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2019 CONSOLIDATED FINANCIAL STATEMENTS*

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

L'Oréal S.A. is a French company, with its registered office in France. It performs a sales activity that is specific to France.

At the same time, L'Oréal S.A. acts as a holding company and provides strategic coordination on the one hand and scientific, industrial and marketing coordination for the L'Oréal Group throughout the world on the other.

The subsidiaries operate the Group's business activities in the country or region in which they are located. To do so, they define the strategy specific to their market, make the most suitable choices, and manufacture, directly or indirectly, and market the products they decide to sell on their market.

Almost all of the subsidiaries are owned by L'Oréal S.A. which has a holding or control percentage equal or close to 100%.

The financial statements set out in this chapter present the results of the L'Oréal Group as a whole, including all subsidiaries.

The Statutory Auditors' Report on the consolidated financial statements has been included at the end of this chapter.

5.1. COMPARED CONSOLIDATED INCOME STATEMENTS

€ millions	Notes	2019	2018	2017 (1)
Net sales	**3.1**	**29,873.6**	**26,937.4**	**26,023.7**
Cost of sales		-8,064.7	-7,331.6	-7,359.2
Gross profit		**21,808.9**	**19,605.8**	**18,664.5**
Research and innovation expenses		-985.3	-914.4	-877.1
Advertising and promotion expenses		-9,207.8	-8,144.7	-7,650.6
Selling, general and administrative expenses		-6,068.3	-5,624.7	-5,460.5
Operating profit	**3.1**	**5,547.5**	**4,922.0**	**4,676.3**
Other income and expenses	4	-436.5	-94.7	-276.3
Operational profit		**5,111.0**	**4,827.3**	**4,400.0**
Finance costs on gross debt		-75.4	-34.8	-35.5
Finance income on cash and cash equivalents		28.7	47.9	38.5
Finance costs, net		**-46.7**	**13.1**	**3.1**
Other financial income and expenses	9.4	-16.0	-15.0	-26.0
Sanofi dividends		363.0	358.3	350.0
Profit before tax and associates		**5,411.4**	**5,183.7**	**4,727.0**
Income tax	6	-1,657.2	-1,284.3	-901.3
Share of profit in associates		1.0	0.1	-0.1
Net profit from continuing operations		**3,755.2**	**3,899.5**	**3,825.6**
Net profit from discontinued operations	**2.3**	**-**	**-**	**-240.1**
Net profit		**3,755.2**	**3,899.5**	**3,585.5**
Attributable to:				
• owners of the company		3,750.0	3,895.4	3,581.4
• non-controlling interests		5.2	4.1	4.1
Earnings per share attributable to owners of the company (euros)		6.70	6.96	6.40
Diluted earnings per share attributable to owners of the company (euros)		6.66	6.92	6.36
Earnings per share of continuing operations attributable to owners of the company (euros)	11.4	6.70	6.96	6.83
Diluted earnings per share of continuing operations attributable to owners of the company (euros)	11.4	6.66	6.92	6.78
Earnings per share of continuing operations attributable to owners of the company, excluding non-recurring items (euros)	11.4	7.78	7.13	6.70
Diluted earnings per share of continuing operations attributable to owners of the company, excluding non-recurring items (euros)	11.4	7.74	7.08	6.65

(1) The 2017 consolidated income statement is presented to reflect the impacts of the application of IFRS 5 related to discontinued operations, by restating The Body Shop business on a single line "Net profit from discontinued operations" (see note 2.3.).

5.2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ millions	Notes	2019	2018	2017*
Consolidated net profit for the period		**3,755.2**	**3,899.5**	**3,585.5**
Financial assets available-for-sale		*-*	*-*	*-597.1*
Cash flow hedges		*2.9*	*-60.3*	*88.9*
Cumulative translation adjustments		*188.2*	*126.4*	*-824.8*
Income tax on items that may be reclassified to profit or loss (1) (2)		*-1.9*	*14.8*	*4.5*
Items that may be reclassified to profit or loss		**189.2**	**80.9**	**-1,328.5**
Financial assets at fair value through profit or loss	*9.3*	*1,650.6*	*450.5*	*-*
Actuarial gains and losses	*11.3*	*-327.7*	*-58.5*	*280.0*
Income tax on items that may not be reclassified to profit or loss (1) (2)		*29.7*	*0.5*	*-107.9*
Items that may not be reclassified to profit or loss		**1,352.6**	**392.5**	**172.1**
Other comprehensive income		**1,541.8**	**473.4**	**-1,156.5**
Consolidated comprehensive income		**5,297.0**	**4,372.9**	**2,428.9**
Attributable to:				
• **owners of the company**		**5,291.9**	**4,368.7**	**2,424.8**
• non-controlling interests		5.1	4.2	4.1

** Including The Body Shop over eight months in 2017.*
(1) Including, in 2017, €20.4 million and -€21.5 million, respectively, from the revaluation of deferred tax in France following the change in the tax rate by 2022, and deferred tax in the US following the change in the tax rate at 1 January 2018.
(2) The tax effect is as follows:

€ millions	2019	2018	2017
Financial assets available-for-sale	*-*	*-*	*37.3*
Cash flow hedges	*-1.9*	*14.8*	*-32.8*
Items that may be reclassified to profit or loss	**-1.9**	**14.8**	**4.5**
Financial assets at fair value through profit or loss	*-51.7*	*-14.0*	*-*
Actuarial gains and losses	*81.4*	*14.5*	*-107.9*
Items that may not be reclassified to profit or loss	**29.7**	**0.5**	**-107.9**
TOTAL	**27.8**	**15.4**	**-103.4**

5.3. COMPARED CONSOLIDATED BALANCE SHEETS

ASSETS

€ millions	Notes	31.12.2019	31.12.2018	31.12.2017 [(1)]
Non-current assets		**29,893.3**	**25,991.2**	**24,320.1**
Goodwill	7.1	9,585.6	9,597.1	8,872.3
Other intangible assets	7.2	3,163.8	3,087.3	2,579.1
Right-of-use assets	3.2	1,892.3	-	-
Property, plant and equipment	3.2	3,644.3	3,624.6	3,571.1
Non-current financial assets	9.3	10,819.1	9,100.5	8,766.2
Investments in associates	8	10.9	9.0	1.1
Deferred tax assets	6.3	777.3	572.7	530.3
Current assets		**13,916.5**	**12,466.3**	**11,019.0**
Inventories	3.3	2,920.8	2,821.9	2,494.6
Trade accounts receivable	3.3	4,086.7	3,983.2	3,923.4
Other current assets	3.3	1,474.9	1,509.1	1,393.8
Current tax assets		148.1	160.1	160.6
Cash and cash equivalents	9.2	5,286.0	3,992.0	3,046.6
TOTAL		**43,809.8**	**38,457.5**	**35,339.1**

