



L'ORÉAL

**HALF YEAR CONSOLIDATED
FINANCIAL STATEMENTS**

AUGUST 28th, 2009

Condensed consolidated financial statements

First half 2009

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I - COMPARED CONSOLIDATED PROFIT AND LOSS ACCOUNTS

€millions	Notes	1 st half 2009	1 st half 2008	2008
Net sales	3	8,769.4	8,646.3	17,541.8
Cost of sales		-2,610.1	-2,476.0	-5,187.2
Gross profit		6,159.3	6,170.3	12,354.6
Research and development		-286.9	-278.8	-587.5
Advertising and promotion		-2,634.5	-2,567.3	-5,269.1
Selling, general and administrative expenses		-1,864.1	-1,826.6	-3,773.4
Operating profit	3	1,373.9	1,497.7	2,724.6
Other income and expenses	6	-168.7	-1.7	-156.3
Operational profit		1,205.2	1,496.0	2,568.3
Finance costs	7	-49.7	-66.7	-174.2
Other financial income (expense)		-2.8	-3.1	-7.2
Sanofi-Aventis dividends		260.1	244.8	244.7
Profit before tax and minority interests		1,412.8	1,671.0	2,631.6
Income tax		-327.2	-413.6	-680.7
Net profit		1,085.6	1,257.4	1,950.9
attributable to:				
- group share		1,083.5	1,255.6	1,948.3
- minority interests		2.1	1.8	2.6
Net profit attributable to the group per share (euros)	8	1.86	2.12	3.31
Diluted net profit attributable to the group per share (euros)	8	1.86	2.11	3.30
Net profit excluding non-recurrent items attributable to the group per share (euros)	8	2.08	2.12	3.50
Diluted net profit excluding non-recurrent items attributable to the group per share (euros)	8	2.08	2.11	3.49

⁽¹⁾ Foreign exchange gains and losses have been reclassified to the various lines making up operating profit. Net sales and operating profit remain unchanged. (see notes 1 and 5)

II - CONSOLIDATED STATEMENT OF NET PROFIT AND GAINS AND LOSSES DIRECTLY RECOGNISED IN EQUITY

€ millions	1 st half 2009	1 st half 2008	2008
Consolidated net profit of the period	1,085.6	1,257.4	1,950.9
<i>Financial assets available for sale</i>	-417.0	-2,432.0	-2,083.9
<i>Cash flows hedging</i>	-89.9	-0.5	88.3
<i>Actuarial gains and losses</i>	-6.0		-160.4
<i>Tax effect on items directly recognised in equity</i>	33.1	43.8	78.6
<i>Cumulative translation adjustments</i>	55.5	-239.4	-124.5
Changes in gains and losses directly recognised in equity	-424.3	-2,628.1	-2,201.9
Total of net profit and gains and losses directly recognised in equity	661.3	-1,370.7	-251.0
Attributable to:			
- group share	659.2	-1,372.5	-253.6
- minority interests	2.1	1.8	2.6

III - COMPARED CONSOLIDATED BALANCE SHEETS

€ millions

	Notes	06.30.2009	06.30.2008 restated ⁽¹⁾	06.30.2008 published	12.31.2008 restated ⁽¹⁾	12.31.2008 published
Assets						
Non-current assets		15,836.8	15,712.1	15,662.8	16,380.3	16,308.7
Goodwill	9	5,493.7	5,478.0	5,478.0	5,532.5	5,532.5
Other intangible assets	9	2,054.7	1,899.9	1,899.9	2,038.2	2,038.2
Tangible assets	10	2,691.4	2,659.4	2,659.4	2,753.3	2,753.3
Non-current financial assets	11	5,109.4	5,183.6	5,183.6	5,557.4	5,557.4
Deferred tax assets		487.6	491.2	441.9	498.9	427.3
Current assets		6,139.7	6,512.7	6,631.9	6,526.5	6,648.2
Inventories		1,534.4	1,623.2	1,623.2	1,635.5	1,635.5
Trade accounts receivable		2,842.7	3,096.2	3,096.2	2,694.6	2,694.6
Other current assets		878.7	1,036.7	1,155.9	985.8	1,107.4
Current tax assets		120.1	58.0	58.0	133.6	133.6
Cash and cash equivalents	12	763.8	698.6	698.6	1,077.1	1,077.1
Total		21,976.5	22,224.8	22,294.7	22,906.9	22,956.9

⁽¹⁾ The balance sheets as of June 30th, 2008 and December 31st, 2008 have been restated according to changes in accounting policies relating to costs of samples and other POS costs, customer loyalty programmes and recognition of actuarial gains and losses linked to employee benefits (see note 1).

