



L'ORÉAL

HALF YEAR REPORT
AT JUNE 30TH, 2008

summary

Activity Report	2
Condensed consolidated financial statements	7
Compared consolidated profit and loss accounts	8
Compared consolidated balance sheets	9
Consolidated statement of changes in shareholders' equity	10
Compared consolidated statements of cash flows	12
Notes to condensed financial statements	13
Statutory Auditors' review report on the first half-year financial information for 2008	26
Declaration by the person responsible for the half-year financial report	27

L'ORÉAL

HALF YEAR REPORT AT JUNE 30TH, 2008

Half-year situation at June 30th, 2008

The following figures have been examined by the Board of Directors and reviewed by the Statutory Auditors.

This is a free translation into English of the L'Oréal 2008 Half Year 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.

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

→ 1. The Group consolidated

Based on reported figures, the **sales** of the L'Oréal group, at June 30th, 2008, amounted to 8.646 billion euros, an increase of +1.6%. Like-for-like, i.e. based on a comparable structure and identical exchange rates, the increase in the sales of the L'Oréal group was +5.3%. The net impact of changes in consolidation, mainly as a result of the acquisitions in the United States of *PureOlogy*, *Beauty Alliance*, *Maly's West*, *Columbia Beauty Supply*, *CollaGenex Pharmaceuticals*, and in Turkey of *Canan*, amounted to +1.8%. Currency fluctuations had a negative impact of -5.5% (at the exchange rates of June 30th 2008, the impact would be -5.5% for the whole of 2008). Growth excluding the exchange rate impact was +7.1%.

1.1 CONSOLIDATED PROFIT AND LOSS ACCOUNTS FROM SALES TO OPERATING PROFIT

Gross profit amounted to €6,141 million, at 71% of sales. Gross profit as a percentage of sales was unchanged against the year 2007 and slightly down compared with 2007 first half. After allocating exchange gains which are related to gross profit, and excluding US professional hair salon distributors acquired since 2007 - whose operating structure is very different to that of the Group - gross profit from half-year to half-year would have fallen slightly by approximately 10 basis points. This very limited decrease in a difficult environment is evidence of the impact of product value enhancement and continuing productivity efforts.

Research and Development expenses represented 3.1% of sales.

Advertising and Promotion expenses came out at €2,570 million. In 2008 first half, they accounted for 29.7% of sales, compared with 30.5% for 2007 first half. This half-year to half-year decrease comes down to 30 basis points when the structural impact of US professional hair salon distributors is taken into account. This item also benefited from continuing productivity and purchasing efforts.

Selling, General and Administrative expenses amounted to €1,829 million, accounting for 21.2% of sales, which is identical to that of the year 2007 and slightly higher than that of the first half of 2007.

After allowing for a foreign exchange gain of €28 million, **operating profit** totalled €1,498 million. This is up +8.5% at constant exchange rates and +3.9% based on reported figures. It totalled 17.3% of sales, up 40 basis points compared with the first half of 2007.

The cost of net debt totalled €67 million, lower than in 2007 despite the increase in interest rates and the ongoing share buy-back plan. This improvement is due to investments from the sale of Sanofi-Aventis shares in November 2007 for 1.5 billion euros.

The **dividend** received from Sanofi-Aventis for 2007 amounted to €245 million. This stability is due to the sale of Sanofi-Aventis shares in 2007.

Profit before tax excluding non-recurrent items amounted to €1,673 million, an increase of +7.6% at constant exchange rates and up +3.7% for reported figures.

Income tax excluding non-recurrent items amounted to €415 million. The Tax rate fell from 26.7% during 2007 first half to 24.8% during 1st half 2008. This reduction is due to lower tax rates in certain countries, to an increase in the R&D tax credit, and to the outcome of tax disputes.

Net profit after minority interests amounted to €1,256 million.

Net profit excluding non-recurrent items after minority interests totalled €1,256 million up by +10.1% at constant exchange rates and up +6.4% for reported figures, compared with 2007 first half. After allowing for the positive impact of share buybacks, EPS amounted to €2.11, up by +12.3% at constant exchange rates and by +8.5% based on reported figures.

1.2 CASH FLOW STATEMENTS/BALANCE SHEET

Gross cash flow amounted to €1,534 million, an increase of +5.4%. This increase is in line with the rate of earnings growth.

Net debt totalled 4.52 billion euros at June 30th, 2008 as compared to 4.46 billion euros at June 30th 2007.

The balance sheet structure is solid. **Shareholders' equity** represents 49% of total assets. The decline in this figure compared with December 31st 2007 reflects the lower market capitalisation of Sanofi-Aventis, but also the dividend payout,

the share buybacks and the negative conversion rates of the net situation in subsidiaries resulting from significant exchange fluctuations.

Yves Saint Laurent Beauté was acquired on June 30th 2008, impacting the total of assets and debts by an amount of €1,047 million.

→ 2. Segment information

2.1 SALES BY BRANCH

2.1.1 Cosmetics

The **Professional Products** Division achieved like-for-like growth of +3.8%. It is conquering new salons and winning market share on all continents.

- The luxury brands are one of the driving forces behind this growth. *Kérastase* is expanding with the success of *Chroma Riche*, for hair with highlights, and of *Biotic*, the first specialist scalp care line. *Shu Uemura Art of Hair*, the premium Japanese hair care brand, is successfully being launched in the most exclusive salons.
- *L'Oréal Professionnel* is continuing its target addition strategy, with the success of its new men's line and above all its hair colourant product *Cover 5*.
- The Professional Products Division has launched its new brand, *Kéraskin Esthetics*, in the professional skincare cabin segment, which is booming in luxury multi-service salons.

After a 2nd quarter at +6.7%, the **Consumer Products** Division has grown by +5.7% like-for-like.

- In skincare, the Division is continuing to record very strong growth and significant market share gains. At *L'Oréal Paris*, *Skin Genesis* is confirming its resounding success. Initial results for *UltraLift Pro-X* by *Garnier* are very encouraging.
- In make-up, *Maybelline New York* is increasing sales substantially with the launch of *Mineral Power* foundation and new formulas for *Define-A-Lash* mascara and *Superstay* lipstick.
- In hair care, *Elsève Soft Curls* and *Re-Nutrition* by *L'Oréal Paris*, together with *Garnier Fructis Blond Care*, have made very promising starts.

The sales of the **Luxury Products** Division have grown by +4.9% like-for-like.

- In skincare, the Division's good performances reflect the success of *Lancôme* anti-ageing skincare - with the whole of the *Rénergie* line and the launch of *Primordiale Cell Defense* - and the new *Cellulilaser* body care line from *Biotherm*. The men's skincare segment is highly dynamic, thanks to the launch of *Skin Minerals for Men* by *Giorgio Armani*, and the success of the *Biotherm Homme* and *Kiehl's* skincare lines.

- In make-up, the strong performance of the new *Photogenic Lumessence* foundation from *Lancôme* deserves a special mention.
- In fragrances, the success of *Diesel Fuel for Life* is continuing, and the same is true of *Emporio Armani Diamonds*. The Division is preparing major worldwide launches for *Magnifique* by *Lancôme* and *Notorious* by *Ralph Lauren* in the second half.

Active Cosmetics achieved like-for-like growth of +4.4%, boosted by good performances in the "Rest of the World" zone, and despite a difficult first half in Western Europe.

