1 2008 Consolidated financial statements*

** This information forms an integral part of the Annual Financial Report as provided for in Article L.451-1-2 of the French Monetary and Financial code.*

1.1. Compared consolidated profit and loss accounts

€ millions	Notes	2008	2007	2006
Net sales	3	**17,541.8**	**17,062.6**	**15,790.1**
Cost of sales		-5,240.1	-4,941.0	-4,569.1
Gross profit		**12,301.7**	**12,121.6**	**11,221.0**
Research and development		-581.3	-559.9	-532.5
Advertising and promotion		-5,274.6	-5,126.7	-4,783.0
Selling, general and administrative expenses		-3,779.4	-3,618.2	-3,309.4
Operating profit before foreign exchange gains and losses		**2,666.4**	**2,816.8**	**2,596.1**
Foreign exchange gains and losses	6	58.2	10.4	-55.2
Operating profit		**2,724.6**	**2,827.2**	**2,540.9**
Other income and expenses	7	-156.3	621.6	-60.8
Operational profit		**2,568.3**	**3,448.8**	**2,480.1**
Finance costs	8	-174.2	-174.5	-115.9
Other financial income (expense)		-7.2	-7.6	-3.6
Sanofi-Aventis dividends		244.7	250.3	217.4
Share in net profit (loss) of equity affiliates		-	0.1	-1.2
Profit before tax and minority interests		**2,631.6**	**3,517.2**	**2,576.8**
Income tax	9	-680.7	-859.7	-514.7
Net profit		**1,950.9**	**2,657.5**	**2,062.1**
Attributable to:				
- group share		1,948.3	2,656.0	2,061.0
- minority interests		2.6	1.5	1.1
Net profit attributable to the Group per share (euros)	10	3.31	4.42	3.36
Diluted net profit attributable to the Group per share (euros)	10	3.30	4.38	3.35
Net profit excluding non-recurrent items attributable to the Group per share (euros)	10	3.50	3.39	2.99
Diluted net profit excluding non-recurrent items attributable to the Group per share	**10**	**3.49**	**3.36**	**2.98**

1.2. Compared consolidated balance sheets

Assets

€ millions	Notes	12.31.2008	12.31.2007	12.31.2006
Non-current assets		**16,308.7**	**16,979.6**	19,155.4
Goodwill	11	5,532.5	4,344.4	4,053.9
Other intangible assets	12	2,038.2	1,959.2	1,792.8
Tangible assets	14	2,753.3	2,651.1	2,628.4
Non-current financial assets	15	5,557.4	7,608.9	10,168.5
Investments in equity affiliates		-	-	82.0
Deferred tax assets	9	427.3	416.0	429.8
Current assets		**6,648.2**	**6,220.7**	**5,627.6**
Inventories	16	1,635.5	1,547.6	1,404.4
Trade accounts receivable	17	2,694.6	2,617.5	2,558.5
Other current assets	18	1,107.4	926.4	851.8
Current tax assets		133.6	42.5	31.7
Cash and cash equivalents	19	1,077.1	1,086.7	781.2
Total		**22,956.9**	**23,200.3**	**24,783.0**

Liabilities & Equity

€ millions	Notes	12.31.2008	12.31.2007	12.31.2006
Shareholders' equity	20	**11,828.7**	**13,621.8**	**14,624.2**
Capital stock		120.5	123.6	127.9
Additional paid-in capital		965.5	963.2	958.5
Other reserves		9,331.5	8,695.8	8,974.4
Items directly recognised in equity		1,433.6	3,408.9	5,066.9
Cumulative translation adjustments		-563.1	-441.1	-70.3
Treasury stock		-1,410.6	-1,787.2	-2,496.3
Net profit attributable to the Group		1,948.3	2,656.0	2,061.0
Shareholders' equity excluding minority interests		**11,825.7**	**13,619.2**	**14,622.1**
Minority interests		2.9	2.5	2.1
Non-current liabilities		**3,771.8**	**3,978.5**	**3,396.9**
Provisions for employee retirement obligation and related benefits	21	694.4	755.3	837.9
Provisions for liabilities and charges	22	111.4	148.5	154.1
Deferred tax liabilities	9	459.4	491.6	512.5
Non-current borrowings and debts	23	2,506.6	2,583.0	1,892.4
Current liabilities		**7,356.4**	**5,600.1**	**6,761.9**
Trade accounts payable		2,656.6	2,528.7	2,485.0
Provisions for liabilities and charges	22	431.1	285.7	272.0
Other current liabilities	25	1,838.4	1,732.5	1,613.9
Current tax liabilities		159.7	176.5	173.0
Current borrowings and debts	23	2,270.6	876.8	2,218.0
Total		**22,956.9**	**23,200.3**	**24,783.0**

1.3. 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 adjust-ments	Share-holders' equity excluding minority interests	Minority interests	Shareholders' equity
At 12.31.2005	**619,973,610**	**131.7**	**953.9**	**10,797.1**	**5,197.2**	**-2,638.2**	**214.0**	**14,655.7**	**1.5**	**14,657.2**
Capital increase	76,000	-	4.6					4.6		4.6
Cancellation of treasury stock		-3.8		-1,255.6		1,259.4		-		-
Dividends paid (not paid on treasury stock)				-616.1				-616.1	-0.9	-617.0
Cumulative translation adjustments							*-284.3*	*-284.3*	*0.2*	*-284.1*
Financial assets available for sale					*-194.5*			*-194.5*		*-194.5*
Cash flows hedging					*64.2*			*64.2*		*64.2*
Items directly recognised in equity					-130.3		-284.3	-414.6	0.2	-414.4
Consolidated net profit of the period				2,061.0				2,061.0	1.1	2,062.1
Total income and expenses				**2,061.0**	**-130.3**		**-284.3**	**1,646.4**	**1.3**	**1,647.7**
Share-based payment				49.4				49.4		49.4
Net changes in treasury stock	-14,327,500			-1.5		-1,117.5		-1,119.0		-1,119.0
Other movements				1.1				1.1	0.2	1.3
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
Cumulative translation adjustments							*-370.8*	*-370.8*		*-370.8*
Financial assets available for sale					*-1,685.9*			*-1,685.9*		*-1,685.9*
Cash flows hedging					*27.9*			*27.9*		*27.9*
Items directly recognised in equity		-			-1,658.0	-	-370.8	-2,028.8	-	-2,028.8
Consolidated net profit 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**
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	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
Cumulative translation adjustments							*-122.0*	*-122.0*		*-122.0*
Financial assets available for sale					*-2,046.2*			*-2,046.2*		*-2,046.2*
Cash flows hedging					*70.9*			*70.9*		*70.9*
Items directly recognised in equity		-			-1,975.3	-	-122.0	-2,097.3	-	-2,097.3
Consolidated net profit of the period				1,948.3				1,948.3	2.6	1,950.9
Total income and expenses	**-**	**-**	**-**	**1,948.3**	**-1,975.3**	**-**	**-122.0**	**-149.0**	**2.6**	**-146.4**
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				-3.1				-3.1	-1.1	-4.2
At 12.31.2008	**583,140,468**	**120.5**	**965.5**	**11,279.8**	**1,433.6**	**-1,410.6**	**-563.1**	**11,825.7**	**2.9**	**11,828.7**

1.4. Compared consolidated statements of cash flows

€ millions	Notes	2008	2007	2006
Cash flows from operating activities				
Net profit attributable to the Group		1,948.3	2,656.0	2,061.0
Minority interests		2.6	1.5	1.1
Elimination of expenses and income with no impact on cash flows:				
• depreciation, amortisation and provisions		706.1	598.5	579.4
• changes in deferred taxes		6.6	38.3	-273.3
• share-based payment	20.3	85.9	69.1	49.4
• capital gains and losses on sale of assets	10	-3.6	-11.7	-8.5
• capital gain on Sanofi-Aventis sale, net of tax		-	-631.9	
• share in net income of equity affiliates net of dividend received		-	0.5	1.2
Gross cash flow		**2,745.9**	**2,720.4**	**2,410.3**
Changes in working capital	27	-148.8	-76.3	65.6
Net cash provided by operating activities (A)		**2,597.1**	**2,644.0**	**2,475.9**
Cash flows from investing activities				
Investments in tangible and intangible assets		-745.9	-776.0	-745.2
Disposals of tangible and intangible assets		9.2	30.1	28.9
Disposal of Sanofi-Aventis, net of tax		-	1,465.3	
Changes in other financial assets (including investments in non-consolidated companies)		-9.4	-10.2	-3.9
Effect of changes in the scope of consolidation	28	-1,299.1	-604.4	-1,065.7
Net cash (used in) from investing activities (B)		**-2,045.2**	**104.8**	**-1,785.9**
Cash flows from financing activities				
• Dividends paid		-849.2	-725.7	-633.8
• Capital increase of the parent company		2.3	4.7	4.6
• Disposal (acquisition) of treasury stock		-912.6	-1,001.6	-1,119.0
• Issuance (repayment) of short-term loans		1,262.5	-1,439.1	209.3
• Issuance of long-term borrowings		1.1	753.2	1,563.5
• Repayment of long-term borrowings		-62.8	-10.1	-577.0
Net cash (used in) from financing activities (C)		**-558.7**	**-2,418.7**	**-552.4**
Net effect of exchange rate changes and fair value changes (D)		-2.8	-24.6	-19.6
Change in cash and cash equivalents (A+B+C+D)		**-9.6**	**305.5**	**118.0**
Cash and cash equivalents at beginning of the year (E)		**1,086.7**	**781.2**	**663.2**
Cash and cash equivalents at end of the year (A+B+C+D+E)	**19**	**1,077.1**	**1,086.7**	**781.2**

Income taxes paid amount to €823.6 million, €820.9 million and €725.6 million respectively for the years 2008, 2007 and 2006.

Interest paid amounts to €209.4 million, €201.1 million and €133.9 million respectively for the years 2008, 2007 and 2006.

Dividends received amount to €244.7 million, €250.3 million and €217.4 million respectively for the years 2008, 2007 and 2006. They are included within the gross cash flow.

1.5. Notes to consolidated financial statements

Detailed list of notes

Note 1. Accounting principles

The consolidated financial statements of L'Oréal and its subsidiaries ("the Group") published for 2008 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the European Union on December 31st, 2008.

On February 16th, 2009 the Board of Directors closed the consolidated financial statements at December 31st, 2008. The financial statements will not become definitive until they have been approved by the Annual General Meeting of Shareholders to be held on April 16th, 2009.

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, but does not anticipate any major impacts.

Furthermore, the Group is affected by the provisions of the "Improvements to IFRS" standard relating to the treatment of advertising and promotional costs and clarifying the provision of IAS 38. The Group is studying the implications of this standard particularly as regards accounting for samples, non amortizable POS and mail-order sales catalogues, which are currently recorded in the P&L only when they are delivered to the final customers.

The Group is studying the effect of IFRIC 13 "Customer loyalty programs" in its accounts but does not anticipate any major impact. IFRIC 14 relating to IAS 19 and pertaining to the limit of a defined benefit asset is applicable as from January 1st, 2008 but does not have impact on the Groups accounts.

The other interpretations do not affect the Group.

IFRS standards have been applied retroactively at January 1st, 2004, except for certain exemptions stipulated in IFRS 1 for first-time application of IFRS standards:

- no restatement of business combinations prior to January 1st, 2004;
- actuarial gains and losses on pension obligations fully recognised against opening equity at January 1st, 2004;
- cumulative translation adjustments at January 1st, 2004 merged with consolidated reserves;
- no revaluation of tangible assets at January 1st, 2004;
- no recognition of share purchase or subscription options plans prior to November 7th, 2002.

Furthermore, IAS 32 and 39 relating to financial instruments have been applied from January 1st, 2004 onwards for purposes of comparison. The amendment to IAS 39 "Cash flow hedge accounting of forecast intra-Group transactions", which is compulsory from January 1st, 2006 onwards, has been applied.

1.1. Use of estimates

The preparation of the consolidated financial statements in accordance with international accounting standards requires that the Group make a certain number of estimates and assumptions that may affect the value of the Group's assets, liabilities, shareholders' equity and net profit (loss).

These estimates and assumptions mainly concern the valuation of goodwill and other intangible assets, provisions, pension obligations, deferred taxes and share-based payments measurement. Estimates used by the Group in relation to these different areas are made on the basis of information available at the date the accounts are closed and described in detail in each specific associated note.

1.2. Scope and methods of consolidation

All companies included in the scope of consolidation have a fiscal year ending December 31st or close their accounts on that date.

All companies directly or indirectly controlled by the parent company L'Oréal have been consolidated by the full consolidation method.

Group companies that are jointly controlled by the parent company and a limited number of other shareholders under a contractual agreement have been consolidated by the proportional consolidation method.

Equity affiliates over which the Group has a significant influence have been accounted for by the equity method.

1.3. Foreign currency translation

1.3.1. Accounting for foreign currency transactions in consolidated companies

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 the closing date. Unrealised exchange gains and losses impact the profit and loss account.

In the area of foreign exchange, forward contracts and options are put in place in order to hedge items recorded in the balance sheet (fair value hedges) and cash flows on highly probable future commercial transactions (cash flow hedges).

All foreign exchange hedging instruments are recorded on the balance sheet at their market value, including those which relate to purchases and sales in the next accounting period. If the future cash flow hedging relationship is duly documented and the effectiveness of the hedges demonstrated, the variation in the fair value of these hedging instruments is recorded as follows:

- the variation of the market value linked to variations in the time value (forward points and premiums paid for options) is recorded in the profit and loss account;
- the variation of market value linked to variations in the spot rate between the inception of the hedge and the closing date is charged to shareholders' equity, and the amount accumulated in equity impacts the profit and loss account at the date on which the transactions hedged are completed. Any remaining ineffectiveness is recognised directly to the profit and loss account.

In application of the hedging accounting, unrealised exchange gains and losses relating to unsold inventories are deferred in the inventories item in the balance sheet. In the same way, if fixed assets purchased with foreign exchange are covered by a hedge, they are valued in the balance sheet on the basis of the hedging rate.

The Group may decide to cover certain investments in foreign companies. Exchange gains or losses relating to these hedges are directly charged to consolidated shareholders' equity, under the item *Cumulative translation adjustments*.

1.3.2. Translation of the accounts of foreign subsidiaries

The assets and liabilities of foreign subsidiaries are translated at closing exchange rates. Profit and loss accounts are translated at average exchange rates for the year.

The resulting translation difference is entered directly under shareholders' equity under the item *Cumulative translation adjustments*, for the Group's share, and under the *Minority interests* item, for the minority interests. This difference does not impact the profit and loss account other than at the time of the disposal of the company.

1.3.3. Valuation of goodwill in foreign currencies

Goodwill generated on foreign companies is considered to form part of assets and liabilities of the foreign company, and is therefore expressed in the entity's functional currency, and is translated using exchange rates effective at the closing date. Goodwill recorded before January 1st, 2004 has been kept in euros, at the historic exchange rate.

1.4. Net sales

Net sales are recognised when the risks and rewards inherent in ownership of the assets have been transferred to the customer.

Sales incentives, cash discounts and product returns are deducted from sales, as are incentives granted to distributors or consumers, resulting in a cash out flow, such as commercial cooperation, coupons, discounts and loyalty programmes.

Sales incentives, cash discounts, provisions for returns and incentives granted to customers are recorded simultaneously to the recognition of the sales, if they can be estimated in a reasonably reliable manner, based on statistics compiled from past experience and contractual conditions.

1.5. Cost of sales

The cost of goods sold consists mainly of the industrial production cost of the products sold, the cost of distributing products to customers including the freight and delivery costs, either directly or indirectly through depots, inventory impairment costs, and royalties paid to third parties.