€ millions

	Notes	06.30.2009	06.30.2008 restated ⁽¹⁾	06.30.2008 published	12.31.2008 restated ⁽¹⁾	12.31.2008 published
Liabilities & Equity						
Shareholders' equity	13	11,420.7	10,760.8	10,915.2	11,562.5	11,828.7
Capital stock		119.7	122.2	122.2	120.5	120.5
Additional paid-in capital		965.5	965.1	965.1	965.5	965.5
Other reserves		10,107.6	9,815.0	9,914.4	9,232.1	9,331.5
Items directly recognised in equity		783.4	951.9	1,020.2	1,263.2	1,433.6
Cumulative translation adjustments		-503.9	-674.3	-687.7	-559.4	-563.1
Treasury stock		-1,138.3	-1,677.6	-1,677.6	-1,410.6	-1,410.6
Net profit attributable to the group		1,083.5	1,255.6	1,255.6	1,948.3	1,948.3
Shareholders' equity excluding minority interests		11,417.5	10,757.9	10,912.2	11,559.6	11,825.7
Minority interests		3.1	2.9	3.0	2.8	2.9
Non-current liabilities		3,897.7	3,938.8	3,863.3	3,978.0	3,771.8
Provisions for employee retirement obligation and related benefits		912.7	808.7	714.5	961.6	694.4
Provisions for liabilities and charges	14	99.0	152.1	152.1	111.4	111.4
Deferred tax liabilities		381.6	405.9	424.6	398.4	459.4
Non-current borrowings and debts	15	2,504.4	2,572.1	2,572.1	2,506.6	2,506.6
Current liabilities		6,658.1	7,525.2	7,516.2	7,366.4	7,356.4
Trade accounts payable		2,362.8	2,601.4	2,601.4	2,656.6	2,656.6
Provisions for liabilities and charges	14	485.4	276.9	276.9	431.1	431.1
Other current liabilities		1,682.4	1,814.6	1,805.6	1,848.4	1,838.4
Current tax liabilities		209.8	186.2	186.2	159.7	159.7
Current borrowings and debts	15	1,917.7	2,646.1	2,646.1	2,270.6	2,270.6
Total		21,976.5	22,224.8	22,294.7	22,906.9	22,956.9

⁽¹⁾ The balance sheets as of June 30th, 2008 and December 31st, 2008 have been restated according to changes in accounting policies relating to costs of samples and other POS costs, customer loyalty programmes and recognition of actuarial gains and losses linked to employee benefits (see note 1).

IV - 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 12.31.2007	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
Changes in accounting policies at 1.1.2008				-96.9	-68.3		6.2	-159.0	-0.1	-159.1
At 1.1.2008*	595,310,673	123.6	963.2	11,254.9	3,340.6	-1,787.2	-434.9	13,460.2	2.4	13,462.7
Consolidated net profit of the period				1,948.3				1,948.3	2.6	1,950.9
<i>Financial assets available for sale</i>					-2,046.2			-2,046.2		-2,046.2
<i>Cash flows hedging</i>					70.9			70.9		70.9
<i>Actuarial gains and losses</i>					-102.1			-102.1		-102.1
<i>Cumulative translation adjustments</i>							-124.5	-124.5		-124.5
Changes in gains and losses directly recognised in equity					-2,077.4		-124.5	-2,201.9		-2,201.9
Total of net profit and gains and losses directly recognised in equity				1,948.3	-2,077.4		-124.5	-253.6	2.6	-251.0
Capital increase	37,600		2.3					2.3		2.3
Cancellation of treasury stock		-3.1		-1,285.8		1,288.9				
Dividends paid (not paid on treasury stock)				-817.1				-817.1	-1.1	-818.2
Share-based payment				85.9				85.9		85.9
Net changes in treasury stock	-12,207,805			-0.2		-912.3		-912.5		-912.5
Other movements				-5.6				-5.6	-1.1	-6.7
At 12.31.2008*	583,140,468	120.5	965.5	11,180.4	1,263.2	-1,410.6	-559.4	11,559.6	2.8	11,562.5
Consolidated net profit of the period				1,083.5				1,083.5	2.1	1,085.6
<i>Financial assets available for sale</i>					-409.9			-409.9		-409.9
<i>Cash flows hedging</i>					-65.2			-65.2		-65.2
<i>Actuarial gains and losses</i>					-4.6			-4.6		-4.6
<i>Cumulative translation adjustments</i>							55.5	55.5		55.5
Changes in gains and losses directly recognised in equity					-479.8		55.5	-424.3		-424.3
Total of net profit and gains and losses directly recognised in equity				1,083.5	-479.8		55.5	659.2	2.1	661.3
Capital increase										
Cancellation of treasury stock		-0.8		-271.5		272.3				
Dividends paid (not paid on treasury stock)				-839.7				-839.7	-2.3	-842.0
Share-based payment				37.6				37.6		37.6
Net changes in treasury stock										
Other movements				0.7				0.7	0.5	1.2
At 06.30.2009	583,140,468	119.7	965.5	11,191.1	783.4	-1,138.3	-503.9	11,417.5	3.1	11,420.7

* taking into account changes in accounting policies.

Changes in first half 2008

€ 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 12.31.2007	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
Changes in accounting policies at 1.1.2008				-96.9	-68.3		6.2	-159.0	-0.1	-159.1
At 1.1.2008*	595,310,673	123.6	963.2	11,254.9	3,340.6	-1,787.2	-434.9	13,460.2	2.4	13,462.7
Consolidated net profit of the period				1,255.6				1,255.6	1.8	1,257.4
<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
<i>Actuarial gains and losses</i>										
<i>Cumulative translation adjustments</i>							-239.4	-239.4		-239.4
Changes in gains and losses directly recognised in equity					-2,388.7		-239.4	-2,628.1		-2,628.1
Total of net profit and gains and losses directly recognised in equity				1,255.6	-2,388.7		-239.4	-1,372.5	1.8	-1,370.7
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
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				-4.8				-4.8	-0.2	-5.1
At 06.30.2008*	588,342,923	122.2	965.1	11,070.6	951.9	-1,677.6	-674.3	10,757.9	2.9	10,760.8

* taking into account changes in accounting policies.