- *Vichy* is continuing to advance in the new markets, thanks to the success of the latest *Aqualia Thermal*, *Vichy Homme* and *Normaderm* launches.
- *La Roche-Posay* is maintaining its rapid growth thanks to the success of *Physiologique*, its facial skincare and toiletry line.
- *Innéov* is growing very strongly.
- The gradual roll-out of *Sanoftore* and *SkinCeuticals* is continuing in Europe.

The like-for-like sales of **The Body Shop** increased by +7.4%.

Retail sales⁽¹⁾ increased by +6.1%. With a comparable store base⁽²⁾, the increase in sales amounted to +0.9%. Retail sales were particularly strong in Asia outside Japan, and Eastern Europe. The situation in the United States remains more difficult. The first half of 2008 has been driven by the success of the floral bath and body range *Moringa*. In fragrances, special mention should be made of the success of *White Musk Blush* and *Japanese Cherry Blossom*. 39 stores have been opened since the start of the year, taking the total to 2,465.

2.1.2 Dermatology (group share, i.e. 50%)

Galderma continued its dynamic growth with an increase of +17.5% in like-for-like sales and +21.3% with the net impact of changes in consolidation. *Galderma* also strongly gained market share, particularly in the United States.

- Prescription brands *Differin*[®] (acne), *Clobex*[®] (psoriasis), *Metrogel*[®] (rosacea) and *Loceryl*[®] (onychomycosis) have all shown excellent results.

(1) Retail sales: total sales to consumers through all channels.

(2) Retail sales with a comparable store base: total sales to consumers by stores which operated continuously from January 1st to June 30th 2007 and over the same period in 2008.

- *Epiduo*[®], a unique combination treatment for acne, has been successfully launched in Argentina and several European countries.
- The acquisition of *CollaGenex Pharmaceuticals* became effective on April 10th. *Oracea*[®], the first FDA-approved oral rosacea treatment, now enhances the *Galderma* prescription product portfolio.

2.2 OPERATING PROFIT BY BRANCH AND DIVISION

The profitability of the cosmetics Divisions improved, rising from 20.6% of sales in the first half of 2007 to 21.1% in the same period in 2008.

The profitability of The Body Shop is slightly positive, practically at the same level as 2007. The Body Shop profits are almost entirely made in the second half of each year.

The Dermatology branch Galderma substantially increased profitability during 2008 first half to 11.2%.

	June 30th 2007		June 30th 2008	
	€ millions	% of sales	€ millions	% of sales
By operational Division				
Professional Products ⁽¹⁾	245.6	21.3%	263.0	21.1%
Consumer Products	879.9	20.6%	920.3	21.4%
Luxury Products	350.3	19.1%	354.1	19.6%
Active Cosmetics	177.9	24.8%	179.7	24.3%
Cosmetics Divisions total	1,651.4	20.6%	1,713.7	21.1%
Non-allocated ⁽²⁾	-225.6	-2.8%	-236.3	-2.9%
COSMETICS BRANCH	1,425.8	17.8%	1,477.4	18.2%
The Body Shop	1.4	0.4%	0.4	0.1%
Dermatology branch ⁽³⁾	13.7	8.6%	19.9	11.2%
GROUP	1,440.9	16.9%	1,497.7	17.3%

(1) Excluding US professional hair salon distributors: from 22.3% in the first half of 2007 to 22.6% in the first half of 2008.

(2) Non-allocated = Central group expenses, fundamental research expenses, stock option expenses and miscellaneous items.

As % of total sales.

(3) Group Share: i.e. 50%.

2.3 SALES BY GEOGRAPHIC ZONE

2.3.1 Western Europe

The group achieved like-for-like growth of +1.3% in the first 6 months, thanks to growth in facial skincare and make-up, and despite the decline in seasonal products (sun protection and slimming).

- In the context of a lower number of salon visits, the *Professional Products* Division is continuing to win market share with the success of *Kérastase* in Germany and the UK, of *L'Oréal Professionnel* which continues to conquer new salons, and the strong growth in *Matrix* sales, particularly in France.
- The *Consumer Products* Division is continuing to win positions in the facial skincare segment, with *L'Oréal Paris* confirming its number one position. *Maybelline New York* has achieved very substantial growth in make-up. Growth is being driven by Germany, Spain and the Netherlands. Italy and the UK improved their growth in the 2nd quarter.
- The performance of *Luxury Products* is satisfactory, with the Division strengthening its positions in several countries, and notably in France and the UK. *Lancôme* is proving extremely successful both in skincare and make-up; *Helena Rubinstein* is achieving strong growth thanks to *Féline Black* mascara and the relaunch of *Collagenist*.
- The performances of the *Active Cosmetics* Division were contrasting in the 1st half: *La Roche-Posay* and *Innéov* continued their rapid expansion. *Vichy* however had a difficult 1st half because of a sharp drop in sales of seasonal products.

2.3.2 North America

In a market which was very slightly positive, the group recorded an upturn with 2nd quarter sales up by +3.0% like-for-like, resulting in a growth rate of -0.5% at the end of June.

- The *Professional Products* Division continued to make market share gains in hair colourants, thanks to the relaunch of *Logics*, *Color DNA System* by *Matrix*, and the conquest of new salons. Salon retail sales of haircare and styling products however were affected by a fall in salon visits. *Kerastase* and *Pureology* are maintaining high growth rates in top-end salons.
- The *Consumer Products* Division saw its growth accelerate in the 2nd quarter, partly as a result of additional invoicing of *Maybelline* and *Garnier* products at the end of June, due to the introduction of the SAP information system on July 1st. In a highly competitive context, the Division is strengthening its leadership in make-up thanks to the success of *Infaillible Lip* and *Bare Natural* by *L'Oréal Paris*, and the *Mineral Power* foundation line from *Maybelline*. *Garnier* is winning market share in hair colourants with *Nutrisse*, and its significant breakthrough is continuing in facial skincare with *Nutritioniste*.



- The *Luxury Products* Division achieved a much improved 2nd quarter. *Lancôme* is strengthening its number one position in anti-ageing, thanks in particular to the launch of *Collaser 5x*. *Giorgio Armani* is experiencing considerable success with the launch of *Face Fabric* foundation. The growth of *Shu Uemura* is accelerating.
- The *Active Cosmetics* Division is continuing the upmarket roll-out of *Vichy* and *La Roche-Posay* in American drugstores, while *SkinCeuticals* is launching its new anti-oxidant skincare line *Phloretine CF*.

2.3.3 New markets

With sales growth of +15.7%, very clearly higher than the market growth rate, the group is continuing to make major conquests.

The growth rate in the **Asia Zone** remains very high at +19.4% like-for-like, with growth of +4.3% in Japan, and +23.5% outside Japan.

- In Japan, where the market is flat, the group is growing through the luxury brands, the success of *Maybelline* in consumer products, and the success of *Kérastase* and *L'Oréal Professionnel* in hair salons.
- South Korea recorded a growth rate of around +20% in a market boosted by very strong growth in the luxury segment.
- China again recorded growth of over 30%, bolstered in particular by *L'Oréal Paris* which is continuing its breakthroughs in both skincare and foundations. The *Luxury Products* Division is confirming its leadership. The *Professional Products* Division has accelerated significantly, thanks in particular to the success of *Matrix* in affordable salons.
- The ASEAN countries, particularly Thailand, Indonesia and Malaysia are benefiting from the very good performance of the *Garnier* brand in whitening facial skincare, and the successes of *Maybelline*.

The **Eastern Europe Zone** is continuing to achieve very strong

like-for-like growth at +25.9%.