EQUITY & LIABILITIES

€ millions	Notes	31.12.2019	31.12.2018	31.12.2017 [(1)]
Equity	**11**	**29,426.0**	**26,933.6**	**24,818.5**
Share capital		111.6	112.1	112.1
Additional paid-in capital		3,130.2	3,070.3	2,935.3
Other reserves		16,930.9	15,952.5	14,761.8
Other comprehensive income		5,595.8	4,242.1	3,895.0
Cumulative translation adjustments		-99.2	-287.4	-413.5
Treasury shares		-	-56.5	-56.5
Net profit attributable to owners of the company		3,750.0	3,895.4	3,581.4
Equity attributable to owners of the company		**29,419.3**	**26,928.4**	**24,815.7**
Non-controlling interests		6.7	5.2	2.8
Non-current liabilities		**3,515.3**	**1,412.2**	**1,347.2**
Provisions for employee retirement obligations and related benefits	5.4	772.9	388.9	301.9
Provisions for liabilities and charges and other non-current liabilities	12.1	367.1	336.1	434.9
Deferred tax liabilities	6.3	737.7	673.7	597.0
Non-current borrowings and debt	9.1	9.6	13.5	13.4
Non-current lease debt	9.1	1,628.0	-	-
Current liabilities		**10,868.5**	**10,111.6**	**9,173.4**
Trade accounts payable		4,658.4	4,550.0	4,140.8
Provisions for liabilities and charges	12.1	1,117.8	979.8	889.2
Other current liabilities	3.4	3,508.5	3,138.9	2,823.9
Income tax		334.8	215.1	158.5
Current borrowings and debt	9.1	841.2	1,227.8	1,161.0
Current lease debt	9.1	407.9	-	-
TOTAL		**43,809.8**	**38,457.5**	**35,339.1**

(1) The balance sheets at 31 December 2017 have been restated to reflect the change in accounting policy pertaining to IFRS 9 "Financial Instruments" (see note 1).

5.4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

€ millions	Common shares outstanding	Capital	Additional paid-in capital	Retained earnings and net profit	Other comprehensive income	Treasury shares	Cumulative translation adjustments	Equity attributable to owners of the company	Non-controlling interests	Total equity
At 31.12.2016 (1)	**560,098,396**	**112.4**	**2,817.3**	**17,067.6**	**4,227.3**	**-133.6**	**410.9**	**24,501.9**	**2.1**	**24,504.0**
Consolidated net profit for the period				3,581.4				3,581.4	4.1	3,585.5
Financial assets available-for-sale					-559.7			-559.7		-559.7
Cash flow hedges					55.5			55.5	0.4	55.9
Cumulative translation adjustments							-824.5	-824.5	-0.3	-824.8
Other comprehensive income that may be reclassified to profit and loss					**-504.2**		**-824.5**	**-1,328.7**	**0.1**	**-1,328.6**
Actuarial gains and losses					172.1			172.1		172.1
Other comprehensive income that may not be reclassified to profit and loss					**172.1**			**172.1**	**-**	**172.1**
Consolidated comprehensive income				**3,581.4**	**-332.2**		**-824.5**	**2,424.8**	**4.1**	**2,428.9**
Capital increase	1,509,951	0.3	118.0					118.3		118.3
Cancellation of Treasury shares		-0.6		-498.6		499.2		-		-
Dividends paid (not paid on Treasury shares)				-1,857.7				-1,857.7	-3.5	-1,861.2
Share-based payment				128.8				128.8		128.8
Net changes in Treasury shares	-1,860,384			-77.2		-422.0		-499.2		-499.2
Changes in the scope of consolidation				-1.3				-1.3		-1.3
Other movements				0.3				0.2		0.2
At 31.12.2017 (1)	**559,747,963**	**112.1**	**2,935.3**	**18,343.3**	**3,895.0**	**-56.5**	**-413.5**	**24,815.7**	**2.8**	**24,818.5**
Change in accounting policy at 01.01.2018				-12.0				-12.0	-0.9	-12.9
At 01.01.2018 (2)	**559,747,963**	**112.1**	**2,935.3**	**18,331.3**	**3,895.0**	**-56.5**	**-413.5**	**24,803.7**	**1.9**	**24,805.6**
Consolidated net profit for the period				3,895.4				3,895.4	4.1	3,899.5
Cash flow hedges					-45.3			-45.3	-0.2	-45.5
Cumulative translation adjustments							114.5	114.5	0.3	114.8
Hyperinflation							11.6	11.6		11.6
Other comprehensive income that may be reclassified to profit and loss					**-45.3**		**126.1**	**80.8**	**0.1**	**80.9**
Financial assets at fair value through profit or loss					436.5			436.5		436.5
Actuarial gains and losses					-44.0			-44.0		-44.0
Other comprehensive income that may not be reclassified to profit and loss					**392.5**			**392.5**	**-**	**392.5**
Consolidated comprehensive income				**3,895.4**	**347.2**		**126.1**	**4,368.7**	**4.2**	**4,372.9**
Capital increase	2,375,378	0.5	135.0	-0.2				135.3		135.3
Cancellation of Treasury shares		-0.5		-498.9		499.4		-		-
Dividends paid (not paid on Treasury shares)				-2,006.6				-2,006.6	-3.8	-2,010.4
Share-based payment				126.4				126.4		126.4
Net changes in Treasury shares	-2,497,814					-499.4		-499.4		-499.4
Changes in the scope of consolidation				-2.9				-2.9	2.9	
Other movements				3.4	-0.1			3.3		3.3
At 31.12.2018	**559,625,527**	**112.1**	**3,070.3**	**19,847.8**	**4,242.1**	**-56.5**	**-287.4**	**26,928.4**	**5.2**	**26,933.6**

(1) After taking account of the change in accounting policy pertaining to IFRS 9 "Financial Instruments" (note 1).
(2) After taking account of the change in accounting policy pertaining to IFRS 15 "Revenue from Contracts with Customers" (note 1).
(3) After taking account of the change in accounting policy pertaining to IFRS 16 "Leases" (note 1).

€ millions	Common shares outstanding	Capital	Additional paid-in capital	Retained earnings and net profit	Other comprehensive income	Treasury shares	Cumulative translation adjustments	Equity attributable to owners of the company	Non-controlling interests	Total equity
At 31.12.2018	**559,625,527**	**112.1**	**3,070.3**	**19,847.8**	**4,242.1**	**-56.5**	**-287.4**	**26,928.4**	**5.2**	**26,933.6**
Change in accounting policy at 01.01.2019				-81.5				-81.5		-81.5
At 01.01.2019 (3)	**559,625,527**	**112.1**	**3,070.3**	**19,766.3**	**4,242.1**	**-56.5**	**-287.4**	**26,847.0**	**5.2**	**26,852.2**
Consolidated net profit for the period				3,750.0				3,750.0	5.2	3,755.2
Cash flow hedges					1.1			1.1	-0.1	1.0
Cumulative translation adjustments							174.1	174.1		174.1
Hyperinflation							14.1	14.1	0.0	14.1
Other comprehensive income that may be reclassified to profit and loss					**1.1**		**188.2**	**189.3**	**-0.1**	**189.2**
Financial assets at fair value through profit or loss					1,598.9			1,598.9		1,598.9
Actuarial gains and losses					-246.3			-246.3		-246.3
Other comprehensive income that may not be reclassified to profit and loss					**1,352.6**			**1,352.6**	**-**	**1,352.6**
Consolidated comprehensive income				**3,750.0**	**1,353.7**		**188.2**	**5,291.9**	**5.1**	**5,297.0**
Capital increase	1,491,678	0.3	59.9	-0.1				60.0		60.0
Cancellation of Treasury shares		-0.8		-803.0		803.8		-		-
Dividends paid (not paid on Treasury shares)				-2,176.7				-2,176.7	-3.6	-2,180.3
Share-based payment				144.4				144.4		144.4
Net changes in Treasury shares	-3,000,000					-747.3		-747.3		-747.3
Purchase commitments for non-controlling interests								-		-
Changes in the scope of consolidation								-		-
Other movements				-0.1				-0.1		-0.1
AT 31.12.2019	**558,117,205**	**111.6**	**3,130.2**	**20,680.9**	**5,595.8**	**0.0**	**-99.2**	**29,419.3**	**6.7**	**29,426.0**

(1) After taking account of the change in accounting policy pertaining to IFRS 9 "Financial Instruments" (note 1).
(2) After taking account of the change in accounting policy pertaining to IFRS 15 "Revenue from Contracts with Customers" (note 1).
(3) After taking account of the change in accounting policy pertaining to IFRS 16 "Leases" (note 1).

