L'ORÉAL

HALF-YEAR FINANCIAL REPORT

At 30 June 2021

CONTENTS

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Half-year situation at 30 June 2021

The following statements have been examined by the Board of Directors of 29 July 2021 and have been the object of a limited review by the Statutory Auditors.

This is a free translation into English of the L'Oréal 2021 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 grew by +20.7%.

The net impact of changes in the scope of consolidation was +1.1%.

Growth at constant exchange rates came out at +21.8%.

Currency fluctuations had a negative impact of -5.6%. If the exchange rates at 30 June 2021, *i.e.* €1 = US $1.1871, are extrapolated until 31 December 2021, the impact of currency fluctuations on sales would be approximately -2.3% for the whole of 2021.

Based on reported figures, the Group's sales at 30 June 2021 amounted to €15.19 billion, *i.e.* an increase of +16.2%.

1.1.1. Consolidated income statements

Gross profit, at €11,327 million, came out at 74.5% of sales, an increase of 140 basis points compared to the first half of 2020.

Research and Innovation expenses, at €489 million, came out at 3.2% of sales.

Advertising and promotion expenses came out at 32.6% of sales, an increase of 210 basis points.

Selling, general and administrative expenses, at 19.1% of sales, decreased by 200 basis points compared to the first half of 2020.

Overall, **operating profit** came out at €2,988 million, an increase of 170 basis points compared to the 2020 first half, at 19.7% of sales.

Overall financial expenses came out at €29.4 million.

Sanofi dividends amounted to €378.3 million.

Income tax excluding non-recurring items came out at €731.9 million, *i.e.* a tax rate of 21.9%, higher than the first half of 2020.

Net profit excluding non-recurring items after non-controlling interests[(1)] came out at €2,600 million.

Earnings per share[(2)]**,** at €4.63, increased by +21.1% compared with the first half of 2020.

Non-recurring items amounted to €237.4 million net of tax of which €315.3 million of other income and expenses. They mainly include an impairment charge on the goodwill of *It Cosmetics* for €250 million.

After taking into account the non-recurring items, the net profit after non-controlling interests came out at €2,362.6 million.

1.1.2. Cash flow statements / balance sheet

Gross cash flow amounted to €3,336.1 million an increase of 25.0%.

The **change in working capital** amounted to €675.1 million.

Investments at €523.1 million represented 3.4% of sales.

Operating cash flow[(3)] amounted to €2,137.9 million, an increase of 67.7%.

At 30 June 2021, after taking into account finance lease liabilities for €1,579 million, **net cash** amounted to €2,372.8 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 earnings per share, excluding non-recurring items, after non-controlling interests.

(3) Operating cash flow = Gross cash flow + changes in working capital – capital expenditure.

1.2. SEGMENT INFORMATION

1.2.1. Turnover by Division

The Professional Products Division recorded very strong growth at +41.0% like-for-like and +32.6% reported, again strengthening its leadership in a market which is gradually recovering from the health crisis.

The Division benefits from the three underlying trends in the sector: the digitalisation of salons, the development of freelance stylists, and the explosion of e-commerce. All geographic zones saw sales growth, with record performance in the United States. The Division also confirmed its success in mainland China with very strong growth in e-commerce and in salons. It continued its growth trend in Europe, driven by Germany and France.

Haircare remains the number one category for growth, led by a particularly dynamic *Kérastase*, the successful launch of *Curl Manifesto* and the success of *Genesis*, as well as good performance from *Metal Detox* by *L'Oréal Professionnel* and *Acidic Bonding Concentrate* by *Redken*. In hair colour, *Shades EQ* by *Redken* recorded strong growth.

The Consumer Products Division ended the first half of the year at +6.3% like-for-like and +1.9% based on reported figures, with a rebound of +14.2% in the second quarter.

The Division outperformed the market and grew in all geographic zones, notably in mainland China, Brazil, Indonesia and the major European countries. E-commerce continued to grow strongly and now accounts for more than 20% of sales.

The Division achieved record market share in makeup, especially in North America and Europe, thanks in particular to the highly successful launches of *Sky High Mascara* by *Maybelline New York*, *Infallible* powder *by L'Oréal Paris* and *Shine Loud* lipstick by *NYX Professional Makeup*. Haircare saw double-digit growth thanks to an extremely buoyant market in mainland China, as well as in Europe and Brazil with the success of major innovations such as *Full Resist* and *8 Second Wonder Water* by *L'Oréal Paris*. Facial skincare continued to accelerate. *Revitalift Filler* with hyaluronic acid by *L'Oréal Paris* has become the world's biggest-selling serum. Mainland China's leading skincare brand *L'Oréal Paris* continued to gain market share with the launch of *Ampoule in Cream*. *Garnier* is successfully rolling out a new Vitamin C booster serum.

With the luxury beauty market strongly bouncing back in the first half of the year, L'Oréal Luxe posted growth at +28.1% like-for-like and +24.9% reported.

In all geographical zones, the Division significantly outperformed the market, marked by the gradual reopening of selective distribution. L'Oréal Luxe performed very well in North Asia, particularly among Chinese consumers. It also confirmed its solidity in Europe and saw a very strong recovery in North America.

The Division gained market share in all three of its categories. First of all in skincare, thanks to its powerful global brands *Lancôme* and *Kiehl's*, a dynamic premium segment with *Helena Rubinstein* and the *couture* lines *Yves Saint Laurent* and *Giorgio Armani*, as well as the successful integration of *Takami*. Secondly, in the fragrances category, which is extremely dynamic in North America and mainland China, thanks to the complementarity of *Giorgio Armani*, *Valentino*, *Maison Margiela*, *Ralph Lauren*, *Yves Saint Laurent* and the recently acquired *Mugler* and *Azzaro* brands, which delivered very strong performance, significantly outperforming the market. And finally in makeup, the Division showed clear signs of recovery in North Asia – driven by *Lancôme*, *Yves Saint Laurent* and *Shu Uemura* – as well as in the United States thanks to *Lancôme* and *Urban Decay*, which again won market share.

In a significantly improving market, the Active Cosmetics Division recorded particularly strong growth in the first half of the year, at +37.5% like-for-like and +32.0% based on reported figures.

The Division continued to record very strong growth, with its skincare brand portfolio perfectly adapted to consumers' health-related aspirations, which increased further during the pandemic. It also continued to leverage the solid relationships developed with healthcare professionals and its digital and e-commerce expertise.

All major brands recorded strong growth. *CeraVe* doubled in size while *La Roche-Posay* continued to accelerate, supported by the excellent performance of *Effaclar* and *Cicaplast*. *SkinCeuticals* continued to grow rapidly, driven by the innovation *Silymarin CF*. *Vichy* recovered and posted double-digit growth.

The Division saw very strong growth in all geographical zones, outperforming the market with exceptional performance in the United States, mainland China and the United Kingdom. Thanks to a targeted omnichannel activation strategy, e-commerce sales remained extremely buoyant while in-store sales posted strong double-digit growth.

1.2.2. Operating profit by Division

	30.06.2020		31.12.2020		30.06.2021	
	€ millions	% of sales	€ millions	% of sales	€ millions	% of sales
By Division						
Professional Products	140.0	10.4%	581.7	18.8%	363.9	20.5%
Consumer Products	1,243.7	21.3%	2,388.1	20.4%	1,193.4	20.0%
L'Oréal Luxe	892.0	20.4%	2,275.9	22.4%	1,301.9	23.8%
Active Cosmetics	433.8	28.9%	766.0	25.4%	570.0	28.8%
Total Divisions before non-allocated	**2,709.5**	**20.7%**	**6,011.6**	**21.5%**	**3,429.1**	**22.6%**
Non-allocated (1)	*-352.3*	*-2.7%*	*-802.6*	*-2.9%*	*-441.0*	*-2.9%*
GROUP	**2,357.2**	**18.0%**	**5,209.0**	**18.6%**	**2,988.1**	**19.7%**

(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 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** went from 10.4% to 20.5%.

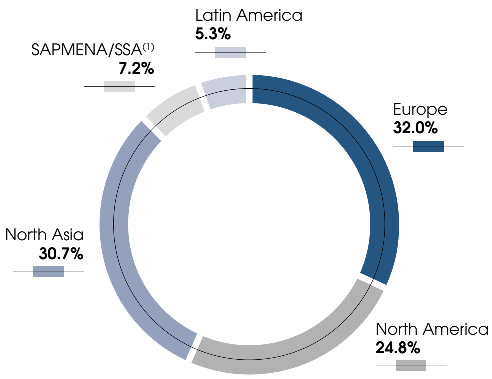
The profitability of the **Consumer Products Division** came out at 20.0% compared to the first half of 2020 at 21.3% of sales.