- In Russia, growth remains strong. Performance is homogeneous across the 3 brands of the *Consumer Products* Division, boosted by the success of the hair colourants *Casting Crème Gloss* by *L'Oréal Paris* and *Color Naturals* by *Garnier*. In skincare, *Skin Genesis* has become a major success story. The leadership in *Professional Products* is being strongly reinforced.
- Growth in Poland remains very substantial, reflecting the performances achieved in *Professional Products* and *Active Cosmetics*, particularly with *La Roche-Posay*.
- Finally, all the other countries in this region are making significant contributions, such as Romania, Slovenia and the Baltic countries.

The **Latin America Zone** achieved +4.6% like-for-like growth over the 1st half, with contrasting situations from one country to another.

- Argentina, Venezuela, Uruguay, Chile and Panama are continuing to record strong growth across all the Divisions.
- Mexico remains difficult because of a slowdown in consumer spending, and a very conservative stance by distributors.
- Sales in Brazil are improving, but continue to be held back by the application of a new tax law affecting cosmetics products in the State of Sao Paulo.

The **Other Countries Zone** achieved like-for-like growth of +8.9%.

- The dynamism in Morocco and the Middle East is continuing.
- South Africa is also achieving strong growth, thanks to the *SoftSheen Carson* brand.
- In India, *Color Naturals Men* and *Fructis Sleek&Shine* by *Garnier* have just been launched.

→ 3. Important events during the period

- The Annual General Meeting held on April 22nd 2008 approved the parent company financial statements and the consolidated financial statements for 2007, decided on the payment of a dividend of €1.38 per share, paid as from April 30th, ratified the co-optation as director of Mr Charles-Henri Filippi, and renewed the tenure as director of Mr Bernard Kasriel.
- Under the share buyback programme decided by the Board of Directors on June 27th 2007, L'Oréal acquired, between April 1st and June 17th 2008, 3,257,000 of its own shares for an amount of

€269 million. In accordance with the 7th resolution approved by the Annual General Meeting on April 22nd 2008, the Board of Directors decided on June 19th 2008 to launch a new L'Oréal share buyback programme for an identical amount to the previous programme, i.e. a maximum of €1,250 million. Under the new programme, 962,000 shares were acquired between June 20th and 30th 2008, for an amount of €66.7 million.

Changes in the scope of consolidation: see note 2 in the annexe of the half year financial statements.

➔ 4. Risk factors and transactions between related parties

4.1 RISK FACTORS

Market risks and the way they are managed are described in note 15 in the section "Notes to condensed financial statements" of this half-year report.

Other risk factors are similar to those presented in the volume 2 of the 2007 Annual Report (pages 66 to 70) and did not change significantly during the first half-year of 2008.

4.2 TRANSACTIONS BETWEEN RELATED PARTIES

Transactions between the companies consolidated on a proportional basis or under the equity method don't represent a significant amount at June 30th, 2008.

Furthermore, during the first half-year of 2008, there was no significant transaction concluded with a member of the senior management or with a shareholder having a material influence on the group.

➔ 5. Prospects

In what everyone recognises is a difficult economic environment, the cosmetics market is proving resilient, and L'Oréal is continuing to outperform the market while strengthening its worldwide positions.

We have several reasons for satisfaction after the 2nd quarter: the upturn which has begun in North America, the confirmation of the strong growth rate in the new markets, and the solid performance of our Consumer Products businesses.

The first-half results are very encouraging. In view of the scale of the currency fluctuations noted since the beginning of the year, performance should be considered on a comparable exchange rate basis⁽¹⁾.

With a progression of +7.1% in sales at constant exchange rates⁽¹⁾, L'Oréal has continued to gain market share worldwide and is making progress, according to our estimates, significantly ahead of the cosmetics market.

With an improvement of 40 basis points, operating profitability is once more progressing very strongly, reaching a record level. Our

continued efforts in product value enhancement and productivity have enabled us to compensate for increases in the prices of raw materials and energy. These results, combined with a slight reduction in the tax rate, enable us to achieve a substantial increase in our net profit.

This performance confirms the solidity and the dynamism of the L'Oréal business model.

All our efforts are targeted at a like-for-like sales growth of +6%. We are confident in our ability to get very close to this target.

In view of the achievements of the first half, the extensive launch programme up to the end of the year, and our continuing efforts to keep costs under strict control, we look forward with confidence to achieving double-digit growth in net earnings per share, at constant exchange rates, for 2008⁽¹⁾.

➔ 6. Subsequent events

No significant events occurred subsequent to June 30, 2008.

(1) Based on constant translation rates: 2008 data at 2008 rates/2007 data at 2008 rates.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Compared consolidated profit and loss accounts	8
Compared consolidated balance sheets	9
Consolidated statement of changes in shareholders' equity	10
Compared consolidated statements of cash flows	12
Notes to condensed financial statements	13

Compared consolidated profit and loss accounts

€ millions	Notes	1st half 2008	1st half 2007	2007
Net sales	3	8,646.3	8,514.3	17,062.6
Cost of sales		-2,505.3	-2,428.4	-4,941.0
Gross profit		6,141.1	6,085.9	12,121.6
Research and development		-272.0	-272.4	-559.9
Advertising and promotion		-2,570.1	-2,599.1	-5,126.7
Selling, general and administrative expenses		-1,829.4	-1,777.3	-3,618.2
Operating profit before foreign exchange gains and losses		1,469.6	1,437.1	2,816.8
Foreign exchange gains and losses		28.1	3.8	10.4
Operating profit	3	1,497.7	1,440.9	2,827.2
Other income and expenses	5	-1.7	-6.3	621.6
Operational profit		1,496.0	1,434.6	3,448.8
Finance costs	6	-66.7	-75.4	-174.5
Other financial income (expense)		-3.1	-2.7	-7.6
Sanofi-Aventis dividends		244.8	250.4	250.3
Share in net profit (loss) of equity affiliates		-	0.2	0.1
Profit before tax and minority interests		1,671.0	1,607.1	3,517.2
Income tax		-413.6	-428.4	-859.7
Net profit		1,257.4	1,178.7	2,657.5
attributable to:				
- group share		1,255.6	1,177.6	2,656.0
- minority interests		1.8	1.1	1.5
Net profit attributable to the group per share (euros)	7	2.12	1.95	4.42
Diluted net profit attributable to the group per share (euros)	7	2.11	1.94	4.38
Net profit excluding non-recurrent items attributable to the group per share (euros)	7	2.12	1.96	3.39
Diluted net profit excluding non-recurrent items attributable to the group per share (euros)	7	2.11	1.94	3.36

Compared consolidated balance sheets

€ millions	Notes	06.30.2008	06.30.2007	12.31.2007
ASSETS				
Non-current assets		15,662.8	18,289.6	16,979.6
Goodwill	8	5,478.0	4,492.1	4,344.4
Other intangible assets	8	1,899.9	1,928.4	1,959.2
Tangible assets	9	2,659.4	2,660.6	2,651.1
Non-current financial assets	10	5,183.6	8,757.7	7,608.9
Investments in equity affiliates		-	-	-
Deferred tax assets		441.9	450.8	416.0
Current assets		6,631.9	6,099.3	6,220.7
Inventories		1,623.2	1,547.6	1,547.6
Trade accounts receivable		3,096.2	3,003.3	2,617.5
Other current assets		1,155.9	867.0	926.4
Current tax assets		58.0	37.0	42.5
Cash and cash equivalents	11	698.6	644.4	1,086.7
TOTAL ASSETS		22,294.7	24,388.9	23,200.3