5.5. COMPARED CONSOLIDATED STATEMENTS OF CASH FLOWS

€ millions	Notes	2019	2018	2017 (1)
Cash flows from operating activities				
Net profit attributable to owners of the company		3,750.0	3,895.4	3,581.4
Non-controlling interests		5.2	4.1	4.1
Elimination of expenses and income with no impact on cash flows:				
• depreciation, amortisation, provisions and other non-current liabilities		1,958.3	1,109.3	1,218.5
• changes in deferred taxes	6.1	-42.5	43.0	-194.8
• share-based payment (including free shares)	5.5	144.4	126.4	126.7
• capital gains and losses on disposals of assets		-14.0	-2.7	-3.9
Other non-cash transactions		1.9	2.7	-
Net profit from discontinued operations		-	-	240.1
Share of profit in associates net of dividends received		-1.0	-0.1	0.1
Gross cash flow		**5,802.3**	**5,178.1**	**4,972.2**
Changes in working capital	3.5	460.5	113.8	261.1
Net cash provided by operating activities from discontinued operations		-	-	-36.7
Net cash provided by operating activities (A)		**6,262.8**	**5,291.9**	**5,196.6**
Cash flows from investing activities				
Purchases of property, plant and equipment and intangible assets		-1,231.0	-1,416.1	-1,263.5
Disposals of property, plant and equipment and intangible assets		16.6	5.6	8.2
Changes in other financial assets (including investments in non-consolidated companies)		-65.9	61.0	-70.7
Effect of changes in the scope of consolidation	2.2	-9.3	-666.5	-166.5
Net cash from discontinued operations used in investing activities		-	-	-24.4
Net cash from investing activities (B)		**-1,289.6**	**-2,016.0**	**-1,516.9**
Cash flows from financing activities				
Dividends paid		-2,221.1	-2,061.4	-1,870.7
Capital increase of the parent company		60.0	135.3	118.3
Disposal (acquisition) of Treasury shares		-747.3	-499.4	-499.2
Purchase of non-controlling interests		-	-	-2.0
Issuance (repayment) of short-term loans		-354.9	62.3	-86.6
Issuance of long-term borrowings		-	-	-
Repayment of long-term borrowings		-0.6	-4.3	-7.0
Repayment of lease debt		-425.8	-	-
Net cash from discontinued operations used in financing activities		-	-	71.5
Net cash from financing activities (C)		**-3,689.6**	**-2,367.5**	**-2,275.7**
Net effect of changes in exchange rates and fair value (D)		10.5	36.9	-65.3
Change in cash and cash equivalents (A+B+C+D)		**1,294.0**	**945.4**	**1,338.7**
Cash and cash equivalents at beginning of the year (E)		**3,992.0**	**3,046.6**	**1,746.0**
Net effect of changes in cash and cash equivalents of discontinued operations (F)		-	-	-38.1
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E+F)	**9.2**	**5,286.0**	**3,992.0**	**3,046.6**

(1) The statement of cash flows for 2017 is presented to reflect the impacts of IFRS 5 regarding discontinued operations (see note 2.3.).

Income tax paid totalled €1,534.3 million, €1,098.4 million, and €989.2 million for 2019, 2018 and 2017, respectively (excluding The Body Shop as it was classified under discontinued operations).

Interest paid (excluding interest on lease debts amounted to €21.6 million, €35.3 million, and €35.8 million in 2019, 2018 and 2017, respectively (excluding The Body Shop).

Dividends received totalled €364.1 million, €358.3 million and €350.0 million in 2019, 2018 and 2017, respectively (excluding dividends received by The Body Shop). These are included within the gross cash flow.

Cash outflow relating to leases amounted to €570.8 million and include leases that do not fall under the scope of IFRS 16.

5.6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Notes contents

NOTE 1. Accounting principles

The consolidated financial statements of L'Oréal and its subsidiaries ("the Group") published for 2019, have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the European Union as of 31 December 2019.

On 6 February 2020, the Board of Directors closed the consolidated financial statements at 31 December 2019. The financial statements will not become final until they have been approved by the Annual General Meeting of shareholders to be held on 21 April 2020.

Applying IFRIC 23 "Uncertainty over Income Tax Treatments" led the group to reclassify uncertain tax provisions as Other non-current liabilities under Provisions for liabilities and charges and other non-current liabilities.

The Group did not anticipate any standards or interpretations not mandatorily applicable in 2019.

Change in accounting policy applied at 1 January 2019: IFRS 16 "Leases"

This standard took effect on 1 January 2019.

Key changes resulting from the standard are as follows:

- Accounting for operating leases as of 1 January 2019: all leases are accounted for under a single model consisting of recording a debt (present value of future lease payments) and a right-of-use asset.

  The lease term is the non-cancellable period of each lease unless the Group is reasonably certain to exercise the contractual renewal options.

  The right of use is depreciated over the term of the lease.

  The Group is currently analysing the IFRS Interpretation Committee (IC) decision dated 26 November 2019. The Group does not anticipate any material impact.

  The discount rate used to assess the lease debt corresponds to the effective annual interest rate for each lease. We calculate it using the zero interest rate coupons received per currency and per maturity tranche, plus the Group credit spread.

  L'Oréal selected the simplified retrospective approach, and has measured the right of use of almost all its leases by determining their book value from the lease start date;
- 95% of the capitalised leases are property leases, including country head offices, stores and distribution centres. Other types of leases involve vehicle fleets, traditional handling equipment and packaging tools and equipment;
- Low value leases and leases that ended in 2019 are not included in the scope;
- On initial recognition, deferred tax are recognised;
- The amounts of operating lease off-balance sheet commitments at 31 December 2018 that were moved to lease debt on 1 January 2019 are broken down as follows:

€ millions	01.01.2019
Operating lease commitments at 31.12.2018	**2,582.1**
Leases on low-value assets or those expiring in 2019	-162.8
Other (free rent, lease renewals, etc.)	-34.0
Lease debt before discounting at 01.01.2019	**2,385.3**
Discounting	-225.5
LEASE DEBT AT 01.01.2019	**2,159.8**

The weighted average incremental borrowing rate at 01.01.2019 was 2.5%.

- The restated balance sheet at 1 January 2019 is as follows:

€ millions		*€ millions*	
ASSETS		**EQUITY & LIABILITIES**	
Other intangible assets/ property, plant and equipment		Equity	-82
	-92	Deferred tax liabilities	-10
Right-of-use assets	2,005	Non-current lease debt	1,751
Deferred tax assets	19	Other current liabilities	-129
Other current assets	2	Current lease debt	404
TOTAL	**1,934**	**TOTAL**	**1,934**

Change in accounting policy applied at 1 January 2018: IFRS 15 "Revenue from Contracts with Customers"

This standard took effect on 1 January 2018.