L'Oréal Luxe improved by 340 basis points at 23.8%.

The profitability of the **Active Cosmetics Division** slightly decreased by 10 basis points, still at a very high level at 28.8%.

1.2.3. Sales by geographic zone

During the first half of 2021, the Group redefined its geographic zones. At 30 June 2021, sales by geographic zone reflect this organisation and break down as follows: Europe, North America, North Asia, SAPMENA – SSA[1] and Latin America. The data relating to previous periods have been restated to reflect these changes.



1.2.3.1. Europe

The new Europe Zone, which brings together Western Europe and Eastern Europe, is the largest of the Group in terms of sales. It grew by +11.9% like-for-like and +11.6% based on reported figures. At the end of June, all countries reported growth and L'Oréal strengthened its leadership in Germany, the United Kingdom, Russia and the Scandinavian countries.

In the second quarter, sales are close to pre-crisis levels, with the exception of Travel Retail, which is still badly affected by the health situation and the restrictions on international travel. E-commerce saw very strong growth.

The Consumer Products Division gained market share, especially in makeup and haircare; *Maybelline New York* strengthened its leadership in the makeup category. L'Oréal Luxe continued to gain market share, especially in fragrances. The Active Cosmetics Division considerably increased its market share, driven by the dynamism of *La Roche-Posay*, which confirmed its position as Europe's No.1 dermocosmetics brand, and the rapid development of *CeraVe*. Finally, the Professional Products Division recorded significant growth despite the closure of salons in several countries in the first quarter, thanks to the buoyancy of e-commerce sales.

1.2.3.2. North America

The zone posted strong growth, at +23.2% like-for-like and +13.8% based on reported figures.

In the United States, the Group accelerated strongly in the second quarter despite temporary sourcing pressures, with a marked recovery in makeup while sales of skincare and fragrances are far above 2019 levels. In-store sales picked up and e-commerce more than doubled in two years.

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

All Divisions achieved market share gains in the second quarter. The Consumer Products Division accelerated, driven by the launch of *Sky High Mascara* by *Maybelline New York* and the confirmed recovery of *NYX Professional Makeup*. L'Oréal Luxe benefited from the recovery of in-store sales and the explosion of the fragrances category. Driven by the power of the SalonCentric distribution channel, the Professional Products Division recorded excellent performance and gained market share in haircare and hair colour. Finally, sales for the Active Cosmetics Division, driven by the remarkable performance of *CeraVe* and the acceleration of *La Roche-Posay*, close to doubled compared with the first half of 2019.

1.2.3.3. North Asia

The zone saw strong growth at +27.3% like-for-like and +23.2% reported.

Chinese consumer demand for the big brands remained high, particularly for luxury beauty. The Group consolidated its leadership in mainland China, still a major contributor to L'Oréal's overall performance, with an increase of +34.2%. Confirming the recovery which began in the second quarter of 2020, L'Oréal China gained market share in all Divisions and all categories. Online sales continued to grow strongly, driven by the arrival of new online retailers. During the important online shopping festival on 18 June, L'Oréal Paris established itself as the leading beauty brand on Tmall and JD, with *Lancôme* also in the top 3.

Japan and South Korea were both affected by the resurgence of Covid-19 and posted moderate performance in the first half of the year. Travel Retail continued to grow in the second quarter, particularly in Hainan. E-commerce recorded strong growth in the zone and in-store sales recovered at different rates from one country to another.

L'Oréal Luxe accelerated strongly in online sales and gained market share. Its growth was driven by skincare, with *Absolue* by *Lancôme* and *Helena Rubinstein* in particular, and by the strong recovery of makeup. The Consumer Products Division gained market share in haircare while the Active Cosmetics Division saw its growth accelerate, driven by *La Roche-Posay*. The Professional Products Division posted record growth, thanks in particular to *Kérastase* and *L'Oréal Professionnel*.

1.2.3.4. SAPMENA – SSA[1]

The zone grew by +19.9% like-for-like and +13.3% based on reported figures.

The Pacific and Gulf states started to recover while in India the Covid-19 pandemic continued to affect sales in the second quarter. In South-East Asia, many countries including Malaysia, Thailand, the Philippines and Indonesia have been subject to heavy public health restrictions. Vietnam has maintained strong growth.

The growth of the SAPMENA Zone was driven by the Consumer Products Division, with good momentum from *Garnier* and *Maybelline New York*, by L'Oréal Luxe in fragrances and skincare, as well as by the Active Cosmetics Division with *La Roche-Posay*. The expansion of e-commerce, which is seeing marked growth in Southern Asia and India, fuelled growth in all Divisions.

In Sub-Saharan Africa (SSA), growth was driven by South Africa, which posted strong double-digit growth.

1.2.3.5. Latin America

The zone recorded strong growth of +32.8% like-for-like and +22.7% based on reported figures. The recovery of the beauty market has accelerated in recent months with the gradual easing of lockdown measures and the lifting of restrictions on movement in all countries. Despite a complicated public health situation, Brazil was a strong contributor to growth and significantly outperformed the market, driven by the Consumer Products and Active Cosmetics Divisions.

With Brazil, Mexico and Chile leading the way, all countries and all Divisions recorded double-digit growth. All categories saw strong growth thanks to the quality of innovations and the success of the Group's iconic brands and products, particularly in haircare and skincare. With the reopening of distribution channels, particularly department stores and hair salons, in-store sales saw a return to growth, while e-commerce sales almost doubled compared to the first half of 2020.

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

1.3. IMPORTANT EVENTS DURING THE PERIOD

- On 29 January, for the fourth consecutive year, L'Oréal was recognised by the 2021 Bloomberg Gender-Equality Index for its commitment to female leadership, talent diversity and gender pay parity.
- On 1 February, L'Oréal finalised the acquisition of Takami Co announced on 23 December 2020.
- On 4 March, for the fourth consecutive year, L'Oréal ranked among the top five companies in the Equileap Global Gender Equality Ranking 2021, which assessed almost 4,000 companies in 23 countries. L'Oréal is ranked fourth overall, first in the consumer goods sector and first in France.
- On 5 March, L'Oréal announced two changes within the Group's Executive Committee. Omar Hajeri has been appointed President of the Professional Products Division and joined the Executive Committee. He succeeded Nathalie Roos, who has chosen to take her career in a new direction. Ersi Pirishi will be appointed President of the Latin America Zone and will join the Executive Committee in autumn 2021. She will take over from Javier San Juan, who has decided to retire.
- On 16 March, the 2020 Universal Registration Document was filed with the *Autorité des Marchés Financiers*. It is made available to the public according to the terms of the regulations in force and may be viewed on the www.loreal-finance.com website.
- On 16 March, L'Oréal announced that its Annual General Meeting would take place behind closed doors, without the physical presence of the shareholders and other persons entitled to attend, at 10.00 a.m. on Tuesday 20 April 2021. The convening notice was published in the *Bulletin des Annonces Légales Obligatoires* (BALO) on Monday 15 March 2021 and includes the agenda, draft resolutions and main terms of participation and voting at the Annual General Meeting.
- On 23 March, L'Oréal's venture capital fund Business Opportunities for L'Oréal Development (BOLD) announced that it had taken a minority stake in the Swiss environmental tech startup Gjosa.
- On 20 April, L'Oréal held its Annual General Meeting behind closed doors. All resolutions were approved, including:
  - payment of a dividend of €4 per share;
  - appointments as Directors of Mr Nicolas Hieronimus and Mr Alexandre Ricard, as well as renewal of the tenures as Directors of Ms Françoise Bettencourt Meyers, Mr Paul Bulcke and Ms Virginie Morgon.
- On 20 April, the L'Oréal Board of Directors decided:
  - The dissociation of the functions of Chairman of the Board of Directors and Chief Executive Officer. Mr Jean-Paul Agon will continue to fulfil the role of Chairman as he has done since 2011 and Mr Nicolas Hieronimus was appointed Chief Executive Officer as of 1 May 2021;
  - On the basis of the authorisation approved by the Annual General Meeting of 20 April 2021, to buy back L'Oréal shares for a maximum amount of 1.2 billion euros and a maximum of 3 million shares, in a period starting 3 May 2021 and ending 30 June 2021, in a view to cancelling them. 3,000,000 shares were bought back from 3 May to 18 June 2021.
- On 22 April, L'Oréal announced the appointment of Asmita Dubey as Chief Digital Officer, a member of the Executive Committee, to drive the second phase of the Group's digital transformation.
- On 23 June, L'Oréal announced the creation of the Europe Zone, led by Vianney Derville, previously President of the Western Europe Zone.