€ millions	Notes	06.30.2008	06.30.2007	12.31.2007
LIABILITIES				
Shareholders' equity	12	10,915.2	13,195.0	13,621.8
Capital stock		122.2	125.2	123.6
Additional paid-in capital		965.1	960.8	963.2
Other reserves		9,914.4	9,347.1	8,695.8
Items directly recognised in equity		1,020.2	3,664.2	3,408.9
Cumulative translation adjustments		-687.7	-116.1	-441.1
Treasury stock		-1,677.6	-1,966.3	-1,787.2
Net profit attributable to the group		1,255.6	1,177.6	2,656.0
Shareholders' equity excluding minority interests		10,912.2	13,192.5	13,619.2
Minority interests		3.0	2.5	2.5
Non-current liabilities		3,863.3	3,970.7	3,978.5
Provisions for employee retirement obligation and related benefits		714.5	784.5	755.3
Provisions for liabilities and charges	13	152.1	163.4	148.5
Deferred tax liabilities		424.6	483.9	491.6
Non-current borrowings and debts	14	2,572.1	2,538.9	2,583.0
Current liabilities		7,516.2	7,223.2	5,600.1
Trade accounts payable		2,601.4	2,512.5	2,528.7
Provisions for liabilities and charges	13	276.9	251.7	285.7
Other current liabilities		1,805.6	1,676.4	1,732.5
Current tax liabilities		186.2	215.6	176.5
Current borrowings and debts	14	2,646.1	2,567.0	876.8
TOTAL LIABILITIES		22,294.7	24,388.9	23,200.3

Consolidated statement of changes in shareholders' equity

€ millions	Common shares outstanding	Capital stock	Additional paid-in capital	Retained earnings and net income	Items directly recognised in equity	Treasury stock	Cumulative translation adjustments	Shareholders' equity excluding minority interests	Minority interests	Shareholders' equity
At 12.31.2006	605,722,110	127.9	958.5	11,035.4	5,066.9	-2,496.3	-70.3	14,622.1	2.1	14,624.2
Capital increase	75,050	-	4.7					4.7		4.7
Cancellation of treasury stock		-4.3		-1,704.8		1,709.1		-		-
Dividends paid (not paid on treasury stock)				-711.6				-711.6	-0.9	-712.5
<i>Cumulative translation adjustments</i>							-370.8	-370.8		-370.8
<i>Financial assets available for sale</i>					-1,685.9			-1,685.9		-1,685.9
<i>Cash flows hedging</i>					27.9			27.9		27.9
Items directly recognised in equity		-			-1,658.0	-	-370.8	-2,028.8	-	-2,028.8
Consolidated net income of the period				2,656.0				2,656.0	1.5	2,657.5
Total income and expenses	-	-	-	2,656.0	-1,658.0	-	-370.8	627.2	1.5	628.7
Deferred share-based payment				69.1				69.1		69.1
Net changes in treasury stock	-10,486,487			-1.6		-1,000.0		-1,001.6		-1,001.6
Other movements				9.3				9.3	-0.1	9.2
At 12.31.2007	595,310,673	123.6	963.2	11,351.8	3,408.9	-1,787.2	-441.1	13,619.2	2.5	13,621.8
Capital increase	32,150	-	1.9					1.9		1.9
Cancellation of treasury stock		-1.4		-661.3		662.7		-	-	-
Dividends paid (not paid on treasury stock)				-817.1				-817.1	-1.1	-818.2
<i>Cumulative translation adjustments</i>							-246.6	-246.6		-246.6
<i>Financial assets available for sale</i>					-2,389.4			-2,389.4		-2,389.4
<i>Cash flows hedging</i>					0.7			0.7		0.7
Items directly recognised in equity					-2,388.7		-246.6	-2,635.3		-2,635.3
Consolidated net income of the period				1,255.6				1,255.6	1.8	1,257.4
Total income and expenses	-	-	-	1,255.6	-2,388.7	-	-246.6	-1,379.7	1.8	-1,377.9
Deferred share-based payment				43.4				43.4		43.4
Net changes in treasury stock	-6,999,900			-0.1		-553.1		-553.2		-553.2
Other movements				-2.3				-2.3	-0.2	-2.5
At 06.30.2008	588,342,923	122.2	965.1	11,170.0	1,020.2	-1,677.6	-687.7	10,912.2	3.0	10,915.2



→ Changes in first half 2007

<i>€ millions</i>	Common shares outstanding	Capital stock	Additional paid-in capital	Retained earnings and net income	Items directly recognised in equity	Treasury stock	Cumulative translation adjustments	Shareholders' equity excluding minority interests	Minority interests	Shareholders' equity
At 12.31.2006	605,722,110	127.9	958.5	11,035.4	5,066.9	-2,496.3	-70.3	14,622.1	2.1	14,624.2
Capital increase	37,200	0.0	2.3					2.3		2.3
Cancellation of treasury stock		-2.7		-1,014.2		1,016.9		-		-
Dividends paid (not paid on treasury stock)				-711.7				-711.7	-0.6	-712.3
<i>Cumulative translation adjustments</i>							-45.8	-45.8		-45.8
<i>Financial assets available for sale</i>					-1,387.7			-1,387.7		-1,387.7
<i>Cash flows hedging</i>					-15.0			-15.0		-15.0
Items directly recognised in equity					-1,402.7		-45.8	-1,448.5		-1,448.5
Consolidated net income of the period				1,177.6				1,177.6	1.1	1,178.7
Total income and expenses				1,177.6	-1,402.7		-45.8	-270.9	1.1	-269.8
Deferred share-based payment				34.4				34.4		34.4
Net changes in treasury stock	-5,444,200			-0.6		-486.9		-487.5		-487.5
Other movements				3.8				3.8	-0.1	3.7
At 06.30.2007	600,315,110	125.2	960.8	10,524.7	3,664.2	-1,966.3	-116.1	13,192.5	2.5	13,195.0

Compared consolidated statements of cash flows

€ millions	1st half 2008	1st half 2007	2007
Cash flows from operating activities			
Net profit attributable to the group	1,255.6	1,177.6	2,656.0
Minority interests	1.8	1.1	1.5
Elimination of expenses and income with no impact on cash flows:			
depreciation and charges to provisions	243.0	249.9	598.5
changes in deferred taxes	-7.2	-2.4	38.3
share-based payment	43.4	34.4	69.1
capital gains and losses on sale of assets	-2.7	-5.8	-11.7
capital gain on Sanofi-Aventis sale, net of tax	-	-	-631.9
share in net income of equity affiliates net of dividend received	-	0.5	0.5
Gross cash flow	1,533.9	1,455.3	2,720.4
Cash (used in) from working capital	-630.6	-453.3	-76.3
Net cash provided by operating activities (A)	903.3	1,002.0	2,644.0
Cash flows from investing activities			
Investments in tangible and intangible assets	-339.4	-371.0	-776.0
Disposals of tangible and intangible assets	5.0	15.1	30.1
Disposal of Sanofi-Aventis, net of tax	-	-	1,465.3
Changes in other financial assets (including investments in non-consolidated companies)	3.7	6.6	-10.2
Effect of changes in the scope of consolidation, net of acquired cash	-1,298.3	-474.1	-604.4
Net cash (used in) from investing activities (B)	-1,629.0	-823.4	104.8
Cash flows from financing activities			
Dividends paid	-829.1	-730.9	-725.7
Capital increase of the parent company	1.9	2.3	4.7
Disposal (acquisition) of treasury stock	-553.2	-487.6	-1,001.6
Issuance (repayment) of short-term loans	1,734.0	257.8	-1,439.1
Issuance of long-term borrowings	-	651.9	753.2
Repayment of long-term borrowings	-4.8	-3.7	-10.1
Net cash (used in) from financing activities (C)	348.8	-310.2	-2,418.7
Net effect of exchange rate changes and fair value changes (D)	-11.2	-5.2	-24.6
Change in cash and cash equivalents (A+B+C+D)	-388.1	-136.8	305.5
Cash and cash equivalents at beginning of the year (E)	1,086.7	781.2	781.2
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	698.6	644.4	1,086.7

Income taxes paid amount to €419.8 million, €381.5 million and €820.9 million respectively for first half 2008 and 2007 and year 2007.

