**1,470.9**	**3,690.3**
Cash flows from investing activities				
Purchases of property, plant and equipment and intangible assets		-484.8	-502.6	-1,018.8
Disposals of property, plant and equipment and intangible assets		13.1	5.3	8.5
Changes in other financial assets (including investments in non-consolidated companies)		-143.2	-454.2	-464.8
Dividends received from discontinued operations		41.7	56.3	56.3
Effect of changes in the scope of consolidation		-750.4	-83.2	-138.4
Net cash (used in) from investing activities (B)		**-1,323.6**	**-978.4**	**-1,557.2**
Cash flows from financing activities				
Dividends paid		-1,539.8	-1,414.3	-1,425.4
Capital increase of the parent company		121.5	161.0	423.4
Capital increase of subsidiaries		2.3	-	-
Disposal (acquisition) of Treasury stock		-117.2	-485.8	-660.6
Issuance (repayment) of short-term loans		2,856.0	374.4	48.9
Issuance of long-term borrowings		0.2	-	-
Repayment of long-term borrowings		-10.0	-16.4	-19.7
Net cash (used in) from financing activities (C)		**1,313.0**	**-1,381.1**	**-1,633.4**
Net cash (used in) from discontinued operations (D)	**3.2**	**-**	**10.5**	**23.0**
Net effect of changes in exchange rates and fair value (E)		-16.1	1.7	-75.6
Change in cash and cash equivalents (A+B+C+D+E)		**1,483.5**	**-876.4**	**447.1**
Cash and cash equivalents at beginning of the year (F)		**2,659.3**	**2,235.2**	**2,235.2**
Change in cash and cash equivalents of discontinued operations (G)		-	*-10.5*	*-23.0*
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E+F+G)	**13**	**4,142.8**	**1,348.3**	**2,659.3**

(1) The statements of cash flows for full-year 2013 and first-half 2013 have been restated to reflect the impacts of IFRS 5 concerning discontinued operations (see note 3) along with the impact of applying IFRS 11 (see note 1).

Income taxes paid amount to €502.0 million, €504.0 million and €970.6 million respectively for first half 2014 and 2013 and year 2013.

Interests paid amount to €13.0 million, €11.2 million and €24.9 million respectively for first half 2014 and 2013 and year 2013.

Dividends received amount to €331.1 million, €327.5 million and €327.5 million respectively for first half 2014 and 2013 and year 2013, and are included within gross cash flow.

2.6. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 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 December 31st, 2013.

The Board of Directors reviewed the condensed half-year consolidated financial statements as at June 30th, 2014, on July 31st, 2014.

The accounting methods applied are identical to those applied when preparing the consolidated financial statements for the year ended December 31st, 2013, except as regards income tax and the change in accounting policy further to the application of IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements", and IFRS 12, "Disclosure of Interests in Other Entities" described below.

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 early adopt any standards or interpretations not mandatorily applicable in 2014.

The Group is concerned by interpretation IFRIC 21, "Levies", which is mandatorily applicable as of January 1st, 2015. This interpretation provides guidance on when to recognise a liability for a levy imposed by a government. The Group is currently analysing the potential impact of IFRIC 21 but it is not expected to be material.

Change in accounting policies applicable as from January 1st, 2014: IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities"

These standards redefine the notion of control over another entity and also require jointly controlled entities to be accounted for using the equity method, since proportionate consolidation is no longer permitted.

Consequently Innéov and Galderma, which were proportionately consolidated up to December 31st, 2013, have been equity-accounted.

The income statements for first-half 2013 and full-year 2013 have been restated accordingly. The balance sheets at June 30th, 2013 and December 31st, 2013 have also been restated.

Since the Boards of Directors of Nestlé and L'Oréal unanimously approved the sale of L'Oréal's interest in Galderma to Nestlé on February 10th, 2014, Galderma has been classified as held for sale for accounting purposes as from January 1st, 2014 in accordance with IFRS 5 (note 3).

NOTE 2 Changes in the scope of consolidation

2.1. First half 2014

On April 30th, 2014, L'Oréal finalised the acquisition of Decléor and Carita. Decléor/Carita achieved a turnover of approximately €80 million in 2013. Founded in 1974, Decléor is the world's leading brand in aromatherapy. Created in 1945 by Maria & Rosy Carita, known as hairdressers for stars, Carita incarnates the art of prestigious French pampering.
This acquisition has been fully consolidated since May 1st, 2014.

On August 15th, 2013, L'Oréal and Magic Holdings International Limited have announced L'Oréal's proposal to acquire all of the shares of Magic Holdings International Limited, a company listed in the Hong Kong Stock Exchange. The proposed price is HK $6.30 per share.
The transaction has been approved by the Ministry of Commerce of the People's Republic of China (MOFCOM) in early January 2014.

A specialist in cosmetic facial masks, Magic's turnover in 2013 was approximately €166 million. Facial masks are one of China's beauty market's fastest growing areas with very promising development prospects. Magic's MG brand is one of China's leading brands in this category.
This acquisition was finalised on April 8th, 2014, following the approval of the Shareholders' Meeting of Magic Holdings International Limited.
This acquisition has been fully consolidated since April 1st, 2014.

The cost of these new acquisitions represents €840.6 million. The total amount of goodwill and other intangible assets resulting from these acquisitions has been provisionally estimated at €700.4 million and €0.7 million, respectively. Since the allocation of the purchase price to the identifiable intangible assets of these two acquisitions had not been finalised at June 30th, 2014, the full amount of the difference between the purchase price and the net assets acquired is temporarily shown in *Goodwill*.