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 2020 Universal Registration Document, which do not present any significant change over the first half of 2021.

The amounts relating to the financial and market risks as at 30 June 2021 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 2021.

Moreover, over the first six months of 2021, 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

"With the health situation still uncertain, the beauty market is gradually recovering and has recorded double-digit growth. As a result of the determination and continued commitment of our teams, L'Oréal is significantly outperforming the market, with an exceptional second quarter. By the end of June, the Group posted a very strong increase and returned to its pre-Covid growth rate, up +6.6% like-for-like compared to the first half of 2019, with an acceleration of +8.4% in the second quarter compared to 2019.

L'Oréal recorded market share gains in all Divisions and all geographic zones. This remarkable performance reflects the relevance and healthy balance of our multi-faceted model in terms of geographic footprint, brands and categories. The Professional Products Division has successfully transformed its business model and achieved record performance. The Consumer Products Division recorded double-digit growth in the second quarter, thanks in particular to the recovery of makeup. L'Oréal Luxe also saw a sharp rise in fragrance sales and significantly outperformed the market. The Active Cosmetics Division achieved record growth, demonstrating that its brand portfolio is perfectly adapted to consumers' health and beauty aspirations.

Our geographic zones have now been redefined around more homogeneous consumption areas. All achieved double-digit growth. North Asia continued to perform well, still driven by mainland China where L'Oréal continues to strengthen its undisputed leadership, while North America saw a return to growth with a tremendous acceleration in the second quarter. In Europe, L'Oréal significantly outperformed the market, which is starting to recover gradually; all countries in this zone are growing, led by the United Kingdom, France and Russia. The Group performed well in SAPMENA – SSA[1] and in Latin America, with a marked progression in Brazil.

Our digital excellence has enabled brands to engage, recruit and retain consumers and partners alike. E-commerce continues to grow, at a more moderate rate due to the reopening of retail channels, and accounts for 27.3% of sales. Benefiting from a slight recovery in international travel and the success of Hainan, Travel Retail has bounced back.

The first-half results increased sharply and are of excellent quality. They are evidence of the L'Oréal virtuous circle: a strong improvement in gross margin combined with good cost control has enabled us to invest significantly in developing our brands and deliver once again an increase in profitability.

At the same time, societal and environmental engagement remains a priority. In June, we launched the very first "L'Oréal Groupe" global campaign, to make our consumers, shareholders and all our stakeholders aware of the actions behind our purpose: "Create the beauty that moves the world." We also unveiled "L'Oréal For Youth", a global programme designed to boost youth employment by increasing the number of job opportunities for under 30s by 30%.

L'Oréal has again gained strength in the early part of the year and is well positioned to continue to grow at its pre-crisis pace, leveraging on technology, data and Artificial Intelligence to become the Beauty Tech company. In the second half of 2021, we will pursue our offensive product launch strategy while at the same time investing in relevant growth drivers to spur the future growth and the desirability of our brands. We are more confident than ever in our ability to outperform the market and achieve a year of growth in both sales and results."

1.6. SUBSEQUENT EVENTS

On 29 July, the Board of Directors has decided to cancel 3,000,000 shares bought back, effective on 30 July 2021, pursuant the share buyback programme decided on 20 April 2021.

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

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2021 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1. COMPARED CONSOLIDATED INCOME STATEMENTS

€ millions	Notes	1st half 2021	1st half 2020	2020
Net sales	**3.1**	**15,196.6**	**13,076.5**	**27,992.1**
Cost of sales		-3,869.5	-3,512.3	-7,532.3
Gross profit		**11,327.1**	**9,564.2**	**20,459.8**
Research & innovation expenses		-489.1	-455.3	-964.4
Advertising and promotion expenses		-4,951.6	-3,986.5	-8,647.9
Selling, general and administrative expenses		-2,898.2	-2,765.2	-5,638.5
Operating profit	**3.1**	**2,988.1**	**2,357.2**	**5,209.0**
Other income and expenses	4	-315.3	-407.1	-709.0
Operational profit		**2,672.8**	**1,950.1**	**4,500.0**
Finance costs on gross debt		-22.5	-33.3	-79.2
Finance income on cash and cash equivalents		12.4	10.6	19.8
Finance costs, net		**-10.1**	**-22.7**	**-59.4**
Other financial income and expenses		-19.2	-13.8	-36.5
Sanofi dividends		378.3	372.4	372.4
Profit before tax and associates		**3,021.7**	**2,286.0**	**4,776.5**
Income tax		-654.0	-463.1	-1,209.8
Share of profit in associates		0.3	0.7	0.9
Net profit		**2,368.0**	**1,823.6**	**3,567.6**
Attributable to:				
• owners of the Company		2,362.6	1,822.5	3,563.4
• non-controlling interests		5.4	1.1	4.2
Earnings per share attributable to owners of the Company *(euros)*	10.3	4.22	3.26	6.37
Diluted earnings per share attributable to owners of the Company *(euros)*	10.3	4.21	3.25	6.34
Earnings per share attributable to owners of the Company, excluding non-recurring items *(euros)*	10.3	4.65	3.84	7.33
Diluted earnings per share attributable to owners of the Company, excluding non-recurring items *(euros)*	10.3	4.63	3.82	7.30

2.2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ millions	Notes	1st half 2021	1st half 2020	2020
Consolidated net profit for the period		**2,368.0**	**1,823.6**	**3,567.6**
Cash flow hedges		*-155.6*	*106.6*	*129.1*
Cumulative translation adjustments		*281.5*	*-271.8*	*-790.2*
Income tax on items that may be reclassified to profit or loss(1)		*31.8*	*-27.9*	*-23.3*
Items that may be reclassified to profit or loss		**157.7**	**-193.1**	**-684.4**
Financial assets at fair value through other comprehensive income	8.3	*1,151.6*	*129.1*	*-1,269.1*
Actuarial gains and losses	5.1	*386.2*	*-159.2*	*-225.6*
Income tax on items that may not be reclassified to profit or loss(1)		*-130.1*	*36.5*	*97.8*
Items that may not be reclassified to profit or loss		**1,407.6**	**6.4**	**-1,396.9**
Other comprehensive income		**1,565.3**	**-186.7**	**-2,081.3**
CONSOLIDATED COMPREHENSIVE INCOME		**3,933.3**	**1,636.9**	**1,486.3**
Attributable to:				
• owners of the Company		3,927.9	1,635.8	1,482.1
• non-controlling interests		5.4	1.1	4.2

(1) The tax effect is as follows:

€ millions	1st half 2021	1st half 2020	2020
Cash flow hedges	31.8	-27.9	-23.3
Items that may be reclassified to profit or loss	**31.8**	**-27.9**	**-23.3**
Financial assets at fair value through other comprehensive income	*-36.9*	*-3.4*	*40.4*
Actuarial gains and losses	*-93.3*	*39.9*	*57.4*
Items that may not be reclassified to profit or loss	**-130.1**	**36.5**	**97.8**
TOTAL	**-98.3**	**8.6**	**74.5**

2.3. COMPARED CONSOLIDATED BALANCE SHEETS

ASSETS

€ millions	Notes	30.06.2021	30.06.2020	31.12.2020
Non-current assets		**30,192.7**	**30,806.3**	**29,046.8**
Goodwill	6	10,559.0	10,856.5	10,514.2
Other intangible assets	6	3,455.0	3,066.7	3,356.3
Right-of-use assets	3.2	1,414.3	1,723.7	1,525.3
Property, plant and equipment	3.2	3,182.9	3,418.0	3,225.2
Non-current financial assets	8.3	10,786.5	10,932.2	9,604.8
Investments accounted for under the equity method		10.5	11.4	11.1
Deferred tax assets		784.5	797.8	809.9
Current assets		**13,762.9**	**15,045.7**	**14,560.1**
Inventories		2,948.2	2,947.6	2,675.8
Trade accounts receivable		3,991.8	3,756.1	3,511.3
Other current assets		1,869.4	1,698.1	1,732.7
Current tax assets		129.3	202.3	234.4
Cash and cash equivalents	8.2	4,824.3	6,441.6	6,405.9
TOTAL		**43,955.6**	**45,852.0**	**43,606.9**