1.6. Research and development expenditure

Expenditure during the research phase is charged to the profit and loss account of the financial year during which it is incurred.

The expenses incurred during the development phase are recognised as *Intangible assets* only if they meet all the following criteria, in accordance with standard IAS 38:

- the project is clearly defined and the related costs are separately identified and reliably measured;
- the technical feasibility of the project has been demonstrated;
- the intention and ability to complete the project and to use or sell the products resulting from the project have been demonstrated;
- the resources necessary to complete the project and to use or sell it are available;
- the Group can demonstrate that the project will generate probable future economic benefits, as the existence of a potential market for the production resulting from the project, or its internal usefulness has been demonstrated.

In view of the very large number of development projects and the uncertainties concerning the decision to launch the products relating to the project, L'Oréal considers that some of these capitalisation criteria are not met.

The development costs of software for internal use are capitalised for the programming, coding and testing phases. The costs of substantial updates and upgrades giving rise to additional functions are also capitalised.

The capitalised development costs are amortised from the date on which the software is made available in the entity concerned, over the probable useful life span, which is in most cases between 5 and 7 years.

1.7. Advertising and promotion expenses

These expenses consist mainly of expenses relating to the advertisement and promotion of products to customers and consumers.

They are charged to the profit and loss account of the financial year when they are incurred.

1.8. Selling, general and administrative expenses

These expenses relate mainly to sales forces and their management, marketing teams, administrative services, as well as general expenses and stock option charges.

1.9. Exchange gains and losses

The exchange gains and losses included in this item correspond to gains and losses recorded on operating expenses and income in foreign currency valued at the rate effective on the day of the transaction and the rate applied for the settlement, after allowing for hedging derivatives. Furthermore, the variation in the time value of hedging derivatives is systematically charged to the profit and loss account, and this also applies to option premiums (Note 1.3).

1.10. Operating profit

Operating profit consists of gross profit, after deducting research and development expenses, advertising and promoting expenses, selling, general and administrative expenses, and exchange gains and losses on commercial transactions.

1.11. Other income and expenses

The *Other income and expenses* item includes capital gains and losses on disposals of tangible and intangible assets, impairment of assets and restructuring costs.

The cost of restructuring operations is fully provisioned if it results from a Group obligation towards a third party originating from the decision taken by the competent body and giving rise before the closing date to the announcement of this decision to the third parties concerned. This cost consists mainly of severance payments, early retirement payments, the cost of notice periods not worked, and the costs of training terminated employees and other costs relating to the site closures. The write-offs of fixed assets, depreciation of inventories and other assets, linked directly to the restructuring measures, are also recorded as restructuring costs.

1.12. Operational profit

Operational profit is calculated from operating profit, and includes other income and expenses, such as capital gains and losses on disposals of tangible and intangible assets, impairment of assets, and restructuring costs.

1.13. Finance costs

Net financial debt consists of all current and non-current financial borrowings and debts, after deducting cash and cash equivalents.

The cost of the net financial debt consists of the expenses and income generated by the items constituting the net financial debt during the accounting period, including the related results of interest rate and exchange rate hedging.

1.14. Income tax

The income tax charge includes the current tax expense payable by each consolidated tax entity and the deferred tax expense. Deferred tax is calculated whenever temporary differences occur between the tax base and the consolidated base of assets and liabilities, using a balance sheet approach and the liability method.

The restatement of assets and liabilities linked to capital lease contracts results in the booking of deferred tax.

Deferred tax includes irrecoverable taxation on estimated or confirmed dividends.

Deferred tax is valued using the enacted tax rate at the closing date and which will also be in force when the temporary differences reverse.

Deferred tax assets generated by tax loss are only recognised to the extent that a taxable profit is expected during the validity period of these tax loss carry forwards.

Under the French system of tax consolidation, the taxable profits of some French companies are offset when determining the overall tax charge, which only the parent company L'Oréal remains liable to pay.

Tax consolidation systems also exist outside France.

1.15. Intangible assets

1.15.1. Goodwill

Business combinations are accounted for by the purchase method. The assets and liabilities of the company acquired are valued on the fair value basis at the acquisition date. Any valuation differences identified when the acquisition is carried out are recorded under the corresponding asset and liability items.

Any residual difference between the cost of an acquisition over the share of the Group in the fair value of the identified assets and liabilities is recorded as *Goodwill*.

Goodwill generated at the acquisition of an equity affiliate is presented in the *Investments in equity affiliates* line.

Goodwill is no longer amortised, in accordance with the standard IFRS 3 "Business combinations". It is subjected to an impairment test if an unfavourable event occurs, and at least once a year, during the fourth quarter. Unfavourable events may result among other things from an increase in market interest rates or from a decrease in actual sales or operational profit compared to forecasts.

Impairment tests consist of comparing net asset values including goodwill and the recoverable value of each Cash Generating Unit.

A Cash Generating Unit corresponds to one or more worldwide brands. Recoverable values are determined on the basis of discounted operating cash flows over a period of 10 years (the period considered necessary for the strategic positioning of an acquisition) and a terminal value. The cash flows are determined in the currencies of the countries in question and are translated, as are the net asset values to which they are compared, at the estimated exchange rate for the following year. The discount rate used for these calculations is the Groups weighted average cost of capital (WACC), which amounts to 8.5% for 2008, 8.6% for 2007 and 8.0% for 2006, adjusted by applying a country risk premium if necessary. The discount rates are rates after tax applied to cash flows after tax. Their use leads to the determination of recoverable values identical to those obtained by using rates before tax with untaxed cash flows.

The assumptions adopted in terms of growth of sales and terminal values are reasonable and consistent with the available market data (generally around 3% for terminal values except in specific cases).

The use of discounted cash flows is preferred in order to determine recoverable value, unless details of similar recent transactions are easily available.

The depreciation of goodwill is not reversible.

1.15.2. Other intangible assets

Intangible assets are recorded on the balance sheet at cost. Intangible assets identified following an acquisition are also included in this item. They mainly consist of trademarks, product ranges, formulas and patents.

With regard to trademarks, the use of the discounted cash flow method is preferred in order to make it easier to follow up the value in use after acquisition.

Two approaches have been adopted to date:

- premium-based approach: this method involves estimating the part of future flows that could be generated by the trademark, compared with the future flows that the activity could generate without the trademark;
- royalty-based approach: this involves estimating the value of the trademark by reference to the levels of royalties demanded for the use of similar trademarks, based on sales forecasts drawn up by the Group.

These approaches are based on a qualitative analysis of the trademark in order to ensure that the assumptions selected are relevant. The discount rate retained refers to the weighted average cost of capital (WACC) for the target acquired.

Terminal growth rates are consistent with available market data (generally around 3%, except in specific cases).

A trademark may have a finite or an indefinite life span.

Local trademarks, which are to be gradually replaced by an international trademark already existing inside the Group are trademarks with a finite life span. They are amortised over a life span, which is estimated at the date of acquisition.

International trademarks are trademarks with an indefinite life span. They are subjected to impairment tests if an unfavourable event occurs, and at least once a year, during the fourth quarter. Unfavourable events may result among other things from an increase in market interest rates or from a decrease in actual sales or operational profit compared to forecasts.

The impairment test consists of calculating the recoverable value of the trademark based on the model adopted when the acquisition takes place.

As for product ranges, this concept covers all items which constitute a franchise: product concept, complementary name in addition to the trademark, formulas and patents used, packaging, logos, advertising trademark, etc.

The life span of a product range is limited: a range reaches the end of its life span when the main underlying elements, such as packaging, name, formulas and patents, are no longer used. For this reason, product ranges are depreciated over their remaining life span, estimated at the date of acquisition.

The Group may decide to identify and value patents and formulas that it wishes to develop.

The value of a patent or a formula is evaluated on the basis of the future profits expected from its ownership in the future, in accordance with the royalty-based approach.

The depreciation period of patents corresponds to the period of legal protection. Formulas, which are not protected by legal means, are depreciated over a maximum period of 5 years.

Market shares and business value accounted for in the consolidated financial statements prepared in accordance with French accounting methods do not correspond to the definition of a separable intangible asset and have been reclassified under *Goodwill* for the application of IFRS standards on January 1st, 2004.

1.16. Tangible assets

Tangible assets are recorded on the balance sheet at purchase price. They are not revalued.

Significant capital assets financed through capital leases, which essentially transfer to the Group the risks and rewards inherent in their ownership, are recorded as assets on the balance sheet. The corresponding debt is recorded as Borrowings and debts on the balance sheet.

Investment subsidies are recorded as liabilities under *Other current liabilities*.

The components of a tangible asset are recorded separately if their estimated useful life spans, and therefore their depreciation periods, are materially different.

Tangible assets are depreciated using the straight-line method, over the following economic life spans:

Buildings	10-40 years
Industrial machinery and equipment	5-15 years
Point-of-sales advertising, stands and displays	3-5 years
Other tangible assets	3-10 years

Depreciation and impairment losses are recorded in the profit and loss account according to the use of the tangible asset.

In view of their nature, tangible assets are considered to have zero value at the end of the economic life spans indicated above.

1.17. Non-current financial assets

Non-current financial assets include investments in non-consolidated companies and long-term loans and other debtors maturing after more than twelve months.

Investments in non-consolidated companies are considered to be financial assets available for sale. As such, they are valued on the basis of their fair value, and unrealised losses and gains are accounted for through equity on the line *Items directly recognised in equity*.

Their fair value is determined on the basis of the share price at the closing date for listed securities. For unlisted securities, if the fair value cannot be reliably established, they are valued at cost.

If the unrealised loss accounted for through equity is representative of a lasting impairment, this loss is recorded in the profit and loss account.

Long-term loans and other debtors are considered to be assets generated by the activity. As such, they are valued at amortised cost. If there is an indication of a loss in value, a provision for impairment is recorded.

1.18. Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is calculated using the weighted average cost or the "first in, first out" formula.

A provision is made for obsolete and slow-moving inventories on the basis of their probable net realisable value, estimated on the basis of historic and provisional data.

1.19. Trade accounts receivable

Accounts receivable from customers are recorded at their nominal value, which corresponds to their fair value.

A provision is made for any uncertain debts based on an assessment of the risk of non-recovery.

The Group policy is to recommend credit insurance coverage as far as the local conditions allow it.

1.20. Cash and cash equivalents

Cash and cash equivalents consist of cash in bank accounts, units of cash unit trusts and liquid short-term investments with no risk of change in value, and whose maturity date at the date of acquisition is less than three months away.

Investments in shares and cash, which are held in an account blocked for more than three months, cannot be recorded under cash, and are presented under *Other current assets*.

Bank overdrafts considered to be financing and are presented in *Current borrowings and debts*.

Units of unit trusts are considered to be assets available for sale. As such, they are valued in the balance sheet at their market value at the closing date. The unrealised gains thus generated are accounted for directly through equity on the line *Items directly recognised in equity*.

The book value of bank deposits is a reasonable approximation of their fair value.

1.21. Treasury stock

Treasury stock is recorded at acquisition cost and deducted from shareholders' equity. Capital gains/losses on disposal of this stock net of tax are charged directly to shareholders' equity and do not contribute to the profit for the financial year.

1.22. Stock options

Stock options are intended to motivate and strengthen the loyalty of employees who make the largest contribution to the Group's performance through their skills and commitment.

In accordance with the requirements of standard IFRS 2 "Share-based payment", the value of the options granted calculated at the grant date is charged to the profit and loss account over the vesting period, which is generally 5 years.

Stock options fair value is determined using the Black & Scholes model. This model allows for the characteristics of the plan such as exercise price and exercise period, market data at the acquisition date such as the risk-free rate, share price, volatility, expected dividends and behavioural factors of beneficiaries.

Only options issued after November 7th, 2002 and not fully vested at January 1st, 2005 are accounted for in accordance with standard IFRS 2.

The impact on the result of the period of application of standard IFRS 2 is booked on the *Selling, general and administrative expenses* line of the profit and loss account at Group level, and is not allocated to the Divisions or to geographic zones.

1.23. Provisions for employee retirement obligation and related benefits

The Group adheres to pension, early retirement and other benefit schemes depending on local legislation and regulations.

For obligatory state schemes and other defined-contribution schemes, the Group charges to the profit and loss account the contributions to be paid when they are due and no provision has been set aside, as the Group's commitment does not exceed the amount of contributions paid. For defined benefit schemes, the characteristics of the schemes in force inside the Group are as follows:

- French regulations provide for specific length-of-service awards payable to employees on retirement. In addition, an early retirement plan and a defined benefit plan have been set up. In some Group companies there are also measures providing for the payment of certain healthcare costs for retired employees.

  These obligations, except for those relating to healthcare costs for retired employees, are partially funded;

- for foreign subsidiaries with employee pension schemes or other specific obligations relating to defined benefits, the excess of obligations over the scheme's assets is recognised by setting up a provision for charges on the basis of the actuarial value of the vested rights of employees.

The charges recorded in the profit and loss account during the year include:

- service cost, i.e. additional rights acquired by employees during the accounting period;
- interest cost, i.e. change in the value of the discounted rights due to the fact that one year has gone;
- expected return on assets, i.e. income from external assets calculated on the basis of a standard return on long-term investments;
- the impact of any change to existing schemes on previous years or of any new schemes;
- amortisation of unrecognised gains and losses.

To determine the discounted value of the obligation for each scheme, the Group applies an actuarial valuation method based on the final salary (projected credit unit method). The obligations and the fair value of assets are assessed each year, using length-of-service, life expectancy, staff turnover by category and economic assumptions (such as inflation rate and discount rate).

The cumulative effects of unrecognised gains and losses are amortised over the average remaining working lives of active employees, unless such gains and losses do not exceed 10% of the greater of the discounted benefit obligation or the fair value of plan assets (corridor principle). This amortisation is included in the annual actuarial charge of the following financial year.

Gains and losses in relation to other benefits, such as jubilees and medals, are immediately charged to the profit and loss account without the application of the corridor principle.

The liability corresponding to the company's net personnel benefit obligation is entered on the balance sheet, on the *Provisions for employee retirement obligation and related benefits line*.

1.24. Provisions for liabilities and charges

Provisions for liabilities and charges are set up to cover probable outflows for the benefit of third parties without receipt of equivalent consideration by the Group. They relate mainly to tax risks and litigation, industrial and commercial risks relating to operations (breach of contract, product returns) and employee-related risks.

They are estimated on the basis of the most likely assumptions or by using statistical methods, depending on the type of provisions.

Provisions for liabilities and charges are recorded either as *Non-current liabilities* or as *Current liabilities*, depending on their nature. Provisions for liabilities or litigation, which must be settled within twelve months of the closing date, and those linked to the normal operating cycle (such as product returns) are recorded as *Current liabilities*. The other provisions for liabilities and charges are recorded as *Non-current liabilities*.

1.25. Borrowings and debts

Borrowings and debts are valued at amortised cost based on an effective interest rate.

In accordance with the principle of recording fair value hedges, fixed rate borrowings and debts swapped at a variable rate are valued on the balance sheet at market value. The resulting changes in value are recorded as finance cost and are offset by changes in the value of the related rate swaps. The fair value of fixed rate debts is determined by the discounted cash flow method at the closing date, allowing for the spread corresponding to the Group's risk class. The book value of the variable rate debts is a reasonable approximation of their fair value.

Medium and long-term borrowings and debts are recorded under *Non-current liabilities*. Short-term borrowings and debts, and the part of medium and long-term borrowings and debts, which is repayable in less than one year, are presented under *Current liabilities*.