These acquisitions represent around €44.9 million in half-year net sales and €6.1 million in half-year operating profit.

2.2. Year 2013

On January 31st, 2013, L'Oréal finalised the acquisition of the Colombia-based Vogue group, the country's leader in mass-market make-up. In 2012, the Vogue group reported consolidated net sales of €35.3 million.
This acquisition has been fully consolidated since February 1st, 2013.

On February 27th, 2013, Galderma Pharma S.A. finalised the acquisition of Spirig Pharma A.G. The Galderma business was reclassified within *Assets held for sale* in 2014.

On April 15th, 2013, L'Oréal announced it has acquired the Health & Beauty business of Interconsumer Products Limited (ICP) in Kenya from its founding shareholder. With a turnover of approximately €15 million in 2012, ICP is a significant player on the Kenyan beauty market, with strong positions in the hair and skin care markets.
This acquisition has been fully consolidated since April 12th, 2013.

On December 13th, 2013, following the approval of the Brazilian Anti-Trust Authority CADE, The Body Shop finalised the acquisition of 51% of Emporio Body Store in Brazil with the option of increasing its shareholding to 80% by 2019.
Founded in 1997 in Porto Alegre by Tobias Chanan, Emporio Body Store offers a complete range of beauty products sold through a franchise network.
Emporio Body Store achieved in 2012 a consolidated turnover of 20 million Reais (approximately €7 million). Since 2011, the business has grown strongly and increased from 36 points of sale in 2010 to 84 in 2012, to reach an estimated 130 points of sale end of 2013.
This acquisition has been fully consolidated since December 31st, 2013.

The cost of these new acquisitions (excluding Galderma operations) amounts to €123.8 million. The total amount of goodwill and other intangible assets resulting from the acquisitions was provisionally estimated at €84.5 million and €32.7 million, respectively.

These acquisitions (excluding Galderma operations) represent around €60 million in full-year net sales and €8 million in full-year operating profit.

NOTE 3 Discontinued operations and assets held for sale

Nestlé and L'Oréal announced that their respective Boards of Directors, in meetings held on February 10th, 2014, have approved by unanimous decision of their voting members a strategic transaction for both companies under which L'Oréal will buy 48.5 million of its own shares (8% of its share capital) from Nestlé.

This buyback will be financed:

- partially through the disposal by L'Oréal to Nestlé of its 50% stake in Swiss dermatology pharmaceuticals company Galderma (a 50/50 joint venture between L'Oréal and Nestlé) for an enterprise value of €3.1 billion (€2.6 billion of equity value), paid by Nestlé in L'Oréal shares (21.2 million shares). This transaction is expected to result in a pre-tax capital gain of around €2.2 billion for accounting purposes;
- for the remainder, corresponding to 27.3 million L'Oréal shares held by Nestlé, in cash for an amount of €3.4 billion.

The price per L'Oréal share retained for this transaction is the average of its closing prices between Monday November 11th, 2013 and Monday February 10th, 2014: €124.48.
All the shares bought back by L'Oréal will be cancelled.

The transaction was subject to customary conditions, including the prior consultation of Galderma's and L'Oréal's works councils. Clearance of relevant antitrust authorities has been obtained. This operation was completed on July 8th, 2014 (note 19).

For simplicity, Galderma has been classified within *Assets held for sale* for accounting purposes since January 1st, 2014.

Consequently, Galderma is shown within *Discontinued operations* in the consolidated income statements and consolidated statements of cash flows for all periods presented. Galderma's consolidated net assets at June 30th, 2014 are classified within *Assets held for sale* in the consolidated balance sheet. At both December 31st, 2013 and June 30th, 2013, Galderma is shown in the balance sheet within *Investments in equity-accounted companies.*

3.1. Income statements of discontinued operations

€ millions	**1st half 2014**	1st half 2013	2013
Net sales	-	380.6	826.3
Operating profit	-	16.3	116.8
Net profit of discontinued operations (1)	41.0	14.0	80.0

(1) Includes for first-half 2014, €41.7 million of Galderma dividends.

3.2. Statements of cash flows of discontinued operations

€ millions	**1st half 2014**	1st half 2013	2013
Net cash provided by operating activities	-	-10.9	54.8
Net cash (used in) from investing activities	-	-116.8	-130.1
Net cash (used in) from financing activities	-	138.2	98.3
NET CASH (USED IN) FROM DISCONTINUED OPERATIONS	**-**	**10.5**	**23.0**

NOTE 4 Segment information

4.1. Segment information

The **Cosmetics** branch is organised into four sectors, each operating with specific distribution channels:

- **Professional Products** Division: products used and sold in hair salons;
- **Consumer Products** Division: products sold in mass-market retail channels;
- **L'Oréal Luxe** Division: products sold in selective retail outlets, *i.e.* department stores, perfumeries, travel retail, the Group's own boutiques and certain online sites;
- **Active Cosmetics** Division: products for "borderline" complexions (*i.e.* neither healthy nor problematic), sold through all health channels such as pharmacies, parapharmacies, drugstores and medispas.

The *non-allocated* item includes expenses incurred by the Functional Divisions, fundamental research and the costs of stock options not allocated to the Cosmetics Divisions. It also includes activities that are auxiliary to the Group's core businesses, such as insurance, reinsurance and banking.