EQUITY & LIABILITIES

€ millions	Notes	30.06.2021	30.06.2020	31.12.2020
Equity	**10**	**29,636.8**	**28,987.0**	**28,998.8**
Share capital		112.1	111.9	112.0
Additional paid-in capital		3,265.6	3,158.2	3,259.8
Other reserves		18,909.3	18,581.3	18,642.5
Other comprehensive income		5,588.5	5,680.9	4,304.5
Cumulative translation adjustments		-607.9	-371.0	-889.2
Treasury shares		-	-	-
Net profit attributable to owners of the Company		2,362.6	1,822.5	3,563.4
Equity attributable to owners of the Company		**29,630.2**	**28,983.8**	**28,993.0**
Non-controlling interests		6.6	3.2	5.8
Non-current liabilities		**2,987.6**	**3,414.2**	**3,478.0**
Provisions for employee retirement obligations and related benefits		650.0	941.4	1,013.5
Provisions for liabilities and charges	11.1	57.9	56.7	56.8
Non-current tax liabilities		364.2	251.9	397.9
Deferred tax liabilities		710.0	693.8	706.6
Non-current borrowings and debt	8.1	8.9	9.6	8.5
Non-current lease debt	8.1	1,196.5	1,460.7	1,294.7
Current liabilities		**11,331.3**	**13,450.8**	**11,130.1**
Trade accounts payable		5,386.3	4,124.6	4,764.5
Provisions for liabilities and charges	11.1	1,211.1	1,029.6	1,224.7
Other current liabilities		3,263.5	5,160.1	3,682.5
Income tax		224.3	326.9	215.1
Current borrowings and debt	8.1	863.6	2,411.5	856.4
Current lease debt	8.1	382.5	398.1	386.9
TOTAL		**43,955.6**	**45,852.0**	**43,606.9**

2.4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

€ millions	Common shares outstanding	Share capital	Additional paid-in capital	Retained earnings and net profit	Other comprehensive income	Treasury shares	Cumulative translation adjustments	Equity attributable to owners of the Company	Non-controlling interests	Equity
At 31.12.2019	**558,117,205**	**111.6**	**3,130.2**	**20,681.0**	**5,595.8**	**-**	**-99.2**	**29,419.3**	**6.7**	**29,426.0**
Consolidated net profit for the period				3,563.4				3,563.4	4.2	3,567.6
Cash flow hedges					*105.6*			*105.6*	*0.2*	*105.8*
Cumulative translation adjustments							*-801.8*	*-801.8*	*-0.3*	*-802.1*
Hyperinflation							*11.9*	*11.9*		*11.9*
Other comprehensive income that may be reclassified to profit and loss					**105.6**		**-789.9**	**-684.3**	**-0.1**	**-684.4**
Financial assets at fair value through other comprehensive income					*-1,228.8*			*-1,228.8*		*-1,228.8*
Actuarial gains and losses					*-168.1*			*-168.1*		*-168.1*
Other comprehensive income that may not be reclassified to profit and loss					**-1,396.9**		**-**	**-1,396.9**	**-**	**-1,396.9**
Consolidated comprehensive income				**3,563.4**	**-1,291.3**		**-789.9**	**1,482.1**	**4.2**	**1,486.3**
Capital increase	1,754,375	0.4	129.6	-0.2				129.8		129.8
Cancellation of Treasury shares								-		-
Dividends paid (not paid on Treasury shares)				-2,172.6				-2,172.6	-4.9	-2,177.5
Share-based payment				129.7				129.7		129.7
Net changes in Treasury shares								-		-
Changes in scope of consolidation								-		-
Other movements				4.8				4.8	-0.1	4.7
At 31.12.2020	**559,871,580**	**112.0**	**3,259.8**	**22,206.0**	**4,304.5**	**-**	**-889.1**	**28,993.0**	**5.8**	**28,998.8**
Consolidated net profit for the period				2,362.6				2,362.6	5.4	2,368.0
Cash flow hedges					*-123.6*			*-123.6*	*-0.2*	*-123.8*
Cumulative translation adjustments							*266.8*	*266.8*	*0.2*	*267.0*
Hyperinflation							*14.5*	*14.5*		*14.5*
Other comprehensive income that may be reclassified to profit and loss					**-123.6**		**281.3**	**157.7**	**-**	**157.7**
Financial assets at fair value through other comprehensive income					*1,114.7*			*1,114.7*		*1,114.7*
Actuarial gains and losses					*292.9*			*292.9*		*292.9*
Other comprehensive income that may not be reclassified to profit and loss					**1,407.6**		**-**	**1,407.6**	**-**	**1,407.6**
Consolidated comprehensive income				**2,362.6**	**1,284.0**		**281.3**	**3,927.9**	**5.4**	**3,933.3**
Capital increase	800,168	0.2	5.8	-0.2				5.8		5.8
Cancellation of Treasury shares								-		-
Dividends paid (not paid on Treasury shares)				-2,264.4				-2,264.4	-4.7	-2,269.1
Share-based payment				75.9				75.9		75.9
Net changes in Treasury shares	-3,000,000					-1,104.8		-1,104.8		-1,104.8
Changes in scope of consolidation								-		-
Other movements				-3.2				-3.2	0.1	-3.1
AT 30.06.2021	**557,671,748**	**112.1**	**3,265.6**	**22,376.7**	**5,588.5**	**-1,104.8**	**-607.9**	**29,630.2**	**6.6**	**29,636.8**

CHANGES IN FIRST-HALF 2020

€ millions	Common shares outstanding	Share capital	Additional paid-in capital	Retained earnings and net profit	Other comprehensive income	Treasury shares	Cumulative translation adjustments	Equity attributable to owners of the Company	Non-controlling interests	Equity
At 31.12.2019	**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 other comprehensive income					*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)[1]				-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) 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 were presented on the balance sheet in "Other current liabilities".

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2.5. COMPARED CONSOLIDATED STATEMENTS OF CASH FLOWS

€ millions	Notes	1st half 2021	1st half 2020	2020
Cash flows from operating activities				
Net profit attributable to owners of the Company		2,362.6	1,822.5	3,563.4
Non-controlling interests		5.4	1.1	4.2
Elimination of expenses and income with no impact on cash flows:				
• depreciation, amortisation, provisions and non-current tax liabilities		910.3	787.4	2,028.1
• changes in deferred taxes		-28.3	-16.3	-10.1
• share-based payment (including free shares)		75.9	67.3	129.7
• capital gains and losses on disposals of assets		1.4	4.5	3.6
Other non-cash transactions		8.1	2.9	5.8
Share of profit in associates net of dividends received		0.6	-0.7	-0.6
Gross cash flow		**3,336.1**	**2,668.6**	**5,724.1**
Changes in working capital		-675.1	-889.2	729.2
Net cash provided by operating activities (A)		**2,661.0**	**1,779.4**	**6,453.3**
Cash flows from investing activities				
Purchases of property, plant and equipment and intangible assets		-523.1	-504.8	-972.4
Disposals of property, plant and equipment and intangible assets		12.5	18.6	26.6
Changes in other financial assets (including investments in non-consolidated companies)		-23.9	6.6	-66.5
Effect of changes in the scope of consolidation		-161.3	-1,316.5	-1,626.8
Net cash from investing activities (B)		**-695.8**	**-1,796.0**	**-2,639.1**
Cash flows from financing activities				
Dividends paid		-2,322.0	-82.6	-2,190.6
Capital increase of the parent company		5.8	28.1	129.7
Capital increase of subsidiaries		-	-	-
Disposal (acquisition) of Treasury shares		-1,104.8	-	-
Purchase of non-controlling interests		-	-	-
Issuance (repayment) of short-term loans		26.5	1,509.3	-74.8
Issuance of long-term borrowings		-	-	-
Repayment of long-term borrowings		-	-	-3.6
Repayment of lease debt		-200.9	-219.7	-451.8
Net cash from financing activities (C)		**-3,595.3**	**1,235.1**	**-2,591.1**
Net effect of changes in exchange rates and fair value (D)		48.5	-62.8	-103.2
Change in cash and cash equivalents (A+B+C+D)		**-1,581.6**	**1,155.7**	**1,119.9**
Cash and cash equivalents at beginning of the period (E)		**6,405.9**	**5,286.0**	**5,286.0**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	**8.2**	**4,824.3**	**6,441.7**	**6,405.9**

Income tax paid totalled €602.4 million, €595.2 million, and €1,316.3 million for first-half 2021, first-half 2020 and year 2020, respectively.

Interest paid (excluding interest on lease debts) amounted to €4.2 million, €10.3 million, and €32.4 million for first-half 2021, first-half 2020 and year 2020, respectively.

Dividends received totalled €378.9 million, €372.5 million, and €372.5 million for first-half 2021, first-half 2020 and year 2020, respectively. These are included within the gross cash flow.