1.26. Financial derivatives

In accordance with Group financial management policies, none of L'Oréal's consolidated companies conduct any financial market transactions for speculative reasons. As a result, all derivative instruments concluded by Group companies are only for hedging purposes, and are thus accounted for in accordance with the hedge accounting principles.

With regard to exchange rate risk, the applicable accounting principles are set out in detail in Note 1.3.

With regard to interest rate risk, the fixed-rate debts and financial loans covered by interest rate swaps are valued in the balance sheet at their market value. Changes in the fair value of these debts are recorded as finance cost, and are offset by the recording of adjustments in the fair value of the related hedging derivatives.

Variable interest rate debts and financial loans are valued at cost, which corresponds to their market value. The swaps or caps which hedge them are valued in the balance sheet at their market value, and changes in value are recorded directly through equity on the *Items directly recognised in equity* line.

The fair value of interest rate derivative instruments is their market value. The market value is calculated by the discounted cash flow method at the interest rate effective at the closing date.

1.27. Earnings per share

Net earnings per share are calculated in accordance with the rules set out in IAS 33.

Net earnings per share are obtained on the basis of the weighted average number of shares outstanding during the year, after deducting the number of treasury stock which are deducted from shareholders' equity.

Diluted net earnings per share allow where applicable for stock options with a dilutive effect in accordance with the "treasury stock method": the sums collected on the exercise or purchase are assumed to be allocated firstly to share buybacks at market price.

Note 2. Changes in the scope of consolidation

2.1. 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 23th, 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 provisional acquisition balance sheet of YSL Beauté at June 30th, 2008 are as follows:

€ millions	
Non-current assets (1)	135.1
Current assets	319.5
Non-current liabilities	-84.3
Current liabilities	-277.3
Total net equity acquired	**93.0**

(1) of which €32.0 million of intangible assets resulting from the acquisition. The €1,017.6 million goodwill has been allocated for €582.7 million to the YSL Cash Generating Unit and the balance was allocated between the various Luxury Products Division CGUs affected on the basis of the synergies expected (Note 11).

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 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 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 after provisional allocation of the acquisition cost of CollaGenex respectively of €121.9 million and €116.1 million.

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 control was obtained.

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 fully consolidated as from May 8th, 2007.

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

Maly's West id 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.

2.3. Year 2006

At the end of February 2006, EpiSkin, a subsidiary of L'Oréal, acquired SkinEthic, a company listed on the Marché Libre of Euronext Paris. SkinEthic produces and markets reconstructed epidermis, skin and epithelial tissues which can be used to carry out in vitro tests on the safety and effectiveness of many products (cosmetics, pharmaceuticals, chemicals, etc.). In 2005 SkinEthic sales totalled €1.5 million.

On March 17th, 2006, L'Oréal announced a cash offer for The Body Shop International PLC.

Listed on the London Stock Exchange, The Body Shop is a successful cosmetics brand with strong growth potential. With 2,133 dedicated and franchise retail outlets in 54 countries, The Body Shop had total retail sales of £772 million (total sales including those made in franchised retail outlets) in the year ending February 25th, 2006. Consolidated sales were £486 million. The Body Shop has acquired a strong reputation as a naturally-oriented brand with expertise in retail and deeply-rooted values.

On June 9th, 2006, L'Oréal declared the offer wholly unconditional and had acquired or received at that date valid acceptances in respect of 208,098,583 The Body Shop shares in aggregate (representing approximately 95.5% of the existing issued share capital of The Body Shop). L'Oréal decided to compulsorily acquire the remaining The Body Shop shares. The Body Shop has been fully consolidated from June 30th, 2006 onwards and constitutes a separate branch (see Note 3).

The main items of the acquisition balance sheet of The Body Shop are as follows:

€ millions	
Non-current assets (1)	814.4
Current assets	268.3
Non-current liabilities	-228.2
Current liabilities	-222.9
Total net equity acquired	**631.6**

(1) of which intangible assets (except goodwill) resulting from the acquisition for €645.5 million.

At the end of July 2006, L'Oréal USA Inc. acquired a 30-percent stake in the distribution company Beauty Alliance International (BAI), which services 115,000 hair salons in the US. This investment is accounted for under the equity method from August 1st, 2006.

At the end of October 2006, L'Oréal acquired the French Laboratoire Sanoflore, a pioneer in the design, manufacture and marketing of certified organic cosmetics products.

Sanoflore manufactures and distributes through pharmacies and specialist shops its ranges of cosmetics and aromatherapy products. Sanoflore handles all the stages in the aromatic and medicinal plant chain, from cultivation with partner farmers to the finished product.

The sales of Sanoflore amounted to about €15 million in 2006, including 20% outside France.

The total cost of theses new acquisitions amounts to €1,150.4 million. The total amount of goodwill and other intangible assets resulting from these acquisitions amounted to €482.7 million and €704.4 million respectively out of which €108.4 million booked under the caption «investment in equity affiliates».

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 remote 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. 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 **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, and which are described in Note 1.

The performance of each branch and Division is measured by the *operating profit*.

€ millions 2008	Sales	Operating profit	Operational assets (1)	Operational liabilities (2)	Investments in tangible and intangible assets	Depreciation, amortisation and provisions
Professional Products	2,471.7	518.8	2,517.5	551.0	64.6	95.1
Consumer Products	8,354.9	1,578.1	5,496.4	2,093.4	357.0	353.8
Luxury Products	4,169.6	766.5	4,058.9	1,263.5	153.6	189.4
Active Cosmetics	1,289.3	259.1	817.1	321.7	32.7	47.8
Other Cosmetics	73.4	-12.1	69.7	27.2	12.1	0.6
Cosmetics Divisions total	**16,358.9**	**3,110.3**	**12,959.6**	**4,256.8**	**620.0**	**686.7**
Non-allocated		-501.9	380.6	500.7	79.2	78.8
Cosmetics branch	**16,358.9**	**2,608.4**	**13,340.2**	**4,757.5**	**699.2**	**765.4**
The Body Shop branch	**756.0**	**36.2**	**1,028.3**	**29.9**	**40.6**	**42.1**
Dermatology branch	**426.9**	**80.0**	**521.5**	**87.6**	**18.9**	**36.2**
Group	**17,541.8**	**2,724.5**	**14,890.0**	**4,875.0**	**758.7**	**843.8**

€ millions 2007	Sales	Operating profit	Operational assets (1)	Operational liabilities (2)	Investments in tangible and intangible assets	Depreciation, amortisation and provisions
Professional Products	2,391.9	501.7	2,439.5	558.4	64.2	80.8
Consumer Products	8,280.2	1,582.4	5,360.5	2,106.3	373.3	365.5
Luxury Products	3,927.9	843.8	2,694.6	1,098.1	175.7	145.9
Active Cosmetics	1,248.1	255.8	818.1	314.9	32.1	40.8
Other Cosmetics	60.3	-3.4	18.5	19.6	2.1	3.2
Cosmetics Divisions total	**15,908.2**	**3,180.4**	**11,331.2**	**4,097.3**	**647.4**	**636.2**
Non-allocated		-478.9	363.5	504.6	51.8	67.0
Cosmetics branch	**15,908.2**	**2,701.5**	**11,694.7**	**4,601.9**	**699.2**	**703.2**
The Body Shop branch	**786.9**	**63.8**	**1,271.2**	**92.3**	**58.0**	**52.9**
Dermatology branch	**367.5**	**62.0**	**343.1**	**79.2**	**33.1**	**26.7**
Group	**17,062.6**	**2,827.2**	**13,309.0**	**4,773.4**	**790.3**	**782.8**

€ millions 2006	Sales	Operating profit	Operational assets (1)	Operational liabilities (2)	Investments in tangible and intangible assets	Depreciation, amortisation and provisions
Professional Products	2,125.9	443.0	1,756.1	544.0	68.3	62.3
Consumer Products	7,903.5	1,421.3	5,394.4	2,162.0	379.9	341.8
Luxury Products	3,773.1	775.9	2,559.5	1,075.3	151.1	126.1
Active Cosmetics	1,127.9	220.8	785.2	281.8	30.4	33.4
Other Cosmetics	81.1	-0.8	22.4	29.2	0.7	2.9
Cosmetics Divisions total	**15,011.4**	**2,860.2**	**10,517.7**	**4,092.4**	**630.4**	**566.5**
Non-allocated		-437.0	333.1	506.6	59.7	46.6
Cosmetics branch	**15,011.4**	**2,423.2**	**10,850.8**	**4,599.0**	**690.0**	**613.0**
The Body Shop (3) branch	**435.0**	**58.3**	**1,371.0**	**65.2**	**47.3**	**28.5**
Dermatology branch	**343.7**	**59.4**	**342.5**	**74.5**	**19.7**	**24.5**
Group	**15,790.1**	**2,540.9**	**12,564.3**	**4,738.7**	**757.1**	**666.0**

(1) *Operational assets include goodwill, intangible and tangible assets, trade accounts receivable, inventories, samples, and prepared point-of-sales advertising.*
(2) *Operational liabilities include provisions for liabilities and charges (excluding provisions for tax and restructuring), provisions for employee retirement obligations, trade accounts payable, employees related payables and credit balances on customer accounts.*
(3) *2006 data for The Body Shop relate only to second half of the year 2006. Sales for full year 2006 would have amounted to €733.4 million.*

Operational assets and operational liabilities can be reconciled to the 2008, 2007 and 2006 balance sheets as follows:

€ millions	2008	2007	2006		2008	2007	2006
Operational assets	**14,890.0**	**13,309.0**	**12,564.3**	**Operational liabilities**	**4,875.0**	**4,773.4**	**4,738.7**
Non-current financial assets	5,557.4	7,608.9	10,250.5	Shareholders' equity	11,828.7	13,621.8	14,624.2
				Non-current borrowings and loans	2,506.6	2,583.0	1,892.4
Deferred tax assets	427.3	416.1	429.8	Provision for liabilities and charges	237.7	148.6	138.9
				Current borrowings and loans	2,270.6	876.8	2,218.0
Other current assets	1,005.2	779.8	757.2	Deferred tax liabilities	459.4	491.6	512.6
Cash and cash equivalent	1,077.1	1,086.7	781.2	Other current liabilities	779.0	705.2	658.4
Non-allocated assets	**8,067.0**	**9,891.4**	**12,218.7**	**Non-allocated liabilities**	**18,082.0**	**18,427.0**	**20,044.3**
Total Assets	**22,956.9**	**23,200.3**	**24,783.0**	**Total Liabilities**	**22,956.9**	**23,200.3**	**24,783.0**

3.2. Information by geographic zone - Group

All information is presented on the basis of geographic location of the subsidiaries, except for the breakdown of sales by destination, which is based on the geographic location of the customer.

3.2.1. Consolidated sales by geographic zone

	2008		Growth (%)		2007		2006	
	€ millions	% of total	Published data	Excluding exchange effect	€ millions	% of total	€ millions	% of total
Western Europe	7,984.7	45.5%	1.7%	4.2%	7,851.8	46.0%	7,347.7	46.5%
North America	4,167.5	23.8%	-5.8%	0.6%	4,426.0	25.9%	4,288.0	27.2%
Rest of the World	5,389.6	30.7%	12.6%	16.0%	4,784.7	28.0%	4,154.4	26.3%
Group	**17,541.8**	**100.0%**	**2.8%**	**6.6%**	**17,062.6**	**100.0%**	**15,790.1**	**100.0%**

3.2.2. Consolidated sales by geographic zone by destination

The breakdown of sales for each geographic zone by destination for 2008, 2007 and 2006 is as follows:

- Western Europe: 44.4%, 44.6% and 44%;
- North America: 23.3%, 25.5% and 27.6%;
- Rest of the World: 32.3%, 29.9% and 28.4%.

3.2.3. Cosmetics sales by geographic zone

	2008		Growth (%)		2007		2006	
	€ millions	% of total	Published data	Excluding exchange effect	€ millions	% of total	€ millions	% of total
Western Europe	7,381.5	45.1%	1.8%	3.6%	7,250.4	45.6%	6,992.3	46.6%
North America	3,739.3	22.9%	-6.6%	-0.2%	4,003.5	25.2%	3,953.7	26.3%
Rest of the World including:	5,238.1	32.0%	12.5%	15.8%	4,654.3	29.3%	4,065.4	27.1%
Asia	1,844.3	11.3%	16.7%	18.0%	1,580.3	9.9%	1,476.3	9.8%
Latin America	1,151.2	7.0%	2.4%	6.7%	1,123.8	7.1%	1,020.7	6.8%
Eastern Europe	1,380.3	8.4%	20.8%	21.5%	1,142.4	7.2%	850.2	5.7%
Other countries	862.2	5.3%	6.7%	15.6%	807.8	5.1%	718.3	4.8%
Cosmetics branch	**16,358.9**	**100.0%**	**2.8%**	**6.3%**	**15,908.2**	**100.0%**	**15,011.4**	**100.0%**

3.2.4. Breakdown of operating profit of cosmetics branch by geographic zone

€ millions	2008	2007	2006
Western Europe	1,633.6	1,633.1	1,527.3
North America	593.0	773.5	744.4
Rest of the World	883.7	773.9	588.5
Cosmetics Division total	**3,110.3**	**3,180.4**	**2,860.2**
Non-allocated	-501.9	-478.9	-437.0
Cosmetics branch	**2,608.4**	**2,701.5**	**2,423.2**

3.2.5. Breakdown of operational assets and consolidated investments by geographic zone

€ millions	2008		2007		2006	
	Operational assets	Investments in tangible and intangible assets	Operational assets	Investments in tangible and intangible assets	Operational assets	Investments in tangible and intangible assets
Western Europe	8,013.7	312.7	7,003.1	342.0	6,989.0	315.7
North America	3,887.0	196.7	3,609.9	213.3	3,116.8	228.2
Rest of the World	2,608.8	170.1	2,332.5	183.2	2,125.3	169.1
Non-allocated	380.6	79.2	363.5	51.8	333.1	44.1
Group	**14,890.0**	**758.7**	**13,309.0**	**790.3**	**12,564.3**	**757.1**

Note 4. Personnel costs and number of employees

4.1 - Number of employees (1)

	12.31.2008	12.31.2007	12.31.2006
Western Europe	30,956	28,012	27,237
North America	15,305	15,107	14,576
Rest of the World	21,401	20,239	19,038
Total (2)	**67,662**	**63,358**	**60,851**

(1) Including companies consolidated by the proportional method and excluding employees of The Body Shop.
(2) Out of which 3,378 for YSL Beauté in 2008.

4.2. Personnel costs

€ millions	2008	2007	2006
Personnel costs (including welfare contributions)	**3,429.4**	**3,318.3**	**3,034.9**

Personnel costs include remuneration linked to stock options and taxes on remuneration.

4.3. Compensation of directors and management

The costs recorded in respect of compensation and similar benefits granted to the Management Committee and the Board of Directors may be analysed as follows:

€ millions	2008	2007	2006
Directors' fees	1.0	1.0	0.9
Salaries and benefits including employer welfare contributions	23.8	26.3	20.2
Employee retirement obligation charges	9.4	11.2	13.1
Stock option charges	32.5	29.0	19.7

The number of managers, members of Management Committee, was 9 at December 31st, 2006 and was 13 at December 31st, 2007 and December 31st, 2008.

Note 5. Depreciation and amortisation expense

Depreciation and amortisation of tangible and intangible assets included in operating expenses amount to €704.5, €657.8 and €589.5 million respectively for 2008, 2007 and 2006.

