

## 4

# 2008 Parent Company Financial Statements \*

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\* 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.

## 4.1. Compared profit and loss accounts

€ millions	Notes	12.31.2008	12.31.2007	12.31.2006
<b>Revenue</b>		<b>2,238.3</b>	<b>2,179.2</b>	<b>2,108.3</b>
Sales	2	2,115.2	2,073.8	2,003.4
Reversals of provisions and transfers of charges		20.9	20.9	25.5
Other revenue	3	102.2	84.5	79.4
<b>Expenses</b>		<b>-2,116.5</b>	<b>-2,040.1</b>	<b>-1,990.3</b>
Purchases and change in inventories		-218.3	-227.7	-255.0
Other purchases and external charges		-1,133.9	-1,070.3	-1,017.1
Taxes and similar payments		-75.7	-70.0	-71.2
Personnel costs	4	-540.4	-529.0	-487.7
Depreciation, amortisation and charges to provisions	5	-81.9	-77.7	-92.5
Other charges		-66.3	-65.4	-66.8
<b>Operating profit</b>		<b>121.8</b>	<b>139.1</b>	<b>118.0</b>
Net financial revenues	6	1,511.8	1,247.4	1,316.2
Net charges to (-)/reversals of (+) provisions and transfers of charges	6	-225.5	10.8	217.7
Exchange gains and losses		9.2	-11.1	-15.9
<b>Net financial income</b>		<b>1,295.5</b>	<b>1,247.1</b>	<b>1,518.0</b>
<b>Profit before tax and exceptional items</b>		<b>1,417.3</b>	<b>1,386.2</b>	<b>1,636.0</b>
<b>Exceptional items</b>	7	<b>13.0</b>	<b>1,386.6</b>	<b>17.2</b>
Employee profit-sharing		-21.6	-19.1	-17.4
Income tax	8	143.4	68.7	54.5
<b>Net profit</b>		<b>1,552.1</b>	<b>2,822.4</b>	<b>1,690.3</b>

## 4.2. Compared balance sheets

### Assets

€ millions	Notes	12.31.2008	12.31.2007	12.31.2006
<b>(net amounts)</b>				
Intangible assets	11	450.9	444.1	400.5
Tangible assets	12	242.3	231.9	237.5
Financial assets	14	9,197.3	8,437.8	8,424.1
<b>Fixed assets</b>		<b>9,890.5</b>	<b>9,113.8</b>	<b>9,062.1</b>
Inventories		32.3	33.8	39.4
Prepayments to suppliers		14.7	11.0	15.7
Trade accounts receivable	18	335.8	342.5	326.4
Other current assets	18	171.8	104.3	93.9
Marketable securities	16	983.0	1,117.9	1,418.4
Cash and cash equivalents		213.8	743.3	363.4
<b>Current assets</b>		<b>1,751.4</b>	<b>2,352.8</b>	<b>2,257.2</b>
Prepaid expenses		19.4	22.1	23.2
Unrealised exchange losses	22	8.0	9.3	6.0
<b>Total assets</b>		<b>11,669.3</b>	<b>11,498.0</b>	<b>11,348.5</b>

### Liabilities and shareholders' equity

€ millions	Notes	12.31.2008	12.31.2007	12.31.2006
Capital stock		120.5	123.6	127.9
Additional paid-in capital		965.5	963.2	958.5
Reserves and retained earnings		4,261.2	3,537.9	4,263.7
Net profit		1,552.1	2,822.4	1,690.3
Regulated provisions		53.8	51.8	52.9
<b>Shareholders' equity</b>		<b>6,953.1</b>	<b>7,498.9</b>	<b>7,093.3</b>
<b>Provisions for liabilities and charges</b>	19	<b>130.9</b>	<b>149.3</b>	<b>123.1</b>
Borrowings and debts	20	3,966.2	3,267.3	3,581.8
Trade accounts payable	21	334.7	300.1	298.8
Other current liabilities	21	270.3	278.0	247.5
<b>Other liabilities</b>		<b>4,571.2</b>	<b>3,845.4</b>	<b>4,128.1</b>
Unrealised exchange gains	22	14.1	4.4	4.0
<b>Total liabilities and shareholders' equity</b>		<b>11,669.3</b>	<b>11,498.0</b>	<b>11,348.5</b>

### 4.3. Changes in shareholders' equity

The share capital of €120,483,162 comprises 602,415,810 shares with a par value of €0.2 following transactions carried out in 2008:

- cancellation of 15,597,400 treasury shares;
- subscription to 37,600 shares following the exercise of options.

The changes in shareholders' equity are as follows:

€ millions	Capital stock	Additional paid-in capital	1976 revaluation reserve	Reserves and retained earnings	Net profit	Regulated provisions	Total
<b>Balance at December 31<sup>st</sup>, 2005 before allocation of net profit</b>	<b>131.8</b>	<b>953.9</b>	<b>46.0</b>	<b>4,491.5</b>	<b>1,589.6</b>	<b>50.3</b>	<b>7,263.1</b>
Changes in capital stock	-3.9	4.6		-1,247.3			-1,246.6
Allocation of 2005 net profit				973.5	-973.5		0.0
Dividends paid for 2005					-616.1		-616.1
2006 net profit					1,690.3		1,690.3
Other movements during period						2.6	2.6
<b>Balance at December 31<sup>st</sup>, 2006 before allocation of net profit</b>	<b>127.9</b>	<b>958.5</b>	<b>46.0</b>	<b>4,217.7</b>	<b>1,690.3</b>	<b>52.9</b>	<b>7,093.3</b>
Changes in capital stock	-4.3	4.7		-1,704.4			-1,704.4
Allocation of 2006 net profit				978.6	-978.6		
Dividends paid for 2006					-711.7		-711.7
2007 net profit					2,822.4		2,822.4
Other movements during period						-1.1	-1.1
<b>Balance at December 31<sup>st</sup>, 2007 before allocation of net profit</b>	<b>123.6</b>	<b>963.2</b>	<b>46.0</b>	<b>3,491.9</b>	<b>2,822.4</b>	<b>51.8</b>	<b>7,498.9</b>
Changes in capital stock	-3.1	2.3	-0.6	-1,281.4			-1,282.8
Allocation of 2007 net profit				2,005.3	-2,005.3		
Dividends paid for 2007					-817.1		-817.1
2008 net profit					1,552.1		1,552.1
Other movements during period						2.0	2.0
<b>Balance at December 31<sup>st</sup>, 2008 before allocation of net profit</b>	<b>120.5</b>	<b>965.5</b>	<b>45.4</b>	<b>4,215.8</b>	<b>1,552.1</b>	<b>53.8</b>	<b>6,953.1</b>

The reserves include an amount of €25.8 million in 2008 corresponding to dividends not paid, as a consequence of L'Oréal's retaining some of its own shares, compared with €27.2 million in 2007 and €25 million in 2006.

The regulated provisions consist mainly of the provision for investment that amounted to €13.7 million at December 31<sup>st</sup>, 2008, compared with €15.3 million at December 31<sup>st</sup>, 2007 and €19.7 million at December 31<sup>st</sup>, 2006. In 2008, a charge of €3.8 million was made to the provision for investment in respect of employee profit-sharing for 2008 (compared with €2.7 million in 2007 and €0.8 million in 2006). This provision includes the transfer to the company of some of the provisions set aside by our subsidiaries under a Group agreement. There was a reversal in 2008 of a provision of €5.4 million set aside in 2003 (compared with €7.1 million in 2007 and €8.1 million in 2006).

Accelerated tax-driven depreciation at December 31<sup>st</sup>, 2008 amounted to €40.1 million, compared with €36.5 million at December 31<sup>st</sup>, 2007 and €33.1 million at December 31<sup>st</sup>, 2006.

The details of share-subscription option plans are provided in note 17 and in the Management Report.