The main change identified concerns the Group's relationships with distributors with respect to which the view was taken that the distributor acted as agent and not as principal. Net sales are now recognised upon sale of products to the end customer.

The standard is applied retrospectively by recognising the cumulative effect of the initial application in equity on 1 January 2018. The impact of this new accounting policy is not material on the income statement, and in 2018 resulted in a €28.2 million increase in net sales, offset by a corresponding increase in expenses.

This change resulted in a €12.9 million reduction in equity, offset by a €5.2 million increase in inventories, a €1.7 million increase in deferred assets and €19.8 million in other liabilities.

Change in accounting policy applied at 1 January 2016: IFRS 9 "Financial Instruments" applicable at 1 January 2018

This standard took effect on 1 January 2018.

The Group is primarily affected as follows:

- the change in the accounting treatment of investments and their remeasurement through profit or loss or through equity that may not be reclassified to profit or loss under the fair value option. The securities affected are mainly the investment in Sanofi but also strategic investments in venture capital funds, for which the "equity" option was chosen. This classification reflects the purpose behind these investments, which are not cash investments but rather investments designed to further L'Oréal's overall strategy;
- the possibility of deferring recognition of the time value of currency options in equity in the same way as for forward hedges, so as to only impact income at the date the hedged transactions occur.

The impact of this new accounting policy regarding the time value of options on income in comparative periods was not deemed material. As a result, they were not restated.

This change resulted in a reclassification in opening equity at 1 January 2016 of €10.0 million from Retained earnings and net profit to Other comprehensive income, at 1 January 2017 of €10.3 million from Retained earnings and net profit to Other comprehensive income and at 1 January 2018 of €9.6 million from Retained earnings and net profit to Other comprehensive income.

The current trade accounts receivable impairment methodology at L'Oréal reflects the level of expected losses on the customer portfolio, calculated on the basis of past statistics from the outset of the receivable. Moreover, this risk is contained thanks to the credit insurance policy applied by the Group. As a result, the application of IFRS 9 in this area has no impact on the Group's financial statements.

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, equity and net profit (loss).

These estimates and assumptions mainly concern the measurement of goodwill and other intangible assets, operating lease terms, provisions, pension obligations, deferred taxes and share-based payments. Estimates used by the Group in relation to these different areas are made based on information available when the accounts are prepared and are 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 financial year ending 31 December or close their accounts on that date.

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

Group companies that are jointly controlled with a limited number of other shareholders under a contractual agreement are consolidated under the equity method in accordance with IFRS 11.

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

1.3. Translation of the accounts of foreign subsidiaries

The assets and liabilities of foreign subsidiaries are translated at closing exchange rates. Income statement items are translated at average exchange rates for the year.

The resulting translation difference attributable to the Group is entered directly under equity under the item Cumulative translation adjustments, while the translation difference attributable to non-controlling interests is recognised under the Non-controlling interests item.

1.4. Valuation of goodwill in foreign currencies

Goodwill generated on foreign companies is considered to form part of the assets and liabilities of the foreign company, and is therefore expressed in the entity's functional currency and translated using the closing exchange rates in effect at the closing date. Goodwill recorded before 1 January 2004 continues to be recorded in euros.

NOTE 2. Main events of the period

2.1. Changes in the scope of consolidation

2.1.1. Year 2019

Acquisition

L'Oréal did not make any significant acquisitions in 2019.

2.1.2. Year 2018

Acquisitions

On 16 March 2018, L'Oréal announced the acquisition of 100% of ModiFace, a Canadian-based global leader in augmented reality and artificial intelligence applied to beauty. This acquisition is part of L'Oréal Group's digital acceleration strategy, one of the pillars of which is to equip its 36 international brands with the most innovative beauty experience and service technologies. Founded by Parham Aarabi in Toronto in 2007, ModiFace has developed cutting edge technology for the 3D virtual try-on of makeup, colouring and assessment of skin by using proprietary face tracking and colour rendering expertise. ModiFace employs close to 70 engineers, researchers and scientists who have published over 200 scientific articles and registered some 30 patents. This acquisition has been fully consolidated since 15 March 2018.

On 2 May 2018, L'Oréal announced the acquisition of 100% of Nanda Co. Ltd., the Korean lifestyle, makeup and fashion company founded by Kim So-Hee in Seoul in 2004. Stylenanda, which started in the fashion segment, has since become a company built around the 3CE makeup brand, which now accounts for over 70% of its business. With €127 million in net sales in 2017 and close to 400 employees, the Company now operates in Korea and Japan, and has expanded its commercial footprint to Hong Kong, Singapore, Malaysia and Thailand. Stylenanda is a very popular brand with millennials both in Korea and China. It is sold using a multi-channel distribution model that includes e-commerce, beauty retailers, department stores and duty free shops. The acquisition was completed on 20 June 2018 following regulatory clearance and has since been fully consolidated.

On 25 May 2018, L'Oréal completed the acquisition of Pulp Riot, the professional hair colour brand launched by David and Alexis Thurston in the United States in June 2016. Since its launch, Pulp Riot has transformed the professional market by creating avant-garde content, and by using social media to inspire and educate stylists worldwide. Pulp Riot currently has over 675,000 followers on Instagram. With net sales of US$11 million in 2017, Pulp Riot is distributed in the United States, primarily by SalonCentric. The brand has also started its global roll-out. This acquisition has been fully consolidated since 25 May 2018.

On 1 August 2018, L'Oréal announced the signing of an agreement to acquire the German company Logocos Naturkosmetik AG, a pioneer in natural cosmetics with brands such as Logona and Sante. All this company's brands are vegan and certified organic with a product range made from plant extracts and natural ingredients derived from organic farming. Founded in 1978 by a naturopath, Logocos Naturkosmetik is based in Hanover, Germany, and has close to 340 employees. In 2017, it had net sales of €59 million generated in Germany and other European countries. The acquisition was completed on 17 October 2018 following regulatory clearance and has since been fully consolidated.

On 1 August 2018, L'Oréal made a firm offer to shareholders in Holding STRP (Société des Thermes de La Roche-Posay) to buy out all the shares in the Company. The plan provides for the prior sale of the hotel business to the current shareholders of Holding STRP and exclusive negotiation rights for L'Oréal. Founded in 1921, STRP is the first thermal centre in Europe exclusively dedicated to the treatment of skin conditions. In 2017, the thermal business saw over 7,500 patients per year, generating net sales of €3.6 million. The acquisition was completed on 13 December 2018 following regulatory clearance and has since been fully consolidated.

The cost of these new acquisitions represented €805.1 million. The total amount of goodwill and other intangible assets resulting from the acquisitions amounted to €601.8 million and €160.4 million, respectively. In 2018, these acquisitions represented €219.9 million in full-year net sales and €39.9 million in full-year operating profit.

2.1.3. Year 2017

Acquisitions

On 10 January 2017, L'Oréal announced the signing of a final agreement with Valeant to acquire the skincare brands CeraVe, AcneFree and Ambi for a cash purchase price of US$1.3 billion. CeraVe was founded in 2005 and offers a range of advanced skincare products, specifically cleansers, moisturisers, sunscreens, healing ointments and a dedicated baby line. Developed with dermatologists, CeraVe is one of the fastest growing skincare brands in the US with average growth over the past two years exceeding 20%. CeraVe's multi-channel distribution strategy includes pharmacies and drug stores, mass-market and beauty retailers, and select online outlets. AcneFree markets and distributes a complete range of over-the-counter (OTC) skin-cleanser products and acne-treatment products in the US. Ambi distributes skincare products designed to meet the needs of multi-ethnic consumers. Both brands are distributed by pharmacies and drug stores, mass-market retailers and select online outlets. These three brands generated combined annual net sales of approximately US$168 million in 2016. CeraVe, AcneFree and Ambi are part of L'Oréal's Active Cosmetics Division, which includes brands such as La Roche-Posay, Vichy and SkinCeuticals, which are developed with and endorsed by health professionals – dermatologists, paediatricians and other physicians. This operation was finalised on 3 March 2017. This acquisition has been fully consolidated since 3 March 2017.