Cash outflows relating to leases amounted to €264.3 million (of which €18.6 million related to interest paid on lease debt), €281.2 million (of which €22.7 million related to interest paid on lease debt) and €574.1 million (of which €44.7 million related to interest paid on lease debt) including leases that do not fall under the scope of IFRS 16 for first-half 2021, first-half 2020 and year 2020, respectively.

2.6. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Notes contents

NOTE 1. Accounting principles

The condensed half-year consolidated financial statements of L'Oréal and its subsidiaries ("the Group") have been prepared in accordance with the international accounting standard IAS 34. As condensed financial statements, they do not include all the information required by IFRS, International Financial Reporting Standards, for the preparation of the annual financial statements and must therefore be read in conjunction with the Group consolidated financial statements prepared in accordance with IFRS as adopted in the European Union for the year ending at 31 December 2020.

The Board of Directors reviewed the condensed half-year consolidated financial statements as at 30 June 2021, on 29 July 2021.

The accounting policies applied are identical to those applied when preparing the annual consolidated financial statements for the year ended 31 December 2020, except as regards income tax.

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

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

The Group is reviewing two IFRS IC decisions:

- Publication in March 2021 of a decision related to IAS 38 "Intangible Assets" on Configuration or Customisation Costs in a Cloud Computing Arrangement within the frame of a "Software as a service" contract.
- Publication in April 2021 of a decision related to IAS 19 "Employee Benefits" on Attributing Benefit to Periods of Service.

NOTE 2. Main events of the period

2.1. Changes in the scope of consolidation

2.1.1. First-half 2021

Acquisition

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

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

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

The cost of this new acquisition represented €186.8 million. The total amount of goodwill resulting from this acquisition has been provisionally estimated at €145,9 million.

The impact of this acquisition on half-year sales is €21 million.

Sale

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

2.1.2. Year 2020

Acquisition

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

This acquisition has been fully consolidated since that date.

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

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

The cost of these new acquisitions represented €1.7 billion. The total amount of goodwill and other intangible assets resulting from these acquisitions amounted at their acquisition dates to €1,465.6 million for Azzaro and Mugler and €308.8 million for Thayers.

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

Sale

On 4 February 2020, 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 finalized the sale of the Roger & Gallet brand.

NOTE 3. Operating items – Segment information

3.1. Segment information

3.1.1. Information by business segment

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

- the Professional Products Division provides expertise to beauty professionals.

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

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

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

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

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

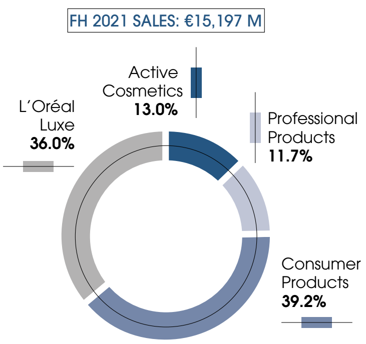
Data by Division are prepared using the same accounting principles as those used for the preparation of the consolidated financial statements.

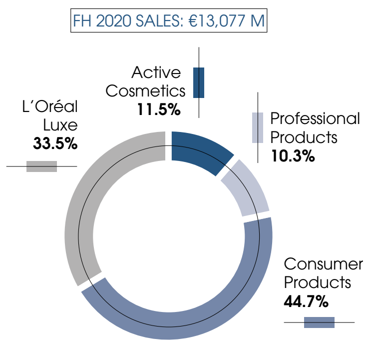
The performance of each Division is measured on the basis of operating profit.

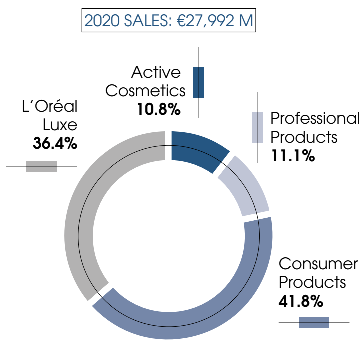
3.1.1.1. Net sales by Division

		Growth (%)			
€ millions	1st half 2021	% of total	Excluding exchange effect	1st half 2020	2020
Professional Products	1,778.7	32.6%	40.1%	1,341.7	3,097.3
Consumer Products	5,963.4	1.9%	6.9%	5,850.7	11,703.8
L'Oréal Luxe	5,472.2	24.9%	30.4%	4,382.2	10,179.9
Active Cosmetics	1,982.4	32.0%	38.4%	1,501.9	3,011.1
GROUP	**15,196.6**	**16.2%**	**21.8%**	**13,076.5**	**27,992.1**

Weight of net sales by Division over the three periods:







3.1.1.2. Operating profit by Division

€ millions	1st half 2021	1st half 2020	2020
Professional Products	363.9	140.0	581.7
Consumer Products	1,193.4	1,243.7	2,388.1
L'Oréal Luxe	1,301.9	892.0	2,275.9
Active Cosmetics	570.0	433.8	766.0
TOTAL OF DIVISIONS	**3,429.1**	**2,709.5**	**6,011.6**
Non-allocated	-441.0	-352.3	-802.6
GROUP	**2,988.1**	**2,357.2**	**5,209.0**

3.1.2. Consolidated net sales by geographic zone

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

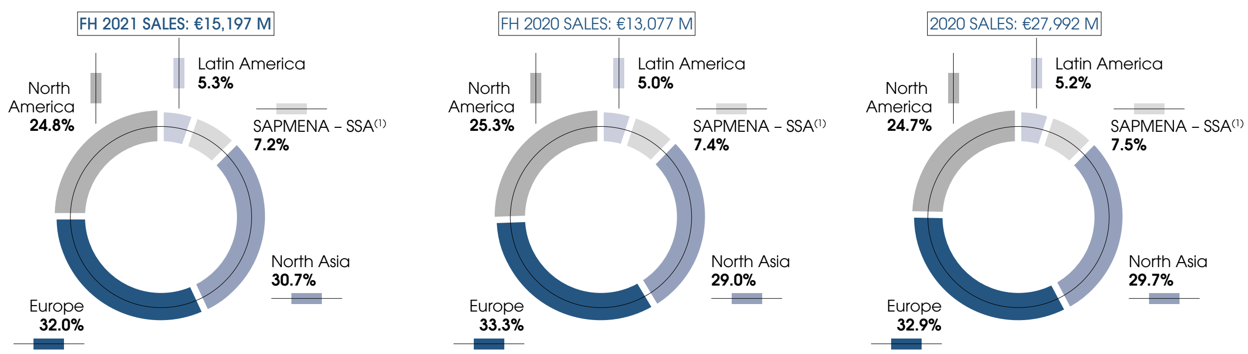
During the first-half 2021, the Group reorganised its geographic zones. At 30 June 2021, the activities are organised as follows:

- Europe;
- North America;
- North Asia;
- SAPMENA – SSA(1);
- Latin America.

Data for previous periods have been restated accordingly.

		Growth *(%)*			
€ millions	1st half 2021	% of total	Excluding exchange effect	1st half 2020	2020
Europe	4,857.1	11.6%	13.4%	4,352.4	9,199.3
North America	3,765.7	13.8%	23.6%	3,307.7	6,903.4
North Asia	4,670.9	23.2%	27.3%	3,792.2	8,318.1
SAPMENA – SSA	1,093.9	13.3%	22.3%	965.1	2,101.9
Latin America	809.0	22.7%	39.0%	659.2	1,469.3
GROUP	**15,196.6**	**16.2%**	**21.8%**	**13,076.5**	**27,992.1**

Weight of net sales by geographic zone over the three periods:

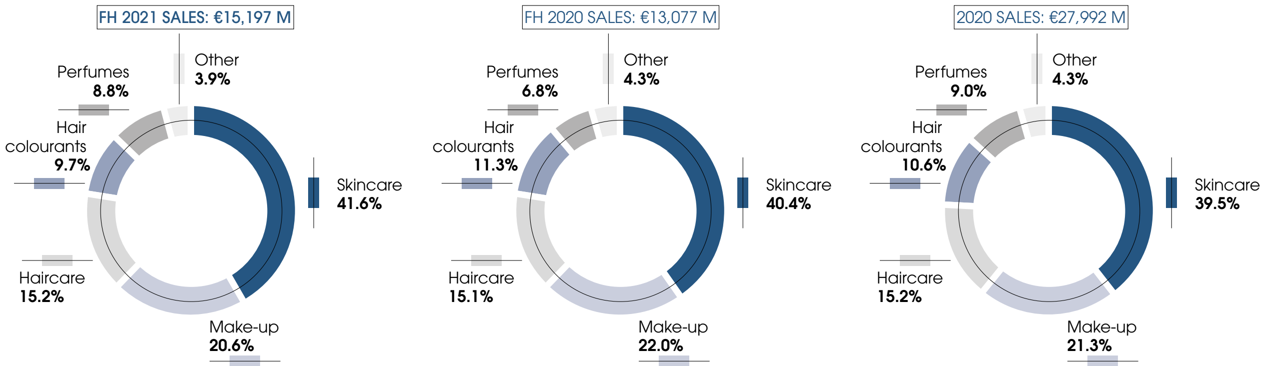


(1) South Asia, Pacific, Middle East, North Africa, Sub-Saharan Africa.