V - COMPARED CONSOLIDATED STATEMENTS OF CASH FLOWS

€ millions	1 st half 2009	1 st half 2008	2009
Cash flows from operating activities			
Net profit attributable to the Group	1,083.5	1,255.6	1,948.3
Minority interests	2.1	1.8	2.6
Elimination of expenses and income with no impact on cash flows:			
depreciation, amortisation and provisions	398.3	243.0	706.1
changes in deferred taxes	32.5	-7.2	6.6
share-based payment	37.6	43.4	85.9
capital gains and losses on sale of assets	-0.6	-2.7	-3.6
Gross cash flow	1,553.4	1,533.9	2,745.9
Changes in working capital	-309.9	-630.6	-148.8
Net cash provided by operating activities (A)	1,243.5	903.3	2,597.1
Cash flows from investing activities			
Investments in tangible and intangible assets	-303.4	-339.4	-745.9
Disposals of tangible and intangible assets	3.7	5.0	9.2
Changes in other financial assets (including investments in non-consolidated companies)	30.0	3.7	-9.4
Effect of changes in the scope of consolidation	-83.3	-1,298.3	-1,299.1
Net cash (used in) from investing activities (B)	-353.0	-1,629.0	-2,045.2
Cash flows from financing activities			
Dividends paid	-849.4	-829.1	-849.2
Capital increase of the parent company	-	1.9	2.3
Disposal (acquisition) of treasury stock	-	-553.2	-912.6
Issuance (repayment) of short-term loans	-317.9	1,734.0	1,262.5
Issuance of long-term borrowings	0.4	-	1.1
Repayment of long-term borrowings	-15.5	-4.8	-62.8
Net cash (used in) from financing activities (C)	-1,182.4	348.8	-558.7
Net effect of exchange rate changes and fair value changes (D)	-21.4	-11.2	-2.8
Change in cash and cash equivalents (A+B+C+D)	-313.3	-388.1	-9.6
Cash and cash equivalents at beginning of the year (E)	1,077.1	1,086.7	1,086.7
Cash and cash equivalents at end of the year (A+B+C+D+E)	763.8	698.6	1,077.1

Income taxes paid amount to €238.9 million, €419.8 million and 823.6 million respectively for first half 2009 and 2008 and year 2008.

Interest paid amounts to €72.8 million, €80.1 million and €209.4 million respectively for first half 2009 and 2008 and year 2008.

Dividends received amount to €260.1 million, €244.8 million and €244.7 million respectively for first half 2009 and 2008 and year 2008.

They are included in gross cash flow.

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, 2008.

The Board of Directors closed the condensed half-year consolidated financial statements as at June 30th, 2009 on August 27th, 2009.

The accounting policies applied are identical to those applied in the annual financial statements at December 31st, 2008, except for those relating to income tax and changes in accounting policies or presentation as described hereafter.

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 2009.

IFRS 8 "operating segments", applicable as from January 1st, 2009 has no impact on the presentation of Segment information.

The other standards or amendments published and effective from January 1st, 2009 do not affect the Group.

Furthermore, the group might be concerned by the revised IFRS3 and IAS27 standards applicable to business combinations occurring subsequently to the first annual period beginning on July 1st, 2009. The application of the revised standards adopted by the European Union in June 30 2009 has not been anticipated at June 30th, 2009.

Changes in accounting policies effective from January 1st, 2009**Advertising and promotion expenses**

The document entitled "Improvements to IFRS" has clarified the provision of IAS38 relating to the treatment of advertising and promotional activities. Costs of samples, non amortizable POS and mail order catalogues, previously recorded in the P&L when delivered to final customers are henceforth expensed as incurred.

This change led to a decrease in opening equity at January 1st, 2008 of €87.5 million offset by a decrease in assets for €118.5 million, mainly in the "prepaid expense" item, an increase in deferred tax assets of €25.6 million and a decrease in deferred tax liabilities of €5.4 million.

At December 31st, 2008, this change led to a decrease in equity of €89.3 million offset by a decrease in assets for €121.7 million, mainly in the "prepaid expense" item, an increase in deferred tax assets of €26.4 million and a decrease in deferred tax liabilities of €6.0 million.

The adoption of this new accounting standard does not have a significant impact on the P&L profit of the presented periods due to the stability of prepaid expenses. As a result, the Profit and loss accounts for year 2008 and first half 2008 have not been restated.

Immediate recognition of actuarial gains and losses linked to employee benefits

The group has decided to adopt as from January 1st, 2009, the IAS19 option allowing the direct recognition in equity of actuarial gains and losses, instead of the *corridor* method.

This change led to a decrease in opening equity at January 1st, 2008 of €64.6 million offset by an increase in the provision for employee benefits of €101.4 million, an increase in deferred tax assets of €22.4 million and a decrease in deferred tax liabilities of €14.4 million.

At December 31st, 2008, this change led to a decrease in equity of €169.4 million offset by an increase in the provision for employee benefits of €267.2 million, an increase in deferred tax assets of €43.8 million and a decrease in deferred tax liabilities of €54.0 million.

The adoption of this new accounting standard does not have a significant impact on the accounts presented. As a result they are not restated.

Customer loyalty programmes

The accounting treatment of customer loyalty programmes was clarified by the IFRIC 13 interpretation issued by the IASB, effective from January 1st, 2009.

The transactions concerned are mainly loyalty programmes organized by a brand in favour of the consumer in which the consumer is directly given a free product or a gift. This mainly concerns our "boutiques" and more specifically The Body Shop brand.

The consequence of this interpretation is a timing difference in the recognition of sales and margin, when the gift is a free catalogue product.