Note 6. Foreign exchange gains and losses

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

€ millions	2008	2007	2006
Change in time value	-33.2	-29.4	-38.3
Other exchange gains and losses	91.4	39.8	-16.9
Total	**58.2**	**10.4**	**-55.2**

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. Unrealised exchange gains and losses impact the profit and loss account under the line *Foreign exchange gains and losses*. 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 €0.8, €0.6 and € 0.9 million for 2008, 2007 and 2006.

Note 7. Other income and expenses

This item may be divided into the following:

€ millions	2008	2007	2006
Capital gains or losses on disposals of tangible and intangible assets	3.6	11.8	8.5
Sanofi-Aventis sale capital gain (Note 15)	-	642.8	
Impairment of tangible and intangible assets (1)	-23.6	-1.4	-69.4
Restructuring costs (2)	-136.3	-31.6	0.1
Total	**-156.3**	**621.6**	**-60.8**

(1) These impairment charges relate:
- in 2008, to the Biomedic brand for €11.3 million as well as to Yue Sai goodwill for €10.9 million;
- in 2006 to Softsheen Carson goodwill for €53.7 million and to the Yue Sai brand for €15.7 million.
(2) Of which:
- 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 beauty 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;
- in 2007, €10.8 million relates to the discontinuation of the distribution of Biotherm in the United States which is henceforth exclusively focused on online product advertising and retail, €14 million relates to the restructuring of an important supplier of The Body Shop and €6.8 million concern the restructuring of the supply chain in Spain.

Note 8. Finance costs

This item may be divided into the following:

€ millions	2008	2007	2006
Finance costs on gross debt	-208.8	-207.5	-140.6
Finance income on cash and cash equivalents	34.6	33.0	24.7
Finance costs	**-174.2**	**-174.5**	**-115.9**

Note 9. Income tax

9.1. Detailed breakdown of income tax

€ millions	2008	2007	2006
Current tax	674.1	834.5	788.0
Deferred tax	6.6	25.2	-273.3
Income tax	**680.7**	**859.7**	**514.7**

9.2. Analysis of tax charge

The income tax charge may be analysed as follows:

€ millions	2008	2007	2006
Profit before tax and minority interests	**2,631.6**	**3,517.2**	**2,576.8**
Theoretical tax rate	29.81%	31.95%	31.74%
Expected tax charge	**784.5**	**1,123.6**	**817.9**
Impact of permanent differences	75.3	45.0	59.7
Impact of tax rate differences (1)	-100.4	-291.5	-361.6
Change in non-recorded deferred taxes	5.6	-2.0	-9.8
Other (2)	-84.3	-15.4	8.5
Group tax charge	**680.7**	**859.7**	**514.7**

(1) Includes in 2006 the impact of the decrease in long term tax rates on disposal of investments from 8% to 1.66% thereafter, applicable to the Sanofi-Aventis stake, as well as for 2007 the effect of the tax rate difference on the sale of Sanofi-Aventis shares on November 14th, 2007.
(2) Including tax credits, withholding taxes on distribution, tax reassessments and provisions for tax liabilities. The change between 2008 and 2007 is mainly due to the increase in tax research credits and the favourable resolution of tax audits in 2008.

The expected tax charge is the total for each country of the pre-tax profit multiplied by the normal taxation rate. The theoretical tax rate is the total expected tax charge as a percentage of the profit before tax and minority interests.

9.3. Deferred taxes in the balance sheet

The variation in deferred taxes (assets and liabilities) may be analysed as follows:

€ millions	
Balance of deferred tax asset at December 31st, 2005	**424.8**
Balance of deferred tax liabilities at December 31st, 2005	**-914.7**
Profit and loss effect	273.3
Translation differences	-1.5
Other effects	135.4
Balance of deferred tax asset at December 31st, 2006	**429.8**
Balance of deferred tax liabilities at December 31st, 2006	**-512.5**
Profit and loss effect	-25.2
Translation differences	21.4
Other effects	10.9
Balance of deferred tax asset at December 31st, 2007	**416.0**
Balance of deferred tax liabilities at December 31st, 2007	**-491.6**
Profit and loss effect	-6.6
Translation differences	25.7
Other effects	24.3
Balance of deferred tax asset at December 31st, 2008	**427.3**
Balance of deferred tax liabilities at December 31st, 2008	**-459.4**

Deferred tax assets and liabilites recorded in the balance sheet may be broken as follows:

€ millions	12.31.2008		12.31.2007		12.31.2006	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Temporary differences	398.6	374.3	408.3	370.7	421.2	349.1
Deferred tax liability on Sanofi-Aventis restatement		85.1		120.9	-	163.4
Tax credits and tax loss carry-forwards	28.7		7.7		8.6	-
Deferred tax total	**427.3**	**459.4**	**416.0**	**491.6**	**429.8**	**512.5**

Deferred tax assets on temporary differences mainly relate to provisions for pensions and early retirement (€190.2 million, €216.3 million, and €244.8 million at the end of 2008, 2007 and 2006 respectively), and provisions for liabilities and charges (€133.2 million, €112.4 million and €109.8 million at the end of 2008, 2007 and 2006 respectively).

Deferred tax liabilities on temporary differences mainly relate to intangible assets acquired in the context of business combinations other than non tax deductible goodwill.

The decrease in deferred tax liabilities at December 31st, 2007 on the Sanofi-Aventis restatement is due to the disposal of a stake of 1.8% in November 2007 (see Note 15).

Deferred tax assets whose recovery is not considered probable are not recorded in the financial statements; such assets amount to €111.6 million at December 31st, 2008 compared with €74.3 million at December 31st, 2007 and with €75.1 at December 31st, 2006.

Note 10. Net profit excluding non-recurrent items attributable to the Group – Net profit per share

10.1. 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	2008	2007	2006
Net profit attributable to the Group	**1,948.3**	**2,656.0**	**2,061.0**
Capital gains and losses on tangible and intangible asset disposals	-3.6	-11.8	-8.5
Sanofi-Aventis sale capital gain	-	-642.8	-
Tangible and intangible assets impairment	23.6	1.4	69.4
Restructuring cost	136.3	31.6	-0.1
Effect of change in tax rate on Sanofi-Aventis deferred tax liability	-	-	-285.6
Tax effect on Sanofi-Aventis sale capital gain	-	11.0	-
Tax effect on non-recurrent items	-40.8	-6.8	-2.8
Minority interests	-0.2	-	-
Net profit excluding non-recurrent items attributable to the Group	**2,063.6**	**2,038.6**	**1,833.4**

10.2. Net profit per share

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

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**

2007	Net profit attributable to the Group (€ millions)	Number of shares	Net profit attributable to the Group per share (€)
Net profit per share	2,656.0	600,492,348	4.42
Stock options	-	5,520,123	
Diluted net profit per share	**2,656.0**	**606,012,471**	**4.38**

2006	Net profit attributable to the Group (€ millions)	Number of shares	Net profit attributable to the Group per share (€)
Net profit per share	2,061.0	613,281,887	3.36
Stock options		2,441,333	
Diluted net profit per share	**2,061.0**	**615,723,220**	**3.35**

10.3. Net profit excluding non-recurrent items per share

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

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**

2007	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	2,038.6	600,492,348	3.39
Stock options plan	-	5,520,123	
Diluted net profit excluding non-recurrent items per share	**2,038.6**	**606,012,471**	**3.36**

2006	Net profit excluding non-recurrent items attributable to the Group (€ millions)	Number of shares	Net profit excluding non-recurrent items attributable to the Groups per share (€)
Net profit excluding non-recurrent items per share	1,833.4	613,281,887	2.99
Stock options		2,441,333	
Diluted net profit excluding non-recurrent items per share	**1,833.4**	**615,723,220**	**2.98**

Note 11. Goodwill

Goodwill is allocated by Cash Generating Unit or by Groups of Cash Generating Units. A Cash Generating Unit consists of one or more worldwide trademarks. The methodology of impairment tests is described in Note 1.

€ millions 2008	12.31.2007	Acquisitions/ Disposals	Other movements	12.31.2008
L'Oréal Professionnel/Kérastase	326.9		7.3	334.2
Matrix	263.1		9.1	272.2
Redken/PureOlogy	398.3	13.2	17.3	428.8
Professionnal Products Total	**988.2**	**13.2**	**33.7**	**1,035.2**
L'Oréal Paris	738.5	12.0	5.9	756.4
Maybelline/Garnier	959.8	11.1	32.6	1,003.5
SoftSheen Carson	68.4		4.3	72.6
Consumer Products Total	**1,766.6**	**23.2**	**42.8**	**1,832.5**
Lancôme	559.6	205.0	8.4	773.0
Shu Uemura	102.2		28.3	130.6
YSL Beauté		582.7	5.8	588.5
Other	190.8	230.0	-9.7	411.1
Luxury Products Total	**852.6**	**1,017.6**	**32.9**	**1,903.1**
Vichy/Dermablend	226.5		2.5	228.9
Other	139.6		3.2	142.8
Active Cosmetics Total	**366.1**		**5.7**	**371.8**
Other cosmetics	7.3	36.0	1.4	44.8
The Body Shop	**363.6**	**7.0**	**-78.5**	**292.1**
Dermatology		**46.5**	**6.6**	**53.1**
Group Total	**4,344.4**	**1,143.5**	**44.6**	**5,532.5**

2008 acquisitions mainly relate to YSL Beauté and CollaGenex for €1,064.2 million. No disposal took place during 2008. The other movements consist mainly of a positive impact of changes in exchange rates for €55.5 million, partly offset by €10.9 million of an impairment loss on Yue Sai. The accumulated impairment losses for Softsheen Carson and Yue Sai amount respectively to €64.8 and €11.8 million at December 31st, 2008.

€ millions 2007	12.31.2006	Acquisitions/ Disposals	Other movements	12.31.2007
L'Oréal Professionnel/Kérastase	304.3	29.3	-6.8	326.9
Matrix	180.6	80.8	1.7	263.1
Redken/PureOlogy	101.4	290.6	6.3	398.3
Professionnal Products Total	**586.3**	**400.7**	**1.1**	**988.2**
L'Oréal Paris	741.1		-2.6	738.5
Maybelline/Garnier	1,016.4	1.0	-57.7	959.8
SoftSheen Carson	76.5		-8.1	68.4
Consumer Products Total	**1,834.0**	**1.0**	**-68.5**	**1,766.6**
Lancôme	562.4		-2.8	559.6
Shu Uemura	109.4		-7.2	102.2
Other	193.0		-2.2	190.8
Luxury Products Total	**864.8**		**-12.1**	**852.6**
Vichy/Dermablend	203.2		23.3	226.5
Other	172.5		-32.9	139.6
Active Cosmetics Total	**375.7**		**-9.6**	**366.1**
Other cosmetics	7.3			7.3
The Body Shop	**385.8**	**8.2**	**-30.4**	**363.6**
Group Total	**4,053.9**	**409.9**	**-119.4**	**4,344.4**

2007 acquisitions relate to Maly's West, Beauty Alliance and PureOlogy for €402.6 million. No disposal took place during 2007. The other movements consist mainly of a negative impact of changes in exchange rates for €184.5 million, partly offset by €63.8 million due to the reclassification of the goodwill on the acquisition of the 30% stake in Beauty Alliance recorded in Investments in equity affiliates at the end of 2006. The accumulated impairment losses for SoftSheen Carson amount to €66.0 million at December 31st, 2007.

€ millions 2006	12.31.2005	Acquisitions/ Disposals	Other movements	12.31.2006
L'Oréal Professionnel/Kérastase	316.6		-12.3	304.3
Matrix	195.7		-15.0	180.6
Redken	101.4		0.0	101.4
Professionnal Products Total	**613.7**		**-27.4**	**586.3**
L'Oréal Paris	749.0		-7.9	741.1
Maybelline/Garnier	1,093.4		-77.0	1,016.4
SoftSheen Carson	144.3		-67.8	76.5
Consumer Products Total	**1,986.6**		**-152.6**	**1,834.0**
Lancôme	567.3		-4.9	562.4
Shu Uemura	124.0		-14.6	109.4
Other	195.7		-2.7	193.0
Luxury Products Total	**887.0**		**-22.2**	**864.8**
Vichy/Dermablend	204.8		-1.6	203.2
Other	142.9	38.7	-9.1	172.5
Active Cosmetics Total	**347.7**	**38.7**	**-10.7**	**375.7**
Other cosmetics	2.1	5.3	-0.1	7.3
The Body Shop		**379.0**	**6.9**	**385.8**
Group Total	**3,837.1**	**423.0**	**-206.2**	**4,053.9**

2006 acquisitions relate to The Body Shop, SkinEthic and the Laboratoire Sanoflore. No disposal took place during 2006. The other movements consist mainly of changes in exchange rates during the period, as well as an impairment loss of €53.7 million relating to Softsheen Carson. This impairment loss is generated by an increase in the interest rates for €29.1 million. The accumulated impairment losses for Softsheen Carson amount to €72.9 million at December 31st, 2006.

Note 12. Other intangible assets

€ millions 2008	12.31.2007	Acquisitions/ Amortization	Disposals/ Reversals	Changes in the scope of consolidation [1]	Other movements	12.31.2008
Brands with an indefinite life span [2]	1,228.6			26.3	-81.0	1,174.0
Depreciable brands and product ranges	52.1	0.4		7.3	2.4	62.1
Licences and patents	478.7	6.3	-1.1	89.6	34.8	608.2
Other	627.1	71.1	-8.5	54.8	0.4	745.0
Gross value	**2,386.6**	**77.8**	**-9.6**	**178.0**	**-43.4**	**2,589.2**
Brands with an indefinite life span [3]	14.6	11.3			2.0	27.9
Depreciable brands and product ranges	22.8	4.5			2.4	29.6
Licences and patents	156.9	26.4	-1.1	0.3	6.3	188.8
Other	233.2	69.6	-8.5	17.0	-6.5	304.8
Amortisation and provisions	**427.4**	**111.7**	**-9.6**	**17.3**	**4.2**	**551.1**
Other intangible assets - net	**1,959.2**	**-34.0**	**-**	**160.7**	**-47.7**	**2,038.2**

(1) This item consists mainly of the following changes in the scope of consolidation: CollaGenex, Roger & Gallet (YSL) and Canan.
(2) At December 31st, 2008, brands with an indefinite life span consist mainly of the brands The Body Shop (€437.1 million), Matrix (€267.1 million), Kiehl's (€120.0 million) and Shu Uemura (€109.3 million).
(3) The Biomedic brand has been subject to an impairment loss of €11.3 million in the period.

The other movements mainly consisted of changes in exchange rates over the period.

€ millions 2007	12.31.2006	Acquisitions/ Amortization	Disposals/ Reversals	Changes in the scope of consolidation [1]	Other movements	12.31.2007
Brands with an indefinite life span [2]	1,268.8			60.6	-100.8	1,228.6
Depreciable brands and product ranges	49.6	1.5	-0.1	1.9	-0.8	52.1
Licences and patents	458.1	35.6	-5.0	1.1	-11.1	478.7
Other	381.0	57.2	-8.5	172.8	24.7	627.1
Gross value	**2,157.5**	**94.3**	**-13.6**	**236.4**	**-88.0**	**2,386.6**
Brands with an indefinite life span	15.3				-0.7	14.6
Depreciable brands and product ranges	18.8	6.0	-0.1		-1.9	22.8
Licences and patents	143.6	20.1	-3.0		-3.8	156.9
Other	187.1	57.5	-8.5		-3.0	233.2
Amortisation and provisions	**364.8**	**83.5**	**-11.5**		**-9.4**	**427.4**
Other intangible assets - net	**1,792.8**	**10.8**	**-2.1**	**236.4**	**-78.7**	**1,959.2**

(1) This item consists mainly of changes in the scope of consolidation (Maly's West, Beauty Alliance and PureOlogy).
(2) At December 31st, 2007, brands with an indefinite life span consist mainly of the brands The Body Shop (€565.8 million), Matrix (€255.3 million), Kiehl's (€115.3 million) and Shu Uemura (€90.5 million).