On 2 May 2017, L'Oréal USA announced that SalonCentric has agreed to acquire key assets from Four Star Salon Services, a full-service wholesale distributor headquartered in Hauppauge, New York State. This acquisition will provide SalonCentric, L'Oréal USA's professional salon distribution operation, with expanded distribution coverage of salon professional products within New York, New Jersey and Connecticut. The acquisition will align Four Stars' field sales and stores with SalonCentric's field sales and store network. In total, 11 stores and various field positions that service approximately 3,500 salons will be included in the transaction. This acquisition was finalised on 31 May 2017. This acquisition has been fully consolidated since this date.

The cost of these new acquisitions represents €1,245.3 million. The total amount of goodwill and other intangible assets resulting from the acquisitions was €1,017.8 million and €198.4 million, respectively. In 2017, these acquisitions accounted for around €154.1 million in full-year net sales and €31.0 million in full-year operating profit.

Other transactions

On 9 June 2017, L'Oréal announced, following an extensive review of the strategic options for The Body Shop to ensure its best future development, having received a firm offer from Natura Cosmeticos SA to acquire The Body Shop and has entered into exclusive discussions with Natura. The sale contract to Natura Cosmeticos SA was signed on 27 June 2017. After obtaining the necessary authorisations from the relevant authorities, L'Oréal and Natura Cosmeticos SA finalised the final agreement to sell The Body Shop to Natura on 7 September 2017, in accordance with the terms of the plan communicated on 9 June 2017 (note 2.3.).

2.2. Impact of changes in the scope of consolidation in the cash flow statement

The impact of acquisitions is not material for 2019.

In 2018, they mainly related to the acquisitions of Stylenanda, Pulp Riot, ModiFace, Logocos and the La Roche-Posay thermal centre.

In 2017, this item mainly related to the acquisitions of CeraVe and the assets of Four Star Salon Services, as well as the sale of The Body Shop to Natura.

2.3. Discontinued operations and assets and liabilities held for sale

The Body Shop business has been accounted for as a Business held for sale as of 30 June 2017.

Consequently, The Body Shop business is shown within discontinued operations in the consolidated income statements and in the consolidated statements of cash flows for all periods presented. Transactions carried out between The Body Shop group companies and other consolidated companies have been eliminated.

The notes to the income statements have been adjusted for The Body Shop business for 2017.

2.3.1. Income statements from discontinued operations (The Body Shop)

€ millions	2019	2018	2017
Sales	-	-	524.7
Operating profit	-	-	-15.7
Net profit from discontinued operations (1)	-	-	-240.1

(1) Of which -€13.7 million in profits generated for the period until the disposal. The effective sale of this business generated a disposal loss net of expenses amounting to -€226.4 million, including a mechanical exchange loss of -€245.3 million.

2.3.2. Statements of cash flows from discontinued operations (The Body Shop)

€ millions	2019	2018	2017
Net cash provided by operating activities	-	-	-36.7
Cash flows from investing activities	-	-	-24.4
Cash flows from financing activities	-	-	71.5
NET CASH FROM DISCONTINUED OPERATIONS	**-**	**-**	**10.4**

2.4. Situation in Argentina

Argentina has been considered a hyperinflationary economy since 1 July 2018 and L'Oréal has applied the provisions of IAS 29 "Financial Reporting in Hyperinflationary Economies" from that date.

Under IAS 29, the non-monetary items in the balance sheet and income statement have been adjusted using a general price index, such that they are stated in terms of the measuring unit current at the end of the reporting period, and translated at the closing exchange rate. Argentina accounts for less than 1% of the Group's net sales.

NOTE 3. Operating items – Segment information

Accounting Principles

Net sales

Net sales are recognised when the goods have been transferred to the customer.

Sales incentives, cash discounts and product returns are deducted from net sales, as are incentives granted to distributors or consumers resulting in a cash outflow, 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 mainly on statistics compiled from past experience and contractual conditions.

Cost of sales

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

Research and innovation expenses

Expenditure during the research phase is charged to the income statement for the financial year during which it is incurred.

Expenses incurred during the innovation phase are recognised as Intangible assets only if they meet all the following criteria set out in 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 innovation projects and uncertainties concerning the decision to launch products relating to these projects, L'Oréal considers that some of these capitalisation criteria are not met.

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 income statement for the financial year in which they are incurred.

Selling, general and administrative expenses

These expenses relate mainly to sales teams and sales team management, marketing teams and administrative services, as well as general expenses and the costs and expenses of free shares.

Operating profit

Operating profit consists of gross profit less research and innovation expenses, advertising and promotion expenses, and selling, general and administrative expenses.

Property, plant and equipment

Property, plant and equipment are recorded on the balance sheet at their purchase price. They are not remeasured.

Assets financed by lease contracts are recognised as assets on the balance sheet under *Right-of-use assets*. The corresponding debt is recognised as a liability under *Lease debt*.

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

The components of property, plant and equipment are recorded separately if their estimated useful lives, and therefore their depreciation periods, are materially different.

Property, plant and equipment are depreciated using the straight-line method, over the following useful lives:

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

Depreciation and impairment losses are recorded in the income statement according to the use of the asset.

In view of their nature, property, plant and equipment are considered to have a value of zero at the end of the useful lives indicated above.

Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is calculated using the weighted average cost method.

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 projected data.

Trade accounts receivable

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

The current trade accounts receivable impairment methodology at L'Oréal reflects the level of expected losses on the customer portfolio, calculated on the basis of past statistics from the outset of the receivable. Moreover, this risk is contained thanks to the credit insurance policy applied by the Group.

Except when local conditions do not allow it, the Group has insurance cover for the subsidiaries.

3.1. Segment information

3.1.1. Information by business segment

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

- the Professional Products Division provides expertise to beauty professionals.

For over 100 years, this Division has acquired extensive knowledge of, and provided tailored support solutions for, the hairdressing sector. It has built up a unique brand portfolio which currently includes L'Oréal Professionnel, Kérastase, Redken, Matrix, Biolage, Pureology, Decléor and Carita;

- the Consumer Products Division's goal is to democratise access to the best that the world of beauty has to offer.

The Division is underpinned by four major global brands (L'Oréal Paris, Garnier, Maybelline New York and NYX Professional Makeup Professional Makeup), and by the deployment of its specialised and regional brands (Essie, Niely, Dark and Lovely, etc.);

- L'Oréal Luxe creates exceptional experiences and products, for the most demanding consumers in selective distribution.

The Division has built a unique portfolio of prestigious brands including iconic mainstream, aspirational, alternative and specialist brands (Lancôme, Yves Saint Laurent Beauté, Giorgio Armani Beauty, Kiehl's, Urban Decay, Biotherm, Ralph Lauren and IT Cosmetics);

- the Active Cosmetics Division, whose goal is to help everyone in their quest to have healthy and beautiful skin.