The "**The Body Shop**" branch: The Body Shop offers a wide range of naturally inspired cosmetics and toiletry products. The brand, originally created in the United Kingdom, distributes its products and expresses its values through a large multi-channel network of exclusive retail shops (in more than 60 countries), as well as through home and online sales. The Body Shop net sales and operating profit are characterised by strong seasonal fluctuations due to a high level of activity during the last few months of the year.

The **Dermatology** branch, consisting of Galderma, a joint venture between L'Oréal and Nestlé, is classified within discontinued operations (note 3). Data for first-half and full-year 2013 have been restated accordingly.

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

The performance of each branch and division is measured on the basis of "operating profit".

As of July 1st, 2013, Turkey and Israel were reclassified from the "Africa, Middle East" geographic zone to the Eastern Europe geographic zone.
Data for first half 2013 has been adjusted to reflect these changes.

4.1.1. SALES OF BRANCHES AND DIVISIONS

€ millions	1st half 2014	1st half 2013 (1)	2013 (1)
Professional Products	1,505.1	1,531.8	2,973.8
Consumer Products	5,481.5	5,723.0	10,873.2
L'Oréal Luxe	2,903.3	2,826.8	5,865.2
Active Cosmetics	920.9	892.0	1,576.3
Cosmetics branch	**10,810.8**	**10,973.6**	**21,288.4**
The Body Shop branch	**363.8**	**368.8**	**835.8**
GROUP	**11,174.6**	**11,342.4**	**22,124.2**

(1) Net sales for full-year and first-half 2013 have been restated to reflect the impacts of discontinued operations (note 3) along with the impact of applying IFRS 11 (note 1).

4.1.2. OPERATING PROFIT OF BRANCHES AND DIVISIONS

€ millions	1st half 2014	1st half 2013 (1)	2013 (1)
Professional Products	294.7	307.3	609.5
Consumer Products	1,157.2	1,190.2	2,166.7
L'Oréal Luxe	590.6	566.2	1,174.2
Active Cosmetics	259.5	247.1	342.6
Cosmetics Divisions total	**2,302.0**	**2,310.8**	**4,293.0**
Non-allocated	-275.7	-294.8	-604.5
Cosmetics branch	**2,026.3**	**2,016.1**	**3,688.5**
The Body Shop branch	**2.7**	**9.8**	**71.9**
GROUP	**2,029.0**	**2,025.9**	**3,760.4**

(1) Operating profit for full-year and first-half 2013 have been restated to reflect the impacts of discontinued operations (note 3) along with the impact of applying IFRS 11 (note 1).

4.2. *Information by geographic zone*

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

4.2.1. CONSOLIDATED NET SALES BY GEOGRAPHIC ZONE

	1st half 2014		Growth (%)		1st half 2013 (1)		2013 (1)	
	€ millions	% of total	Published data	Excluding exchange effect	€ millions	% of total	€ millions	% of total
Western Europe	4,226.0	37.8%	2.2%	1.9%	4,135.9	36.5%	8,019.6	36.2%
of which France	1,368.7	12.2%	0.5%	0.5%	1,362.4	12.0%	2,573.5	11.6%
North America	2,694.7	24.1%	-4.4%	0.7%	2,818.1	24.8%	5,538.2	25.0%
New Markets	4,253.8	38.1%	-3.1%	7.3%	4,388.4	38.7%	8,566.4	38.7%
GROUP	**11,174.6**	**100.0%**	**-1.5%**	**3.6%**	**11,342.4**	**100.0%**	**22,124.2**	**100.0%**

(1) *Net sales for full-year and first-half 2013 have been restated to reflect the impacts of discontinued operations (note 3) along with the impact of applying IFRS 11 (note 1).*

4.2.2. COSMETICS NET SALES BY GEOGRAPHIC ZONE

	1st half 2014		Growth (%)		1st half 2013 (1)		2013 (1)	
	€ millions	% of total	Published data	Excluding exchange effect	€ millions	% of total	€ millions	% of total
Western Europe	3,980.9	36.8%	2.4%	2.2%	3,889.0	35.4%	7,467.6	35.1%
of which France	1,356.4	12.5%	0.5%	0.5%	1,350.2	12.3%	2,546.8	12.0%
North America	2,622.3	24.3%	-4.4%	0.6%	2,743.2	25.0%	5,356.1	25.2%
New Markets	4,207.6	38.9%	-3.1%	7.3%	4,341.4	39.6%	8,464.7	39.8%
Asia, Pacific	2,221.9	20.6%	-0.8%	6.4%	2,240.2	20.4%	4,382.2	20.6%
Latin America	876.9	8.1%	-8.9%	8.2%	962.2	8.8%	1,886.2	8.9%
Eastern Europe	824.3	7.6%	-6.2%	5.9%	878.9	8.0%	1,691.3	7.9%
Africa, Middle East	284.5	2.6%	9.3%	17.2%	260.1	2.4%	505.1	2.4%
COSMETICS BRANCH	**10,810.8**	**100.0%**	**-1.5%**	**3.7%**	**10,973.6**	**100.0%**	**21,288.4**	**100.0%**

(1) *Net sales for full-year and first-half 2013 have been restated to reflect the impacts of discontinued operations (note 3) along with the impact of applying IFRS 11 (note 1).*

NOTE 5 Depreciation and amortisation expense

Depreciation and amortisation of property, plant and equipment and intangible assets included in operating expenses amount to €412.0 million, €406.7 million and €838.3 million respectively for first half 2014 and 2013 and year 2013.