The other movements consisted mainly of changes in exchange rates over the period.

€ millions 2006	12.31.2005	Acquisitions/ Amortization	Disposals/ Reversals	Changes in the scope of consolidation (1)	Other movements	12.31.2006
Brands with an indefinite life span (2)	707.4	0.1		605.4	-44.1	1,268.8
Depreciable brands and product ranges	42.4	0.6		8.7	-2.2	49.6
Licences and patents	462.6	5.8	-1.9	3.1	-11.4	458.1
Other	276.6	49.6	-15.0	63.9	5.8	381.0
Gross value	**1,489.0**	**56.2**	**-17.0**	**681.2**	**-51.9**	**2,157.5**
Brands with an indefinite life span (3)		15.7			-0.4	15.3
Depreciable brands and product ranges	16.5	3.5			-1.1	18.8
Licences and patents	131.0	18.6	-1.9		-4.1	143.6
Other	140.6	42.6	-14.9	13.4	5.4	187.1
Amortisation and provisions	**288.0**	**80.4**	**-16.8**	**13.4**	**-0.3**	**364.8**
Other intangible assets - net	**1,201.0**	**-24.3**	**-0.2**	**667.8**	**-51.6**	**1,792.8**

(1) This item consists mainly of changes in the scope of consolidation (The Body Shop, SkinEthic and Sanoflore).
(2) At December 31st, 2006, brands with an indefinite life span consist mainly of the brands The Body Shop (€616.9 million), Matrix (€277.8 million), Kiehl's (€124.2 million) and Shu Uemura (€93.5 million).
(3) An impairment loss of €15.7 million has been recognised for the Yue Sai brand during 2006.

The other movements consisted mainly of changes in exchange rates over the period.

Note 13. Impairment tests on intangible assets

Impairment tests of cash generating units for which the carrying amount of goodwill and intangible assets with indefinite useful lives is significant, arecarried out based on the following data and assumptions:

€ millions	Goodwill and brands with indefinite useful lives net book value	Discount rate in %	
		International without USA	USA
2008 Test			
Lancôme	773.0	8.5	8.9
L'Oréal Paris	756.4	8.5	8.9
Maybelline/Garnier	1,003.5	8.5	8.9
The Body Shop	729.2	8.9	8.9
2007 Test			
Lancôme	559.6	8.6	9.1
L'Oréal Paris	738.5	8.6	9.1
Maybelline/Garnier	959.8	8.6	9.1
The Body Shop	929.4	9.4	9.4
2006 Test			
Lancôme	562.4	8.0	9.1
L'Oréal Paris	741.1	8.0	9.1
Maybelline/Garnier	1,016.4	8.0	9.1

The effect of 1 point increase in the discount rate for these cash generating units would be to generate an impairment loss of €125 million on The Body Shop.

The terminal growth rate is consistent in accordance with market data i.e. 3%.

The effect of 1 point decrease in the terminal growth rate in perpetuity would be to generate an impairment loss of €59 million on The Body Shop.

Note 14. Tangible assets

€ millions 2008	12.31.2007	Acquisitions/ Amortisation	Disposals/ Reversals	Translation difference	Other movements (1)	12.31.2008
Land and buildings	1,536.9	31.2	-15.5	-31.8	87.7	1,608.5
Machinery and equipment	2,260.1	149.0	-131.5	-21.4	203.7	2,459.8
POS, stands and displays	883.5	261.8	-100.3	-32.8	69.3	1,081.5
Other tangible assets and assets-in-progress	1,165.0	239.1	-82.5	-3.2	-157.0	1,161.4
Gross value	**5,845.5**	**681.1**	**-329.8**	**-89.2**	**203.7**	**6,311.2**
Land and buildings	764.1	73.5	-14.0	-11.9	8.1	819.8
Machinery and equipment	1,366.9	218.6	-129.2	-8.0	77.3	1,525.5
POS, stands and displays	510.7	212.3	-100.1	-21.8	36.2	637.3
Other tangible assets and assets-in-progress	552.6	101.0	-81.5	-7.0	10.3	575.4
Depreciation and provisions	**3,194.3**	**605.4**	**-324.8**	**-48.8**	**131.8**	**3,557.9**
Tangible assets - net	**2,651.2**	**75.7**	**-5.1**	**-40.4**	**71.9**	**2,753.3**

(1) These mainly include the impact of changes in the scope of consolidation, and fixed assets in progress allocated to the other fixed assets items.

€ millions 2007	12.31.2006	Acquisitions/ Amortisation	Disposals/ Reversals	Translation difference	Other movements (1)	12.31.2007
Land and buildings	1,533.4	36.8	-47.3	-31.4	45.4	1,536.9
Machinery and equipment	2,176.1	140.3	-69.6	-65.4	78.7	2,260.1
POS, stands and displays	839.1	239.9	-159.9	-41.9	6.2	883.5
Other tangible assets and assets-in-progress	1,106.7	280.7	-52.1	-54.3	-116.0	1,165.0
Gross value	**5,655.3**	**697.7**	**-328.9**	**-193.0**	**14.3**	**5,845.5**
Land and buildings	733.8	70.4	-37.0	-15.6	12.5	764.1
Machinery and equipment	1,271.5	209.0	-67.4	-37.5	-8.7	1,366.9
POS, stands and displays	492.7	201.1	-159.7	-22.2	-1.2	510.7
Other tangible assets and assets-in-progress	528.9	95.1	-49.5	-24.5	2.6	552.6
Depreciation and provisions	**3,026.9**	**575.6**	**-313.6**	**-99.8**	**5.2**	**3,194.3**
Tangible assets - net	**2,628.4**	**122.1**	**-15.3**	**-93.2**	**9.1**	**2,651.2**

(1) These mainly include the impact of changes in the scope of consolidation, and fixed assets in progress allocated to the other fixed assets items.

€ millions 2006	12.31.2005	Acquisitions/ Amortisation	Disposals/ Reversals	Translation difference	Other movements (1)	12.31.2006
Land and buildings	1,379.0	41.1	-34.9	-37.0	185.2	1,533.4
Machinery and equipment	2,140.5	177.4	-98.6	-86.3	43.1	2,176.1
POS, stands and displays	722.9	199.3	-140.6	-39.4	96.9	839.1
Other tangible assets and assets-in-progress	1,056.4	269.5	-63.9	-59.9	-95.4	1,106.7
Gross value	**5,298.8**	**687.3**	**-338.0**	**-222.6**	**229.8**	**5,655.3**
Land and buildings	643.8	61.6	-23.2	-13.3	64.9	733.8
Machinery and equipment	1,231.1	197.4	-102.3	-47.6	-7.1	1,271.5
POS, stands and displays	446.8	178.7	-138.8	-21.9	27.9	492.7
Other tangible assets and assets-in-progress	511.1	87.1	-61.8	-25.4	17.9	528.9
Depreciation and provisions	**2,832.8**	**524.8**	**-326.1**	**-108.2**	**103.6**	**3,026.9**
Tangible assets - net	**2,466.0**	**162.5**	**-11.9**	**-114.4**	**126.2**	**2,628.4**

(1) These mainly include the result of the impact of changes in the scope of consolidation, and fixed assets in progress allocated to the other fixed assets items.

Tangible assets include capital lease contracts for the following amounts:

€ millions	12.31.2008	12.31.2007	12.31.2006
Land and buildings	111.1	109.2	100.9
Machinery and equipment	6.4	2.8	8.6
Other tangible assets and assets-in-progress	20.9	22.2	20.3
Gross value	**138.4**	**134.2**	**129.8**
Depreciation	56.7	54.8	43.1
Net value	**81.7**	**79.4**	**86.7**

Note 15. Non-current financial assets

€ millions	12.31.2008		12.31.2007		12.31.2006	
	Balance sheet value	Acquisition cost	Balance sheet value	Acquisition cost	Balance sheet value	Acquisition cost
Financial assets available for sale						
• Sanofi-Aventis (1)	5,367.5	4,033.5	7,446.0	4,033.5	10,005.8	4,880.1
• Unlisted securities (2)	4.8	5.7	4.5	5.7	4.2	6.4
Financial assets at amortised cost						
Non-current loans and receivables	185.1	194.8	158.4	168.8	158.5	167.5
Total	**5,557.4**	**4,234.0**	**7,608.9**	**4,208.0**	**10,168.5**	**5,054.0**

(1) On November 14th, 2007, L'Oréal sold a stake of 1.8% in Sanofi-Aventis. This sale was made at the price of €60.5 per share and has generated a capital gain net of tax of €632 million (see Notes 7 and 10). Upon closing of the transaction, L'Oréal's stake in Sanofi-Aventis has been reduced to 8.7%. The balance sheet value at December 31st, 2006, December 31st, 2007 and December 31st, 2008 of €10,005.8 million, €7,446.0 million and €5, 367.5 million respectively, corresponds to the market value of the shares based on the closing price on December 31st, 2006, 2007 and 2008 respectively of €69.95, €62.98 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 cost net of any impairment losses.

Note 16. Inventories

€ millions	12.31.2008	12.31.2007	12.31.2006
Finished products and consumables	1,479.9	1,369.7	1,257.0
Raw materials, packaging end semi-finished products	372.7	323.3	307.7
Gross value	**1,852.6**	**1,693.0**	**1,564.7**
Valuation allowance	217.1	145.4	160.3
Inventories - net	**1,635.5**	**1,547.6**	**1,404.4**

Note 17. Trade accounts receivable

€ millions	12.31.2008	12.31.2007	12.31.2006
Gross value	2,739.9	2,658.3	2,599.0
Valuation allowance	45.3	40.8	40.5
Net value	**2,694.6**	**2,617.5**	**2,558.5**

Trade accounts receivable are due within one year. The Group policy is to recommend credit insurance coverage as far as the local conditions allow it. The accounts receivable non-collection risk is thus minimized leading to an accounts receivable allowance levelof less than 2% of gross receivables.

Note 18. Other current assets

€ millions	12.31.2008	12.31.2007	12.31.2006
Tax and Employee-related receivables (excluding income tax)	256.7	223.5	221.4
Prepaid expenses	139.6	148.5	167.0
Point of sales advertising, samples and promotional gifts	186.2	148.1	125.8
Derivatives	267.1	177.2	109.1
Other current assets	257.8	229.1	228.5
Total	**1,107.4**	**926.4**	**851.8**

Note 19. Cash and cash equivalents

€ millions	12.31.2008		12.31.2007		12.31.2006	
	Balance sheet value	Acquisition cost	Balance sheet value	Acquisition cost	Balance sheet value	Acquisition cost
Marketable securities	82.8	82.7	135.5	130.0	132.3	123.5
Bank accounts and other cash and cash equivalents	994.3	994.3	951.2	951.2	648.9	648.9
Total	**1,077.1**	**1,077.0**	**1,086.7**	**1,081.2**	**781.2**	**772.4**

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. They are considered as *Financial assets available for sale*. 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 period end amount to €0.1 million compared with €5.5 million and € 8.8 million in 2007 and in 2006 and are recorded directly through shareholders' equity.

Note 20. Shareholders' equity

20.1. Share capital and additional paid-in capital

The share capital consists of 602,415,810 shares with a par value of €0.20 at December 31st, 2008 following the decision made by the Board of Directors on February 13th and August 28th, 2008 to cancel respectively 7,187,000 and 8,410,400 shares and the exercise of subscription options for 37,600 shares.

The share capital consisted of 617,975,610 shares with a par value of €0.20 at December 31st, 2007 following the decision made by the Board of Directors on February 14th and August 30th, 2007 to cancel respectively 13,490,750 and 8,225,100 shares and the exercise of subscription options for 75,050 shares.

The share capital consists of 639,616,410 shares with a par value of €0.20 at December 31st, 2006 following the decision made by the Board of Directors on April 25th, 2006 to cancel 19,229,250 shares and the exercise of subscription options for 76,000 shares.

20.2. 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) 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**	

b) 2007

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

In shares	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
Treasury stock purchased		-15,373,100	-15,373,100
At 12.31.2007	**617,975,610**	**-22,664,937**	**595,310,673**

The change in the treasury stock is as follows for the year 2007:

In shares	Buyback Programme	Allocated to the SO plan	Total	*€ millions*
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
Treasury stock purchased	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**
€ millions	**578.7**	**1,208.5**	**1,787.2**	

c) 2006

The change in the number of shares is as follows for the year 2006:

In shares	Capital stock	Treasury stock	Common shares outstanding
At 01.01.2006	**658,769,660**	**-38,796,050**	**619,973,610**
Cancelled shares	-19,229,250	19,229,250	
Exercised options	76,000	2,485,500	2,561,500
Treasury stock purchased		-16,813,000	-16,813,000
At 12.31.2006	**639,616,410**	**-33,894,300**	**605,722,110**

The change in the treasury stock is as follows for the year 2006:

In shares	Buyback Programme	Allocated to the SO plan	Total	*€ millions*
At 01.01.2006	**13,240,000**	**25,556,050**	**38,796,050**	**2,638.2**
Cancelled shares	-17,660,000	-1,569,250	-19,229,250	-1,259.4
Exercised options		-2,485,500	-2,485,500	-124.3
Treasury stock purchased	16,813,000		16,813,000	1,241.8
At 12.31.2006	**12,393,000**	**21,501,300**	**33,894,300**	**2,496.3**
€ millions	**932.4**	**1,563.9**	**2,496.3**	

20.3. Share subscription or purchase options

The table below sets out the data concerning option plans issued after November 7th, 2002 and in force at December 31st, 2008:

Grant date	Number of options	Number of options not yet exercised	Exercise period From	Exercise period To	Exercise price
12.03.2003	2,500,000	2,261,750	12.04.2008	12.03.2013	63.02
12.03.2003	2,500,000	2,263,000	12.04.2008	12.03.2013	71.90
03.24.2004	2,000,000	1,911,500	03.25.2009	03.24.2014	64.69
12.01.2004	4,000,000	3,871,500	12.02.2009	12.01.2014	55.54
06.29.2005	400,000	400,000	06.30.2010	06.29.2015	60.17
11.30.2005	4,200,000	4,090,800	12.01.2010	11.30.2015	61.37
11.30.2005	1,800,000	1,753,200	12.01.2010	11.30.2015	62.94
04.25.2006	2,000,000	2,000,000	04.26.2011	04.25.2016	72.60
12.01.2006	5,500,000	5,426,250	12.02.2011	12.01.2016	78.06
11.30.2007	4,000,000	3,953,500	12.01.2012	11.30.2017	91.66

All plans have a 5 year exercise period and no performance conditions.

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

	Purchase options		Subscription options							
	December 2003	November 2005	December 2003	March 2004	December 2004	June 2005	November 2005	April 2006	December 2006	November 2007
Risk-free rate of return	4.22%	3.16%	3.92%	3.39%	3.17%	2.63%	3.16%	3.80%	3.62%	4.01%
Expected life span	8 years	6 years	6 years	7 years	6 years	6 years	6 years	6 years	7 years	7 years
Expected volatility	21.50%	21.00%	21.50%	23.67%	18.70%	17%	21%	20.50%	22.52%	23%
Expected dividends	1%	1.35%	1%	1.20%	1.34%	1.38%	1.35%	1.35%	1.35%	1.24%
Share price	63.45	61.3	63.45	60.6	54.6	59.4	61.3	74.10	74.60	94.93
Exercise price	71.90	62.94	63.02	64.69	55.54	60.17	61.37	72.60	78.06	91.66
Fair value	15.24	12.3	15.66	14.67	10.15	9.45	12.88	17.48	17.19	25.88

Expected volatility is equal to the implicit volatility of the options listed on the MONEP at the grant dates. As from 2007, in order to mitigate the effects of the atypical phenomena, the retained 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.