3.1.3. Sales by business segment

€ millions	1st half 2021	Growth (%)		1st half 2020	2020
		% of total	Excluding exchange effect		
Skincare	6,328.4	19.7%	24.5%	5,288.1	11,051.7
Make-up	3,131.3	8.7%	14.3%	2,880.3	5,969.3
Haircare	2,314.8	17.4%	24.0%	1,971.0	4,254.3
Hair colourants	1,481.0	0.1%	6.3%	1,480.2	2,971.6
Perfumes	1,341.4	50.0%	56.3%	894.2	2,528.7
Other	599.8	6.6%	11.6%	562.6	1,216.5
GROUP	**15,196.6**	**16.2%**	**21.8%**	**13,076.5**	**27,992.1**

Weight of net sales by business segment over the three periods:



3.2. Depreciation and amortisation expenses, 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 €698.5 million, including €193.8 million for right-of-use (IFRS 16) for the first-half 2021 compared with €793.2 million, including €213.0 million for right-of-use (IFRS 16) for first-half 2020 and €1,616.9 million including €466.6 million for right-of-use (IFRS 16) for year 2020.

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

Acquisitions for first-half 2021 amounted to €407.0 million, including €93.9 million for new leases (IFRS 16) compared with €484.9 million including €147.9 million for new leases (IFRS 16) for first-half 2020 and €993.8 million including €300.4 million for new leases (IFRS 16) for year 2020.

Depreciation and provision for first-half 2021 amounted to €580.1 million including €195.7 million for right-of-use assets (IFRS 16) compared with €680.1 million including €213.0 million for right-of-use assets (IFRS 16) for first-half 2020 and €1,384.2 million including €472.5 million for right-of-use assets (IFRS 16) for year 2020.

NOTE 4. Other operational income and expenses

This item breaks down as follows:

€ millions	1st half 2021	1st half 2020	2020
Capital gains and losses on disposals of property, plant and equipment and intangible assets[1]	-1.2	-4.5	-3.5
Impairment of property, plant and equipment and intangible assets[2]	-250.0	-89.8	-89.8
Restructuring costs[3]	-94.1	-133.6	-382.1
Other[4]	30.0	-179.2	-233.5
TOTAL	**-315.3**	**-407.1**	**-709.0**

(1) Including:
- *in the first half of 2020, the capital loss (-€2.7 million) on the disposal of Roger & Gallet (after recognition of a €62 million impairment on intangible assets at 31 December 2019) and the capital loss on the sale of Seed Phytonutrients (-€1.9 million);*
- *in 2020, mainly the capital loss (-€2.7 million) on the disposal of Roger & Gallet (after recognition of a €62 million impairment on intangible assets at 31 December 2019).*

(2) Including:
- *in the first half of 2021, the goodwill of IT Cosmetics (-€250 million);*
- *in first-half 2020, the residual brand and goodwill of Clarisonic (€65.3 million) and (€24.6 million) respectively, due to the brand's discontinuation;*
- *in 2020, the residual brand and goodwill of Clarisonic (€63.6 million) and (€24.6 million) respectively, due to the brand's discontinuation.*

(3) Including:
- *in the first half of 2021, the continued redesign of the reorganisation of the organisational and distribution units of the Luxury and Professional divisions in Europe (€55.7 million), the reorganisation of the Consumer Products Division's sales force in North Asia (€27.6 million) and the discontinuation of the Shu Uemura brand in Korea (€5.6 million);*
- *in the first half of 2020, the continued redesign of NYX Professional Makeup's distribution channels (€55 million), the repositioning of the Decléor Carita brands and their marketing strategy (€21 million), the discontinuation 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 2020, the reorganisation of the distribution structures of the Luxe Division in North America (€96.3 million) and in Asia Pacific (€27.2 million), the repositioning of certain distribution channels in China (€27.8 million), the reorganisation of organisational and distribution structures within the Luxe and Professional Divisions in Western Europe (€85.9 million), the continued redesign of NYX Professional Makeup's distribution channels (€66.3 million), the repositioning of the Decléor Carita brands and their sales strategy (€22.5 million), as well as the operational impact of the discontinuation of the Clarisonic brand (€18.9 million).*

(4) Including:
- *in the first half of 2021, a provision reversal (€45 million) related to intellectual property dispute partially offset by acquisition-related costs (€6 million);*
- *in the first half of 2020, acquisition-related costs (€15 million), certain specific, identifiable costs related to the consequences of the public health crisis, including additional health costs (€27 million) (additional hygiene measures, protective measures for employees, thermal cameras, etc.) and costs incurred by a total and sudden suspension of activity over clearly defined lockdown periods imposed by local authorities (€43 million) related to owned points of sale (mainly the salaries of beauty advisors, the costs related to the amortisation of store rights-of-use net of any subsidies received from lessors) and €70 million mainly corresponding to the salaries of the Professional Products Division's sales force, the Luxe Division's beauty advisers in Department stores and the Medical Doctors' sales forces which were prohibited from visiting the United States.);*
- *in 2020, certain specific and identifiable costs related to the consequences of the public health crisis borne during the first half of the year including €27 million in additional health costs (additional hygiene measures, protective measures for employees, thermal cameras, etc.) and the costs incurred by a total and sudden suspension of activity over clearly defined lockdown periods imposed by local authorities (€43 million) related to owned points of sale (mainly the salaries of beauty advisers, the costs related to the amortisation of store rights-of-use net of any subsidies received from lessors) and €70 million mainly corresponding to the salaries of the Professional Products Division's sales force, the Luxe Division's beauty advisers in Department stores and the Medical Doctors' sales forces which were prohibited from visiting the United States.).*

  Acquisition-related costs (€24 million) and disputes related to intellectual property (€20 million).

NOTE 5. Employee benefits – Free shares

5.1. Employee benefits – Actuarial gains and losses

a) At 30 June 2021

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

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

b) 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.

5.2. Free shares

a) Vesting conditions

At 30 June 2021, no plan was implemented.

The plan of 20 April 2017 was definitively vested by the allocation of 742,276 shares on 21 April 2021. The number of shares definitively awarded in respect of the 20 April 2017 plan took into account the percentage performance achieved at the end of the plan.

At 30 June 2021, the performance conditions were deemed satisfied.

b) Capital increase reserved for employees

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

The subscription price was set at €223.25, representing 80% of the average share price over the 20 trading sessions prior to the decision by the Chairman and Chief Executive Officer setting the subscription period from 17 September to 2 October 2020 during which 417,966 shares were subscribed. This number does not include the subscription reserved for a Trustee under the laws of England and Wales, as part of a Share Incentive Plan established for Group employees in the UK, for which the number of shares finalised in June 2021 at 5,327.

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

For employees in other countries, shares were offered under a free share plan with a continued employment condition for the employee and proportionate to how much the employee contributes to the plan, with a maximum of 4 shares offered for 10 shares subscribed. The shares will be allocated to employees on 3 November 2025 provided they are still with the Group on that date.

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

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

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NOTE 6. Intangible assets

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

The recoverable amount of the *IT Cosmetics* cash-generating unit was €754.9 million at the end of June 2021. The discount rate used at 30 June 2021 for this test were as follows: 7.4% for the USA and 7.8% for international.

The increase in *Goodwill* of €44.8 million is essentially the result of the acquisition of *Takami* that generated provisional goodwill in the amount of €145.9 million, offset by the impairment of the goodwill from *IT Cosmetics* (-€250 million) and the positive change in foreign exchange rates for €139.1 million.

The increase in *Other intangible assets* for €98.7 million is primarily the result of the acquisitions of the period (€154.2 million), the change in the scope of consolidation (€28.1 million) and the positive change in foreign exchange rates (€42.7 million). These impacts are primarily offset by amortisation expenses of the period (-€120.8 millions).