NOTE 6 Foreign exchange gains and losses

Foreign exchange gains and losses break down as follows:

€ millions	1st half 2014	1st half 2013	2013
Time value	0.4	-10.0	-25.7
Other foreign exchange gains and losses	33.2	15.4	67.0
TOTAL	**33.6**	**5.4**	**41.3**

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 time value;
- changes in market value linked to variations in the spot rate between the inception of the hedge and the date on which the hedged transactions are completed;
- residual ineffectiveness linked to excess hedges and recognised directly in the income statement under other foreign exchange gains and losses for a positive 0.8 million for the first half 2014, a positive €0.2 million for the first half 2013 and a positive €0.5 million for year 2013.

These amounts are allocated to the appropriate operating expense items as follows:

€ millions	1st half 2014	1st half 2013	2013
Cost of sales	30.7	10.3	46.2
Research and development	-4.7	-7.0	-15.4
Advertising and promotion	4.7	1.3	6.3
Selling, general and administrative expenses	3.0	0.8	4.2
FOREIGN EXCHANGE GAINS AND LOSSES	**33.6**	**5.4**	**41.3**

NOTE 7 Other operational income and expenses

This item breaks down as follows:

€ millions	1st half 2014	1st half 2013	2013
Capital gains and losses on disposals of property, plant and equipment and intangible assets	0.2	2.3	-0.1
Impairment of property, plant and equipment and intangible assets (1)	-1.6	-10.0	-35.4
Restructuring costs (2)	-29.3	-18.8	-65.9
Other (3)	-17.3	-2.0	-27.2
TOTAL	**-48.0**	**-28.5**	**-128.6**

(1) These impairment charges mainly relate to:
- *in first-half 2013, the Club des Créateurs de Beauté goodwill for €10.0 million;*
- *in 2013, the Club des Créateurs de Beauté goodwill for €35.4 million following the decision taken in November 2013 to cease its activity.*

(2) Including:
- *in first-half 2014, €40.0 million as a result of the termination of the distibution of the Garnier brand in China offset by decreasing adjustments of expenses relating to the cessation of the Club des Créateurs de Beauté activity for €4.3 million and the industrial reorganisation in the United States for €5.2 million;*
- *in first-half 2013, €17.4 million as a result of termination of the distribution of the Helena Rubinstein brand in Spain and Portugal, €7.2 million relating to a voluntary departure plan implemented in Italy, and €7.9 million relating to the reversal of impairment charged against the building of the Solon plant in light of its forthcoming sale (by end-2013);*
- *in 2013, the reorganisation of Industrial and logistics activities in Spain for €11.4 million, the termination of the distribution of the Helena Rubinstein brand in Spain and Portugal for €17.1 million, a voluntary departure plan implemented in Italy for €9.3 million, the decision to cease the Club des Créateurs de Beauté activity for €28.7 million and €7.0 million relating to the reversal of impairment charged against the building of the Solon plant following its sale at the end of 2013.*

(3) Including:
- *in first-half 2014, the exceptional "solidarity" tax on high salaries for €8.1 million as well costs relating to acquisitions for €9.3 million;*
- *in first-half 2013, costs relating to acquisitions for €1.6 million;*
- *in 2013, costs relating to acquisitions for €11.1 million, the exceptional "solidarity" tax on high salaries for €14.6 million.*

NOTE 8 Net profit of continuing operations attributable to owners of the company excluding non-recurring items – Earnings per share

8.1. Reconciliation with net profit from continuing operations

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 2014	1st half 2013	2013
Net profit attributable to owners of the company	**1,693.8**	**1,694.9**	**2,878.3**
Capital gains and losses on property, plant and equipment and intangible assets	-0.2	-2.3	0.1
Impairment of property, plant and equipment and intangible assets	1.6	10.0	35.4
Restructuring costs	29.3	18.8	65.9
Other	17.3	2.0	27.2
Tax effect on non-recurring items	-13.5	9.7	-15.9
3% additional levy on paid dividends (1)	45.2	41.4	41.4
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY EXCLUDING NON-RECURRING ITEMS	**1,773.5**	**1,774.5**	**3,032.4**

(1) The 3% additional levy on the amount of dividends paid by L'Oréal represents an additional tax payment on past profit distributions and depending on decisions made at the Annual General Meeting. So as not to distort the presentation of the Group's operational performance in the period, this surtax is recognised on the "income tax" line of the income statement as a non-recurring item.

8.2. *Earnings per share of continuing operations*

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

1st half 2014	Net profit attributable to owners of the company (€ millions)	Number of shares	Earnings per share attributable to owners of the company (€)
Earnings per share	1,693.8	599,767,760	2.82
Stock options	-	5,452,751	
Free shares	-	2,446,996	
DILUTED EARNINGS PER SHARE	**1,693.8**	**607,667,507**	**2.79**

1st half 2013	Net profit attributable to owners of the company (€ millions)	Number of shares	Earnings per share attributable to owners of the company (€)
Earnings per share	1,694.9	597,786,339	2.84
Stock options	-	8,119,210	
Free shares	-	1,923,583	
DILUTED EARNINGS PER SHARE	**1,694.9**	**607,829,132**	**2.79**

2013	Net profit attributable to owners of the company (€ millions)	Number of shares	Earnings per share attributable to owners of the company (€)
Earnings per share	2,878.3	597,734,044	4.82
Stock options	-	8,053,243	
Free shares	-	2,214,120	
DILUTED EARNINGS PER SHARE	**2,878.3**	**608,001,407**	**4.73**

8.3. *Earnings per share of continuing operations excluding non-recurring items*

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

1st half 2014	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	1,773.5	599,767,760	2.96
Stock options	-	5,452,751	
Free shares	-	2,446,996	
DILUTED EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS	**1,773.5**	**607,667,507**	**2.92**