Data concerning all share option plans during fiscal years 2006, 2007 and 2008 are set out below:

	12.31.2008		12.31.2007		12.31.2006	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Number of options not exercised at beginning of period	40,825,387	71.96	42,017,800	69.86	38,648,550	67.47
• Options granted	-		4,000,000	91.66	7,500,000	76.60
• Options exercised	-616,795	55.38	-4,961,663	68.47	-2,561,500	49.44
• Options expired	-1,042,500		230,750		-1,569,250	
Number of options not exercised at end of period	39,166,092	72.39	40,825,387	71.96	42,017,800	69.86
Of which:						
- number of exercisable options at end of period	15,759,342	74.88	12,208,837	77.30	12,581,550	72.74
- expired options at the end of period	1,215,250		1,999,750		1,699,750	

The average weighted price of the share amounted to €72.56, €86.20 and €73.84 respectively for 2008, 2007 and 2006.

The total charge recorded in 2008, 2007 and 2006 amounted to €85.9, €69.1, and €49.4 million respectively.

20.4. Items directly recognised in equity

The following tables indicate movements on the various types of item:

€ millions	12.31.2008	12.31.2007	12.31.2006
Financial assets available for sale			
Reserve at opening date	3,417.9	5,134.4	5,711.0
Changes in fair value over period	-2,074.2	-1,053.5	-571.1
Impairment loss recorded in profit and loss account	-	-	-
Changes in fair value recorded in profit and loss account on disposal	-9.7	-663.0	-5.5
Reserve at closing date	**1,334.0**	**3,417.9**	**5,134.4**

€ millions	12.31.2008	12.31.2007	12.31.2006
Cash flow hedge - foreign exchange			
Reserve at opening date	72.7	33.3	-47.6
Changes in fair value over period	178.6	100.8	93.2
Changes in fair value recorded in profit and loss account	-89.3	-61.4	-12.3
Reserve at closing date	**162.0**	**72.7**	**33.3**

A 10% increase (decrease) of the euro against all Group currencies would have had an effect of +€174.3 million (-€176.9 million) on the foreign exchange cash flow hedge reserve and the market value of hedging instruments at December 31st, 2008.

A 10% increase (decrease) of the euro against the main Group currencies (USD, RUB, CHF, CAD, CNY, AUD, GBP, MXN) would have had an effect of +€176.1 million (-€45.9 million) on the reserve of foreign exchange cash flow hedge reserve and the market value of hedging instruments at December 31st, 2007 versus respectively +€143.0 million (-€64 million) at December 31st, 2006.

A 10% increase (decrease) of the USD against the main Group currencies (CHF, MXN) would have had an effect of -€15.1 million (+€22.3 million) on the foreign exchange cash flow hedge reserve and the market value of hedging instruments at December 31st, 2008.

A 10% increase (decrease) of the USD against the main Group currencies (CHF, GBP) would have had an effect of -€5.5 million (+€28.2 million) on the foreign exchange cash flow hedge reserve and the market value of hedging instruments at December 31st, 2007 versus respectively -€9.7 million (+€19.3 million) at December 31st, 2006.

€ millions	12.31.2008	12.31.2007	12.31.2006
Cash flow hedge - interest rates			
Reserve at opening date	-0.3	0.4	-
Changes in fair value over period	-1.0	0.5	2.0
Changes in fair value recorded in profit and loss account	-	-1.2	-1.6
Reserve at closing date	**-1.3**	**-0.3**	**0.4**

€ millions	12.31.2008	12.31.2007	12.31.2006
Total items directly recognised in equity			
Gross reserve	1,494.7	3,490.3	5,168.1
Associated tax effect	-61.1	-81.4	-101.2
Reserve net of tax	**1,433.6**	**3,408.9**	**5,066.9**

Note 21. Post-employment benefits, termination benefits and other long-term employee benefits

The Group adheres to pension, early retirement and other benefits schemes depending on local legislation and regulations.

For obligatory state schemes and other defined-contribution schemes, the Group charges to profit and loss account the contributions to be paid when they are due and no provision has been set aside, with the Group's commitment not exceeding the amount of contributions paid. For defined benefit schemes, the characteristics of the schemes in force inside the Group are as follows:

- French regulations provide for specific length-of-service awards payable to employees on retirement. In addition, an early retirement plan and a defined benefit plan have been set up. In some Group companies there are also measures providing for the payment of certain healthcare costs for retired employees;

  These obligations, except for those relating to healthcare costs for retired employees, are partially funded.

- for foreign subsidiaries with employee pension schemes or other specific obligations relating to defined benefits, the excess of obligations over the scheme's assets is recognised by setting up a provision for charges on the basis of the actuarial value of vested rights of employees.

Pension obligations are determined and recognised in accordance with the accounting principles presented in Note 1.23.

The actuarial assumptions used to calculate these obligations take into account the economic conditions in each country or in each Group company. The weighted average assumptions for the Group are as follows:

	12.31.2008	12.31.2007	12.31.2006
Discount rate	5.8%	5.3%	4.7%
Salary increase	4.8%	4.8%	4.8%
Expected long-term return on assets	6.2%	6.0%	5.6%

	12.31.2008			12.31.2007			12.31.2006		
	Initial rate	Ultimate rate	Application of ultimate rate	Initial rate	Ultimate rate	Application of ultimate rate	Initial rate	Ultimate rate	Application of ultimate rate
Expected rate of health care inflation	7.0%	4.8%	2016	6.1%	5.0%	2013	6.7%	4.6%	2011

The discount rates are obtained by reference to market yields on high quality corporate bonds having maturity dates equivalent to those of the obligations.

The expected return on plan assets is determined on the basis of the asset allocation of the investment portfolio taking into account for each class of assets returns correspondiang to their risks and past performance.

The variations during 2008, 2007 and 2006 are set out below:

€ millions	Present value of benefit obligations	Plan assets	Actuarial gains and losses	Unrecognised plan amendments	Net provisions
Balance at December 31st, 2005	**2,542.6**	**1,302.0**	**298.4**	**-18.4**	**960.6**
Service cost	104.0				104.0
Interest cost	109.2				109.2
Expected return on assets		71.7			-71.7
Past service cost: new plans/plans amendments	-11.0			-0.8	-10.2
Curtailments	-71.0		-7.1		-63.9
Settlements	-4.5	-2.9	-1.5		-0.1
Benefits paid	-107.4	-70.8			-36.6
Contribution paid	6.7	155.8			-149.1
Actuarial gains and losses	21.6	32.0	-18.3		7.9
Translation differences	-66.7	-47.1	-7.6	0.2	-12.2
Balance at December 31st, 2006	**2,523.5**	**1,440.7**	**263.9**	**-18.9**	**837.9**
Service cost	102.5				102.5
Interest cost	114.9				114.9
Expected return on assets		83.5			-83.5
Past service cost: new plans/plans amendments	5.1			23.5	-18.4
Curtailments					
Settlements					
Benefits paid	-102.4	-76.9			-25.6
Contribution paid	6.1	174.7			-168.6
Actuarial gains and losses	-205.0	-50.9	-162.2		8.1
Translation differences	-81.0	-63.4	-6.0	0.6	-12.1
Other movements (scope changes)	0.6	0.5			0.1
Balance at December 31st, 2007	**2,364.3**	**1,508.2**	**95.7**	**5.1**	**755.3**
Service cost	90.7				90.7
Interest cost	121.0				121.0
Expected return on assets		94.5			-94.5
Past service cost: new plans/plans amendments	-18.2			0.2	-18.4
Curtailments	-4.7		-4.0		-0.7
Settlements	-6.2	-6.2	0.2		-0.2
Benefits paid	-100.7	-81.9			-18.8
Contribution paid	4.3	177.7			-173.4
Actuarial gains and losses	-209.9	-373.3	162.3		1.1
Translation differences	-31.6	-29.9	5.3	-0.3	-6.6
Other movements (scope changes)	71.3	32.6	-0.3		39.1
Balance at December 31st, 2008	**2,280.2**	**1,321.7**	**259.1**	**5.0**	**694.4**

The total present value of defined benefit obligations breaks down as follows between wholly or partly funded plans and wholly unfunded plans:

€ millions	12.31.2008	12.31.2007	12.31.2006
Present value of defined benefit obligations that are wholly or partly funded	2,021.0	2,111.4	2,253.9
Fair value of plan assets	1,321.7	1,508.2	1,440.8
Net position of defined benefit obligations that are wholly or partly funded	699.3	603.2	813.1
Present value of defined benefit obligations that are wholly unfunded	259.2	252.9	269.6

The retirement expense charged to the profit and loss account is recorded with personel expenses in operational profit and may be analysed as follows:

€ millions	2008	2007	2006
Service cost	90.7	102.5	104.0
Interest cost	121.0	114.9	109.2
Expected return on assets	-94.5	-83.5	-71.7
Amortisation of unrealised gains and losses	1.1	8.1	7.9
Reversal of provisions			
New plans/plans modifications	-18.4	-18.4	-10.2
Curtailments	-0.7		-23.3
Settlements	-0.2		-0.1
Total	**99.0**	**123.7**	**115.8**

The contributions to defined-contribution plans recognised as an expense in 2008, 2007 and 2006 amounted respectively to €295.8, €271.8 and €250.3 million.

In respect of the medical care plans, a change of one percentage point in medical cost inflation has the following impact:

€ millions	Increase of 1%	Decrease of 1%
Impact on the benefit obligation	23.84	18.25
Impact on the current service cost and interest costs	1.96	1.55

The plan assets of retirement plans are invested as follows:

In %	12.31.2008	12.31.2007	12.31.2006
Equity securities (1)	31.8	38.7	38.6
Bonds	50.7	48.7	47.6
Property assets (2)	6.3	6.2	7.2
Monetary instruments	5.3	1.0	1.6
Others	5.9	5.4	4.9
Total	**100%**	**100%**	**100%**

(1) of which L'Oréal shares: nil.
(2) of which property assets occupied by Group entities: 0.5%.

Allocation of investments in plan assets has to comply with determined proportions between the different classes of assets and meet minimum rating criteria for monetary instruments and bonds.

The benefit obligation, the fair value of the plan assets and the actuarial gains (losses) generated for the current year and the three previous years are as follows:

€ millions	12.31.2008	12.31.2007	12.31.2006	12.31.2005
Benefit obligation	2,280.2	2,364.3	2,523.5	2,542.6
Plan assets	-1,321.7	-1,508.2	-1,440.7	-1,302.0
(Surplus)/Deficit	**958.5**	**856.1**	**1,082.8**	**1,240.6**
Experience adjustments generated on the obligation	12.1	44.3	-43.3	-62.7
Experience adjustments generated on the plan assets	-373.3	-50.9	32.0	43.4

Note 22. Provisions for liabilities and charges

22.1.Balances at closing date

€ millions	12.31.2008	12.31.2007	12.31.2006
Other non-current provisions for liabilities and charges	**111.4**	**148.5**	**154.1**
Provisions for restructuring	0.8	1.0	1.4
Other non-current provisions (1)	110.6	147.5	152.7
Current provisions for liabilities and charges	**431.1**	**285.7**	**272.0**
Provisions for restructuring	124.3	9.6	18.9
Other current provisions (1)	306.8	276.1	253.1
Total	**542.5**	**434.2**	**426.1**

(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.

22.2. Variations in provisions for restructuring and other provisions for liabilities and charges during the year

€ millions	12.31.2006	12.31.2007	Charges (2)	Reversals (used) (2)	Reversals (not used) (2)	Impact of change in scope/ Exchange rate/Other (1)	12.31.2008
Other provisions for liabilities and charges	405.8	423.6	157.2	-127.6	-58.7	22.9	417.4
Provisions for restructuring	20.3	10.6	120.8	-6.6	-0.1	0.4	125.1
Total	**426.1**	**434.2**	**278.0**	**-134.2**	**-58.8**	**23.3**	**542.5**

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

	Charges	Reversals (used)	Reversals (not used)
• Other income and expenses	120.8	-6.6	-0.1
• Operating profit	141.9	-114.2	-21.4
• Financial (income) /expense	0.3	-0.4	-
• Income tax	15.0	-13.0	-37.3

For 2007, the change was analysed as follows:

€ millions	12.31.2005	12.31.2006	Charges (2)	Reversals (used) (2)	Reversals (not used) (2)	Impact of change in scope/ Exchange rate/Other (1)	12.31.2007
Other provisions for liabilities and charges	411.3	405.8	183.7	-111.0	-44.1	-10.8	423.6
Provisions for restructuring	35.0	20.3	1.6	-10.2	-0.2	-0.9	10.6
Total	**446.3**	**426.1**	**185.3**	**-121.2**	**-44.3**	**-11.7**	**434.2**

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

	Charges	Reversals (used)	Reversals (not used)
• Other income and expenses	1.6	-10.2	-0.2
• Operating profit	166.4	-110.6	-40.5
• Income tax	17.3	-0.4	-3.6

For 2006, the change was analysed as follows:

€ millions	12.31.2005	Charges (2)	Reversals (used) (2)	Reversals (not used) (2)	Impact of change in scope/ Exchange rate/Other (1)	12.31.2006
Other provisions for liabilities and charges	411.3	220.1	-138.9	-67.5	-19.2	405.8
Provisions for restructuring	35.0	0.5	-13.7	-0.1	-1.4	20.3
Total	**446.3**	**220.6**	**-152.6**	**-67.6**	**-20.6**	**426.1**

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

	Charges	Reversals (used)	Reversals (not used)
• Other income and expenses	0.5	-13.7	-0.1
• Operating profit	166.5	-134.5	-61.7
• Income tax	53.6	-4.4	-5.8

Note 23. Borrowings and debts

The Group finances itself 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.

23.1. Debt by type

€ millions	12.31.2008		12.31.2007		12.31.2006	
	Non-current	Current	Non-current	Current	Non-current	Current
Short-term paper	-	1,896.2	-	584.1	-	2,000.0
MLT bank loans	2,414.6	71.5	2,484.9	52.7	1,787.3	2.8
Perpetual loan	-	-	-	-	-	7.1
Debts on capital lease contracts	69.3	13.2	69.3	10.1	77.2	10.3
Overdrafts	-	63.6	-	103.1	-	73.6
Other borrowings and debts	22.7	226.1	28.8	126.8	27.9	124.2
Total	**2,506.6**	**2,270.6**	**2,583.0**	**876.8**	**1,892.4**	**2,218.0**

23.2. Debt by maturity date

€ millions	12.31.2008	12.31.2007	12.31.2006
Under 1 year	2,270.6	876.8	2,218.0
1 to 5 years	2,463.6	2,534.5	1,837.3
Over 5 years	43.0	48.5	55.1
Total	**4,777.2**	**3,459.8**	**4,110.4**

Interest payments anticipated as of the end of 2008 are about €113.6 million for 2009, €174.7 million for the period 2010-2013 and €0.9 million beyond 2013.

Interest payments anticipated as of the end of 2007 were about €125.4 million for 2008, €314.5 million for the period 2009-2012 and €0.1 million beyond 2012.

Interest payments anticipated as of the end of 2006 were about €70.4 million for 2007, €212.6 million for the period 2008-2011 and €0.8 million beyond.