Interests paid amount to €80.1 million, €86.3 million and €201.1 million respectively for first half 2008 and 2007 and year 2007.

Dividends received amount to €244.8 million, €250.4 million and €250.3 million respectively for first half 2008 and 2007 and year 2007. They are included in the gross cash flow.

Notes to condensed 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 IFRS as adopted in the European Union for the year ending at December 31st, 2007.

The accounting methods applied are identical to those applied in the annual financial statements at December 31st, 2007, except for those relating to 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 has not applied any standards or interpretations whose application is not yet compulsory in 2008.

The group is analysing the application in its accounts of the standard IFRS 8 "Operating Segments", applicable as from January 1st, 2009.

Furthermore, the group is concerned by the provisions of the standard "Improvement to IFRS" relating to the treatment of advertising and promotional activities, clarifying the provision of IAS 38. The group is considering the application concerning particularly the accounting for samples, non amortizable POS and catalogues, currently recorded in the P&L only when delivered to final customers.

The group is considering the application of the interpretation IFRIC13 "Customer loyalty programs" in its accounts but does not anticipate any major impacts. It is also the case for the application of the interpretation IFRIC14 relative to IAS 19, not yet adopted by the European Union and relative to the limit of a defined benefit asset.

→ Note 2 Changes in the scope of consolidation

2.1 FIRST HALF 2008

In November 2007, L'Oréal signed an agreement to acquire 100% of the Turkish haircare products company Canan.

Founded in 1981, Canan achieved sales of €28 million in 2007, mainly through its brand Ipek which is in 4th position in the mass-market haircare segment in Turkey.

The acquisition was finalised in January 2008 and Canan is fully consolidated from January 1st, 2008.

Early January 2008, L'Oréal USA acquired 100% of Columbia Beauty Supply. The acquisition of Columbia Beauty Supply follows that of Beauty Alliance and Maly's West by L'Oréal USA in April and July 2007.

Established in four states of the Southeastern part of the United States, Columbia Beauty Supply achieved sales of about \$60 million in 2007.

Columbia Beauty Supply is fully consolidated from January 4th, 2008.

On January 23rd, 2008, L'Oréal made a firm offer to PPR to:

- acquire the shares of YSL Beauté Holding including the Roger&Gallet brand, for €1,150 million in terms of enterprise value;
- obtain an exclusive and very long-term worldwide licence for the use of the Yves Saint Laurent and Boucheron brands in the category of perfumes and cosmetics, under conditions conforming to usual market practice;
- take over the licences for the Stella McCartney, Oscar de la Renta, and Ermenegildo Zegna brands, in the category of perfumes and cosmetics.

YSL Beauté reached sales of around €650 million in 2007 with its Yves Saint Laurent brand as well as with its Roger&Gallet, Boucheron, Stella McCartney, Oscar de la Renta and Ermenegildo Zegna brands.

The acquisition was finalised on June 30th, 2008 and YSL Beauté is fully consolidated from that date. As the allocation cost between the various identifiable assets and liabilities of

the company acquired was not finalised at June 30th, 2008, the whole of the difference between the acquisition cost and the net equity acquired has been entered under *Goodwill* (note 8) for an amount of €1,042.6 million.

The main items of the provisional acquisition balance of YSL Beauté at June 30th, 2008 are as follows:

€ millions	
Non-current assets	72.4
Current assets	302.1
Non-current liabilities	-50.1
Current liabilities	-260.1
TOTAL NET EQUITY ACQUIRED	64.4

On February 26th, 2008, Galderma Pharma S.A., and CollaGenex Pharmaceuticals, Inc. announced a definitive agreement pursuant to which Galderma's U.S. holding company, Galderma Laboratories, Inc., offered to acquire all of the outstanding shares of CollaGenex at a price of \$16.60 per share in cash, representing approximately \$420 million for the equity of CollaGenex.

The process of acquisition of CollaGenex by Galderma took place in two steps. The first step consisted of a cash tender offer for all outstanding shares of CollaGenex common stock at a price of \$16.60 per share. In the second step, the tender offer was followed by a merger between CollaGenex and Galderma Acquisition Inc. wholly owned subsidiary of Galderma Laboratories, in which holders of the outstanding shares of CollaGenex common stock not tendered in the offer received the same per share price paid in the tender offer, in cash.

The tender offer expired on April 4th and as of time, an aggregate of approximately 21 million shares of CollaGenex common stock were tendered, which represents approximately 97% of the outstanding shares of CollaGenex.

The second step ended on April 10th, 2008 and CollaGenex became a wholly owned subsidiary of Galderma Laboratories, Inc.

CollaGenex Pharmaceuticals, Inc. is a speciality pharmaceutical company currently focused on developing and marketing proprietary, innovative medical therapies to the dermatology market. CollaGenex's 2007 revenues were \$63.6 million, an increase of 141% over 2006 sales of \$26.4 million, largely driven by the increase of sales of Oracea®. In July 2006, CollaGenex launched Oracea®, the first FDA-approved systemic product for the treatment of rosacea.

This company is consolidated by the proportional method from April 10th, 2008.

In May 2008, The L'Oréal group and 3 Suisses International finalised the agreement under whose terms L'Oréal has acquired the 50% stake in Le Club des Créateurs de Beauté held by

3 Suisses International.

Created in 1987 by L'Oréal and 3 Suisses International, Le Club des Créateurs de Beauté specialises in the direct selling of cosmetic products from designers. It markets its products through mail order and on the Internet.

The main brands of the Club des Créateurs de Beauté are *Agnès b.*, *Cosmence*, *Pr. Christine Poelman*.

The company is mainly established in France and Japan.

The company is henceforth fully consolidated from June 2008.

The cost of these new acquisitions apart from YSL Beauté amounts to approximately €238.0 million. The total amount of goodwill and other intangible assets resulting from these acquisitions except for YSL Beauté is respectively €208.4 million and €23.7 million, after provisional allocation of the acquisition cost of CollaGenex.

2.2 YEAR 2007

In mid-April, 2007, L'Oréal USA Inc. acquired 100% of Beauty Alliance, in which it had taken a 30% minority interest in July, 2006. This company is fully consolidated from April 12th, 2007, having been accounted for under the equity method until this date. Assets and liabilities have been revalued at the date of control.

The net sales of Beauty Alliance amounted to \$372 million in 2006. L'Oréal USA Inc. recorded sales of \$124 million in 2006 with Beauty Alliance.

In the beginning of May, 2007, L'Oréal USA Inc. acquired 100% of PureOlogy Research LLC.

Based in California, the company is a luxury brand of high performance hair care products uniquely developed for hair colourists to use and recommend to their clients.