1st half 2013	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	1,774.5	597,786,339	2.97
Stock options	-	8,119,210	
Free shares	-	1,923,583	
DILUTED EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS	**1,774.5**	**607,829,132**	**2.92**

2013	Net profit attributable to owners of the company excluding non-recurring items (€ millions)	Number of shares	Earnings per share attributable to owners of the company excluding non-recurring items (€)
Earnings per share excluding non-recurring items	3,032.4	597,734,044	5.07
Stock options	-	8,053,243	
Free shares	-	2,214,120	
DILUTED EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS	**3,032.4**	**608,001,407**	**4.99**

8.4. *Recognition of the strategic transaction with Nestlé*

The recognition of the strategic transaction with Nestlé at January 1st, 2014 would have the following impacts on first-half 2014 earnings per share.

1st half 2014	Net profit of continuing operations attributable to owners of the company excluding non-recurring items (€ millions)	Diluted number of shares	Earnings per share of continuing operations attributable to owners of the company excluding non-recurring items (€)
Diluted earnings per share of continuing operations attributable to owners of the company excluding non-recurring items	1,773.5	607,667,507	2.92
Theoretical financial expenses relating to the operation	-3.3		
Treasury stock purchased		-48,500,000	
ADJUSTED DILUTED EARNINGS PER SHARE OF CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY EXCLUDING NON-RECURRING ITEMS	**1,770.2**	**559,167,507**	**3.17**

8.5. *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 for first-half 2014 and 2013 and full-year 2013.

NOTE 9 Goodwill and other intangible assets

Since no events of an adverse nature occurred in the period, no impairment tests were carried out at June 30th, 2014.

No impairment was recognized against goodwill or other intangible assets in first-half 2014.

The €735.6 million increase in *"Goodwill"* results chiefly reflects changes in the scope of consolidation and acquisitions carried out in the period for €701.0 million, along with the positive impact of exchange rate fluctuations amounting to €41.7 million.

The €52.1 million increase in *"Other intangible assets"* essentially reflects the acquisitions for the half year for €65.9 million, the positive impact of exchange rate fluctuations amounting to €34.2 million and changes in the opening balance sheet for €16 million following the allocation of the purchase price of entities Emporio Body Store and Cheryl's partly offset €70.6 million in depreciation and amortization expense in the period.

NOTE 10 Property, plant and equipment

Investments for the first half of 2014 amount to €413.4 million compared with €432.1 million and €891.8 million respectively for the first half 2013 and year 2013.

The depreciation and provisions for the first half of 2014 amount to €341.4 million compared with €333.5 million and €681.7 million respectively for the first half 2013 and year 2013.

NOTE 11 Non-current financial assets

	06.30.2014		06.30.2013		12.31.2013	
€ millions	**Carrying amount**	**Acquisition cost**	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost
Financial assets available-for-sale						
◆ Sanofi (1)	9,172.1	4,033.5	9,413.3	4,033.5	9,117.7	4,033.5
◆ Unlisted securities (2)	4.8	5.4	5.2	6.3	4.7	5.3
Financial assets at amortised cost						
◆ Non-current loans and receivables	85.3	89.8	81.2	86.1	81.6	86.5
TOTAL	**9,262.1**	**4,128.6**	**9,499.7**	**4,125.9**	**9,204.0**	**4,125.3**

(1) L'Oréal's stake in Sanofi was 8.95% at June 30th, 2014. The carrying amount at June 30th, 2014, June 30th, 2013 and December 31st, 2013 (€9,172.1 million, €9,413.3 million and €9,117.7 million respectively) corresponds to the market value of the shares based on the closing price at each of these dates (€77.58, €79.62 and €77.12 respectively). The acquisition cost of €4,033.5 million corresponds to an entry cost of €34.12.

(2) As the fair value of unlisted securities cannot be reliably determined, they are stated at cost less any impairment losses.

NOTE 12 Investments in associates

€ millions	**06.30.2014**	06.30.2013	12.31.2013
Investments in associates			
◆ Galderma (1)	-	364.6	433.0
◆ Innéov	0.8	6.3	2.2
TOTAL	**0.8**	**370.9**	**435.2**

(1) Classified within assets held for sale since January 1st, 2014 (note 3).

The key figures for Galderma (based on an interest of 100%) can be summarized as follows:

€ millions	1st half 2013/06.30.2013	2013/12.31.2013
Net sales	761.1	1,652.6
Net profit	28.0	159.9
Balance sheets total	2,646.5	2,704.4
Net debt	1,132.1	999.5

NOTE 13 Cash and cash equivalents

€ millions	06.30.2014 Carrying amount	06.30.2014 Acquisition cost	06.30.2013 Carrying amount	06.30.2013 Acquisition cost	12.31.2013 Carrying amount	12.31.2013 Acquisition cost
Marketable securities	2,601.5	2,599.9	-	-	1,024.2	1,023.9
Bank accounts and other cash and cash equivalents	1,541.3	1,541.3	1,348.3	1,348.3	1,635.1	1,635.1
TOTAL	**4,142.8**	**4,141.2**	**1,348.3**	**1,348.3**	**2,659.3**	**2,659.0**

Marketable securities consist mainly of SICAV money-market funds and unit trusts (on which the return is based on EONIA). Marketable securities are considered as Financial assets available-for-sale.