## 4.4. Operating activities

€ millions	Notes	12.31.2008	12.31.2007	12.31.2006
<b>Operating activities</b>				
Net profit		1,552.1	2,822.4	1,690.3
Depreciation and amortisation		60.4	59.6	58.4
Charges to provisions (net of reversals)		204.2	9.3	-215.6
Gains and losses on disposals of fixed assets			-6.4	-1.2
Capital gain on Sanofi Aventis sale, net of tax			-1,376.5	
<b>Gross cash flow</b>		<b>1,816.7</b>	<b>1,508.4</b>	<b>1,531.9</b>
Changes in working capital	25	-48.7	8.5	81.3
<b>Net cash provided by operating activities</b>		<b>1,768.0</b>	<b>1,516.9</b>	<b>1,613.2</b>
<b>Investing activities</b>				
Investments in fixed assets		-2,191.7	-1,934.0	-2,554.1
Changes in other financial assets	26	9.2	344.4	192.3
Disposals of fixed assets		0.4	11.8	9.2
Proceeds of Sanofi Aventis sale, net of tax			1,465.5	
<b>Net cash used by investing activities</b>		<b>-2,182.1</b>	<b>-112.3</b>	<b>-2,352.6</b>
<b>Financing activities</b>				
Capital increase		2.3	4.7	4.6
Dividends paid		-817.1	-711.6	-616.2
Changes in financial debt		710.7	-327.7	1,419.2
<b>Net cash provided (used) by financing activities</b>		<b>-104.1</b>	<b>-1,034.6</b>	<b>807.6</b>
Change in cash and cash equivalents		-518.2	370.0	68.2
Cash and cash equivalents at beginning of year		730.7	360.7	292.5
<b>Cash and cash equivalents at end of year</b>	27	<b>212.5</b>	<b>730.7</b>	<b>360.7</b>

## 4.5. Notes to the Parent company financial statements

The following notes form an integral part of the parent company financial statements.

The financial statements are presented in millions of euros; the figures in the tables of subsidiaries and holdings are expressed in thousands of euros.

### Detailed list of notes

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### Note 1. Accounting principles

The annual financial statements of the company are prepared in accordance with French laws and regulations and with generally accepted accounting principles.

The items recorded in the financial statements are valued at historical cost, except for fixed assets revalued in accordance with legal requirements.

French National Accounting Board (*Conseil National de la Comptabilité*) recommendation N° 2008-17, issued on

November 6<sup>th</sup>, 2008, relating to the accounting treatment of stock purchase and stock subscription option plans, was applied in the 2008 financial statements. Its application led to the treasury stock allocated to the November 30<sup>th</sup>, 2005 stock purchase option plan being reclassified from the "financial assets" caption to the "marketable securities" for its net book value at November 17<sup>th</sup>, 2008, being €99.8 million.

## 1.1. Sales

These are comprised of sales of goods (net of rebates and discounts) as well as services (including technological royalties).

## 1.2. Advertising and promotion expenses

Expenses relating to the advertisement and promotion of products to customers and consumers are recognised as expenses in the year during which the advertisement or promotion takes place.

## 1.3. Research and development costs

Research and development costs are recognised in expenses in the period in which they are incurred.

## 1.4. Income tax

The company has opted for the French tax Group regime. As from 2004, French companies included in the scope of tax consolidation recognise an income tax charge in their own accounts on the basis of their own taxable profits and losses.

L'Oréal, as the parent company of the tax Group, recognises as tax income the difference between the aggregate tax charges recognised by the subsidiaries and the tax due on the basis of consolidated taxable profit or loss of the tax Group.

## 1.5. Intangible assets

Intangible assets are recorded in the balance sheet at purchase cost.

The value of newly acquired trademarks is calculated based on a multi-criteria approach taking into consideration their reputation and their future contribution to profits.

Application of regulation 2004-06 on assets has made it necessary to identify a number of trademarks as depreciable in accordance with their forecast life cycle.

Non-depreciable brands are subject, at least once a year, to impairment tests on the basis of the valuation model used at the time of their acquisition; this can lead to recognition of a provision for impairment.

Initial trademark registration costs have been recorded as expenses since 2005.

Patents are amortised over five years.

Software of material value is amortised using the straight-line method over its probable useful life, generally between five and seven years. It is also subject to recognition of accelerated tax-driven amortisation using the declining balance method over a twelve month period.

Other intangible assets are usually amortised over periods not exceeding 20 years.

## 1.6. Tangible assets

Tangible assets are recognised at purchase cost.

The useful lives of tangible assets are as follows:

	Useful lives
Buildings	20 - 50 years
Fixtures and fittings	5 - 10 years
Industrial machinery and equipment	10 years
Other tangible assets	3 - 10 years

Depreciation, whether calculated using the straight-line or declining balance method, represents depreciation calculated over the period of actual use of the asset. Industrial machinery and equipment is however an exception as it is depreciated using the straight-line method over ten years, with all additional depreciation being considered to be of an accelerated tax-driven nature.

## 1.7. Financial assets

### 1.7.1. Investments and advances

These items are recognised in the balance sheet at purchase cost excluding incidental expenses. Their value is assessed annually, by reference to their value in use, which is based in particular on the current and forecast profitability of the subsidiary in question and the share of shareholders' equity owned. If the value in use falls below the purchase cost, a provision for impairment is recognised.

### 1.7.2. Other financial assets

Loans and other receivables are valued at their nominal amount. Loans and other receivables denominated in foreign currencies are translated at the exchange rate prevailing at the end of the financial year. If necessary, provisions are made against these items to reduce them to their value in use at the end of the financial year.

Treasury stock acquired in the context of buyback programmes is recognised in other fixed asset securities.

At the end of the financial year, other fixed asset securities are compared with their probable sale price, and a provision for impairment is recognised if necessary.

## 1.8. Inventories

Inventories are valued using the weighted average cost method.

A provision for impairment of obsolete and slow-moving inventories is recognised by reference to their probable net realisable value, which is measured on the basis of historical and forecast data.

## 1.9. Trade accounts receivable and other receivables

Trade accounts receivable and other receivables are recorded at their nominal value. Where appropriate, a provision is recognised based on an assessment of the risk of non-recovery.

## 1.10. Marketable securities

Marketable securities are recognised at purchase cost and are valued at the end of the financial year at their probable sale price.

Treasury stock held that is specifically allocated to employee stock option plans is recognised in marketable securities.

In the case of stock option plans prior to 2000, a provision for impairment has been made to cover the difference between the acquisition price of the shares and the price at which the options may be exercised by the beneficiaries. Since January 1<sup>st</sup>, 2000, no discount has been granted on the exercise price of the options. Provided that the shares are purchased at a lower price than the exercise price, no provision for impairment is required. However, a provision for impairment is recognised in the event of a decline in the market price below the carrying amount of the treasury stock; the provision is calculated as the difference between the carrying amount of the treasury stock and the average share price over the month preceding the balance sheet date.

## 1.11. Provisions for liabilities and charges

Provisions for liabilities and charges are recognised to cover probable outflows of resources to the benefit of third parties, without receipt of equivalent consideration by the company. They relate mainly to industrial and commercial contingencies and litigation (legal actions, product returns) and to tax and employee-related contingencies.

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

## 1.12. Accounting for foreign currency transactions and hedging of exchange rate risks

All receivables and payables denominated in foreign currencies are translated at the exchange rates prevailing at the end of the financial year.

Exchange rate hedging instruments are traded in order to cover commercial transactions recognised in the balance sheet or future transactions that are considered to be highly probable. The losses and gains generated by these instruments are recognised symmetrically with recognition of the hedged items.

Translation differences on operating assets and liabilities and related hedging instruments are recognised in the balance sheet as "Unrealised exchange losses" or "Unrealised exchange gains". A provision is recognised if the sum of these unrealised exchange gains and losses shows a potential exchange loss based on the overall exchange position of all currencies taken together.

Operating transactions forecasted for the next financial year are already covered by hedges whose impact will be recorded during the same accounting period as the transactions hedged.

## 1.13. Accounting for interest rate instruments

With regard to the interest rate risk, profit and loss on interest rate swaps and caps hedging financial liabilities are recorded symmetrically with profit and loss on the debts hedged, on a time-proportion basis.

## 1.14. Employee retirement obligations and related benefits

L'Oréal participates in and provides pensions, early retirement and other benefit schemes for employees and retired employees in accordance with local legislation and regulations. Corporate officers are regarded as employees for all additional benefits relating to their remuneration, and are therefore covered by the same employee benefit schemes.