The net sales of PureOlogy of the last 12 months were \$57 million. The company is consolidated from May 8th, 2007.

In mid-July, 2007, L'Oréal USA Inc. acquired 100% of Maly's West.

Maly's West is the 3rd largest professional salon distributorship in the USA, with facilities in the western states, selling to 30,000 salons through 340 Distributor Sales Consultants and through more than 100 professional outlets.

Maly's West, which achieved sales of \$187 million in 2006, is fully consolidated from August 1st, 2007.

The total cost of acquisitions amounts to approximately €618.5 million. The total amount of goodwill and other intangible assets resulting from these acquisitions is respectively €406.4 million and €236.4 million.

→ Note 3 Segment information

3.1 SEGMENT INFORMATION

The **Cosmetics** branch is organised into four sectors, each one 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;
- **Luxury Products** Division: products sold in selective retail outlets, i.e. department stores, perfumeries, travel retail and the group's own boutiques;
- **Active Cosmetics** Division: dermocosmetic skincare products sold in pharmacies and specialist sections of drugstores.

The "Other Cosmetics" heading consists mainly of direct sales of cosmetics products.

The "non-allocated" item contains the expenses of the functional Divisions, fundamental research and the costs of stock options not allocated to the cosmetics Divisions. This item 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 50 countries), at home, and on-line sales. The Body Shop net sales and operating profit are characterized by a strong seasonality due to a high level of activity during the last months of the year.

The **Dermatology** branch, consisting of Galderma, a joint venture between L'Oréal and Nestlé, meets the needs of dermatologists and their patients.

The data by branch and by Division are established 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 by the *operating profit*.

SALES OF BRANCHES AND DIVISIONS

€ millions	1st half 2008	1st half 2007	2007
Professional Products	1,249.0	1,153.5	2,391.9
Consumer Products	4,306.8	4,277.0	8,280.2
Luxury Products	1,811.2	1,833.2	3,927.9
Active Cosmetics	738.1	716.3	1,248.1
Other Cosmetics	29.2	34.4	60.3
Cosmetics Divisions total	8,134.3	8,014.5	15,908.2
The Body Shop branch	333.8	340.5	786.9
Dermatology branch	178.2	159.2	367.5
GROUP	8,646.3	8,514.3	17,062.6

OPERATING PROFIT OF BRANCHES AND DIVISIONS

€ millions	1st half 2008	1st half 2007	2007
Professional Products	263.0	245.6	501.7
Consumer Products	920.3	879.9	1,582.4
Luxury Products	354.1	350.3	843.8
Active Cosmetics	179.7	177.9	255.8
Other Cosmetics	-3.4	-2.4	-3.4
Cosmetics Divisions total	1,713.7	1,651.4	3,180.4
Non-allocated	-236.3	-225.6	-478.9
Cosmetics branch	1,477.4	1,425.8	2,701.5
The Body Shop branch	0.4	1.4	63.8
Dermatology branch	19.9	13.7	62.0
GROUP	1,497.7	1,440.9	2,827.2

3.2 INFORMATION BY GEOGRAPHIC ZONE - GROUP

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

GROUP SALES

	1st half 2008		Growth (%)		1st half 2007		2007	
	€ millions	% of total	Published data	Comparable data	€ millions	% of total	€ millions	% of total
Western Europe	4,067.5	47.0%	0.0%	1.9%	4,066.1	47.8%	7,851.8	46.0%
North America	1,977.6	22.9%	-6.0%	0.2%	2,104.9	24.7%	4,426.0	25.9%
Rest of the World	2,601.2	30.1%	11.0%	15.8%	2,343.2	27.5%	4,784.7	28.0%
GROUP	8,646.3	100.0%	1.6%	5.3%	8,514.3	100.0%	17,062.6	100.0%

COSMETIC SALES

	1st half 2008		Growth (%) (%)		1st half 2007		2007	
	€ millions	% of total	Published data	Comparable data	€ millions	% of total	€ millions	% of total
Western Europe	3,795.0	46.7%	-0.1%	1.3%	3,800.2	47.4%	7,250.4	45.6%
North America	1,803.9	22.2%	-6.5%	-0.5%	1,929.8	24.1%	4,003.5	25.2%
Rest of the World including:	2,535.3	31.2%	11.0%	15.7%	2,284.5	28.5%	4,654.3	29.3%
Asia	877.8	10.8%	11.4%	19.4%	788.2	9.8%	1,580.3	9.9%
Latin America	530.4	6.5%	0.5%	4.6%	527.9	6.6%	1,123.8	7.1%
Eastern Europe	693.6	8.5%	24.9%	25.9%	555.4	6.9%	1,142.4	7.2%
Other countries	433.5	5.3%	5.0%	8.9%	413.0	5.2%	807.8	5.1%
COSMETICS BRANCH	8,134.3	100.0%	1.5%	5.0%	8,014.5	100.0%	15,908.2	100.0%

➔ Note 4 Amortisation expense

Amortisation of tangible and intangible assets included in operating expenses amount to €319.4 million, €308.4 million

and €657.8 million respectively for the 1st half 2008 and 2007 and year 2007.

→ Note 5 Other income and expenses

This item may be divided into the following:

€ millions	1st half 2008	1st half 2007	2007
Capital gains or losses on disposals of tangible and intangible assets	2.7	5.8	11.8
Sanofi-Aventis sale capital gain	-	-	642.8
Impairment of tangible and intangible assets	-	-	-1.4
Restructuring costs ⁽¹⁾	-4.4	-12.1	-31.6
TOTAL	-1.7	-6.3	621.6

(1) Of which mainly for the first half 2008, severances linked to the acquisition of CollaGenex.

Of which €10.8 million concerns the discontinuation of the distribution of Biotherm in the United States which will henceforth exclusively focus on online product advertising and retail, €14 million concerns the restructuring of an important supplier of The Body Shop and €6.8 million concerns the restructuring of the supply chain in Spain.

→ Note 6 Finance costs

This item may be divided into the following:

€ millions	1st half 2008	1st half 2007	2007
Financial interests related to the gross debt	-83.4	-93.2	-207.5
Financial interests related to cash and cash equivalents	16.7	17.8	33
FINANCE COSTS	-66.7	-75.4	-174.5

→ Note 7 Net profit excluding non-recurrent items after minority interests – net earnings per share

7.1 RECONCILIATION WITH NET PROFIT

The net profit excluding non-recurrent items after minority interests is reconciled as follows with the net profit after minority interests:

€ millions	1st half 2008	1st half 2007	2007
Net profit after minority interests	1,255.6	1,177.6	2,656.0
Capital gains and losses on tangible and intangible asset disposals	-2.7	-5.8	-11.8
Sanofi-Aventis sale capital gain	-	-	-642.8
Tangible and intangible assets depreciation	-	-	1.4
Restructuring cost	4.4	12.1	31.6
Tax effect on Sanofi-Aventis sale capital gain	-	-	11.0
Tax effect on non-recurrent items	-1.1	-2.8	-6.8
Minority interests	-	-	-
NET PROFIT EXCLUDING NON-RECURRENT ITEMS AFTER MINORITY INTERESTS	1,256.2	1,181.1	2,038.6

7.2 NET PROFIT PER SHARE

The tables below set out the net earnings after minority interests per share:

	1st half 2008		
	Net profit after minority interests (€ millions)	Number of shares	Net profit after minority interests per share (€)
Net profit - after minority interests - per share	1,255.6	592,587,660	2.12
Stock option plan	-	3,340,342	
Diluted net profit - after minority interests - per share	1,255.6	595,928,002	2.11