This change led to a decrease in opening equity at January 1st, 2008 of €6.9 million offset by an increase in other current debts of €9.2 million, an increase in deferred tax assets of €2.0 million and a decrease in deferred tax liabilities of €0.3 million.

At December 31st, 2008, this change led to a decrease in equity of €7.4 million offset by an increase in other current debts of €10.0 million, an increase in deferred tax assets of €1.5 million and a decrease in deferred tax liabilities of €1.0 million.

In light of the reasonable growth of loyalty programmes, presented profit and loss accounts are only slightly impacted and as a result have not been restated.

Presentation of financial statements**Statement of recognised income and expense**

The IAS1 standard has been revised effective from January 1st, 2009.

The main change relates to the presentation of an additional consolidated statement called "Consolidated statement of net profit and gains and losses directly recognised in equity". This statement begins with the net profit of the period then gives details of gains and losses directly recognised in equity.

Restatement of foreign exchange gains and losses in the P&L

In order to make it easier to decipher performance, *Foreign exchange gains and losses*, previously presented on a separate line before operating profit, are henceforth allocated to the various items of the profit and loss account to which they relate. P&L accounts for year 2008 and first half 2008 were restated accordingly. This restatement has no impact on Net sales and operating profit. (Note 5)

NOTE 2 - CHANGES IN THE SCOPE OF CONSOLIDATION

2.1 – First half 2009

On April 9th, 2009, L'Oréal USA signed an agreement for the acquisition of Idaho Barber and Beauty Supply (IBB), a distributor of professional products to hair salons in several states in the North West of the United States, particularly Idaho, Montana and Washington. Idaho Barber and Beauty Supply achieved sales of \$16 million in 2008. Idaho Barber and Beauty Supply are fully consolidated from June 1st, 2009.

2.2 – Year 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 area 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 area of perfumes and cosmetics.

The acquisition was finalised on June 30th, 2008 and YSL Beauté is fully consolidated from that date.

YSL Beauté made 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 main items of the acquisition balance sheet of YSL Beauté at June 30th, 2008 taken into account in the final purchase price allocation, are as follows:

€ millions	
Non-current assets ⁽¹⁾	141.8
Current assets	318.6
Non-current liabilities	-83.8
Current liabilities	-279.9
Total net equity acquired	96.7

⁽¹⁾ of which €32.0 million of intangible assets resulting from the acquisition. The €1,014.0 million goodwill has been allocated for €579.0 million to the YSL Cash Generating Unit and the balance allocated between the various Luxury Products Division CGUs affected on the basis of the expected synergies.

On February 26th, 2008, Galderma Pharma S.A., and CollaGenex Pharmaceuticals, Inc. announced a definitive agreement pursuant to which Galderma's U.S. subsidiary, 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 were offered the same per share price paid in the tender offer, in cash.

The tender offer expired on April 4th, 2008 and at that time, an aggregate of approximately 21 million shares of CollaGenex common stock were tendered, which represented 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, 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 orally ingested 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 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 1st, 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 €116.3 million and €125.2 million after provisional allocation of the acquisition cost of CollaGenex.

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 "non-allocated" item contains the expenses of the functional Divisions, fundamental research and the costs of stock options not allocated to the cosmetics Divisions. It also includes activities that are auxiliary to the Group's core businesses, such as insurance, reinsurance and banking.

The "**The Body Shop**" branch: The Body Shop offers a wide range of naturally inspired cosmetics and toiletry products. The brand, originally created in the United Kingdom, distributes its products and expresses its values through a large multi-channel network of exclusive retail shops (in more than 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	1 st half 2009	1 st half 2008	2008
Professional Products	1,217.7	1,249.0	2,471.7
Consumer Products*	4,402.6	4,333.6	8,426.0
Luxury Products	1,895.2	1,811.2	4,169.6
Active Cosmetics	700.2	738.1	1,289.3
Other Cosmetics*	-	2.3	2.4
Cosmetics divisions total	8,215.7	8,134.3	16,358.9
The Body Shop branch	323.3	333.8	756.0
Dermatology branch	230.4	178.2	426.9
Group	8,769.4	8,646.3	17,541.8

* after reclassification of the "distance sales" activity to the Consumer Products division.

Operating profit of Branches and Divisions

€ millions	1 st half 2009	1 st half 2008	2008
Professional Products	232.5	263.0	518.8
Consumer Products*	911.6	917.3	1,566.4
Luxury Products	225.3	354.1	766.5
Active Cosmetics	195.2	179.7	259.1
Other Cosmetics*		-0.5	-0.4
Cosmetics divisions total	1,564.6	1,713.7	3,110.3
Non-allocated	-223.9	-236.3	-501.9
Cosmetics branch	1,340.8	1,477.4	2,608.4
The Body Shop branch	6.3	0.4	36.2
Dermatology branch	26.8	19.9	80.0
Group	1,373.9	1,497.7	2,724.5

* after reclassification of the "distance sales" activity to the Consumer Products division.