Partial external hedging has been put in place in respect of these obligations, in order to gradually build up a fund through contributions paid. The contributions are included in the charges for the financial year under the "Other purchases and external charges" caption.

The related obligations are measured using an actuarial valuation method based on the final salary.

Net unfunded obligations are not recognised as a provision in the balance sheet. They remain as off-balance sheet commitments.

Since 2004, the obligation in respect of long-service awards is no longer recognised as an off-balance sheet commitment; instead, a provision, whose amount is based on an actuarial valuation, is recognised in the balance sheet.

## Note 2. Sales

€ million	12.31.2008	12.31.2007	12.31.2006
Goods	878.6	880.0	908.4
Raw materials, packaging	23.2	27.2	18.4
Services <sup>(1)</sup>	1,026.2	995.4	928.4
Rental	37.7	36.6	36.7
Other revenues of ancillary activities	149.5	134.6	111.5
<b>Total</b>	<b>2,115.2</b>	<b>2,073.8</b>	<b>2,003.4</b>

(1) Mainly concerns invoicing of technological assistance.

The amount of sales in France was €1,300.5 million in 2008, compared with €1,299.2 million in 2007 and €1,224.3 million in 2006.

## Note 3. Other revenue

This account caption mainly includes royalties from brands.

## Note 4. Breakdown of the average headcount

Average headcount is broken down as follows:

	2008	2007	2006
Executives	2,744	2,664	2,537
Supervisors	2,114	2,145	2,146
Administrative staff	386	423	469
Workers	291	311	316
Sales representatives	313	319	325
<b>Total</b>	<b>5,848</b>	<b>5,862</b>	<b>5,793</b>
of which apprentices	152	145	144
of which external temporary workers	160	180	190

## Note 5. Depreciation, amortisation and charges to provisions

Depreciation, amortisation and charges to provisions are broken down as follows:

€ millions	12.31.2008	12.31.2007	12.31.2006
Depreciation and amortisation	60.4	59.4	57.9
Impairment of fixed assets	-	-	19.3
Impairment of current assets	3.3	3.1	3.0
Provisions for liabilities and charges	18.2	15.2	12.3
<b>Total</b>	<b>81.9</b>	<b>77.7</b>	<b>92.5</b>

## Note 6. Net financial income

Net financial income amounts to €1,511.8 million at December 31<sup>st</sup>, 2008, compared with €1,247.4 million at December 31<sup>st</sup>, 2007 and €1,316.2 million at December 31<sup>st</sup>, 2006, and mainly includes the following items:

€ millions	12.31.2008	12.31.2007	12.31.2006
Dividends received	1,604.9	1,402.2	1,410.8
Revenues on other receivables and marketable securities	20.3	18.3	30.8
Interest expense on loans	-176.4	-168.1	-118.7
Losses paid to partnership entities (SNCs)	-3.0	-2.7	-2.6
Redemption of perpetual loan	71.8	-	-
Other items not broken down in detail	-5.8	-2.3	-4.1
<b>Total</b>	<b>1,511.8</b>	<b>1,247.4</b>	<b>1,316.2</b>

During 2008, L'Oréal redeemed the perpetual loan which had been subscribed in 1992 and which matured in 2007. This redemption generated financial income of €71.8 million (note 20).

The "Net (charges to)/reversals of provisions and transfers of charges" caption amounts to €-225.5 million at December 31<sup>st</sup>, 2008, compared with reversals of €10.8 million at December 31<sup>st</sup>, 2007 and €217.7 million at December 31<sup>st</sup>, 2006 and mainly includes:

€ millions	12.31.2008	12.31.2007	12.31.2006
Net charges to (-)/reversals of (+) provisions for impairment of financial assets (excluding treasury stock)	-6.2	-32.8	-17.6
Net charges to (-)/reversals of (+) provisions for impairment of treasury stock	-205.3	48.8	230.1
Net charges to (-)/reversals of (+) provisions for liabilities and charges of a financial nature	-4.1	-5.7	1.8
Net charges to (-)/reversals of (+) provisions for impairment of other financial assets	-9.9	n/s	n/s
Other variations not broken down in detail	-	0.5	3.4
<b>Total</b>	<b>-225.5</b>	<b>10.8</b>	<b>217.7</b>

## Note 7. Exceptional items

In 2007 exceptional items included the capital gain on the sale of Sanofi-Aventis shares for €1,400.7 million.

Exceptional items in 2008 notably include reversals of provisions for liabilities and charges.

## Note 8. Income tax

The tax income for the year breaks down as follows:

€ millions	12.31.2008	12.31.2007	12.31.2006
Tax on profit before tax and exceptional items	118.2	86.9	53.6
Tax on exceptional items and employee profit-sharing	6.7	6	12.6
Tax on the Sanofi-Aventis capital gain	-	-24.2	-
Net provisions for taxes	18.5	-	-11.7
<b>Income tax</b>	<b>143.4</b>	<b>68.7</b>	<b>54.5</b>

The tax income booked by L'Oréal SA takes account of savings of €136.6 million resulting from tax consolidation, compared with €102.4 million in 2007 and €98.4 million in 2006: these savings mainly result from the use of tax losses of member companies.

The application of tax legislation led to an increase in net profit for 2008 of €34.5 million, mainly because of the net charge to regulated provisions and research, sponsorship and family tax credits.

## Note 9. Increases or reductions in future tax liabilities

€ millions	12.31.2006		12.31.2007		Changes		12.31.2008	
	Asset	Liability	Asset	Liability	Asset	Liability	Asset	Liability
<b>Temporary differences</b>								
Regulated provisions		11.7		13.5	4.3	5.9		15.1
Temporarily non-deductible charges	44.1		27.8		93.6	20.0	101.4	
Charges deducted (or revenue taxed) for tax purposes but not yet recognised in accounts		0.7		1.7	8.1	4.3	2.1	
Temporarily non-taxable revenue		0.4						
<b>Items deductible</b>								
Tax losses, etc.								
<b>Items potentially taxable</b>								
Special reserve for long-term capital gains		176.8		176.8				176.8

The figures have been calculated taking account of the social contribution of 3.3% which increases both the standard and reduced rates of tax.

## Note 10. Research costs

Amounts invested in Research activities in 2008 totalled €515.8 million compared with €502.2 million in 2007 and €481.6 million in 2006.

## Note 11. Intangible assets

€ millions	12.31.2006	12.31.2007	Acquisition	Disposal	Other movements	12.31.2008
Patents and trademarks	345.5	346.6	0.3	-	-	346.9
Business goodwill	3.0	47.7	-	-	-	47.7
Software	94.1	111.8	5.1	-1.7	18.0	133.2
Other intangible assets	78.9	78.9	-	-	-	78.9
Intangible assets in progress	10.8	9.5	20.8	n/s	-17.5	12.8
<b>Gross value</b>	<b>532.3</b>	<b>594.5</b>	<b>26.2</b>	<b>-1.7</b>	<b>0.5</b>	<b>619.5</b>
Patents and trademarks	30.5	32.9	2.2	-	-	35.1
Business goodwill	0.3	0.3	-	-	-	0.3
Software	57.0	70.6	15.1	-1.7	-	84.0
Other intangible assets	24.7	27.3	2.6	-	-	29.9
<b>Amortisation</b>	<b>112.5</b>	<b>131.1</b>	<b>19.9</b>	<b>-1.7</b>	<b>-</b>	<b>149.3</b>
Patents and trademarks	15.8	15.8	-	-	-	15.8
Other intangible assets	3.5	3.5	-	-	-	3.5
<b>Provisions</b>	<b>19.3</b>	<b>19.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19.3</b>
<b>Net book value</b>	<b>400.5</b>	<b>444.1</b>	<b>6.3</b>	<b>0</b>	<b>0.5</b>	<b>450.9</b>