	1st half 2007		
	Net profit after minority interests (€ millions)	Number of shares	Net profit after minority interests per share (€)
Net profit - after minority interests - per share	1,177.6	603,311,432	1.95
Stock option plan	-	4,384,083	
Diluted net profit - after minority interests - per share	1,177.6	607,695,515	1.94

	2007		
	Net profit after minority interests (€ millions)	Number of shares	Net profit after minority interests per share (€)
Net profit - after minority interests - per share	2,656.0	600,492,348	4.42
Stock option plan	-	5,520,123	
Diluted net profit - after minority interests - per share	2,656.0	606,012,471	4.38

7.3 NET PROFIT EXCLUDING NON-RECURRENT ITEMS PER SHARE

The tables below set out in detail the net earnings excluding non-recurrent items after minority interests per share:

	1st half 2008		
	Net profit excluding non-recurrent items after minority interests (€ millions)	Number of shares	Net profit excluding non-recurrent items after minority interests per share (€)
Net profit excluding non-recurrent items - per share	1,256.2	592,587,660	2.12
Stock option plan	-	3,340,342	-
Diluted net profit excluding non-recurrent items - per share	1,256.2	595,928,002	2.11

	1st half 2007		
	Net profit excluding non-recurrent items after minority interests (€ millions)	Number of shares	Net profit excluding non-recurrent items after minority interests per share (€)
Net profit excluding non-recurrent items - per share	1,181.1	603,311,432	1.96
Stock option plan	-	4,384,083	-
Diluted net profit excluding non-recurrent items - per share	1,181.1	607,695,515	1.94

	2007		
	Net profit excluding non-recurrent items after minority interests (€ millions)	Number of shares	Net profit excluding non-recurrent items after minority interests per share (€)
Net profit excluding non-recurrent items - per share	2,038.6	600,492,348	3.39
Stock option plan	-	5,520,123	-
Diluted net profit excluding non-recurrent items - per share	2,038.6	606,012,471	3.36

→ Note 8 Goodwill and other intangible assets

The €1,133.6 million increase in the "Goodwill" item results mainly from the acquisitions during the half-year amounting to €1,250.9 million, offset by the negative variation in exchange rates amounting to €117.3 million. The whole difference between the acquisition cost and the acquired net equity of YSL Beauté has been provisionally allocated to Goodwill in an amount of €1,042.6 million, pending the final allocation of the various identifiable assets and liabilities.

No impairment of goodwill or other intangible assets has been recorded during the first half of the year 2008.

The decrease in the "Other intangible assets" item mainly results from the acquisitions for the half-year amounting to €28.8 million, increases in the scope of consolidation amounting to €36.3 million, and the negative variation in exchange rates amounting to €82.7 million.

➔ Note 9 Tangible assets

Investments for the first half of 2008 amount to €300.4 million, compared to €319.0 million and €697.7 million respectively for the first half of 2007 and year 2007.

The depreciation for the first half of 2008 amounts to €272.5 million compared to €272.5 million and €575.6 million respectively for the first half of 2007 and year 2007.

➔ Note 10 Non-current financial assets

€ millions	06.30.2008		06.30.2007		12.31.2007	
	Balance sheet value	Acquisition cost	Balance sheet value	Acquisition cost	Balance sheet value	Acquisition cost
Financial assets available for sale						
Sanofi-Aventis ⁽¹⁾	5,016.4	4,033.5	8,596.8	4,880.1	7,446.0	4,033.5
Unlisted securities ⁽²⁾	4.6	5.3	4.2	6.2	4.5	5.7
Financial assets at amortised cost						
Non-current loans and receivables	162.6	174.1	156.8	166.2	158.4	168.8
TOTAL	5,183.6	4,212.9	8,757.8	5,052.5	7,608.9	4,208.0

(1) The balance sheet value at June 30th, 2008, June 30th, 2007 and December 31st, 2007 respectively of €5,016.4 million, €8,596.8 million and €7,446.0 million corresponds to the market value of the shares based on the closing price at June 30th, 2008, June 30th, 2007 and December 31st, 2007 respectively of €42.43, €60.10 and €62.98.

(2) As their fair value cannot be reliably determined, they are stated at possibly impaired purchase cost.

➔ Note 11 Cash and cash equivalents

€ millions	06.30.2008		06.30.2007		12.31.2007	
	Balance sheet value	Acquisition cost	Balance sheet value	Acquisition cost	Balance sheet value	Acquisition cost
Marketable securities	138.0	135.0	133.0	128.7	135.5	130.0
Bank accounts and other cash and cash equivalents	560.6	560.6	511.4	511.4	951.2	951.2
TOTAL	698.6	695.6	644.4	640.1	1,086.7	1,081.2

The marketable securities consist mainly of money-market SICAV investment funds and unit trusts (on which the return is based on EONIA) and short-term investments.

Unrealised gains recorded at June 30th, 2008 amount to €3.0 million and are recorded directly through shareholders' equity, compared with €4.3 million at June 30th, 2007 and €5.5 million at December 31st, 2007.

→ Note 12 Shareholders' equity

12.1 SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL

The share capital consists of 610,820,760 shares with a par value of €0.20 at June 30th, 2008, compared with 626,162,860 shares and 617,975,610 shares respectively at June 30th, 2007 and at December 31st, 2007.

a) 1st half 2008

The evolution of the number of shares is as follows for the first half 2008:

<i>In shares</i>	Capital stock	Treasury stock	Common shares outstanding
At 01.01.2008	617,975,610	-22,664,937	595,310,673
Cancelled shares	-7,187,000	7,187,000	-
Exercised options	32,150	316,100	348,250
Purchased shares		-7,316,000	-7,316,000
At 06.30.2008	610,820,760	-22,477,837	588,342,923

The evolution of the treasury stock is as follows for the first half 2008:

<i>In shares</i>	Buyback programme	Allocated to the SO plan	Total	€ millions
At 01.01.2008	6,281,000	16,383,937	22,664,937	1,787.2
Cancelled shares	-7,187,000		-7,187,000	-662.7
Exercised options		-316,100	-316,100	-19.6
Purchased shares	7,316,000		7,316,000	572.7
At 06.30.2008	6,410,000	16,067,837	22,477,837	1,677.6
€ millions	488.7	1,188.9	1,677.6	

b) Year 2007

The evolution of the number of shares is as follows for the year 2007:

<i>In shares</i>	Capital stock	Treasury stock	Common shares outstanding
At 01.01.2007	639,616,410	-33,894,300	605,722,110
Cancelled shares	-21,715,850	21,715,850	
Exercised options	75,050	4,886,613	4,961,663
Purchased shares		-15,373,100	-15,373,100
At 12.31.2007	617,975,610	-22,664,937	595,310,673

The evolution of the treasury stock is as follows for the year 2007:

<i>In shares</i>	Buyback Programme	Allocated to the SO plan	Total	<i>€ millions</i>
At 01.01.2007	12,393,000	21,501,300	33,894,300	2,496.3
Cancelled shares	-21,485,100	-230,750	-21,715,850	-1,709.1
Exercised options		-4,886,613	-4,886,613	-337.4
Purchased shares	15,373,100		15,373,100	1,337.4
At 12.31.2007	6,281,000	16,383,937	22,664,937	1,787.2
<i>€ millions</i>	578.7	1,208.5	1,787.2	

c) Share subscription or purchase options

No new stock option plan was decided during the first half of the year 2008.