3.2 - Information by geographic zone - Group

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

Group sales

	1 st half 2009		Growth (%)		1 st half 2008		2008	
	€ millions	% of total	Published data	Comparable data	€ millions	% of total	€ millions	% of total
Western Europe	3,900.7	44.5%	-4.1%	-7.2%	4,067.5	47.0%	7,984.7	45.5%
Attributable to France	1,182.2	13.5%	-1.9%	-11.9%	1,205.2	13.9%	2,318.0	13.2%
North America	2,159.1	24.6%	9.2%	-4.5%	1,977.6	22.9%	4,167.5	23.8%
Rest of the World	2,709.5	30.9%	4.2%	4.3%	2,601.2	30.1%	5,389.6	30.7%
Group	8,769.4	100.0%	1.4%	-3.2%	8,646.3	100.0%	17,541.8	100.0%

Cosmetic sales

	1 st half 2009		Growth (%)		1 st half 2008		2008	
	€ millions	% of total	Published data	Comparable data	€ millions	% of total	€ millions	% of total
Western Europe	3,638.9	44.3%	-4.1%	-8.0%	3,795.0	46.7%	7,381.5	45.1%
Attributable to France	1,151.4	14.0%	-2.2%	-12.4%	1,177.3	14.5%	2,260.7	13.8%
North America	1,942.3	23.6%	7.7%	-5.6%	1,803.9	22.2%	3,739.3	22.9%
Rest of the World including:	2,634.5	32.1%	3.9%	4.1%	2,535.3	31.2%	5,238.1	32.0%
Asia	1,075.2	13.1%	22.5%	4.6%	877.8	10.8%	1,844.3	11.3%
Latin America	517.9	6.3%	-2.4%	11.4%	530.4	6.5%	1,151.2	7.0%
Eastern Europe	591.2	7.2%	-14.8%	-0.5%	693.6	8.5%	1,380.3	8.4%
Other countries	450.3	5.5%	3.9%	1.2%	433.5	5.3%	862.2	5.3%
Cosmetics branch	8,215.7	100.0%	1.0%	-3.9%	8,134.3	100.0%	16,358.9	100.0%

NOTE 4 - DEPRECIATION AND AMORTISATION EXPENSE

Depreciation and amortisation of tangible and intangible assets included in operating expenses amount to €373.5 million, €319.4 million and €704.5 million respectively for the 1st half 2009 and 2008 and year 2008.

NOTE 5 - FOREIGN EXCHANGE GAINS AND LOSSES

Foreign exchange gains and losses may be divided into the following:

€ millions	1 st half 2009	1 st half 2008	2008
Change in time value	-12.8	-11.4	-33.2
Other exchange gains and losses	50.3	39.5	91.4
Total	37.5	28.1	58.2

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

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

- the variation of the market value linked to variations in the time value (forward points and premiums paid for options);
- the variation of market value linked to variations in the spot rate between the inception of the hedge and the date on which the transactions hedged are completed;
- the remaining ineffectiveness linked to overhedges is recognised directly to the profit and loss account under "other exchange gains and losses" for respectively €-6.1 and €0.8 million for first half 2009 and year 2008.

These amounts are henceforth allocated to the different lines of the operating profit to which they relate and are split as follows:

€ millions	1 st half 2009	1 st half 2008	2008
Cost of sales	27.3	29.3	52.9
Research and development	3.9	-6.8	-6.2
Advertising and promotion	3.1	2.9	5.4
Selling, general and administrative expenses	3.2	2.7	6.1
Restated foreign exchange gains and losses	37.5	28.1	58.2

NOTE 6 - OTHER INCOME AND EXPENSES

This item may be divided into the following:

€ millions	1 st half 2009	1 st half 2008	2008
Capital gains or losses on disposals of tangible and intangible assets	0.6	2.7	3.6
Impairment of tangible and intangible assets ⁽¹⁾	-41.9	-	-23.6
Restructuring costs ⁽²⁾	-127.4	-4.4	-136.3
Total	-168.7	-1.7	-156.3

⁽¹⁾ These impairment losses relate:

- for 1st half 2009, to the Yue Sai brand for €4.4 million as well as to Yue Sai goodwill for €14.5 million, to Sanoflore for €10.0 million and to SoftsheenCarson for €13.0 million. (Note 9)
- in 2008, to the Biomedic brand for €11.3 million as well as to Yue Sai goodwill for €10.9 million.

⁽²⁾ Of which:

- for 1st half 2009, the next phase of the industrial reorganization in Europe with the closure of the Albesa factory (Spain) and the announcement of early retirement plans for employees at French luxury factories for €54.4 million, as well as the link-up between YSL Beauté and the Luxury Products divisions structures in the various countries concerned for €32.9 million, the next phase of the reorganization of the L'Oréal USA subsidiary for €29.9 million as well as the reorganization of The Body Shop activities for €10.2 million.
- in 2008, the industrial reorganization in Europe with the transfer in the process of being finalized of the factory of Llantrisant (United Kingdom) and the closure of the Biotherm factory in Monaco for €71 million, the rationalization of product distribution and the country structures of YSL Beauté for €36.2 million, the reorganization of the L'Oréal USA subsidiary for €19.8 million as well as the rationalization of the structures of CollaGenex following its purchase by Galderma for €5 million.