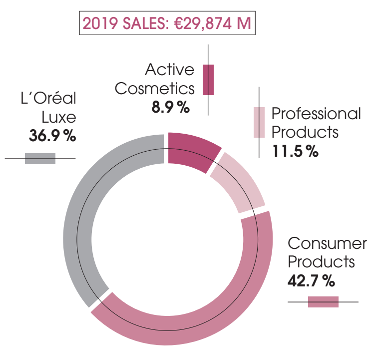
Its portfolio of highly complementary brands (Vichy, La Roche-Posay, SkinCeuticals and Roger&Gallet) is designed to keep pace with major skincare trends and recommendations of healthcare professionals. The recent acquisition of the US brand CeraVe was recently added to this portfolio.

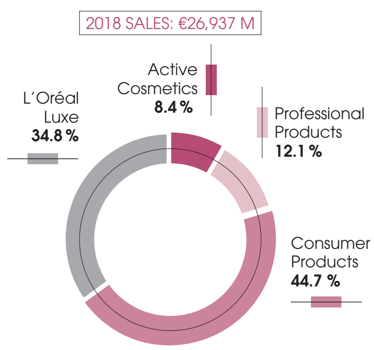
The "non-allocated" item includes expenses incurred by the Functional Divisions, fundamental research and the cost of free shares not allocated to the Divisions. It also includes non-core businesses, such as reinsurance.

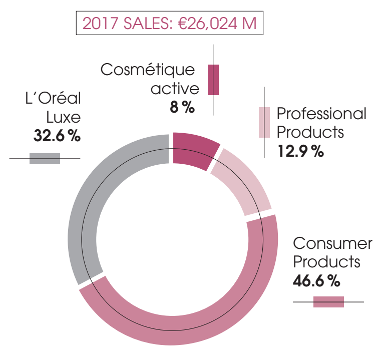
The information provided below has been adjusted to exclude The Body Shop for 2017.

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

Net sales by Division changed as follows over the three periods:







€ millions 2019	Sales	Operating profit	Operational Assets (1)	Investments in property, plant and equipment and intangible assets	Depreciation, amortisation and provisions
Professional Products	3,441.9	691.6	3,506.1	85.7	191.4
Consumer Products	12,748.2	2,574.6	10,700.0	514.3	780.7
L'Oréal Luxe	11,019.8	2,493.7	7,941.7	514.4	592.9
Active Cosmetics	2,663.7	620.8	2,374.1	66.1	92.3
TOTAL OF DIVISIONS	**29,873.6**	**6,380.7**	**24,521.8**	**1,180.5**	**1,657.3**
Non-allocated		-833.2	1,077.6	142.4	199.6
GROUP	**29,873.6**	**5,547.5**	**25,599.5**	**1,322.9**	**1,856.9**

(1) Operational assets mainly include goodwill, intangible assets and property, plant and equipment, right-of-use assets, trade accounts receivable and inventories.

€ millions 2018	Sales	Operating profit	Operational Assets (1)	Investments in property, plant and equipment and intangible assets	Depreciation, amortisation and provisions
Professional Products	3,262.5	651.5	3,378.8	84.1	142.9
Consumer Products	12,032.2	2,428.1	9,987.6	523.4	592.1
L'Oréal Luxe	9,367.2	2,072.4	7,000.3	588.4	413.0
Active Cosmetics	2,275.5	523.0	2,168.5	57.1	53.5
TOTAL OF DIVISIONS	**26,937.4**	**5,675.0**	**22,535.2**	**1,253.0**	**1,201.5**
Non-allocated		-753.1	838.0	151.7	114.8
GROUP	**26,937.4**	**4,922.0**	**23,373.2**	**1,404.7**	**1,316.3**

(1) Operational assets mainly include goodwill, intangible assets and property, plant and equipment, trade accounts receivable and inventories.

€ millions 2017	Sales	Operating profit	Operational Assets (1)	Investments in property, plant and equipment and intangible assets	Depreciation, amortisation and provisions
Professional Products	3,350.4	669.4	3,126.1	86.5	160.3
Consumer Products	12,118.7	2,419.0	8,975.6	626.9	582.1
L'Oréal Luxe	8,471.7	1,855.8	6,459.8	335.6	395.6
Active Cosmetics	2,082.9	471.2	2,247.9	47.6	68.5
TOTAL OF DIVISIONS	**26,023.7**	**5,415.4**	**20,809.4**	**1,096.6**	**1,206.5**
Non-allocated		-739.1	827.3	159.1	107.7
GROUP	**26,023.7**	**4,676.3**	**21,636.7**	**1,255.7**	**1,314.2**

(1) Operational assets mainly include goodwill, intangible assets and property, plant and equipment, trade accounts receivable and inventories.

Operational assets can be reconciled to the 2019, 2018 and 2017 balance sheets as follows:

€ millions	2019	2018	2017
Operational assets	**25,599.5**	**23,373.2**	**21,636.7**
Non-current financial assets	10,819.1	9,100.5	8,766.2
Investments in associates	10.9	9.0	1.1
Deferred tax assets	777.3	572.7	530.3
Other current assets	1,317.1	1,410.1	1,358.2
Cash and cash equivalents	5,286.0	3,992.0	3,046.6
Non-allocated assets	**18,210.3**	**15,084.3**	**13,702.4**
TOTAL ASSETS	**43,809.8**	**38,457.5**	**35,339.1**

3.1.2. Information by geographic zone

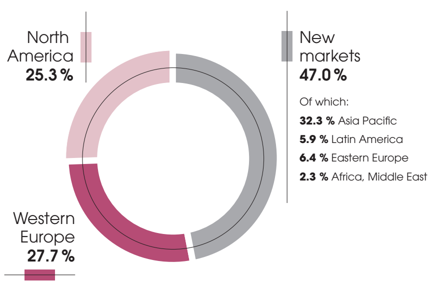
All information is presented on the basis of geographic location of the subsidiaries.

3.1.2.1. Consolidated net sales by geographic zone

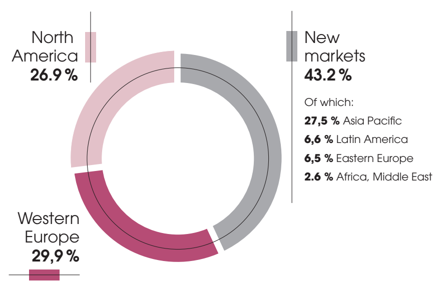
	2019		Growth (%)		2018		2017	
	€ millions	% of total	Published data	Excluding exchange effect	€ millions	% of total	€ millions	% of total
Western Europe	8,277.1	27.7%	2.6%	2.5%	8,065.1	29.9%	8,125.3	31.2%
of which France	2,479.5	8.3%	2.3%	2.3%	2,424.1	9.0%	2,444.6	9.4%
North America	7,567.0	25.3%	4.6%	-0.6%	7,234.3	26.9%	7,350.5	28.2%
New markets	14,029.5	47.0%	20.5%	19.2%	11,638.1	43.2%	10,547.8	40.5%
Asia Pacific	9,658.0	32.3%	30.4%	26.6%	7,405.6	27.5%	6,151.8	23.6%
Latin America	1,773.1	5.9%	-0.7%	6.6%	1,784.8	6.6%	1,952.9	7.5%
Eastern Europe	1,909.7	6.4%	8.9%	8.8%	1,754.2	6.5%	1,750.8	6.7%
Africa, Middle East	688.7	2.3%	-0.7%	-4.1%	693.5	2.6%	692.4	2.7%
GROUP	**29,873.6**	**100.0%**	**10.9%**	**8.8%**	**26,937.4**	**100.0%**	**26,023.7**	**100.0%**