NOTE 7. Investments accounted for under the equity method

€ millions	30.06.2021	30.06.2020	31.12.2020
Investments accounted for under the equity method			
LIPP Distribution	9.9	10.6	10.5
Others	0.6	0.8	0.6
TOTAL	**10.5**	**11.4**	**11.1**

NOTE 8. Financial assets and liabilities – Cost of debt

8.1. Borrowings and debt

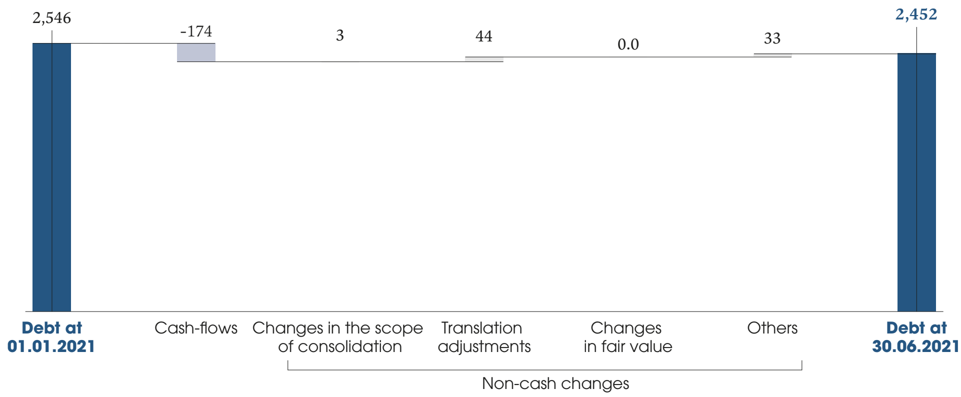
The Group takes out bank loans to cover its medium-term financing needs and issues short-term marketable instruments in France and commercial paper in the US to cover its financing needs in the short term. None of the Group's borrowings or debt contains an early repayment clause linked to financial ratios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

8.1.1. Debt by type

	30.06.2021		30.06.2020		31.12.2020	
€ millions	Non-current	Current	Non-current	Current	Non-current	Current
Short-term marketable instruments	-	662.9	-	2,141.7	-	706.4
MLT bank loans	-	-	-	-	-	-
Lease debt	1,196.5	382.5	1,460.7	398.1	1,294.7	386.9
Overdrafts	-	96.1	-	112.0	-	61.6
Other borrowings and debt	8.9	104.7	9.6	157.8	8.6	88.3
TOTAL	**1,205.4**	**1,246.2**	**1,470.3**	**2,809.6**	**1,303.3**	**1,243.2**

8.1.2. Change in debt

			Non-cash changes				
€ millions	31.12.2020	Cash-flows	Changes in the scope of consolidation	Translation adjustments	Changes in fair value	Others	30.06.2021
Short-term marketable instruments	706.4	-56.7	-	13.2	-	-	662.9
MLT bank loans	-	-	-	-	-	-	-
Lease debt	1,681.5	-200.9	2.3	31.8	-	64.3	1,579.0
Overdrafts	61.6	32.5	-	1.9	-	-	96.0
Other borrowings and debt	96.8	50.7	1.1	-3.3	-	-31.7	113.6
TOTAL	**2,546.5**	**-174.4**	**3.4**	**43.6**	**-**	**32.6**	**2,451.5**



8.1.3. Debt by maturity date

€ millions	30.06.2021	30.06.2020	31.12.2020
Less than 1 year[(1)]	1,246.2	2,809.5	1,243.2
1 to 5 years	912.7	1,090.1	994.8
More than 5 years	292.6	380.2	308.5
TOTAL	**2,451.5**	**4,279.9**	**2,546.5**

(1) At 30 June 2021, the Group had confirmed undrawn credit lines for €5,000 million compared with €7,178.5 million at 30 June 2020 and €5,363.0 million at 31 December 2020. These lines were not subject to any covenants.

8.1.4. Debt by currency excluding lease debts

€ millions	30.06.2021	30.06.2020	31.12.2020
Euro (EUR)	225.9	1,171.3	382.0
US Dollar (USD)	484.3	1,051.6	368.4
Colombian Peso (COP)	28.2	34.0	34.8
Chilean Peso (CLP)	23.2	35.2	24.1
Turkish Lira (TRY)	23.1	14.6	5.4
South African Rand (ZAR)	13.3	20.7	14.0
Korean Won (KRW)	12.0	-	-
Egyptian Pound (EGP)	10.7	19.3	13.9
Kenyan Shilling (KES)	10.2	13.7	6.4
Malaysian Ringgit (MYR)	9.6	1.7	-
Pakistani Rupee (PKR)	8.4	8.3	7.4
Canadian Dollar (CAD)	8.0	-	-
Japanese Yen (JPY)	4.8	-	0.6
Others	10.7	50.6	7.9
TOTAL	**872.4**	**2,421.1**	**864.9**

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

€ millions	30.06.2021	30.06.2020	31.12.2020
Floating rate	759.1	2,253.9	768.2
Fixed rate including lease debt	1,692.4	2,026.0	1,778.3
TOTAL	**2,451.5**	**4,279.9**	**2,546.5**

8.1.6. Effective interest rates

Effective interest rates on Group debt after taking into account hedging instruments are -0.12% at 30 June 2021 compared with 0.73% at 30 June 2020 and 0.39% at 31 December 2020 for short-term marketable instruments.

They were no medium and long-term bank loans at 30 June 2021 as at 30 June 2020 and 31 December 2020.

8.1.7. Average debt interest rates

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

	30.06.2021	30.06.2020	31.12.2020
Euro (EUR)[(1)]	-0.41%	-0.34%	-0.30%
US Dollar (USD)	0.08%	1.53%	0.90%

(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 €872.4 million at 30 June 2021 compared with €2,421.1 million at 30 June 2020 and €864.9 million at 31 December 2020.

8.2. Cash and cash equivalents

	30.06.2021		30.06.2020		31.12.2020	
€ millions	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost
Marketable securities	2,167.3	2,169.3	4,455.8	4,459.4	3,739.9	3,743.5
Bank accounts and other cash and cash equivalents	2,657.0	2,659.7	1,985.8	1,985.8	2,666.0	2,680.5
TOTAL	**4,824.3**	**4,829.0**	**6,441.6**	**6,445.2**	**6,405.9**	**6,424.0**

Marketable securities consist mainly of SICAV money-market funds and unit trusts (on which the return is based on EONIA).

They are considered as financial assets at fair value through profit and loss.

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

8.3. Non-current financial assets

	30.06.2021		30.06.2020		31.12.2020	
€ millions	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost
Investments in non-consolidated companies						
• Sanofi[(1)]	10,446.6	4,033.5	10,717.3	4,033.5	9,304.5	4,033.5
• Other listed securities[(2)]	37.8	18.7	13.2	9.5	30.7	12.0
• Unlisted securities[(3)]	180.3	257.6	91.1	181.3	154.5	244.7
Financial assets at amortised cost						
• Non-current loans and receivables	121.8	123.7	110.5	112.8	115.1	117.1
TOTAL	**10,786.5**	**4,433.5**	**10,932.1**	**4,337.1**	**9,604.8**	**4,407.3**

(1) L'Oréal's stake in Sanofi was 9.38% at 30 June 2021. The carrying amounts at 30 June 2021, at 30 June 2020 and at 31 December 2020 (€10,446.6 million, €10,717.3 million and €9,304.5 million respectively) correspond to the market value of the shares based on the closing price at each of the dates (€88.36, €90.65 and €78.70 respectively). The acquisition cost of €4,033.5 million corresponds to an entry cost of €34.12. The investment is measured at fair value through other comprehensive income.

(2) This heading includes listed securities of biotechnology start-ups.

(3) This heading mainly includes:
- *strategic investments in investment funds measured at fair value through other comprehensive income of which €50 million subscribed over 2020 in the L'Oréal Fund for Nature Regeneration;*
- *securities of our subsidiaries in Venezuela deconsolidated since 31 December 2015, for €94.4 million fully written down.*

In the absence of specific events, their acquisition cost is deemed to be the best possible estimate of fair value.

NOTE 9. Derivatives and exposure to market risks

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

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

9.1. Hedging of currency risk

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

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

At 30 June 2021, the change in the mark to market value of the hedging instruments allocated to future transactions and deferred through equity amounts to €18.4 million, compared with €151.4 million at 30 June 2020 and €173.8 million at 31 December 2020.

9.2. Foreign exchange gains and losses

Foreign exchange gains and losses break down as follows:

€ millions	1st half 2021	1st half 2020	2020
Time value	-27.2	-42.2	-87.6
Other foreign exchange gains and losses	52.8	40.7	94.0
TOTAL	**25.6**	**-1.5**	**6.4**

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

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

- changes in market value linked to variations in the spot rate between the inception of the hedge and the date when the hedged transactions are completed;
- residual ineffectiveness linked to excess hedges and recognised directly in the income statement under other foreign exchange gains and losses for €0.1 million for first-half 2021, €12.6 million for first-half 2020 and €13.3 million for year 2020.