Unrealised gains amount to €1.6 million at June 30th, 2014. Term accounts with a maturity of less than 3 months at inception are shown on the "Bank accounts and other cash and cash equivalents" line.

NOTE 14 Equity

14.1. Share capital and additional paid in capital

Share capital consists of 608,299,399 shares with a par value of €0.20 at June 30th, 2014, compared with 605,940,519 shares at June 30th, 2013 and 605,901,887 shares at December 31st, 2013.

14.2. Treasury stock

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) 1ST HALF 2014

The change in the number of shares for the first half 2014 is as follows:

In shares	Share capital	Treasury stock	Common shares outstanding
At 01.01.2014	**605,901,887**	**-6,107,857**	**599,794,030**
Shares cancelled	-	-	-
Options and free shares exercised	2,397,512	28,823	2,426,335
Treasury stock purchased (1)	-	-950,000	-950,000
At 06.30.2014	**608,299,399**	**-7,029,034**	**601,270,365**

(1) *The strategic transaction with Nestlé led to the cancellation of 48,500,000 shares at July 8th, 2014 (note 3). Taking into account this cancellation, a total of 552,770,365 shares are issued and outstanding.*

The change in Treasury stock for the first half 2014 is as follows:

In shares	Buyback programme	Allocated to stock options/ free shares plans	Total	€ millions
At 01.01.2014	**1,955,000**	**4,152,857**	**6,107,857**	**568.1**
Shares cancelled			-	
Options and free shares exercised		-28,823	-28,823	-1.7
Treasury stock purchased	950,000		950,000	118.9
At 06.30.2014	**2,905,000**	**4,124,034**	**7,029,034**	**685.3**
€ millions	**363.4**	**321.9**	**685.3**	

B) YEAR 2013

The change in the number of shares in 2013 was as follows:

In shares	Share capital	Treasury stock	Common shares outstanding
At 01.01.2013	**608,810,827**	**-10,454,165**	**598,356,662**
Shares cancelled	-9,108,641	9,108,641	-
Options and free shares exercised	6,199,701	1,224,058	7,423,759
Treasury stock purchased		-5,986,391	-5,986,391
At 12.31.2013	**605,901,887**	**-6,107,857**	**599,794,030**

The change in Treasury stock in 2013 was as follows:

In shares	Buyback programme	Allocated to stock options/ free shares plans	Total	€ millions
At 01.01.2013	**5,077,250**	**5,376,915**	**10,454,165**	**904.5**
Shares cancelled	-9,108,641		-9,108,641	-998.5
Options and free shares exercised		-1,224,058	-1,224,058	-81.7
Treasury stock purchased	5,986,391		5,986,391	743.8
At 12.31.2013	**1,955,000**	**4,152,857**	**6,107,857**	**568.1**
€ millions	**244.5**	**323.6**	**568.1**	

14.3. Free shares

On April 17th, 2014 the Board of Directors decided to conditionally grant 1,068,565 free shares.

VESTING CONDITIONS

For the Conditional Grant of Shares, the plan provides for a 4-year vesting period after which vesting is effective and final, subject to meeting the conditions of the plan. After this vesting period, a 2-year mandatory holding period applies for French residents, during which the shares cannot be sold.

The performance conditions concern:

- for 50% of shares granted, the increase in comparable Cosmetic revenues for the 2015, 2016 and 2017 fiscal years in relation to the growth in revenues for a panel of competitors;
- for 50% of shares granted, the increase over the same period in Group consolidated operating profit.

The calculation will be based on the arithmetic average of the performance in the 2015, 2016 and 2017 fiscal years and will use a predefined allocation scale based on the performance percentage achieved. No performance condition applies below a block of 200 shares.

FAIR VALUE OF FREE SHARES GRANTED

The fair value corresponds to the value of the share at the grant date, less dividends expected to be paid during the vesting period. The cost of the additional 2-year holding period applicable to French residents is determined based on the interest rate granted to the employee, considered equivalent to the rate which would be granted by a bank to a private individual customer with an average financial profile. The cost of the holding period amounts to 4.46% of the share value.

On the basis of these assumptions, the fair values amount to €104.58 for French residents and to €109.99 for non-residents, compared to a share price of €121.35.

14.4. Actuarial gains and losses

AT JUNE 30TH, 2014

The fall of around 50 basis points since December 31st, 2013 in the benchmark EUR and USD interest rates used to determine the present value of the Group's pension obligations led to an increase in the provision for employee retirement obligations, partially offset by the increase in the value of plan assets. The net impact on the pension provision is a rise of €144.5 million. After the recognition of an associated deferred tax asset for €50.4 million, the net effect after tax on actuarial gains and losses is €94.1 million.

AT JUNE 30TH, 2013

The rise in benchmark interest rates used to determine the present value of employee retirement obligations as of December 31st, 2012 is mainly attributable to USD rates, which moved up 70 basis points. The decrease of the provision for employee retirement obligations and related benefits by around €80 million, or 2% of the actuarial liability induced by this increase in rates is not accounted for at June 30th, 2013.

NOTE 15 Provisions for liabilities and charges

15.1. Closing balances

€ millions	06.30.2014	06.30.2013	12.31.2013
Non-current provisions for liabilities and charges	**175.8**	**188.4**	**174.5**
Other non-current provisions (1)	175.8	188.4	174.5
Current provisions for liabilities and charges	**514.7**	**494.7**	**528.8**
Provisions for restructuring	58.8	107.9	98.2
Provisions for product returns	262.1	212.1	226.6
Other current provisions (1) (2)	193.8	174.7	204.0
TOTAL	**690.5**	**683.1**	**703.3**

(1) This item includes provisions for tax risks and litigations, industrial, environmental and commercial risks relating to operations (breach of contract), personnel-related costs and risks relating to investigations carried out by competition authorities.