Net sales by geographic zone changed as follows over the three periods:

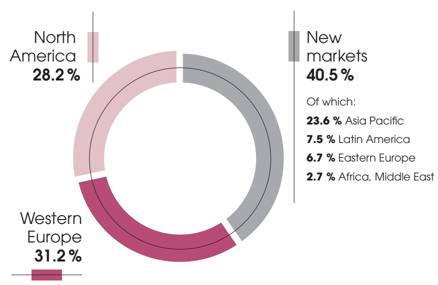
2019 SALES: €29,874 M



2018 SALES: €26,937 M



2017 SALES: €26,024 M



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

	2019		2018		2017	
€ millions	Operational assets	Investments in property, plant and equipment and intangible assets	Operational assets	Investments in property, plant and equipment and intangible assets	Operational assets	Investments in property, plant and equipment and intangible assets
Western Europe	9,829.6	480.6	9,246.8	615.4	8,600.9	371.7
North America	7,789.0	332.3	7,317.6	293.9	6,929.2	346.9
New markets	6,903.2	367.6	5,970.8	343.7	5,279.3	378.0
Non-allocated	1,077.6	142.4	838.0	151.7	827.3	159.2
GROUP	**25,599.5**	**1,322.9**	**23,373.2**	**1,404.7**	**21,636.7**	**1,255.7**
The Body Shop assets	-	-	-	-	-	24.1
GROUP (INCLUDING THE BODY SHOP)	**25,599.5**	**1,322.9**	**23,373.2**	**1,404.7**	**21,636.7**	**1,279.8**

3.2. Depreciation and amortisation expense and Property, plant and equipment

3.2.1. Depreciation and amortisation expenses

Depreciation and amortisation of property, plant and equipment and intangible assets included in operating expenses amounted to €1,603.3 million, including €445.1 million for rights of use (IFRS 16), €1,095.3 million, and €1,169.4 million (€1,147.6 million excluding The Body Shop) respectively, for 2019, 2018 and 2017.

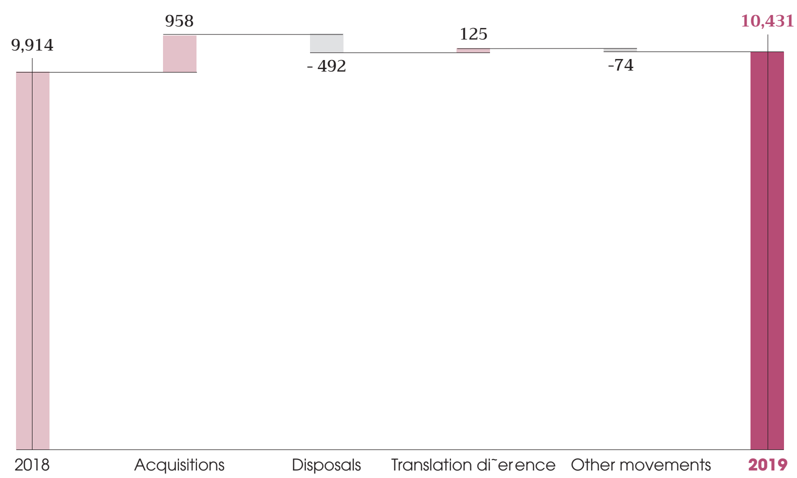
3.2.2. Property, plant and equipment

€ millions **2019**	**31.12.2018**	**Acquisitions/ Depreciation**	**Disposals/ Reversals**	**Translation difference**	**Other movements** [(1)]	**31.12.2019**
Land and buildings	2,259.2	43.1	-38.2	18.4	50.8	2,333.3
Machinery and equipment	3,585.1	158.3	-129.6	38.0	83.5	3,735.3
Point-of-sales advertising: stands and displays	2,147.8	372.2	-247.4	43.0	42.5	2,358.1
Other property, plant and equipment and fixed asset in progress	1,922.1	384.0	-76.8	25.8	-250.8	2,004.3
Gross value	**9,914.3**	**957.6**	**-492.0**	**125.2**	**-74.0**	**10,431.1**
Land and buildings	1,169.9	77.1	-33.3	6.8	-1.8	1,218.7
Machinery and equipment	2,585.7	258.6	-126.7	24.9	-9.9	2,732.6
Point-of-sales advertising: stands and displays	1,559.4	440.2	-246.6	31.5	-10.1	1,774.4
Other property, plant and equipment	974.7	168.3	-75.6	13.5	-19.9	1,061.0
Depreciation and provisions	**6,289.7**	**944.2**	**-482.2**	**76.8**	**-41.7**	**6,786.8**
PROPERTY, PLANT AND EQUIPMENT – NET	**3,624.6**	**13.4**	**-9.8**	**48.4**	**-32.4**	**3,644.3**

(1) These mainly consist of assets related to refurbishment costs for premises reclassified as rights of use after the Group applied IFRS 16 on 1 January 2019 (€33 million) and tangible assets in progress allocated to other fixed assets.

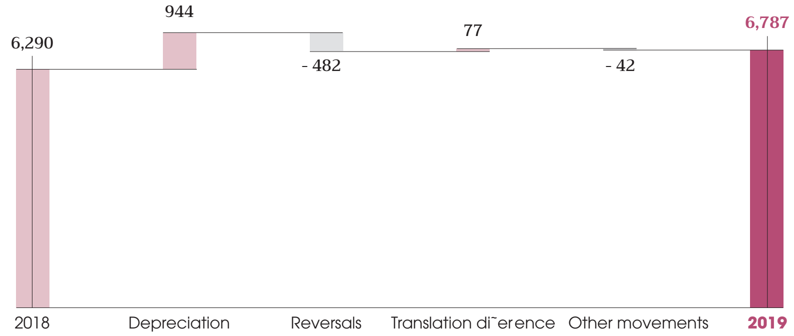
CHANGE IN GROSS FIXED ASSETS

(€ millions)



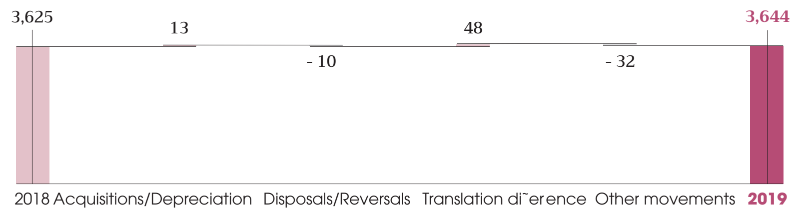
CHANGE IN DEPRECIATION, AMORTISATION AND PROVISIONS

(€ millions)



NET PROPERTY, PLANT AND EQUIPMENT

(€ millions)