## Note 12. Tangible assets

€ millions	12.31.2006	12.31.2007	Acquisition	Disposal	Other movements	12.31.2008
Land	44.7	44.9	17.6	-	-	62.5
Buildings	374.8	378.3	2.0	-1.6	9.2	387.9
Industrial machinery and equipment	151.5	163.2	7.5	-2.8	4.4	172.3
Other tangible assets	82.3	85.5	7.7	-9.6	1.6	85.2
Fixed assets in progress	7.5	9.7	19.0	-	-15.9	12.8
Advances and prepayments	2.4	2.8	-	-	-1.9	0.9
<b>Gross value</b>	<b>663.2</b>	<b>684.4</b>	<b>53.8</b>	<b>-14.0</b>	<b>-2.6</b>	<b>721.6</b>
Buildings	246.6	260.0	20.5	-1.6	-	278.9
Industrial machinery and equipment	120.5	129.0	11.2	-2.6	-	137.6
Other tangible assets	58.6	63.5	8.8	-9.5	-	62.8
<b>Depreciation</b>	<b>425.7</b>	<b>452.5</b>	<b>40.5</b>	<b>-13.7</b>	<b>-</b>	<b>479.3</b>
<b>Net book value</b>	<b>237.5</b>	<b>231.9</b>	<b>13.3</b>	<b>-0.3</b>	<b>-2.6</b>	<b>242.3</b>

Depreciation and amortisation recognised in 2008 on tangible and intangible assets included:

- a charge of €43.6 million on a straight-line basis;
- a charge of €16.6 million on a tax-driven declining balance basis; and
- €0.2 million of exceptional depreciation and amortisation.

## Note 13. Fixed assets under finance leases

€ millions	Fixed assets under finance leases at 12.31.2008			Balance sheet total including fixed assets under finance leases			
	Cost on initial recognition <sup>(1)</sup>	Depreciation <sup>(2)</sup>		Net book Value	Gross value	Depreciation	Net book Value
Balance sheet captions		For year	Accumulated				
Land and buildings	34.2	-1.2	-16.3	17.9	484.6	-295.2	189.4
Industrial machinery and equipment	-	-	-	-	172.3	-137.6	34.7
<b>Total at 12.31.2008</b>	<b>34.2</b>	<b>-1.2</b>	<b>-16.3</b>	<b>17.9</b>	<b>656.9</b>	<b>-432.8</b>	<b>224.1</b>
Total at 12.31.2007	41.7	-1.4	-18.8	22.9	628.0	-407.7	220.3
Total at 12.31.2006	95.7	-3.6	-56.9	38.8	666.7	-424.0	242.7

(1) Value of the assets at the date of signature of the leases.

(2) Depreciation charge for year, and accumulated depreciation, that would have been recognised for these assets if they had been acquired - Depreciation method used: straight-line 5% to 2%.

# 4 2008 Parent Company Financial Statements —

Notes to the parent company financial statements

€ millions	Finance lease commitments						
	Lease payments made		Lease payments outstanding at year end				Residual purchase price under the lease
	In the year	Accumulated	Less than 1 year	1 to 5 years	More than 5 years	Total payable	
Balance sheet captions							
Land and buildings	4.0	58.6	3.9	16.6	11.4	31.9	1.4
Industrial machinery and equipment	-	-	-	-	-	-	-
<b>Total at 12.31.2008</b>	<b>4.0</b>	<b>58.6</b>	<b>3.9</b>	<b>16.6</b>	<b>11.4</b>	<b>31.9</b>	<b>1.4</b>
Total at 12.31.2007	3.9	54.6	3.9	16.4	15.2	35.5	1.4
Total at 12.31.2006	12.8	144.1	4.0	16.0	19.8	39.8	1.4

These tables do not take account of a contract providing for payment, as from 2009, of €11.3 million of additional lease payments corresponding to a building of a value of €9.1 million.

## Note 14. Financial assets

€ millions	12.31.2006	12.31.2007	Acquisition/ Subscription	Disposal	Other movements	12.31.2008
Investments	7,516.1	7,927.0	1,168.9 <sup>(1)</sup>	-	11.1	9,107.0
Loans and other receivables	101.6	92.7	48.3	-19.8	-13.4	107.8
Treasury stock	1,033.8	678.2	943.4	-0.3	-1,361.9	259.4
Other	8.5	8.6	0.6	-0.8	-	8.4
<b>Gross value</b>	<b>8,660.0</b>	<b>8,706.5</b>	<b>2,161.2</b>	<b>-20.9</b>	<b>-1,364.2</b>	<b>9,482.6</b>
Investments	230.4	263.2	17.3	-10.5	-	270.0
Loans and other receivables	0.6	0.6	10.0	-	-	10.6
Treasury stock	-	-	-	-	-	-
Other	4.9	4.9	-	-0.2	-	4.7
Provision for impairment	235.9	268.7	27.3	-10.7	0	285.3
<b>Net book value</b>	<b>8,424.1</b>	<b>8,437.8</b>	<b>2,133.9</b>	<b>-10.2</b>	<b>-1,364.2</b>	<b>9,197.3</b>

(1) This is mainly comprised of the acquisition of the shares in Yves Saint Laurent for €1,100 million.

In 2008, L'Oréal purchased 12,787,000 shares of treasury stock in the context of buyback programmes and cancelled 15,275,150 shares. A total of 4,950 options were exercised under purchase stock option plans.

At year end, L'Oréal owns 3,808,000 shares of treasury stock, compared with 8,067,350 shares at December 31<sup>st</sup>, 2007.

The total market value of treasury stock amounted to €235.6 million at the average share price for December and to €237.2 million at the closing share price on December 31<sup>st</sup>.

A total of 1,766,250 shares of treasury stock which had previously been classified as financial assets were reclassified into marketable securities for a net book value of €99.8 million (in accordance with CNC recommendation N° 2008-17 as described in the accounting principles section).

The *table of subsidiaries and holdings* is presented at the end of the notes to the financial statements.

## Note 15. Transactions and balances with related entities

€ millions	12.31.2008	12.31.2007	12.31.2006
Financial assets	8,924.2	7,742.7	7,371.4
Trade accounts receivable	199.6	207.5	180.4
Other accounts receivable	3.2	20.7	10.3
Cash and cash equivalents	190.8	735.6	347.0
Borrowings	9.5	11.9	75.2
Trade accounts payable	71.7	58.8	60.4
Other payables	19.7	0.1	0.1
Financial expenses	9.4	5.4	17.1
Financial revenues	1,605.3	1,402.8	1,411.7

## Note 16. Marketable securities

This account is broken down as follows:

€ millions	12.31.2008	12.31.2007	12.31.2006
L'Oréal shares	1,151.0	1,107.5	1,462.5
Financial instruments	23.0	3.9	2.4
Premiums paid on options	15.3	9.7	5.8
<b>Gross value</b>	<b>1,189.3</b>	<b>1,121.1</b>	<b>1,470.7</b>
L'Oréal shares	-206.3	-3.2	-52.3
Financial instruments	-	-	-
Premiums paid on options	-	-	-
<b>Provision for impairment</b>	<b>-206.3</b>	<b>-3.2</b>	<b>-52.3</b>
<b>Net book value</b>	<b>983.0</b>	<b>1,117.9</b>	<b>1,418.4</b>

The 15,467,342 L'Oréal shares of treasury stock held for the employee stock purchase option plans have a net value of €944.7 million (after taking account of a net charge in the year of €205.3 million to the provision for impairment through profit and loss, and a reversal of €2.2 million through equity corresponding to shares cancelled), compared with €1,104.3 million at December 31<sup>st</sup>, 2007 and €1,410.2 million at December 31<sup>st</sup>, 2006.

During 2008, stock options were exercised in respect of 574,245 shares and 322,250 shares were cancelled.

For 2008, the total market value of treasury stock amounts to €956.8 million based on the average price in December and to €963.6 million at the closing share price on December 31<sup>st</sup>.

For 2007, the total market value of treasury stock amounted to €1,408.7 million based on the average price in December and to €1,430.3 million at the closing share price on December 31<sup>st</sup>.

For 2006, the total market value of treasury stock amounted to €1,504.3 million based on the average price in December and to €1,495.8 million at the closing price on December 31<sup>st</sup>.

A total of 1,766,250 shares of treasury stock previously recognised in "financial assets" were reclassified into "marketable securities" for a net book value of €99.8 million (in accordance with CNC recommendation N° 2008-17 as described in the accounting principles section).