(2) Investigations have been launched into the cosmetics sector by national competition authorities in several European countries.
Each of the proceedings is at a different stage:

- *in Spain, the decision made by the Court of First Instance was contested through an appeal and the matter has now been referred to the supreme court. The amount of the fine as originally handed down continues to be covered by a provision;*
- *in Italy, the case was heard by the Court of First Instance and the resulting fine was paid in order to avoid any late-payment penalties. The appeal decision handed down in April 2012 reduced the fine by 25% but the case is still pending before the High Court;*
- *in France, a statement of objections was received from the antitrust authorities in 2013 concerning the consumer products sector. No provision has been booked in this respect. L'Oréal has challenged these objections and the case is still under review;*
- *in Belgium, a case is also under review;*
- *the proceedings brought in Germany in 2008 in the bodycare and personal care sector are still in progress, an appeal was lodged against the ruling of the Court of First Instance of March 14th, 2013. Accordingly, the €9.7 million fine has not yet been paid.*

The provisions relating to these litigations amount to €42.6 million at June 30th, 2014 compared with €45.4 million at June 30th, 2013 and €43.0 million at December 31st, 2013.

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

€ millions	06.30.2013	12.31.2013	Charges (2)	Reversals (used) (2)	Reversals (not used) (2)	Impact of change in scope/ Exchange rate/ Other (1)	06.30.2014
Provisions for restructuring	107.9	98.2	13.7	-42.8	-10.6	0.3	58.8
Provisions for product returns	212.1	226.6	135.5	-84.2	-24.6	8.8	262.1
Other provisions for liabilities and charges	363.1	378.5	65.9	-61.0	-16.6	2.8	369.6
TOTAL	**683.1**	**703.3**	**215.1**	**-188.0**	**-51.8**	**11.9**	**690.5**

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

€ millions	Charges	Reversals (used)	Reversals (not used)
◆ Other income and expenses	13.7	-43.1	-10.9
◆ Operating profit	195.0	-144.1	-35.9
◆ Financial (income)/expense	-	-0.1	-
◆ Income tax	6.4	-0.7	-5.0

NOTE 16 Borrowings and debt

The Group uses bank loans for its medium-term financing needs and commercial paper issues in France and in the US for its short-term financing needs. None of these loans contain an early repayment clause linked to financial ratios (covenants).

16.1. Debt by type

	06.30.2014		06.30.2013		12.31.2013	
€ millions	Non-current	Current	Non-current	Current	Non-current	Current
Short-term paper	-	2,832.7	-	331.9	-	-
MLT bank loans	0.2	0.1	-	-	0.1	-
Debt on capital lease contracts	25.8	5.3	27.9	9.0	28.0	7.3
Overdrafts	-	51.7	-	45.2	-	34.4
Other borrowings and debt	59.3	245.9	7.4	219.8	55.8	213.6
TOTAL	**85.3**	**3,135.7**	**35.3**	**605.9**	**83.9**	**255.2**

16.2. Debt by maturity date

€ millions	06.30.2014	06.30.2013	12.31.2013
Under 1 year (1)	3,135.7	605.9	255.3
1 to 5 years	70.3	17.5	65.7
Over 5 years	15.0	17.8	18.2
TOTAL	**3,221.0**	**641.2**	**339.2**

(1) *At June 30th, 2014, the Group had confirmed undrawn credit lines for €3,400.0 million compared with €2,588.2 million at June 30th, 2013 and €3,236.3 million at December 31st, 2013. These lines were not subject to any covenants.*

16.3. Debt by currency

€ millions	06.30.2014	06.30.2013	12.31.2013
Euro (EUR)	2,524.3	98.6	25.1
US Dollar (USD)	340.0	298.0	11.9
Brazilian Real (BRL) (1)	107.2	27.8	111.9
Canadian Dollar (CAD)	91.0	79.3	61.5
Chinese Yuan Renminbi (CNY)	38.3	39.9	43.7
British Pound (GBP)	20.4	18.8	18.1
Indonesian Rupiah (IDR)	19.4	-	18.2
Egyptian Pound (EGP)	11.7	-	4.2
Indian Rupee (INR)	10.5	10.0	9.4
Other	58.2	68.9	35.2
TOTAL	**3,221.0**	**641.2**	**339.2**

(1) *Including €52.6 million in amounts due to non-controlling interests at June 30th, 2014 in respect of the Emporio Body Store acquisition.*

16.4. Breakdown of fixed rate and floating rate debt (after allowing for interest rate hedging instruments)

€ millions	06.30.2014	06.30.2013	12.31.2013
Floating rate	3,188.7	604.9	302.5
Fixed rate	32.3	36.3	36.7
TOTAL	**3,221.0**	**641.2**	**339.2**

16.5. Effective interest rates

Effective interest rates on Group debt after allowing for hedging instruments were respectively 0.33% and 0.09% at June 30th, 2014 and June 30th, 2013 for short-term paper. The Group no longer had any short-term paper at December 31st, 2013 and no longer held any bank loans at either June 30th, 2014 or June 30th, 2013 and December 31st, 2013.

16.6. Average debt interest rates

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

	06.30.2014	06.30.2013	12.31.2013
Euro (EUR) (1)	0.42%	0.10%	0.10%
US Dollar (USD)	0.09%	0.11%	0.10%

(1) The increase in the euro rate reflects the extended average maturity of the Group's drawdowns on commercial paper.