These estimations are computed on the basis of the effective interest rate at the end of the financial year, after allowing for hedging instruments and without renewal of debt on maturity.

23.3. Debt by currency (after allowing for currency hedging instruments)

€ millions	12.31.2008	12.31.2007	12.31.2006
Euro (EUR)	3,812.9	2,570.8	3,116.9
US dollar (USD)	552.5	606.7	731.6
Yen (JPY)	90.2	47.2	42.9
Yuan (CNY)	51.0	43.4	55.7
Canadian Dollar (CAD)	42.8	62.9	49.8
Others	227.9	128.8	113.5
Total	**4,777.2**	**3,459.8**	**4,110.4**

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

€ millions	12.31.2008	12.31.2007	12.31.2006
Floating rate	4,677.4	3,373.1	3,824.3
Fixed rate	99.8	86.7	286.1
Total	**4,777.2**	**3,459.8**	**4,110.4**

23.5. Effective interest rates

The effective debt interest rates, after allowing for hedging instruments, were 4.05% in 2006, 4.32% in 2007 and 3.26% in 2008 for short-term paper, and 3.69% in 2006, 4.83% in 2007 and 4.48% in 2008 for bank loans.

23.6. Average debt interest rates

The average debt interest rates, after allowing for hedging instruments, were 3.07% in 2006, 4.35% in 2007 and 4.77% in 2008 for the euro, and 4.76% in 2006, 5.03% in 2007 and 2.91% in 2008 for the US dollar.

23.7. 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 December 31st, 2008, the fair value of the debt amounts to €4,777.8 million. At December 31st, 2007, the fair value of the debt amounted to €3,464.2 million. At December 31st, 2006, the fair value of the debt amounted to €4,113.2 million.

23.8. Debts covered by collateral

There were no significant debts covered by collateral as at December 31st, 2008, December 31st, 2007 and at December 31st, 2006.

23.9. Confirmed credit lines

At December 31st, 2008, L'Oréal and its subsidiaries have €2,461 million of credit lines confirmed but not used, compared with €2,625 million respectively at December 31st, 2007 and at December 31st, 2006.

Note 24. 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.

24.1. 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.

The Group's policy on exposure to currency risk from its future commercial transactions is to hedge at the end of the year a very significant part of the currency risk of the next year using derivatives on the basis of operating budgets in each subsidiary.

All the Group's future foreign currency flows are analysed in detailed forecasts for the coming budgetary year. Currency risks that emerge are hedged by forward contracts or by options, to reduce as far as possible the currency position of each subsidiary. The duration of the derivatives is determined as appropriate for the Group's settlement flows. Exchange rate derivatives are negotiated by Régéfi (the Group's bank) or, in exceptional cases, directly by the Group's subsidiaries when the currency is not convertible, with any such operations subject to control by Régéfi.

As the Group's companies must borrow and invest their cash in their own currency, the exchange rate risks generated by the management of their own cash and debt are almost non-existent.

Because of the Group policy of foreign exchange risk hedging a very significant part of the annual needs of the next year at the end of the year, the sensitivity of profit or loss to the changes in the foreign exchange rate on December 31st is marginal. The impact of a variation in the foreign exchange rate on the foreign exchange cash flow hedge reserve is given in Note 20.4.

The following derivatives, all of which originally have a maturity of less than 18 months, are held for currency risk hedging purposes:

€ millions	Nominal			Market value		
	12.31.2008	12.31.2007	12.31.2006	12.31.2008	12.31.2007	12.31.2006
Currency futures						
Purchase EURO/foreign currency	**1,320.0**	**1,661.3**	**1,278.3**	**89.1**	**34.3**	**19.4**
EUR/USD	233.5	595.5	205.5	3.6	12.6	12.8
EUR/RUB	162.6	135.6	125.0	29.9	1.8	-0.1
EUR/CHF	120.9	105.6	118.7	-6.4	0.5	1.7
EUR/CNY	87.9	87.7	83.0	-2.5	3.2	0.7
EUR/JPY	82.3	48.3	39.2	-0.6	1.3	2.1
EUR/CAD	67.8	101.6	104.7	7.5	-0.5	6.0
EUR/AUD	54.7	61.3	62.5	6.1	1.0	-0.5
EUR/GBP	44.9	52.7	93.8	10.8	7.0	-2.4
EUR/West European currencies	77.9	81.7	102.0	8.0	0.8	0.2
EUR/East European currencies	99.6	104.9	87.6	8.4	-0.8	-4.5
EUR/Asian currencies	113.3	117.1	132.0	3.1	7.4	3.0
EUR/Latin American currencies	84.8	96.8	83.3	16.2	1.6	1.0
EUR/Other currencies	89.8	72.5	41.0	5.0	-1.7	-0.6
Purchase USD/foreign currency	**217.2**	**115.2**	**119.1**	**23.3**	**-2.1**	**-1.3**
USD/Latin American currencies	89.0	83.4	55.0	12.4	0.1	-0.6
USD/Other Asian currencies	63.2	7.0	37.0	4.3	-0.6	-0.1
USD/Other currencies	65.0	24.8	27.1	6.6	-1.6	-0.6
Sale USD/CHF	**74.8**	**87.3**	**108.5**	**4.2**	**5.2**	**1.8**
Other currency pairs	267.2	176.4	121.4	-16.2	-2.4	
Currency futures total	1,879.2	2,040.2	1,627.3	100.4	35.0	20.0
Currency options						
EUR/USD	250.8	217.3	137.0	6.6	16.4	9.2
EUR/GBP	120.5	81.4	65.7	18.3	5.6	0.7
EUR/RUB	101.6	170.6	50.0	16.6	7.7	2.4
EUR/HKD	47.4	42.4	51.4	1.5	-2.5	3.2
EUR/Other currencies	202.0	300.5	179.4	24.1	19.2	5.4
USD/CHF	144.2	58.7	45.7	15.0	5.5	1.0
Other currency pairs	72.0	49.3	62.0	10.4	1.0	1.0
Currency options total	938.5	920.2	591.2	92.5	52.9	22.9
of which call options total	1,346.2	948.4	613.9	104.6	53.5	23.2
of which put options total	-407.7	-28.3	-22.7	-12.1	-0.6	-0.3
Total	**2,817.7**	**2,960.4**	**2,218.5**	**192.9**	**87.9**	**42.9**

The put options total corresponds exclusively to the sale of previously purchased options when it appeared opportune to replace them by other hedging instruments.

The market values by type of hedging are as follows:

€ millions	2008	2007	2006
Fair value hedges (1)	21.5	6.4	4.3
Cash flow hedges	171.4	81.5	38.6
Net foreign investment hedges	-	-	-
Total	**192.9**	**87.9**	**42.9**

(1) The fair value hedges relate to currency risks for operating receivables and payables as well as for financial debts. On December 31st, 2007, the needs for financing in US dollars are included in an amount of €442 million as currency swaps, on the EUR/USD currency futures line.

The fair value of the derivatives is their market value.

The Group has no significant foreign currency positions that are not hedged in the balance sheet.

24.2. Hedging of interest rate risk

The Group mainly refinances at floating rates and uses interest rate derivatives to reduce net exposure to interest rate risk. Such derivatives are never held for speculative reasons.

The derivatives are mainly swaps and interest rate options (purchase of caps) which are traded with specific counterparties.

The market values of the derivatives set out below should be compared with the market values of the debts that they hedge.

The interest rate derivatives are as follows:

€ millions	Notional			Market value		
Interest rate derivatives	12.31.2008	12.31.2007	12.31.2006	12.31.2008	12.31.2007	12.31.2006
Cash flow hedges						
Borrowing fixed interest-rate swaps						
EUR Euribor/fixed rate	18.6	19.5	20.2	-1.3	-0.3	-1.0
USD Libor/fixed rate	-	-	190.0		-	1.3
Purchase of caps						
USD Libor	288.5	271.6	-	-		
Fair value hedges						
Borrowing floating interest-rate swaps						
EUR Euribor/fixed rate	69.8	121.8	128.8	2.2	1.5	3.6
Non designated derivatives						
Floating/floating interest-rate swaps						
EUR Euribor/Euribor		-	7.1		-	-
Total	**376.9**	**412.9**	**346.1**	**0.9**	**1.2**	**3.9**

The fair value of the interest rate derivatives is their market value. The market value of the interest rate derivatives is calculated by the discounting of future flows at the interest rate prevailing at the balance sheet date.

The maturities of the interest rate derivatives broken down by type of hedge are as follows:

€ millions	Nominal by maturity											
	12.31.2008				12.31.2007				12.31.2006			
	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Cash flow hedges												
Borrowing fixed interest-rate swaps	3.4	4.1	11.2	18.6	0.8	6.4	12.3	19.5	190.8	6.1	13.3	210.2
Purchase of caps	288.5			288.5	271.6			271.6				
Fair value hedges												
Borrowing floating interest-rate swaps	69.8			69.8	52.0	69.8	-	121.8	7.0	121.8	-	128.8
Non-designated derivatives												
Floating/floating interest-rate swaps									7.1	-	-	7.1
Total	**361.7**	**4.1**	**11.2**	**376.9**	**324.4**	**76.2**	**12.3**	**412.9**	**204.9**	**127.9**	**13.3**	**346.1**

24.3. Sensitivity to changes in interest rates

An increase in interest rates of 100 basis points would have a direct impact on the Group's financial charge of €36.0 million at December 31st, 2008 compared with €22.6 million at December 31st, 2007 and €30.7 million at December 31st, 2006 after allowing for cash, cash equivalents and derivatives, and assuming that total net debt remains stable and that the fixed rate debts at maturity date are replaced by floating rate debt.

The impact of a 100 basis point rise in interest rates on the fair value of the Group's fixed rate financial assets and liabilities, after allowing for derivatives, can be estimated at €2.5 million at December 31st, 2008 compared with €2.7 million at December 31st, 2007 and €3.2 million at December 31st, 2006.

24.4. Counterparty risk

The Group has financial relations with international banks with the best credit ratings. The Group thus considers that its exposure to counterparty risk is low.

Furthermore, the financial instruments used in exchange rate and interest rate risk management are issued by leading international banking counterparties.

24.5. Liquidity risk

The liquidity risk of the Group can be evaluated on the basis of its short-term debt which includes maturities of medium-term bank loans of €70 million in 2009 and the outstanding amounts on its short-term paper program being €1,896.2 million. If these bank facilities were not to be renewed, the Group has confirmed credit lines of €2,461 million.

24.6. Shareholding risk

No cash has been invested in shares.

The available cash is invested, with top financial insitutions, in the form of non-speculative instruments which can be drawn in very short periods. At December 31st, 2008, it is exclusively invested in government bonds of the Euro-zone through mutual funds (Note 19).

At December 31st, 2008, the Group holds 118,227,307 Sanofi-Aventis shares for an amount of €5,367.5 million (Note 15). For these shares, a change in the market price of plus or minus 10% relative to the market price of €45.40 on December 31st, 2008 would have an impact on the Group shareholders' equity of plus or minus €536.8 million before tax.

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 an impairment loss on its asset to be recorde through the profit and loss account.

At December 31st, 2007, the Group held 118,227,307 Sanofi-Aventis shares for an amount of €7,446.0 million (Note 15). For these shares, a change in the market price of plus or minus 10% relative to the market price of €62.98 on December 31st, 2007 would have had an impact on the Group shareholders' equity of plus or minus €744.6 million before tax.

At December 31st, 2006, the Group held 143,041,202 Sanofi-Aventis shares for an amount of €10,005.7 million (Note 15). For these shares, a change in the market price of plus or minus 10% relative to the market price of €69.95 on December 31st, 2006 would have had an impact on the Group shareholders' equity of plus or minus €1,000.6 million before tax.

Note 25. Other current liabilities

€ millions	12.31.2008	12.31.2007	12.31.2006
Tax and employee-related payables	903.1	844.4	796.5
Credit balances on costumer accounts	543.1	558.4	512.9
Fixed asset payables	159.1	127.1	120.7
Derivatives	98.5	93.3	65.4
Other current liabilities	134.7	109.3	118.4
Total	**1,838.4**	**1,732.5**	**1,613.9**

Note 26. Off-balance sheet commitments

26.1 - Operating lease commitments

They amount to €1,914.9 million at December 31st, 2008, compared with €1,789.2 million at December 31st, 2007 and €1,823.2 million at December 31st, 2006, of which:

- €368.2 million is due in under one year at December 31st, 2008 compared with €329.0 million at December 31st, 2007 and €318.1 million at December 31st, 2006;
- €1,024.1 million is due in 1 to 5 years at December 31st, 2008 compared with €878.2 million at December 31st, 2007 and €922.2 million at December 31st, 2006;
- €522.6 million is due in over 5 years at December 31st, 2008 compared with €582.0 million at December 31st, 2007 and €582.9 million at December 31st, 2006.

26.2. Other off-balance sheet commitments

The confirmed credit lines are indicated in Note 23.

The other significant off-balance sheet commitments have been identified and measured and are as follows:

€ millions	12.31.2008	12.31.2007	12.31.2006
Commitments given (1)	107.1	111.6	52.2
Documentary credits	0.3	5.2	7.2
Commitments received	36.5	28.6	32.3
Capital expenditure orders	243.7	251.0	233.0
Firm purchase commitments in the context of logistics supply contracts	406.2	404.6	437.1

(1) These consist mainly of commitments given to governmental bodies or commitments concerning loans granted to third parties who are partners of the Group and for 2007 and 2008, the net commitment toward the L'Oréal Foundation for its long-term action program.

26.3. Contingent liabilities

In its normal operations, the Group is involved in legal actions and is subject to tax assessments, customs controls and administrative audits. The Group sets aside a provision wherever a risk is found to exist, and an estimate of its cost is possible.

At the present time, there is no exceptional event or dispute which could materially and with serious probability affect the results, financial situation, assets or operations of the L'Oréal Company and Group.

26.4. Environmental risks

The Group carefully follows regulations and laws relating to environmental protection, and does not expect that they will have any significant impact on the future operations, financial situation, results or assets of the Group.

Note 27. Change in working capital

This amounts to -€148.8 million, -€76.3 million and €65.6 million for 2008, 2007 and 2006, respectively, and can be analysed as follows:

€ millions	2008	2007	2006
Inventories	-22.3	-137.8	-119.1
Trade accounts receivable	-8.0	-102.3	-244.0
Trade accounts payable	-8.5	79.0	251.2
Other receivables and debts	-110.0	84.8	177.5
Total	**-148.8**	**-76.3**	**65.6**

Note 28. Impact of changes in the scope of consolidation

For 2008, this item mainly related to the Canan, CollaGenex; Columbia Beauty Supply, Le Club des Créateurs de Beauté and YSL Beauté acquisitions.

For 2007, this item mainly related to the Maly's West, Beauty Alliance and PureOlogy acquisitions.

For 2006, this item mainly related to the acquisitions of the The Body Shop, Beauty Alliance International and Sanoflore.

Note 29. Transactions with related parties

29.1. Joint ventures

Transactions with companies consolidated on a proportional basis are as follows:

€ millions	2008	2007	2006
Sales of goods and services	3.2	5.4	10.6
Cost of sales	-	-	-
Financial expenses and income	3.4	1.6	1.2

The following receivables and payables are recorded on the balance sheet for the related parties:

€ millions	12.31.2008	12.31.2007	12.31.2006
Operating debtors	5.6	3.1	6.6
Creditors	0.5	0.3	0.3
Financial debtors	68.9	34.7	42.3

29.2. Related parties with a significant influence on the Group

No significant transactions have been concluded with a member of the senior management or a shareholder with a significant influence on the Group.