## Note 17. Stock purchase or subscription options

The table below summarises information relating to stock option plans in operation at December 31<sup>st</sup>, 2008:

Date of grant	Number of options	Number of options not exercised	Exercise period		Exercise price
			From	To	
10.14.1999	2,250,000	480,692	10.15.2004	10.14.2009	57.60
12.07.1999	1,500,000	586,400	12.08.2004	12.07.2009	61.00
04.05.2000	1,200,000	349,800	04.06.2005	04.05.2010	65.90
09.28.2000	3,800,000	2,414,800	09.29.2005	09.28.2010	83.00
12.07.2000	450,000	346,500	12.08.2005	12.07.2010	89.90
03.28.2001	2,500,000	1,605,600	03.29.2006	03.28.2011	79.60
09.18.2001	2,500,000	1,664,000	09.19.2006	09.18.2011	77.60
10.08.2001	225,000	151,250	10.09.2006	10.08.2011	76.50
03.26.2002	2,500,000	1,822,550	03.27.2007	03.26.2012	81.65
09.04.2002	2,500,000	1,813,000	09.05.2007	09.04.2012	76.88
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	400,00	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 of these plans have an exercise period of 5 years and are not subject to any performance conditions.

The share price retained as the basis for calculating the 10% social contribution on the November 30<sup>th</sup>, 2007 plan was €93.83.

## Note 18. Maturities of receivables

€ millions	Less than 1 year	More than 1 year	Gross	Provision for impairment	Net
Loans and other receivables	17.3	90.5	107.8	-10.6	97.2
Other financial assets		8.4	8.4	-4.7	3.7
Trade accounts receivable	338.7	-	338.7	-2.9	335.8
Other current assets, of which	171.8	-	171.8	-	171.8
Tax and employee-related receivables	127.3	-	127.3	-	
Group and shareholders	3.0	-	3.0	-	
Other receivables	41.5	-	41.5	-	
Prepaid expenses	19.4	-	19.4	-	19.4

Accrual accounts included in receivables amounted to €16.6 million at December 31<sup>st</sup>, 2008, compared with €12.2 million at December 31<sup>st</sup>, 2007 and €11.9 million at December 31<sup>st</sup>, 2006.

## Note 19. Provisions for liabilities and charges

€ millions	12.31.2006	12.31.2007	Charges	Reversals (provisions used)	Reversals (provisions not used)	12.31.2008
Provisions for litigation	40.8	40.9	0.1	-0.6	-24.3	16.1
Provision for exchange losses	2.0	4.9	-	-4.9	-	-
Provisions for charges	23.7	27.6	21.1	-18.5	-0.7	29.5
Other provisions for liabilities <sup>(1)</sup>	56.6	75.9	20.3	-2.6	-8.3	85.3
<b>Total</b>	<b>123.1</b>	<b>149.3</b>	<b>41.5</b>	<b>-26.6</b>	<b>-33.3</b>	<b>130.9</b>

(1) This caption notably includes provisions for tax risks, and for industrial and commercial risks relating to operations (contracts, product returns) and employee-related liabilities.

The changes in provisions for liabilities and charges impacted different levels of the 2008 profit and loss account as follows:

€ millions	Charges	Reversals (provisions used)	Reversals (provisions not used)
Operating profit	18.2	-12.5	-1.3
Net financial income	20.0	-11.6	-4.2
Exceptional items	3.3	-2.3	-9.5
Income tax	-	-0.2	-18.3
<b>Total</b>	<b>41.5</b>	<b>-26.6</b>	<b>-33.3</b>

## Note 20. Borrowings and debts

L'Oréal obtains financing through medium-term bank loans, and by the issue of short-term commercial paper in France. The amount of the programme is €2,600 million.

Liquidity on the commercial paper issues is ensured by confirmed short-term credit facilities with banks for an amount of €2,425.0 million at December 31<sup>st</sup>, 2008, compared with €2,625.0 million at December 31<sup>st</sup>, 2007 and at December 31<sup>st</sup>, 2006. These short-term credit facilities, like the medium-term loans, are not subject to any financial ratio clauses or ratings clauses.

Total borrowings and debts are broken down as follows:

### BREAKDOWN BY TYPE OF DEBT

€ million	12.31.2008	12.31.2007	12.31.2006
Bonds	n/s	n/s	n/s
Borrowings and debts due to financial institutions	2,498.0	2,550.8	1,794.8
Perpetual loan	-	71.8	77.4
Commercial paper	1,406.0	567.2	1,577.8
Other borrowings and debts	61.6	65.6	130.5
Overdrafts	0.6	11.9	1.3
<b>Total</b>	<b>3,966.2</b>	<b>3,267.3</b>	<b>3,581.8</b>

The perpetual loan, which matured in 2007, was redeemed in 2008 (note 6). In accordance with OEC recommendation no. 28, it was recorded under the Borrowings and Debts caption in 2007. A tax impact of €9.7 million was recognised on maturity in 2007.

### BREAKDOWN BY MATURITY

€ millions	12.31.2008	12.31.2007	12.31.2006
Less than 1 year	1,510.8	738.3	1,749.6
1 to 5 years	2,454.1	2,527.8	1,831.1
More than 5 years	1.3	1.2	1.1
<b>Total</b>	<b>3,966.2</b>	<b>3,267.3</b>	<b>3,581.8</b>

During the 2008 financial year, the main changes recognised were as follows:

€ millions	
Borrowings taken out	1,431.5
Borrowings repaid	725.6

## Note 21. Maturities of payables

€ millions	Less than 1 year	More than 1 year	Total
<b>Trade accounts payable</b>	<b>334.7</b>		<b>334.7</b>
<b>Other current liabilities, of which</b>	<b>270.3</b>		<b>270.3</b>
Tax and employee-related payables	185.9		185.9
Fixed asset related payables	15.9		15.9
Group and shareholders	19.1		19.1
Other payables	49.4		49.4

Accrual accounts included in trade accounts payable and other current liabilities are as follows:

€ millions	12.31.2008	12.31.2007	12.31.2006
<b>Trade accounts payable</b>	<b>164.5</b>	<b>151.8</b>	<b>146.2</b>
<b>Fixed asset related payables</b>	<b>4.1</b>	<b>5.8</b>	<b>7.3</b>
<b>Tax and employee-related payables, of which</b>	117.4	100.9	92.1
Provision for employee profit sharing	21.6	19.3	17.5
Provision for incentives	54.0	51.1	47.5
<b>Other payables</b>	35.5	50.1	51.3
<b>Total</b>	<b>321.5</b>	<b>308.6</b>	<b>296.9</b>

## Note 22. Unrealised exchange gains and losses

The revaluation of receivables and payables denominated in foreign currencies at exchange rates prevailing at December 31<sup>st</sup> and taking account of the related financial instruments led to the recognition of the following unrealised exchange gains / unrealised exchange losses:

€ millions	Unrealised exchange gains			Unrealised exchange losses		
	12.31.2008	12.31.2007	12.31.2006	12.31.2008	12.31.2007	12.31.2006
Financial receivables	0.1	0.4	0.3	0.9	-	-
Trade accounts receivable	3.8	1.8	0.9	1.6	0.2	0.2
Borrowings and debts	0.4	-	-	-	0.1	0.8
Trade accounts payable	0.6	-	0.2	5.0	0.5	0.6
Other payables	-	-	-	0.6	0.1	-
Derivative financial instruments	3.1	7.1	4.6	6.0	3.5	2.4
<b>Total</b>	<b>8.0</b>	<b>9.3</b>	<b>6.0</b>	<b>14.1</b>	<b>4.4</b>	<b>4.0</b>

The overall foreign exchange position, determined in accordance with the accounting principles described earlier in the notes, is an unrealised gain, mainly on the US dollar and on the pound sterling, of €6.1 million at December 31<sup>st</sup>, 2008. At December 31<sup>st</sup>, 2007 and at December 31<sup>st</sup>, 2006, the overall foreign exchange position was, respectively, an unrealised loss of €4.9 million and €2 million and was recognised through profit and loss.