NOTE 7 - FINANCE COSTS

This item may be divided into the following:

€ millions	1 st half 2009	1 st half 2008	2008
Finance costs on gross debt	-61.0	-83.4	-208.8
Financial income on cash and cash equivalents	11.3	16.7	34.6
Finance costs	-49.7	-66.7	-174.2

NOTE 8 - NET PROFIT EXCLUDING NON-RECURRENT ITEMS ATTRIBUTABLE TO THE GROUP – NET PROFIT PER SHARE

8.1 - Reconciliation with net profit

Net profit excluding non-recurrent items attributable to the group is reconciled as follows with the net profit attributable to the group:

€ millions	1 st half 2009	1 st half 2008	2008
Net profit attributable to the Group	1 083,5	1 255,6	1 948,3
Capital gains and losses on tangible and intangible asset disposals	-0,6	-2,7	-3,6
Tangible and intangible assets impairment	41,9	-	23,6
Restructuring cost	127,4	4,4	136,3
Tax effect on non-recurrent items	-41,2	-1,1	-40,8
Minority interests	-	-	-0,2
Net profit excluding non-recurrent items attributable to the Group	1 211,0	1 256,2	2 063,6

8.2 – Net profit per share

The tables below set out the net profit attributable to the Group per share:

1st half 2009	Net profit attributable to the Group (€ millions)	Number of shares	Net profit attributable to the Group per share (€)
Net profit per share	1,083.5	583,140,468	1.86
Stock options	-		
Diluted net profit per share	1,083.5	583,140,468	1.86

1st half 2008	Net profit attributable to the Group (€ millions)	Number of shares	Net profit attributable to the Group per share (€)
Net profit per share	1,255.6	592,587,660	2.12
Stock options	-	3,340,342	
Diluted net profit per share	1,255.6	595,928,002	2.11

2008	Net profit attributable to the Group (€ millions)	Number of shares	Net profit attributable to the Group per share (€)
Net profit per share	1,948.3	588,812,611	3.31
Stock options	-	2,107,467	
Diluted net profit per share	1,948.3	590,920,078	3.30

8.3 – Net profit excluding non-recurrent items per share

The tables below set out in detail the net profit excluding non-recurrent items attributable to the group per share:

1st half 2009	Net profit excluding non-recurrent items attributable to the Group (€ millions)	Number of shares	Net profit excluding non-recurrent items attributable to the Group per share (€)
Net profit excluding non-recurrent items per share	1,211.0	583,140,468	2.08
Stock options	-		-
Diluted net profit excluding non-recurrent items per share	1,211.0	583,140,468	2.08

1st half 2008	Net profit excluding non-recurrent items attributable to the Group (€ millions)	Number of shares	Net profit excluding non-recurrent items attributable to the Group per share (€)
Net profit excluding non-recurrent items per share	1,256.2	592,587,660	2.12
Stock options	-	3,340,342	-
Diluted net profit excluding non-recurrent items per share	1,256.2	595,928,002	2.11

2008	Net profit excluding non-recurrent items attributable to the Group (€ millions)	Number of shares	Net profit excluding non-recurrent items attributable to the Group per share (€)
Net profit excluding non-recurrent items per share	2,063.6	588,812,611	3.50
Stock options	-	2,107,467	-
Diluted net profit excluding non-recurrent items per share	2,063.6	590,920,078	3.49

NOTE 9 - GOODWILL AND OTHER INTANGIBLE ASSETS

Impairment tests have been performed at June 30th, 2009 on the most sensitive Cash Generating Units. On this occasion, discount rates and cash flow forecasts were reviewed. The Yue Sai, Sanoflore and SoftsheenCarson Cash Generating Units led to recognition of the impairment loss indicated hereafter.

The €38.8 million decrease in the "Goodwill" item results mainly from impairment losses on Yue Sai for €14.5 million, Sanoflore for €10.0 million and SoftsheenCarson for €13.0 million, offset by the positive variation in exchange rates amounting to €4.5 million.

The increase in the "Other intangible assets" item for €16.5 million mainly results from the acquisitions for the half-year amounting to €27.6 million, as well as the positive variation in exchange rates amounting to €32.2 million, offset by an impairment loss on the Yue Sai brand for €4.4 million, and by the depreciation expense of the period.

NOTE 10 - TANGIBLE ASSETS

Investments for the first half of 2009 amount to €249.2 million, compared to €300.4 million and €681.1 million respectively for the first half of 2008 and year 2008.

The depreciation and provisions for the first half of 2009 amount to €318.9 million compared to €272.5 million and €605.4 million respectively for the first half of 2008 and year 2008.

NOTE 11 - NON-CURRENT FINANCIAL ASSETS

€ millions	06.30.2009		06.30.2008		12.31.2008	
	Balance sheet value	Acquisition cost	Balance sheet value	Acquisition cost	Balance sheet value	Acquisition cost
Financial assets available for sale						
• Sanofi-Aventis ⁽¹⁾	4,950.2	4,033.5	5,016.4	4,033.5	5,367.5	4,033.5
• Unlisted securities ⁽²⁾	4.0	4.8	4.6	5.3	4.8	5.7
Financial assets at amortised cost						
• Non-current loans and receivables	155.2	164.9	162.6	174.1	185.1	194.8
Total	5,109.4	4,203.2	5,183.6	4,212.9	5,557.4	4,234.0

⁽¹⁾ The balance sheet value at June 30th, 2009, June 30th, 2008 and December 31st, 2008 respectively of €4,950.2 million, €5,016.4 million and €5,367.5 million corresponds to the market value of the shares based on the closing price at June 30th, 2009, June 30th, 2008 and December 31st, 2008 respectively of €41.87, €42.43 and €45.40. The acquisition cost of €4,033.5 million corresponds to a €34.12 entry cost.

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

NOTE 12 - CASH AND CASH EQUIVALENTS

€ millions	06.30.2009		06.30.2008		12.31.2008	
	Balance sheet value	Acquisition cost	Balance sheet value	Acquisition cost	Balance sheet value	Acquisition cost
Marketable securities	83.4	83.0	138.0	135.0	82.8	82.7
Bank accounts and other cash and cash equivalents	680.4	680.4	560.6	560.6	994.3	994.3
Total	763.8	763.4	698.6	695.6	1,077.1	1,077.0

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. They are considered as *Financial assets available for sale*. At June 30th, 2009 as was the case at December 31st, 2008, they are exclusively comprised of investments invested in government bonds of the Euro-zone through mutual funds.