➔ Note 13 Provisions for liabilities and charges

13.1 BALANCES AT CLOSING DATE

<i>€ millions</i>	06.30.2008	06.31.2007	12.31.2007
Other non-current provisions for liabilities and charges	152.1	163.4	148.5
Provisions for restructuring	0.7	1.2	1.0
Other non-current provisions ⁽¹⁾	151.4	162.2	147.5
Current provisions for liabilities and charges	276.9	251.7	285.7
Provisions for restructuring	13.2	14.6	9.6
Other current provisions ⁽¹⁾	263.7	237.1	276.1
TOTAL	429.0	415.1	434.2

(1) This item includes provisions facing tax risks and litigation, industrial and commercial risks relating to operations (breach of contract, product returns) and personnel costs.



13.2 VARIATIONS IN PROVISIONS FOR RESTRUCTURING AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES DURING THE PERIOD

€ millions	06.30.2007	12.31.2007	Charges ⁽¹⁾	Reversals (used) ⁽¹⁾	Reversals (not used) ⁽¹⁾	Impact of change in scope/Exchange rate/Others	06.30.2008
Other provisions for liabilities and charges	399.3	423.6	107.9	-102.8	-15.5	1.9	415.1
Provisions for restructuring	15.8	10.6	0.3	-4.2	-	7.2	13.9
TOTAL	415.1	434.2	108.2	-107.0	-15.5	9.1	429.0

(1) These figures may be analysed as follows:

	Charges	Reversals (used)	Reversals (not used)
- Other income and expenses	0.3	-4.2	-
- Operating profit	95.8	-100.9	-7.5
- Financial income	0.1	-0.2	-
- Income tax	12.0	-1.7	-8.0

→ Note 14 Borrowings and debts

The group carries out financing through medium-term bank loans, and by the issue of short-term paper in France and the issue of short-term commercial paper in the United States.

14.1 DEBT BY TYPE

€ millions	06.30.2008		06.30.2007		12.31.2007	
	Non-current	Current	Non-current	Current	Non-current	Current
Short-term paper		2,211.4	-	2,264.1	-	584.1
MLT bank loans	2,477.1	59.4	2,435.7	2.5	2,484.9	52.7
Debts on capital lease contracts	78.4	13.9	74.3	10.3	69.3	10.1
Overdrafts	-	138.5	-	125.1	-	103.1
Other borrowings and debts	16.6	222.9	28.9	164.9	28.8	126.8
TOTAL	2,572.1	2,646.1	2,538.9	2,567.0	2,583.0	876.8

14.2 DEBT BY MATURITY DATE

€ millions	06.30.2008	06.30.2007	12.31.2007
Under 1 year	2,646.1	2,567.0	876.8
1 to 5 years	2,529.1	2,486.5	2,534.5
Over 5 years	43.0	52.4	48.5
TOTAL	5,218.2	5,105.9	3,459.8

14.3 DEBT BY CURRENCY (AFTER ALLOWING FOR CURRENCY HEDGING INSTRUMENTS)

€ millions	06.30.2008	06.30.2007	12.31.2007
Euro (EUR)	4,039.9	3,866.5	2,570.8
US dollar (USD)	709.8	779.3	606.7
Canadian dollar (CAD)	86.0	91.9	62.9
Yuan (CNY)	38.8	40.6	43.4
Yen (JPY)	8.1	51.5	47.2
Others	335.6	276.2	128.8
TOTAL	5,218.2	5,105.9	3,459.8

14.4 BREAKDOWN OF FIXED RATE AND FLOATING RATE DEBT (AFTER ALLOWING FOR INTEREST RATE HEDGING INSTRUMENTS)

€ millions	06.30.2008	06.30.2007	12.31.2007
Floating rate	5,112.7	5,008.5	3,373.1
Fixed rate	105.5	97.4	86.7
TOTAL	5,218.2	5,105.9	3,459.8

14.5 EFFECTIVE INTEREST RATES

The effective debt interest rates, after allowing for hedging instruments, were respectively 3.95% and 4.48% for first half of 2008 and 2007 and 4.32% in 2007 for short-term paper, and respectively 4.94% and 4.17% for first half of 2008 and 2007 and 4.83% in 2007 for bank loans.

14.6 AVERAGE DEBT INTEREST RATES

The average debt interest rates, after allowing for hedging instruments, were respectively 4.65% and 3.88% for first half of 2008 and 2007 and 4.35% in 2007 for the euro and respectively 3.16% and 4.90% for first half of 2008 and 2007 and 5.03% in 2007 for the US dollar.

14.7 FAIR VALUE OF BORROWINGS AND DEBTS

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

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

At June 30th, 2008, the fair value of the debt amounts to €5,220.3 million compared with €5,109.1 million and €3,464.2 million respectively at June 30th, 2007 and December 31st, 2007.



→ Note 15 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 organisations with the best credit ratings.

In accordance with the group's rules, the currency and interest rate derivatives are set up exclusively for hedging purposes.

15.1 CURRENCY RISK

The group is exposed to currency risk from commercial transactions recorded on the balance sheet and from future transactions considered to be highly probable.

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

At June 30th, the change in the intrinsic value of the hedging instruments allocated to future transactions and deferred through shareholders' equity amounts to €72.1 million compared with €12.9 million and €72.7 million respectively at June 30th, 2007 and December 31st, 2007.

15.2 INTEREST RATE RISK

As in the case of currency risk, the group's policy is not to take a speculative position.

The group therefore mainly refinances at floating rates.

Furthermore, the financial derivative instruments which are negotiated in this connection are for hedging purposes.

At June 30th, 2008, the market value of the interest rate hedging instruments deferred through to shareholders' equity is €0.7 million compared with €-0.2 million and €-0.3 million respectively at June 30th, 2007 and December 31st, 2007.

15.3 SHARE RISK

No cash has been invested in shares.

The available cash is invested, with financial organisations of unquestionable reputation, in the form of non-speculative instruments which can be drawn in very short periods.

At June 30th, 2008, the group holds 118,227,307 Sanofi-Aventis shares for an amount of €5,016.4 million (note 10).

For these shares, a change in the market price of plus or minus 10% relative to the market price of €42.43 on June 30th, 2008 would have an impact on the group shareholders' equity of plus or minus €501.6 million before tax.

Statutory Auditors' review report on the first half-year financial information for 2008

(Period from January 1st, 2008 to June 30th, 2008)

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.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirements of articles L. 232-7 of the French Commercial Code ("Code de commerce") and 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 period January 1st, 2008 to June 30th, 2008;
- 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 interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-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 29th, 2008

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit
Étienne Boris

Deloitte & Associés
Étienne Jacquemin

➤ Declaration by the person responsible for the half-year financial report

I declare that, to the best of my knowledge, the summary 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 or loss of the company and all the other companies included in the scope of consolidation, and that the half-year activity report hereby enclosed 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 29th, 2008

On the authority of the Chief Executive Officer,

Christian Mulliez

Executive Vice-President, Administration and Finance

L'ORÉAL

Incorporated in France as a "Société Anonyme"
with registered capital of €122,157,722
632 012 100 R.C.S. Paris

Headquarters:
41, rue Martre
92117 Clichy - France
Tel. : +33 1 47 56 70 00
Fax : +33 1 47 56 80 02

Registered Office:
14, rue Royale
75008 Paris - France

www.loreal.com

www.loreal-finance.com