## Note 23. Derivative financial instruments

The derivative financial instruments held to hedge exchange rate risks are mainly related to future transactions, and are broken down as follows:

€ millions	Notional			Market value		
	12.31.2008	12.31.2007	12.31.2006	12.31.2008	12.31.2007	12.31.2006
<b>Currency forwards, net</b>						
Purchase of EUR/Sale of ARS	0.8	4.0	0.2	-	-	-
Purchase of EUR/Sale of AUD	8.7	9.6	8.8	1.3	0.2	-0.2
Purchase of EUR/Sale of BRL	32.8	37.3	14.0	7.4	-1.0	-0.1
Purchase of EUR/Sale of CAD	13.9	15.2	13.0	1.8	-0.1	0.6
Purchase of EUR/Sale of GBP	8.9	20.2	15.1	2.1	0.8	-0.4
Purchase of EUR/Sale of PLN	6.3	8.1	5.7	1.3	-0.4	-0.2
Purchase of EUR/Sale of MXN	3.9	8.0	8.8	0.8	0.5	0.1
Purchase of EUR/Sale of CHF	3.7	3.3	4.9	-0.3	-	-
Purchase of EUR/Sale of SEK	4.3	5.2	4.0	0.4	-	-0.1
Purchase of EUR/Sale of NOK	3.8	5.0	4.7	0.7	-	0.1
Purchase of EUR/Sale of CNY	87.9	87.7	83.0	-2.7	3.2	0.7
Purchase of EUR/Sale of UAH	4.5	-	-	2.4	-	-
Purchase of EUR/Sale of other currencies	21.6	22.7	19.9	1.2	0.3	-0.2
Sale of EUR/Purchase of USD	37.7	53.3	22.0	2.1	-6.2	-3.3
Sale of EUR/Purchase of JPY	11.1	13.0	15.5	1.9	-1.2	-1.4
Sale of EUR/Purchase of other currencies	2.7	2.5	1.8	0.1	-	0.1
Purchase of USD/Sale of BRL	25.8	21.6	7.4	5.4	-1.9	-0.3
Purchase of USD/Sale of ARS	20.2	42.8	26.5	3.6	-0.2	-0.9
Purchase of USD/Sale of UAH	2.6	4.6	3.6	1.5	0.1	-
Purchase of USD/Sale of CNY	-	-	4.0	-	-	-
Sale of USD/Purchase of CNY	24.3	27.5	-	-0.5	-	-
Sale of CNY/Purchase of JPY	6.8	5.5	6.2	0.8	0.1	-0.3
Purchase of CNY/Sale of HKD	0.4	-	-	-	-	-
Sale of ARS/Purchase of BRL	11.5	-	-	-0.1	-	-
<b>Total currency forwards</b>	<b>344.2</b>	<b>397.1</b>	<b>269.1</b>	<b>31.2</b>	<b>-5.8</b>	<b>-5.8</b>
<b>Currency options</b>						
USD/EUR	72.4	71.2	43.8	1.6	5.5	3.0
GBP/EUR	9.5	4.9	6.4	1.8	0.4	0.1
CAD/EUR	1.7	3.1	3.9	0.2	0.1	0.3
BRL/USD	3.5	-	7.0	0.7	-	0.3
EUR/BRL	24.9	34.8	33.4	5.6	1.2	1.5
EUR/CNY	35.6	59.2	22.4	0.5	1.8	0.4
Other currencies/EUR	3.8	3.9	6.1	0.9	0.2	0.1
Other currencies / Other currencies	-	-	2.5	-	-	0.1
<b>Total currency options of which:</b>	<b>151.4</b>	<b>177.1</b>	<b>125.5</b>	<b>11.3</b>	<b>9.2</b>	<b>5.8</b>
call options	218.9	186.5	135.0	15.3	9.4	5.9
put options	-67.5	-9.4	-9.5	-4.0	-0.2	-0.1
<b>Total derivative financial instruments</b>	<b>495.6</b>	<b>574.2</b>	<b>394.6</b>	<b>42.5</b>	<b>3.4</b>	<b>0.0</b>

Total put options correspond exclusively to the resale of previously purchased options when it appeared appropriate to replace them with other hedging instruments.

Derivative financial instruments held to hedge interest rate risks are as follows:

€ millions	Notional			Market value		
	12.31.2008	12.31.2007	12.31.2006	12.31.2008	12.31.2007	12.31.2006
<b>Interest rate derivatives</b>						
<b>Interest rate swaps – borrower floating rate</b>						
EUR Euribor / fixed rate	69.8	121.8	128.8	2.2	1.5	3.6
<b>Interest rate swaps – borrower fixed rate</b>						
EUR Euribor / fixed rate	2.5	2.5	2.5	n/s	n/s	n/s
<b>Interest rate swaps floating /floating</b>						
EUR Euribor / Euribor	-	-	7.1	-	-	n/s
<b>Total</b>	<b>72.3</b>	<b>124.3</b>	<b>138.4</b>	<b>2.2</b>	<b>1.5</b>	<b>3.6</b>

## Note 24. Off-balance sheet commitments

### 24.1. Lease commitments

Operating lease commitments amount to €65.5 million within less than one year, €187.9 million between 1 and 5 years and €83.8 million after 5 years.

The breakdown of finance lease commitments is provided in note 13.

### 24.2. Other off-balance sheet commitments

Confirmed credit facilities are set out in note 20.

Other off-balance sheet commitments are broken down as follows:

€ millions	12.31.2008	12.31.2007	12.31.2006
Commitments granted in the area of employee retirement obligations and related benefits <sup>(1)</sup>	395.6	461.1	571.0
Commitments to buyout minorities	83.0	64.2	67.4
Guarantees given <sup>(2)</sup>	674.6	627.0	656.7
Guarantees received	7.6	7.6	4.8
Capital expenditure orders	100.3	69.7	51.3
Documentary credits	5.0	5.1	6.9

(1) The discount rate used to measure these commitments in 2008 is 5.75% for plans providing a capital sum and 6.00% for plans providing an annuity, compared with 5.00% and 5.25% respectively in 2007 and 4.25% and 4.50% in 2006. An agreement for the mutualisation of employee-related liabilities was put in place in 2004. This agreement leads to the allocation of commitments among the different French companies in the Group and to organising their financing in proportion to the companies respective payroll costs (personalised by plan) so that the companies are severally responsible for meeting the aforementioned commitments within the limit of the collective funds constituted.

(2) This caption includes miscellaneous guarantees and warranties, including €665.8 million at December 31<sup>st</sup>, 2008 on behalf of direct and indirect subsidiaries, compared with €582.5 million at December 31<sup>st</sup>, 2007 and €649.7 million at December 31<sup>st</sup>, 2006. Warranties regarding liabilities are also included in this amount.

## 24.3. Contingent liabilities

In its normal course of business, L'Oréal is involved in legal actions and is subject to tax audits, customs controls and administrative audits. The company 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 a serious level of probability affect the results, financial situation, assets or operations of the company.

## Note 25. Changes in working capital

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Changes in working capital were €-48.7 million at December 31<sup>st</sup>, 2008, compared with €8.5 million at December 31<sup>st</sup>, 2007 and €81.3 million at December 31<sup>st</sup>, 2006. They are broken down as follows:

€ millions	12.31.2008	12.31.2007	12.31.2006
Inventories	1.4	5.7	7.8
Receivables	-53.7	-34.8	40.5
Payables	3.6	37.6	33.0
<b>Total</b>	<b>-48.7</b>	<b>8.5</b>	<b>81.3</b>

## Note 26. Changes in other financial assets

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This caption includes flows related to treasury stock in the year, classified in marketable securities.

## Note 27. Cash and cash equivalents at end of year

Cash and cash equivalents at end of year amount to €212.5 million at December 31<sup>st</sup>, 2008 compared with €730.7 million at December 31<sup>st</sup>, 2007 and €360.7 million at December 31<sup>st</sup>, 2006 and are broken down as follows:

€ millions	12.31.2008	12.31.2007	12.31.2006
Cash	213.8	743.3	363.4
Accrued interest asset	-0.9	-1.6	-1.4
Bank overdrafts (note 20)	-0.6	-11.9	-1.9
Accrued interest liability	0.2	0.9	0.6
<b>Total</b>	<b>212.5</b>	<b>730.7</b>	<b>360.7</b>

## Note 28. Other disclosures

In 2008, L'Oréal recognised expenses of €2.9 million in respect of fees for audit and related engagements. The equivalent expense in 2007 was €2.7 million.