Unrealised gains recorded at June 30th, 2009 amount to €0.4 million compared with €3.0 million at June 30th, 2008 and €0.1 million at December 31st, 2008 and are recorded directly through shareholders' equity.

NOTE 13 - SHAREHOLDERS' EQUITY

13.1 - Share capital and additional paid-in capital

The share capital consists of 598,445,210 shares with a par value of €0.20 at June 30th, 2009, compared with 610,820,760 shares and 602,415,810 shares respectively at June 30th, 2008 and at December 31st, 2008.

13.2 - Treasury stock

The shares bought under the L'Oréal share buyback programme authorised by the Annual General Meeting of Shareholders are deducted from consolidated shareholders' equity. Capital gains or losses relating to these shares net of tax are also recorded in shareholders' equity.

a) 1st half 2009

The change in the number of shares is as follows for first half 2009:

In shares	Capital stock	Treasury stock	Common shares outstanding
At 01.01.2009	602,415,810	-19,275,342	583,140,468
Cancelled shares	-3,970,600	3,970,600	-
Exercised options			-
Treasury stock purchased			-
At 06.30.2009	598,445,210	-15,304,742	583,140,468

The change in the treasury stock is as follows for first half 2009:

In shares	Buyback programme	Allocated to the SO plan	Total	€ millions
At 01.01.2009	3,808,000	15,467,342	19,275,342	1,410.6
Cancelled shares	-3,808,000	-162,600	-3,970,600	-272.3
Exercised options				
Treasury stock purchased				
At 06.30.2009	-	15,304,742	15,304,742	1,138.3
€ millions	-	1,138.3	1,138.3	

b) Year 2008

The change in the number of shares is as follows for the year 2008:

In shares	Capital stock	Treasury stock	Common shares outstanding
At 01.01.2008	617,975,610	-22,664,937	595,310,673
Cancelled shares	-15,597,400	15,597,400	
Exercised options	37,600	579,195	616,795
Treasury stock purchased		-12,787,000	-12,787,000
At 12.31.2008	602,415,810	-19,275,342	583,140,468

The change in the treasury stock is as follows for the year 2008:

In shares	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	-15,260,000	-337,400	-15,597,400	-1,288.9
Exercised options		-579,195	-579,195	-32.1
Treasury stock purchased	12,787,000		12,787,000	944.4
At 12.31.2008	3,808,000	15,467,342	19,275,342	1,410.6
€ millions	259.6	1,151.0	1,410.6	

c) Share subscription or purchase options - Free shares

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

On March 25th, 2009, the Board of Directors decided:

- the grant of share subscription options allowing the subscription of 3,650,000 shares
- the conditional allocation of 270,000 free shares to employees.

1) Share subscription options

The 3,650,000 share option plan has a 5 year exercise period and no performance conditions, except for the members of the Management Committee. For these officers, the performance conditions are as follows:

- for 50% of granted options, the increase in comparable Cosmetic revenues for the 2010, 2011, 2012 and 2013 fiscal years in relation with the evolution of the cosmetics market,
- for 50% of granted options, the percentage reached, over the same period, of a ratio between the contribution before advertising and promotion expenses –sum of the operating profit and the advertising and promotion expenses- and published cosmetic revenues.

The calculation will be based on an arithmetic average of the performance of the 2010, 2011, 2012 and 2013 fiscal years and by using a predefined grant scale for the calculation of the number of vested options according to such performance.

The fair value of options is determined using the Black & Scholes method based on the following assumptions:

Risk-free rate of return	3.15%
Expected life span	7 years
Expected volatility	31.95%
Expected dividends	2.83%
Share price	50.94 €
Exercise price	50.11€
Fair value	12.16€

Expected volatility corresponds to the average between the implied volatility at the grant date and the historic volatility over the expected life span of the option.

The expected life span has been adjusted to take account of behavioural assumptions relating to the beneficiaries.

2) Conditional grant of shares

Conditions of vesting of the rights

For the conditional grant of shares, the plan provides a 4-year vesting period after which the acquisition is effective and final, subject to meeting the conditions of the plan. After this vesting period, a 2 year holding period is added for French residents, during which the shares cannot be sold.

The conditions of performance concern:

- for 50% of granted shares, the increase in comparable Cosmetic revenues for the 2010, 2011 and 2012 fiscal years in relation with the evolution of the cosmetics market,
- for 50% of granted shares, the percentage reached, over the same period, of a ratio of operating profit to published cosmetic revenues.

The calculation will be based on the arithmetic average of the performance of the 2010, 2011 and 2012 fiscal years and by using a predefined grant scale for the calculation of the number of vested shares according to such performance.

Fair value of the conditionally granted shares

The fair value corresponds to the value of the share at the grant date after deduction of the expected dividend payment during the vesting period. For French residents, the additional 2 year holding period has led to the valuation of an illiquidity cost on the basis of a lending rate granted to the employee equivalent to the rate which would be granted by a bank to a private individual with an average financial profile. The illiquidity discount amounts to 8.47 % of the share value at the grant date.

On the basis of these assumptions, the fair values amount to €40.23 for French residents and €44.55 for non-residents.