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

€ millions	1st half 2021	1st half 2020	2020
Cost of sales	25.6	-3.3	6.4
Research and innovation expenses	-6.7	2.9	-2.1
Advertising and promotion expenses	3.3	-0.5	1.2
Selling, general and administrative expenses	3.4	-0.5	0.9
FOREIGN EXCHANGE GAINS AND LOSSES	**25.6**	**-1.5**	**6.4**

9.3. Hedging of interest rate risk

The Group did not have any interest rate hedging instruments at 30 June 2021, 30 June 2020 and 31 December 2020.

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 2021, marketable securities consist mainly of unit trusts (see note 8.2.).

At 30 June 2021, the Group held 118,227,307 Sanofi shares for an amount of €10,446.6 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 €88.36 on 30 June 2021 would have an impact of plus or minus €1,044.7 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 2021**	Level 1	Level 2	Level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives	-	70.9	-	70.9
Sanofi shares	10,446.6	-	-	10,446.6
Marketable securities	2,167.3	-	-	2,167.3
TOTAL ASSETS AT FAIR VALUE	**12,613.9**	**70.9**	**-**	**12,684.8**
Liabilities at fair value				
Foreign exchange derivatives	-	155.4	-	155.4
TOTAL LIABILITIES AT FAIR VALUE	**-**	**155.4**	**-**	**155.4**

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

NOTE 10. Equity – Earnings per share

10.1. Share capital

Share capital consisted of 557,671,748 shares with a par value of €0.20 at 30 June 2021, compared with 559,298,180 shares at 30 June 2020 and 559,871,580 shares at 31 December 2020.

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 2021

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

In shares	Share capital	Treasury shares	Common shares outstanding
At 01.01.2021	**559,871,580**	**-**	**559,871,580**
Shares cancelled			
Options and free shares exercised	800,168	-	800,168
Treasury shares purchased		-3,000,000	-3,000,000
AT 30.06.2021	**560,671,748**	**-3,000,000**	**557,671,748**

The change in Treasury shares in first-half 2021 was as follows:

In shares	Buyback programme	Allocated to stock options/ free shares plans	Total	€ millions
At 01.01.2021	**-**			**-**
Shares cancelled				
Options and free shares exercised				
Treasury shares purchased	3,000,000		3,000,000	1,104.8
AT 30.06.2021	**3,000,000**	**-**	**3,000,000**	**1,104.8**
€ millions			-	

b) Year 2020

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

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

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

10.3.1. Reconciliation with net profit

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

€ millions	1st half 2021	1st half 2019	2020
Net profit attributable to owners of the Company	**2,362.6**	**1,822.5**	**3,563.4**
Capital gains and losses on property, plant and equipment and intangible assets	1.2	4.5	3.5
Impairment of property, plant and equipment and intangible assets	250.0	89.8	89.8
Restructuring costs	94.1	133.6	382.1
Others	-30.0	179.2	233.5
Tax effect on non-recurring items	-70.7	-84.8	-161.5
Non-controlling interests on non-recurring items	-	-	-
Tax effect on acquisitions and internal restructuring	-7.2	-	-11.8
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY EXCLUDING NON-RECURRING ITEMS	**2,600.0**	**2,144.8**	**4,099.0**

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10.3.2. Earnings per share attributable to owners of the Company

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

1st half 2021	Net profit attributable to owners of the Company *(€ millions)*	Number of shares	Earnings per share attributable to owners of the Company *(€)*
Earnings per share	2,362.6	559,618,818	4.22
Stock options	-	108,872	-
Free shares	-	2,105,864	-
DILUTED EARNINGS PER SHARE	**2,362.6**	**561,833,554**	**4.21**

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**

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

10.3.3. Earnings per share excluding non-recurring items

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

1st half 2021	Net profit attributable to owners of the Company excluding non-recurring items (€ millions)	Number of shares	Earnings per share attributable to owners of the Company excluding non-recurring items (€)
Earnings per share excluding non-recurring items	2,600.0	559,618,818	4.65
Stock options	-	108,872	-
Free shares	-	2,105,864	-
DILUTED EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS	**2,600.0**	**561,833,554**	**4.63**

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**

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

10.3.4. Calculation of the number of shares

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

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

11.1. Provisions for liabilities and charges

11.1.1. Closing balances

€ millions	30.06.2021	30.06.2020	31.12.2020
Non-current provisions for liabilities and charges	**57.9**	**56.7**	**56.8**
Non-current provisions(1)	57.9	56.7	56.8
Current provisions for liabilities and charges	**1,211.1**	**1,029.6**	**1,224.7**
Provisions for restructuring	219.3	148.8	235.1
Provisions for product returns	380.5	315.2	352.4
Other current provisions(1)	611.3	565.6	637.3
TOTAL	**1,269.0**	**1,086.4**	**1,281.6**

(1) This item notably includes provisions for industrial, environmental and commercial risks relating to operations (breach of contract), personnel costs, investments accounted for the equity method when the Group's share in the net asset is negative, as well as risks relating to investigations carried out by competition authorities (See note 11.2.2.a and b).

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

€ millions	30.06.2020	31.12.2020	Charges(2)	Reversals (used)(2)	Reversals (not used)(2)	Other(1)	30.06.2021
Provisions for restructuring	148.8	235.1	102.5	-96.2	-25.1	3.0	219.3
Provisions for product returns	315.2	352.4	257.4	-203.2	-33.8	7.7	380.5
Other provisions for liabilities and charges	622.4	694.1	119.9	-88.0	-74.9	18.1	669.2
TOTAL	**1,086.4**	**1,281.6**	**479.8**	**-387.4**	**-133.8**	**28.8**	**1,269.0**

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

€ millions	Charges	Reversals (used)	Reversals (not used)
Operating profit	377.3	-287.5	-63.4
Other income and expenses	102.5	-99.9	-70.4
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 €547 million, including interest and penalties. The Brazilian tax authorities are questioning the ex-works sales price to the commercial arm used to calculate the IPI tax base. After consulting with its tax advisors, L'Oréal considers that the Brazilian tax authorities' position is unfounded and has challenged these notices. L'Oréal continues its legal proceedings with the tax and legal authorities.

In light of the negative developments in administrative court decisions on the same matter for other Brazilian groups, L'Oréal funded a provision for €36 million to partially cover this risk.

India – Advertising, marketing and promotional costs challenged

L'Oréal received several tax reassessment notices regarding financial years 2007/08 to 2015/16 for the most part concerning the tax deductibility of advertising, marketing and promotional expenses for a total amount of €179 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 vis-à-vis 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, which was postponed on numerous occasions, was finally held on 17 November 2020. The decision should be handed down at the end of 2021.

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

b) France

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

Following an appeal lodged by L'Oréal, on 27 March 2019, the Court of Cassation partially overturned the ruling relating to the amount of the fine imposed on L'Oréal. On 18 June 2020, the Second Court of Appeal confirmed the initial amount of the fine. L'Oréal lodged a second appeal with the Court of Cassation against this ruling. The decision should be handed down at the end of 2021.

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

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

A provision has been set aside for all disputes still in progress at 30 June 2021 amounting to €189.5 million at 30 June 2021 unchanged from the provision at 30 June 2020 and 31 December 2020.

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

NOTE 12. Subsequent events

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

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STATUTORY AUDITORS' REVIEW REPORT ON THE 2021 HALF-YEAR FINANCIAL INFORMATION

(Six months ended 30 June 2021)

This is a free translation into English of the Statutory Auditors' Review Report on the half-yearly information 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.

To the Shareholders,

L'ORÉAL

14, rue Royale

75008 Paris

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 30 June 2021;
- the verification of the information contained in the Half-year Management Report.

Due to the global crisis related to the Covid-19 pandemic, the condensed half-year consolidated financial statements of this period have been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on companies' internal organisation and the performance of our work.

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

I. Conclusion on the financial statements

We conducted our limited review in accordance with professional standards applicable in France.

A limited 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 limited review, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements have not been 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 its consistency with the condensed half-year consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, 30 July 2021

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Anne-Claire Ferrié	**David Dupont-Noel**

4 DECLARATION BY THE PERSON RESPONSIBLE FOR THE 2021 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, 29 July 2021,

On the authority of the Chief Executive Officer

Christophe Babule

Executive Vice-President, Administration and Finance

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L'ORÉAL

Incorporated in France as a
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