## Note 29. Post-balance sheet events

No event occurred between the balance sheet date and the date on which the financial statements were approved by the Board of Directors.

4.6. Table of subsidiaries and holdings at December 31<sup>st</sup>, 2008

## 4.6.1. Detailed information

€ thousands	Capital	Reserves and retained earnings before appropriation of profits	% holding	Book value of shares held		Profit or loss in last financial year	Dividends booked during the financial year
				Gross	Net		
<b>A. Main french subsidiaries (holdings of over 50%)</b>							
Areca & Cie	35	1	99.78	35	35	268	(1)
Banque de Réalisations de Gestion et de Financement (Regefi)	19,250	62,389	100	75,670	75,670	18,858	16,859
Beauté Créateurs	612	3,014	100	25,385	25,385	-6,182	
Biotherm Distribution & Cie	182	415	99.9	472	472	9,418	6,398
Centrex	1,800	29	100	3,532	3,532	292	(1)
Chimex	1,958	34,684	100	21,501	21,501	4,668	
Cosmétique Active France	21	6,863	69.91	130	130	13,674	9,781
Cosmétique Active International	17	4,000	87.94	15	15	6,965	9,778
Cosmétique Active Production	186	22,882	80.14	5,081	5,081	-58	2,948
Episkin	9,402	0	100	9,402	9,402	809	(1)
Exclusive Signatures International	10	0	99	10	10	129	(1)
Fapagau & Cie	15	5,567	79	12	12	5,844	(1)
Faprogi	15	4,632	59.9	9	9	1,659	(1)
Finval	2	0	99	2	2	3,308	(1)
Gemey Maybelline Garnier	50	719	66.61	34	34	41,654	31,294
Gemey Paris-Maybelline New York	35	6,920	99.96	46	46	17,429	18,042
Goldys International	15	0	99.9	15	15	-3	(1)
Hélène Rubinstein	30	1	99.95	46,661	46,661	6,525	4,513
Holdial	1	0	98	1	1	1,011	(1)
L & J Ré	1,500	10,749	100	1,500	1,500	-18	
La Roche Posay Laboratoire Pharmaceutique	380	4,437	99.98	27,579	27,579	-5,209	6,436
Laboratoire Bioexigence	37	-531	100	37	37	522	48
Laboratoire Garnier & Cie	580	2	99.97	5,784	5,784	16,949	8,685
Laboratoires Innéov	300	3,064	50	16,800	3,364	-1,234	
Laboratoire Sanoflore	1,122	1,248	99.94	5,142	5,142	-1,655	
Lancôme Parfums et Beauté & Cie	1,192	0	100	3,235	3,235	22,669	50,273
LaScad	18	1	99.17	18	18	38,460	47,505
Lehoux et Jacque	39	56	100	263	263	318	167
L'Oréal Produits de Luxe France	63	4,080	74.33	46	46	20,913	18,139
L'Oréal Produits de Luxe International	76	1,839	99.2	76	76	59,537	58,331
Par-Bleue	2	0	99	2	2	-821	(1)
Parfums Cacharel & Cie	1	1	99	2	2	-710	(1)
Parfums Guy Laroche	332	5,417	100	1,656	1,656	151	165
Parfums Paloma Picasso & Cie	2	0	99	2	2	-60	(1)
Parfums Ralph Lauren	2	0	99	2	2	-406	(1)
Prestige & Collections International	32	3,952	56.67	18	18	12,687	12,382
Sicôs & Cie	375	7,808	80	999	999	4,518	(1)
Société de Développement Artistique	2	0	99	2	2	1,199	(1)

(1) The SNCs (general partnership), GIEs (economic interest groupings) and Sociétés Civiles (non trading companies), that are not tax consolidated, distribute all their profits.

€ thousands	Capital	Reserves and retained earnings before appropriation of profits	% holding	Book value of shares held		Profit or loss in last financial year	Dividends booked during the financial year
				Gross	Net		
Soprococ	8,250	10,032	100	11,904	11,904	1,441	1,447
Soproréal	15	8,208	99.9	15	15	2,343	(1)
Sparlys	750	1,498	100	3,826	3,826	1,297	1,050
Viktor & Rolf Parfums	2	0	99	1	1	-565	(1)
YSL Beauté Holding	1,003,260	2,329	100	1,100,020	1,100,020	-175	

**B. Main french investments (holdings of less than 50%)**

Galderma International	932	57,598	26.67	2	2	2,966	
Innéov France	75	-607	n/s	n/s	n/s	-1,582	(1)
Sanofi-Aventis	2,631,051	(2)	8.99	423,887	423,887	(2)	244,731

(1) The SNCs (general partnership), GIEs (economic interest groupings) and Sociétés Civiles (non trading companies), that are not tax consolidated, distribute all their profits.

(2) Sanofi-Aventis : - this information is not available

- At the balance sheet date, L'Oréal owns 118,227,307 shares. Their total stock market value at the price prevailing at 12/31/2008 is 5,367,520 thousand euros.

€ thousands	Capital	Reserves and retained earnings before appropriation of profits	% holding	Book value of shares held		Profit or loss in last financial year	Dividends booked during the financial year
				Gross	Net		

**A. Main foreign subsidiaries (holdings of over 50% )**

Avenamite S.A. (Spain)	242	48	100	6,216	6,216	78	122
Beautycos International Co. Ltd (China)	52,482	14,639	73.46	46,195	46,195	65	
Beautylux International Cosmetics (Shanghai) China	5,629	-4,039	100	16,871	16,871	1,604	
Beautytech International Cosmetics (Yi Chang) China	3,070	-4,675	100	131,239	131,239	1,204	
Biotherm (Monaco)	152	16	99.08	3,545	3,545	1,774	3,057
Canan Kozmetik Sanayi Ve Ticaret A.S.	6,173	3,087	100	28,439	28,439	1,911	
Canan Tuketim Urunleri Pazarlama A.S.	1,149	-705	100	11,128	11,128	-1,812	
Club Créateurs Beauté Japan K.K	8,619	-17,405	100	2,973	1,602	-3,345	
Cosmelor Ltd (Japan)	3,554	25,470	100	35,810	35,810	814	15
Cosmephil Holdings Corporation (Philippines)	171	-143	100	400	14	0	
Cosmétique Active Belgilux (Belgium)	3,240	1,326	86.71	3,423	3,423	1,404	2,038
Cosmétique Active Ireland Ltd (Ireland)	82	97	100	732	732	1,465	1,015
Cosmétique Active Suisse S.A.	32	215	100	4,645	4,645	3,020	3,494
Elebelle (Proprietary) Ltd (South Africa)	806	34,893	100	61,123	49,123	0	
Egyptel LLC	7		99.8	7	7	0	
Erwiton S.A. (Uruguay)	739	699	100	17	17	5,123	3,342
Galderma Pharma S.A. (Switzerland)	15,694	274,680	50	10,124	10,124	41,645	41,299
Kosmepol Sp Z.O.O. (Poland)	38,844	22,076	99.73	48,965	48,965	-8,146	
Lai Mei Cosmetics Int. Trading Shanghai Co Ltd (China)	9,500	5,752	100	11,197	11,197	318	575
Le Club des Créateurs de Beauté (Belgium)	500	-3,945	100	251	0	-43	