29.3. Equity affiliates

During 2006 and from January 1st to April 12th, 2007, L'Oréal USA Inc. made sales of respectively €50.6 and €35.6 million sales to Beauty Alliance International, a company in which the Group had a 30% stake until April 2007 (Note 2).

No significant transactions have taken place with an equity affiliate during 2008.

Note 30. Subsequent events

No event occurred between the balance sheet date and the date when the Board of Directors authorized the consolidated financial statements for issue.

1.6. Consolidated companies at December 31st, 2008

1.6.1 Companies consolidated by the full consolidation method (1)

Companies	Head Office	% interest	% control (2)
Areca & Cie	France	100.00	
Avenamite S.a.	Spain	100.00	
Beauté Créateurs	France	100.00	
Beautycos International Co Limited	China	100.00	
Beautylux International Cosmetics (Shanghai) Co Ltd	China	100.00	
Beautytech International Cosmetics (Yichang) Co Ltd	China	100.00	
Belcos Ltd	Japan	100.00	
Biotherm	Monaco	100.00	
Biotherm Distribution & Cie	France	100.00	
Canan Kozmetik Sanayi Ve Ticaret A.S.	Turkey	100.00	
Canan Tuketim Urunleri Pazarlama A.S.	Turkey	100.00	
Centre Logistique d'Essigny	France	100.00	
Centrex	France	100.00	
Chimex	France	100.00	
Club Créateurs Beauté Japon K.K.	Japan	100.00	
Cobelsa Cosmeticos. S.a.	Spain	100.00	
Colainaf	Morocco	100.00	
Compagnie Thermale Hôtelière et Financière	France	99.98	
Consortium Général de Publicité	France	100.00	
Cosbel S.a. de C.v.	Mexico	100.00	
Cosimar Japon Ltd	Japan	100.00	
Cosmelor KK	Japan	100.00	
Cosmelor Ltd	Japan	100.00	
Cosmephil Holdings Corporation Philippines	Philippines	100.00	
Cosmetil	Morocco	49.80	100.00
Cosmétique Active Belgilux	Belgium	100.00	
Cosmétique Active France	France	100.00	
Cosmétique Active International	France	100.00	
Cosmétique Active Ireland Ltd	Ireland	100.00	
Cosmétique Active Nederland B.V.	Netherlands	100.00	
Cosmétique Active Production	France	100.00	
Cosmétique Active (Suisse) S.A.	Switzerland	100.00	
Egyptelor LLC	Egypt	100.00	
Elebelle (Pty) Ltd	South Africa	100.00	
Episkin	France	100.00	
Episkin Biomatériaux	France	100.00	
Erwiton S.A.	Uruguay	100.00	
Exclusive Signatures International	France	100.00	
Fapagau & Cie	France	100.00	
Faprogi	France	100.00	
Finval	France	100.00	
Frabel S.A. de C.V.	Mexico	100.00	
Garnier New Zealand Ltd	New Zealand	100.00	
Gemey Maybelline Garnier	France	100.00	

(1) In accordance with the provisions of Article D. 248-12 of French Trading law. some information provided above is incomplete.
(2) Equivalent to the percentage interest except if specified.

Companies	Head Office	% interest	% control (2)
Gemey Paris – Maybelline New York	France	100.00	
Goldys International	France	100.00	
Helena Rubinstein	France	100.00	
Helena Rubinstein Italia S.p.A	Italy	100.00	
Holdial	France	100.00	
Kosmepol Sp z.o.o	Poland	100.00	
L & J Ré	France	100.00	
La Roche-Posay Dermato-Cosmétique	France	99.98	
La Roche-Posay Laboratoire Pharmaceutique	France	99.98	
Laboratoire Bioexigence	France	100.00	
Laboratoire Garnier & Cie	France	100.00	
Laboratoire Sanoflore	France	99.94	
Lai Mei Cosmetics International Trading (Shanghai) Co Ltd	China	100.00	
Lancôme Parfums & Beauté & Cie	France	100.00	
Lancos Ltd	Japan	100.00	
LaScad	France	100.00	
Le Club des Créateurs Cosmetic Versand Verwaltungs GmbH	Germany	100.00	
Le Club des Créateurs Cosmeticversand Gmbh & Co	Germany	100.00	
Le Club des Créateurs de Beauté	Belgium	100.00	
Le Club des Créateurs de Beauté Taiwan Co Ltd	Taiwan	100.00	
Lehoux et Jacque	France	100.00	
L'Oréal Adria d.o.o.	Croatia	100.00	
L'Oréal Argentina S.A	Argentina	100.00	
L'Oréal Australia Pty Ltd	Australia	100.00	
L'Oréal Balkan d.o.o.	Serbia	100.00	
L'Oréal Baltic SIA	Latvia	100.00	
L'Oréal Belgilux S.A.	Belgium	100.00	
L'Oréal Brasil Comercial de Cosméticos Ltda	Brazil	100.00	
L'Oréal Bulgaria EOOD	Bulgaria	100.00	
L'Oréal Canada. Inc.	Canada	100.00	
L'Oréal Ceska Republika s.r.o	Czech Republic	100.00	
L'Oréal Chile S.A.	Chile	100.00	
L'Oréal (China) Co Ltd	China	100.00	
L'Oréal Colombia S.A.	Colombia	100.00	
L'Oréal Danmark A/S	Denmark	100.00	
L'Oréal Deutschland GmbH	Germany	100.00	
L'Oréal Egypt LLC	Egypt	100.00	
L'Oréal España S.A.	Spain	100.00	
L'Oréal Finland Oy	Finland	100.00	
L'Oréal Guatemala S.A.	Guatemala	100.00	
L'Oréal Hellas S.A.	Greece	100.00	
L'Oréal Hong Kong Ltd	Hong Kong	100.00	
L'Oréal India Pvt Ltd	India	100.00	
L'Oréal Investments B.V.	Netherlands	100.00	
L'Oréal Israel Ltd	Israel	92.97	
L'Oréal Italia S.p.A	Italy	100.00	
L'Oréal Japan Ltd	Japan	100.00	
L'Oréal Korea Ltd	Korea	100.00	
L'Oréal Liban SAL	Lebanon	99.88	
L'Oréal Libramont	Belgium	100.00	

(1) In accordance with the provisions of Article D. 248-12 of French Trading law. some information provided above is incomplete.
(2) Equivalent to the percentage interest except if specified.

Companies	Head Office	% interest	% control [2]
L'Oréal Luxe Producten Nederland B.V.	Netherlands	100.00	
L'Oréal Magyarorszag Kozmetikai Kft	Hungary	100.00	
L'Oréal Malaysia SDN BHD	Malaysia	94.34	
L'Oréal Manufacturing Midrand Pty Ltd	South Africa	100.00	
L'Oréal Maroc	Morocco	50.00	100.00
L'Oréal Mexico S.A. de C.V.	Mexico	100.00	
L'Oréal Mexico Servicios S.A. de C.V.	Mexico	100.00	
L'Oréal Middle East	United Arab Emirates	100.00	
L'Oréal Nederland B.V.	Netherlands	100.00	
L'Oréal New Zealand Ltd	New Zealand	100.00	
L'Oréal Norge A/S	Norway	100.00	
L'Oréal Österreich GmbH	Austria	100.00	
L'Oréal Panama S.A.	Panama	100.00	
L'Oréal Peru S.A.	Peru	100.00	
L'Oréal Philippines. Inc.	Philippines	100.00	
L'Oréal Polska Sp z.o.o	Poland	100.00	
L'Oréal Portugal. Lda	Portugal	100.00	
L'Oréal Produits de Luxe Belgilux	Belgium	100.00	
L'Oréal Produits de Luxe France	France	100.00	
L'Oréal Produits de Luxe International	France	100.00	
L'Oréal Produits de Luxe Suisse S.A.	Switzerland	100.00	
L'Oréal Produktion Deutschland Beteiligung GmbH	Germany	100.00	
L'Oréal Produktion Deutschland GmbH & Co Kg	Germany	100.00	
L'Oréal Romania SRL	Romania	100.00	
L'Oréal Saipo Industriale S.p.A	Italy	100.00	
L'Oréal Singapore Pte Ltd	Singapore	100.00	
L'Oréal Slovenija Kozmetika d.o.o	Slovenia	100.00	
L'Oréal Slovensko s.r.o	Slovakia	100.00	
L'Oréal South Africa Holdings Pty Ltd	South Africa	100.00	
L'Oréal Suisse S.A.	Switzerland	100.00	
L'Oréal Sverige AB	Sweden	100.00	
L'Oréal Taiwan Co Ltd	Taiwan	100.00	
L'Oréal Thailand Ltd	Thailand	100.00	
L'Oréal Turkiye Kozmetik Sanayi Ve Ticaret Anonim Sirketi	Turkey	100.00	
L'Oréal Uk Ltd	United Kingdom	100.00	
L'Oréal Ukraine	Ukraine	100.00	
L'Oréal Uruguay S.a.	Uruguay	100.00	
L'Oréal USA. Inc.	United States	100.00	
L'Oréal Venezuela. C.A.	Venezuela	100.00	
L'Oréal Vietnam Co. Ltd	Vietnam	100.00	
Marigny Manufacturing Australia Pty Ltd	Australia	100.00	
Masrelor LLC	Egypt	100.00	
Maybelline K.K.	Japan	100.00	
Maybelline (Suzhou) Cosmetics Ltd	China	100.00	
Nihon L'Oréal K.K.	Japan	100.00	
NLO K.K.	Japan	100.00	
P.T. L'Oréal Indonesia	Indonesia	100.00	
P.T. Yasulor Indonesia	Indonesia	100.00	
Par Bleue	France	100.00	
Parbel of Florida. Inc.	United States	100.00	

(1) In accordance with the provisions of Article D. 248-12 of French Trading law. some information provided above is incomplete.
(2) Equivalent to the percentage interest except if specified.

Companies	Head Office	% interest	% control [2]
Parfums Cacharel & Cie	France	100.00	
Parfums Guy Laroche	France	100.00	
Parfums Paloma Picasso & Cie	France	100.00	
Parfums Ralph Lauren	France	100.00	
Prestige et Collections International	France	100.00	
Procosa Productos de Beleza Ltda	Brazil	100.00	
Productora Albesa S.A.	Spain	100.00	
Productos Capilares L'Oréal S.A.	Spain	100.00	
Redken France	France	100.00	
Banque de Réalisations de Gestion et de Financement (Regefi)	France	100.00	
Scental Ltd	Hong Kong	100.00	
Seda Plastik Ve Boya San. Ith. Tic. Ltd. Sti	Turkey	100.00	
Shu Uemura Cosmetics Inc.	Japan	93.57	
Sicôs & Cie	France	100.00	
SkinEthic	France	99.52	
Socex de Expansao Mercantil em Cosmeticos Ltda	Brazil	99.00	
Société de Développement Artistique	France	100.00	
Société Hydrominérale de La Roche Posay	France	99.98	
Sofamo	Monaco	100.00	
Softsheen Carson Products West Africa Ltd	Ghana	100.00	
Soprocos	France	100.00	
Soproréal	France	100.00	
Sparlys	France	100.00	
The Body Shop (as a Group)	United Kingdom	100.00	
Venprobel	Venezuela	100.00	
Viktor & Rolf Parfums	France	100.00	
Yichang Tianmei International Cosmetics Co Ltd	China	100.00	
YSL Beauté (sous-groupe)	France	100.00	
Zao L'Oréal	Russia	100.00	

(1) In accordance with the provisions of Article D. 248-12 of French Trading law. some information provided above is incomplete.
(2) Equivalent to the percentage interest except if specified.

1.6.2. Companies consolidated by the proportional method

Companies	Head office	% interest	% control [2]
Galderma Argentina S.A.	Argentina	50.00 [1]	
Galderma Australia Pty Ltd	Australia	50.00 [1]	
Galderma Belgilux N.V	Belgium	50.00 [1]	
Galderma Brasil Limitada	Brazil	50.00 [1]	
Galderma Canada Inc.	Canada	50.00 [1]	
Galderma Colombia S.a.	Colombia	50.00 [1]	
Galderma Hellas Trade of Pharmaceuticals Products S.A.	Greece	50.00 [1]	
Galderma Hong Kong	Hong Kong	50.00 [1]	
Galderma India Private Ltd	India	50.00 [1]	
Galderma International	France	50.00 [1]	
Galderma Italia S.p.A	Italy	50.00 [1]	
Galderma K.K.	Japan	50.00 [1]	

(1) Companies jointly owned with Nestlé
(2) Equivalent to the percentage interest except if specified.

Companies	Head office	% interest	% control [2]
Galderma Korea Ltd	Korea	50.00 [1]	
Galderma Laboratories Inc	United States	50.00 [1]	
Galderma Laboratories South Africa Pty Ltd	South Africa	50.00 [1]	
Galderma Laboratorium GmbH	Germany	50.00 [1]	
Galderma Mexico S.A. de C.V.	Mexico	50.00 [1]	
Galderma Nordic Ab	Sweden	50.00 [1]	
Galderma Peru Laboratorios S.A.	Peru	50.00 [1]	
Galderma Pharma S.a.	Switzerland	50.00 [1]	
Galderma Philippines Inc.	Philippines	50.00 [1]	
Galderma Polska Sp. z.o.o.	Poland	50.00 [1]	
Galderma Production Canada Inc.	Canada	50.00 [1]	
Galderma Research & Development	France	50.00 [1]	
Galderma Research and Development Inc.	United States	50.00 [1]	
Galderma S.A.	Switzerland	50.00 [1]	
Galderma Singapore Pvt Ltd	Singapore	50.00 [1]	
Galderma (Uk) Ltd	United Kingdom	50.00 [1]	
Galderma Uruguay	Uruguay	50.00 [1]	
Innéov Adria d.o.o. for trade and services	Croatia	50.00 [1]	
Innéov Argentina S.A.	Argentina	50.00 [1]	
Innéov Belgique	Belgium	50.00 [1]	
Innéov Brasil Nutricosmeticos Ltda	Brazil	50.00 [1]	
Innéov Canada. Inc	Canada	50.00 [1]	
Innéov Chile S.A.	Chile	50.00 [1]	
Innéov CZ s.r.o.	Czech Republic	50.00 [1]	
Innéov d.o.o.	Slovenia	50.00 [1]	
Innéov Deutschland GmbH	Germany	50.00 [1]	
Innéov España S.A.	Spain	50.00 [1]	
Innéov France	France	50.00 [1]	
Innéov Hellas A.E.	Greece	50.00 [1]	
Innéov Italia S.p.A.	Italy	50.00 [1]	
Innéov Mexico S.A. de C.V.	Mexico	50.00 [1]	
Innéov Nutrikozmetik Ticaret Ve Sanayi Ltd Sirketi	Turkey	50.00 [1]	
Innéov Österreich Handelsgesellschaft mbH	Austria	50.00 [1]	
Innéov Polska Sp. z.o.o.	Poland	50.00 [1]	
Innéov SK s.r.o.	Slovakia	50.00 [1]	
Innéov Suisse	Switzerland	50.00 [1]	
Laboratoires Galderma	France	50.00 [1]	
Laboratoires Innéov	France	50.00 [1]	
Laboratoires Innéov Portugal Unipessoal Lda	Portugal	50.00 [1]	
Laboratorios Galderma Chile Limitada	Chile	50.00 [1]	
Laboratorios Galderma S.A.	Spain	50.00 [1]	
Laboratorios Galderma Venezuela S.A.	Venezuela	50.00 [1]	
O.O.O Innéov	Russia	50.00 [1]	

(1) Companies jointly owned with Nestlé
(2) Equivalent to the percentage interest except if specified.