16.7. 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.

At June 30th, 2014, the fair value of borrowings and debt amounts to €3,221.9 million compared with €641.6 million and €340.0 million respectively at June 30th, 2013 and December 31st, 2013.

NOTE 17 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.

17.1. *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 June 30th, 2014, the change in the mark to market value of the hedging instruments allocated to future transactions and deferred through equity amounts to +€34.8 million compared with +€76.8 million and +€108.6 million respectively at June 30th, 2013 and December 31st, 2013.

17.2. *Hedging of interest rate risk*

At June 30th, 2014, the Group no longer had any interest rate hedging instruments as at June 30th, 2013 and December 31st, 2013.

17.3. *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 June 30th, 2014, marketable securities consist mainly of SICAV money-market funds and unit trusts (note 11).

At June 30th, 2014, the Group holds 118,227,307 Sanofi shares for an amount of €9,172.1 million (note 10). A change of plus or minus 10% in the market price of these shares relative to the market price of €77.58 on June 30th, 2014 would have an impact of plus or minus €917.2 million before tax on Group equity.

If the share price were to fall significantly below €34.12 (the initial cost of the Sanofi shares), or fall below that price for a prolonged length of time, L'Oréal may have to recognise an impairment loss on its asset through profit or loss.

17.4. *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 following table provides an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

€ millions June 30th, 2014	level 1	level 2	level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives		95.3		95.3
Sanofi shares	9,172.1			9,172.1
Marketable securities	2,601.5			2,601.5
TOTAL ASSETS AT FAIR VALUE	**11,773.6**	**95.3**	**-**	**11,868.9**
Liabilities at fair value				
Foreign exchange derivatives		87.1		87.1
TOTAL LIABILITIES AT FAIR VALUE		**87.1**	**-**	**87.1**

€ millions June 30th, 2013 (1)	level 1	level 2	level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives		144.2		144.2
Sanofi shares	9,413.3			9,413.3
Marketable securities	-			-
TOTAL ASSETS AT FAIR VALUE	**9,413.3**	**144.2**	**-**	**9,557.5**
Liabilities at fair value				
Foreign exchange derivatives		67.0		67.0
TOTAL LIABILITIES AT FAIR VALUE	**-**	**67.0**	**-**	**67.0**

€ millions December 31st, 2013 (1)	level 1	level 2	level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives		195.2		195.2
Sanofi shares	9,117.7			9,117.7
Marketable securities	1,024.2			1,024.2
Total assets at fair value	10,141.9	195.2	-	10,337.1
Liabilities at fair value				
Foreign exchange derivatives		90.4		90.4
TOTAL LIABILITIES AT FAIR VALUE	**-**	**90.4**	**-**	**90.4**

(1) Includes the impact of applying IFRS 11.

NOTE 18 Contingent liabilities

In the course of its normal operations, the Group is involved in legal actions and is subject to tax assessments, customs controls and administrative audits. The Group sets aside a provision wherever a risk is found to exist, and the related cost can be reliably estimated.

On this basis, a provision has been set aside for risks relating to investigations carried out by competition authorities described in note 15.

In terms of taxation, in early January 2013, L'Oréal Brasil received a tax reassessment notice regarding the indirect IPI tax for fiscal year 2008. The reassessment concerned an amount of BRL 353 million including BRL 201 million (€118 million) in interest and penalties. The Brazilian tax authorities questioned the price used to calculate the IPI tax base. After consulting its tax advisors, L'Oréal Brasil considers that the Brazilian tax authorities' position is unfounded and has challenged this notice. Consequently, no provision has been recorded.

At the present time, no exceptional event or dispute is highly likely to have a material impact on the earnings, financial position, assets or operations of the L'Oréal Company or Group.

NOTE 19 Subsequent events

On July 8th, 2014, L'Oréal announced that it had finalised:

- the acquisition of 48,500,000 L'Oréal shares (8% of its share capital) owned by Nestlé; and
- the disposal of its 50% ownership in Galderma to Nestlé (note 3).

The L'Oréal shares acquired have been immediately cancelled.

In the second half of 2014, the sale of Galderma will lead to a pre-tax capital gain of €2.2 billion and a post-tax capital gain of €2.1 billion.

The acquisition of NYX Cosmetics, a mass market brand rooted in professional make-up artistry with its headquarters in Los Angeles, announced on June 18th, 2014, was finalised on July 30th, 2014.

In 2013, NYX reported net sales of US$ 72 million, a growth of +46% vs. 2012.

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/ *STATUTORY AUDITORS' REVIEW* REPORT ON THE 2014 HALF-YEAR FINANCIAL INFORMATION

(Six months ended June 30, 2014)

This is a free translation into English of the Statutory Auditors' Review Report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

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 June 30, 2014;
- the verification of the information contained in the half-year Management Report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors. 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.

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

Neuilly-sur-Seine, August 1st, 2014
The Statutory Auditors
French original signed by

PricewaterhouseCoopers Audit
Gérard Morin

Deloitte & Associés
David Dupont-Noel

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/ *DECLARATION BY THE PERSON RESPONSIBLE* FOR THE 2014 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, together with a description of the principal risks and uncertainties that they face in the remaining six months of the year.

Clichy, August 1st, 2014

On the authority of the Chairman and Executive Officer

Christian Mulliez

Executive Vice-President, Administration and Finance

L'ORÉAL

Incorporated in France as a "Société Anonyme"
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