€ thousands	Capital	Reserves and retained earnings before appropriation of profits	% holding	Book value of shares held		Profit or loss in last financial year	Dividends booked during the financial year
				Gross	Net		
Le Club des Créateurs de Beauté Co Ltd (Taiwan)	467	-1,481	100	328	0	-250	
L'Oréal Adria d.o.o. (Croatia)	131	1,293	100	1,503	1,503	3,290	2,380
L'Oréal Argentina SA	13,081	6,085	100	81,068	35,154	9,220	5,080
L'Oréal Australia Pty Ltd	2,711	6,626	100	18,794	18,794	32,176	25,802
L'Oréal Balkan d.o.o. (Serbia)	1,241	300	100	1,285	1,285	-36	
L'Oréal Baltic SIA (Latvia)	387	4,371	100	529	529	1,564	2,447
L'Oréal Belgilux S.A. (Belgium)	10,000	15,996	99.99	35,583	35,583	23,262	26,123
L'Oréal Bulgaria EOOD	102	-402	100	102	102	1,803	
L'Oréal Canada Inc.	1,784	9,284	100	144,226	144,226	76,624	41,345
L'Oréal Ceska Republika s.r.o (Czech Republic)	5,939	3,397	100	8,678	8,678	6,754	5,669
L'Oréal Chile S.A. (Chile)	20,888	-2,410	100	43,784	43,784	14,227	8,544
L'Oréal China Co Ltd (China)	38,731	16,511	100	214,494	214,494	67,443	6,614
L'Oréal Colombia S.A. (Colombia)	1,931	2,054	94	6,395	5,136	338	1,700
L'Oréal Danmark A/S (Denmark)	270	5,372	100	8,336	8,336	11,528	13,448
L'Oréal Deutschland GmBh (Germany)	12,647	283,099	100	71,855	71,855	126,480	85,285
L'Oréal España S.A. (Spain)	59,911	68,784	63.86	228,809	228,809	87,270	55,748
L'Oréal Finland Oy (Finland)	673	14	100	1,280	1,280	9,533	8,622
L'Oréal Guatemala S.A.	1,044	902	100	2,162	2,162	-314	505
L'Oréal Hellas S.A. (Greece)	5,196	6,613	83.49	18,715	18,715	23,233	22,989
L'Oréal Hong-Kong Ltd	3	4,381	99.97	604	604	51,008	46,264
L'Oréal India Pvt Ltd	40,991	-19,091	100	59,207	18,394	-5,435	
L'Oréal Investments B.V. (Netherlands)	18	0	100	18	18	0	9
L'Oréal Israel Ltd	4,119	8,896	92.97	38,497	33,597	3,783	3,213
L'Oréal Italia Spa	1,589	79,821	100	161,804	161,804	101,431	67,473
L'Oréal Japan Ltd (Japan)	370	-796	100	275	0	-72	
L'Oréal Korea Ltd (South Korea)	1,991	-2,242	100	20,794	0	6,792	
L'Oréal Liban SAL	3,139	670	99.88	7,698	7,698	3,177	2,444
L'Oréal Luxe Producten Nederland B.V.	908	0	100	1,937	1,937	6,697	15,259
L'Oréal Magyarország Kosmetikai Kft (Hungary)	4,249	679	100	7,815	7,815	2,787	3,589
L'Oréal Malaysia SDN BHD (Malaysia)	4,749	2,379	94.34	6,456	6,456	5,072	6,632
L'Oréal Mexico S.A de C.V	2,349	22,129	100	8,443	8,443	42,478	42,419
L'Oréal Middle East (United Arab Emirates)	2,752	863	100	37,284	37,284	26,403	19,289
L'Oréal Nederland B.V. (Netherlands)	34	3	100	4,894	4,894	23,635	21,450
L'Oréal New Zealand Ltd	42	1,240	100	624	624	4,799	4,223
L'Oréal Norge A/S (Norway)	1,384	-344	100	4,050	4,050	14,760	12,879
L'Oréal Osterreich GmBh (Austria)	2,915	240	100	3,818	3,818	14,166	13,415
L'Oréal Panama S.A.	159	1,848	100	168	168	4,239	2,697
L'Oréal Peru S.A. (Peru)	2,096	482	100	3,739	3,739	753	1,073
L'Oréal Philippines Inc.	2,062	531	95.38	12,478	2,481	-402	
L'Oréal Polska Sp. Z.O.O. (Poland)	21,686	15,640	100	38,210	38,210	44,071	23,685
L'Oréal Portugal Lda	145	2,682	98.35	2,394	2,394	21,808	22,912
L'Oréal Produits de Luxe Belgilux	250	707	99.97	2,885	2,885	6,514	8,288
L'Oréal Produits de Luxe Suisse S.A.	257	457	100	556	556	4,765	4,096
L'Oréal Romania SRL (Romania)	2,187	324	100	5,883	5,883	6,381	4,642
L'Oréal Singapore Pte Ltd (Singapore)	1,165	575	100	18,991	18,991	4,800	6,967

€ thousands	Capital	Reserves and retained earnings before appropriation of profits	% holding	Book value of shares held		Profit or loss in last financial year	Dividends booked during the financial year
				Gross	Net		
L'Oréal Slovenija kosmetika d.o.o. (Slovenia)	465	384	100	856	856	2,705	3,038
L'Oréal Slovensko s.r.o. (Slovakia)	1,598	963	100	1,673	1,673	6,084	3,939
L'Oréal Suisse S.A.	193	1,333	100	116,776	116,776	18,756	18,368
L'Oréal Sverige AB (Sweden)	2,038	3,084	100	2,247	2,247	14,018	14,435
L'Oréal Taiwan Co Ltd (Taiwan)	16,532	683	100	40,942	40,942	10,701	7,255
L'Oréal Thailand Ltd	3,992	473	100	5,238	5,238	7,142	1,639
L'Oréal Türkiye Kozmetik Sanayi Ve Ticaret Anonim Sirketi	16,235	7,656	100	22,207	22,207	-10,112	0
L'Oréal UK Ltd	24,740	15,051	100	47,372	47,372	61,183	81,621
L'Oréal Ukraine	3,802	-2,236	100	2,990	2,990	16,878	5,390
L'Oréal Uruguay S.A.	2,262	-1,312	100	5,435	677	110	
L'Oréal USA Inc. <sup>(4)</sup>	4,402	2,072,960	100	3,411,932	3,411,932	159,180	102,610
L'Oréal Venezuela C.A.	1,733	1,155	100	12,502	7,781	9,374	4,212
L'Oréal Vietnam Co Ltd	7	-209	100	75	75	-1,013	
Masrelor LLC (Egypt)	9		99.87	10	10	0	
Maybelline Suzhou Cosmetics Ltd (China)	53,652	-20,025	66.75	49,601	26,336	1,373	
Nihon L'Oréal KK (Japan)	138,845	51,094	100	377,752	323,752	5,016	7,431
Parbel of Florida Inc. (USA)	40	632	100	100,317	100,317	29,471	24,465
Procosa Productos de Beleza Ltda (Brazil)	102,462	27,240	100	170,243	170,243	31,744	24,297
P.T. L'Oréal Indonesia	1,510	553	99	2,305	2,305	1,078	
P.T. Yasulor Indonesia	4,769	7,543	99.98	40,854	14,268	-1,837	
Scental Limited (Hong Kong)	5	159	100	8	8	0	
Seda Plastik Ve Boya San. Ith. Tic. Ltd. Sti	1,206	303	99	1,843	1,843	429	
Sofamo (Monaco)	160	2,041	99.97	1,851	0	-29,200	1,223
The Body Shop International PLC <sup>(3)</sup>	11,950	739,760	100	992,445	992,445	29,163	12,508
Venprobel (Venezuela)	20	-212	100	2,722	0	0	
<b>B. Main foreign investments (holdings of less than 50%)</b>	n/s	n/s	n/s	n/s	n/s	n/s	n/s

(3) The Body Shop: Consolidated figures for the sub-group.

(4) Figures from the sub-consolidation of L'Oréal USA Inc., prepared in accordance with US Gaap.

For foreign subsidiaries and investments, the capital, reserves and retained earnings have been translated into thousands of euros on the basis of year-end exchange rates, while profits and losses have been translated at the average rate for 2008.

It is specified that the list of companies set out above is not exhaustive.

# 4 2008 Parent Company Financial Statements —

Table of subsidiaries and holdings at December 31<sup>st</sup>, 2008

## 4.6.2. Information relating to all subsidiaries and investments

€ thousands	Subsidiaries		Investments	
	French	Foreign	French	Foreign
Book value of shares held:				
• gross restated	1,367,807	7,315,255	423,889	1
• net	1,353,945	7,059,062	423,889	1
Amount of loans and advances granted	80,510	19,832		
Amount of guarantees and security granted	23,687	641,883		
Amount of dividends booked	304,241	1,044,127	244,731	1