NOTE 14 - PROVISIONS FOR LIABILITIES AND CHARGES

14.1 - Balances at closing date

€ millions	06.30.2009	06.30.2008	12.31.2008
Other non-current provisions for liabilities and charges	99.0	152.1	111.4
Provisions for restructuring	0.6	0.7	0.8
Other non-current provisions ⁽¹⁾	98.4	151.4	110.6
Current provisions for liabilities and charges	485.4	276.9	431.1
Provisions for restructuring	173.0	13.2	124.3
Other current provisions ⁽¹⁾	312.4	263.7	306.8
Total	584.4	429.0	542.5

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

14.2 - Variations in provisions for restructuring and other provisions for liabilities and charges during the period

€ millions	06.30.2008	12.31.2008	Charges (2)	Reversals (used) (2)	Reversals (not used) (2)	Impact of change in scope / Exchange rate/ Other (1)	06.30.2009
Other provisions for liabilities and charges	415.1	417.4	136.0	-130.4	-13.0	0.8	410.8
Provisions for restructuring	13.9	125.1	101.9	-53.3	-2.1	2.0	173.6
Total	429.0	542.5	237.9	-183.7	-15.1	2.8	584.4

(1) Mainly resulting from translation differences.

(2) These figures may be analysed as follows

	Charges	Reversals (used)	Reversals (not used)
• Other income and expenses	101.9	-53.3	-2.1
• Operating profit	131.5	-115.1	-12.6
• Financial (income) /expense	0.1	-0.6	-
• Income tax	4.4	-14.7	-0.4

NOTE 15 - BORROWINGS AND DEBTS

The Group finances its activities 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.

15.1 - Debt by type

€ millions	06.30.2009		06.30.2008		12.31.2008	
	Non-current	Current	Non-current	Current	Non-current	Current
Short-term paper	-	1,642.5	-	2,211.4	-	1,896.2
MLT bank loans	2,414.8	63.5	2,477.1	59.4	2,414.6	71.5
Debts on capital lease contracts	68.3	10.5	78.4	13.9	69.3	13.2
Overdrafts	-	36.7	-	138.5	-	63.6
Other borrowings and debts	21.4	164.5	16.6	222.9	22.7	226.1
Total	2,504.5	1,917.7	2,572.1	2,646.1	2,506.6	2,270.6

15.2 - Debt by maturity date

€ millions	06.30.2009	06.30.2008	12.31.2008
Under 1 year	1,917.7	2,646.1	2,270.6
1 to 5 years	2,464.9	2,529.1	2,463.6
Over 5 years	39.6	43.0	43.0
Total	4,422.2	5,218.2	4,777.2

15.3 - Debt by currency (after allowing for currency hedging instruments)

€ millions	06.30.2009	06.30.2008	12.31.2008
Euro (EUR)	3,443.3	4,039.9	3,812.9
US dollar (USD)	441.4	709.8	552.5
Canadian dollar (CAD)	118.4	86.0	42.8
Yen (JPY)	101.4	8.1	90.2
Yuan (CNY)	46.4	38.8	51.0
Others	271.3	335.6	227.9
Total	4,422.2	5,218.2	4,777.2

15.4 - Breakdown of fixed rate and floating rate debt (after allowing for interest rate hedging instruments)

€ millions	06.30.2009	06.30.2008	12.31.2008
Floating rate	4,341.2	5,112.7	4,677.4
Fixed rate	81.0	105.5	99.8
Total	4,422.2	5,218.2	4,777.2

15.5 - Effective interest rates

The effective debt interest rates, after allowing for hedging instruments, were 0.68% for first half 2009, 3.95% for first half 2008 and 3.26% in 2008 for short-term paper, and 1.45% for first half 2009, 4.94% for first half 2008 and 4.48% in 2008 for bank loans.

15.6 – Average debt interest rates

The average debt interest rates, after allowing for hedging instruments, were 2.08% for first half 2009, 4.65% for first half 2008 and 4.77% in 2008 for the euro, and 0.64% for first half 2009, 3.16% for first half 2008 and 2.91% in 2008 for the US dollar.

15.7 – 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, 2009, the fair value of the debt amounts to €4,422.5 million compared with €5,220.3 million and €4,777.8 million respectively at June 30th, 2008 and at December 31st, 2008.

NOTE 16 - 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.

16.1 - Hedging of 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, future operating transactions are covered by exchange rate hedges, either by options, or by purchases or sales of forward contracts.

At June 30th, 2009 the change in the intrinsic value of the hedging instruments allocated to future transactions and deferred through shareholders' equity amounts to €72.4 million compared with €72.1 million and €162.0 million respectively at June 30th, 2008 and December 31st, 2008.

16 .2 - Hedging of 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, 2009, the market value of the interest rate hedging instruments deferred through shareholders' equity is €-1.5 million compared with €0.7 million and €-1.3 million respectively at June 30th, 2008 and December 31st, 2008.

16 .3 - Shareholding risk

No cash has been invested in shares.

The available cash is invested, with top financial institutions, in the form of non-speculative instruments which can be drawn in very short periods. At June 30th, 2009, it is exclusively invested in government bonds of the Euro-zone through mutual funds.

At June 30th, 2009, the group holds 118,227,307 Sanofi-Aventis shares for an amount of €4,950.2 million (note 11).

A significant or prolonged passage of the share price below €34.12, being the cost of the Sanofi-Aventis shares, would potentially expose L'Oréal to an impairment loss on its assets to be recorded through the profit and loss account.

For these shares, a change in the market price of plus or minus 10% relative to the market price of €41.87 on June 30th, 2009 would have an impact on the group shareholders' equity of plus or minus €495.0 million before tax.