€ millions **2018**	31.12.2017	Acquisitions/ Depreciation	Disposals/ Reversals	Translation difference	Other movements [1]	31.12.2018
Land and buildings	2,161.7	43.9	-19.7	-5.6	78.7	2,259.2
Machinery and equipment	3,439.2	142.0	-77.8	4.9	76.8	3,585.1
Point-of-sales advertising: stands and displays	1,981.6	345.5	-233.9	17.4	37.2	2,147.8
Other property, plant and equipment and fixed assets in progress	1,708.1	369.4	-60.9	14.4	-108.9	1,922.1
Gross value	**9,290.7**	**900.8**	**-392.2**	**31.2**	**83.9**	**9,914.3**
Land and buildings	1,099.9	76.2	-19.7	2.1	11.5	1,169.9
Machinery and equipment	2,402.2	252.3	-78.2	8.6	0.8	2,585.7
Point-of-sales advertising: stands and displays	1,369.9	410.9	-231.3	11.6	-1.7	1,559.4
Other property, plant and equipment	847.6	161.3	-60.6	9.6	16.8	974.7
Depreciation and provisions	**5,719.6**	**900.6**	**-389.8**	**31.9**	**27.4**	**6,289.7**
PROPERTY, PLANT AND EQUIPMENT – NET	**3,571.1**	**0.1**	**-2.4**	**-0.7**	**56.5**	**3,624.6**

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

€ millions **2017**	31.12.2016	Acquisitions/ Depreciation	Disposals/ Reversals	Translation difference	Other movements [1]	31.12.2017
Land and buildings	2,254.7	69.5	-33.4	-91.0	-38.1	2,161.7
Machinery and equipment	3,423.3	185.1	-90.3	-160.4	81.4	3,439.2
Point-of-sales advertising: stands and displays	2,073.3	424.8	-245.5	-148.6	-122.4	1,981.6
Other property, plant and equipment and fixed assets in progress	1,789.5	384.7	-103.2	-123.7	-239.1	1,708.1
Gross value	**9,540.8**	**1,064.1**	**-472.4**	**-523.7**	**-318.2**	**9,290.7**
Land and buildings	1,163.4	77.2	-32.1	-37.5	-71.2	1,099.9
Machinery and equipment	2,328.5	268.7	-88.2	-102.4	-4.5	2,402.2
Point-of-sales advertising: stands and displays	1,412.8	409.4	-245.0	-97.7	-109.5	1,369.9
Other property, plant and equipment	879.2	164.8	-102.3	-61.5	-32.6	847.6
Depreciation and provisions	**5,783.9**	**920.1**	**-467.6**	**-299.1**	**-217.8**	**5,719.6**
PROPERTY, PLANT AND EQUIPMENT – NET	**3,756.9**	**144.0**	**-4.8**	**-224.6**	**-100.4**	**3,571.1**

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

Property, plant and equipment include finance lease contracts for the following amounts:

€ millions	31.12.2019 (1)	31.12.2018	31.12.2017
Land and buildings	-	11.2	10.7
Machinery and equipment	-	-	-
Other property, plant and equipment and fixed assets in progress	-	22.4	21.3
Gross value	**-**	**33.6**	**32.0**
Depreciation	-	22.4	19.6
Net value	**-**	**11.2**	**12.5**

(1) Finance lease contracts have been reclassified as right-of-use assets as from the application of IFRS 16.

3.2.3. Leases

3.2.3.1. Right-of-use assets

Right-of-use assets break down by type of underlying asset, as follows:

€ millions	Gross	Depreciation and impairment losses (1)	31.12.2019 Net	Net 01.01.2019
Buildings	2,254.1	962.9	1,291.2	1,286.7
Stores	863.6	418.5	445.1	547.4
Key money	67.5	18.5	49.0	60.0
Others	150.3	43.4	106.9	111.3
RIGHT-OF-USE ASSETS	**3,335.5**	**1,443.3**	**1,892.2**	**2,005.4**

(1) Of which €445.1 million in depreciation for the period.

3.2.3.2. Lease debt

Lease debt break down as follows:

€ millions	31.12.2019
Lease debt due in more than 5 years	465.7
Lease debt due in between 1 and 5 years	1,162.3
Lease debt due in less than 1 year	407.9
LEASE DEBT	**2,035.9**

3.3. Inventories, Trade accounts receivable and Other current assets

3.3.1. Inventories

€ millions	31.12.2019	31.12.2018	31.12.2017
Finished products and consumables	2,724.0	2,599.5	2,302.2
Raw materials, packaging and semi-finished products	605.7	594.3	507.4
Gross value	**3,329.7**	**3,193.8**	**2,809.6**
Valuation allowance	409.0	371.9	315.0
INVENTORIES – NET	**2,920.8**	**2,821.9**	**2,494.6**

3.3.2. Trade accounts receivable

€ millions	31.12.2019	31.12.2018	31.12.2017
Gross value	4,133.5	4,032.7	3,969.8
Valuation allowance	46.8	49.4	46.4
NET VALUE	**4,086.7**	**3,983.2**	**3,923.4**

Trade accounts receivable are due within one year. The impairment of trade accounts receivable reflects the level of expected losses on the customer portfolio from the outset of the receivable. Moreover, except when local conditions do not allow it, the Group has insurance cover for the subsidiaries.

The non-collection risk on trade accounts receivables is therefore minimised, and this is reflected in the level of the allowance, which is less than 2% of gross receivables at the end of 2019.

3.3.3. Other current assets

€ millions	31.12.2019	31.12.2018	31.12.2017
Tax and employee-related receivables (excluding income tax)	616.0	617.9	546.2
Prepaid expenses	365.9	338.5	295.8
Derivatives	49.2	175.6	240.5
Current financial assets	23.3	23.1	23.6
Other current assets	420.4	354.0	287.7
TOTAL	**1,474.9**	**1,509.1**	**1,393.8**

3.4. Other current liabilities

€ millions	31.12.2019	31.12.2018	31.12.2017
Tax and employee-related payables (excluding income tax)	1,586.8	1,406.6	1,268.8
Credit balances on trade receivables	1,128.2	1,026.0	944.6
Fixed assets payables	434.5	279.9	178.5
Derivatives	123.6	182.5	190.5
Other current liabilities	235.4	243.9	241.5
TOTAL	**3,508.5**	**3,138.9**	**2,823.9**

3.5. Changes in working capital

This caption amounts to €460.5 million, €113.8 million and €261.1 million respectively in 2019, 2018 and 2017, and are broken down as follows:

€ millions	2019	2018	2017
Inventories	-53.8	-292.8	-82.6
Trade accounts receivable	-59.6	-83.1	-266.7
Trade accounts payable	110.7	392.9	317.1
Other receivables and payables	463.2	96.8	293.3
TOTAL	**460.5**	**113.8**	**261.1**

NOTE 4. Other operational income and expenses

Accounting principles

Other income and expenses

The Other income and expenses item includes capital gains and losses on disposals of property, plant and equipment and intangible assets, impairment of assets, restructuring costs, and clearly identified, non-recurring income and expense items that are material to the consolidated financial statements.

The cost of restructuring operations is fully provisioned if it results from a group obligation towards a third party originating from a decision taken by a competent body which is announced to the third parties concerned before the end of the reporting period.

This cost consists mainly of severance payments, early retirement payments, the cost of unworked notice periods, the costs of training for employees affected by the restructuring measures, and other costs relating to site closures. Any write-offs of fixed assets or impairment charged against inventories and other assets related directly to these restructuring measures are also recorded as restructuring costs.

Operational profit

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

This item breaks down as follows:

€ millions	2019	2018	2017
Capital gains and losses on disposals of property, plant and equipment and intangible assets (1)	14.0	2.7	3.9
Impairment of property, plant and equipment and intangible assets (2)	-142.8	-	-
Restructuring costs (3)	-120.2	-85.1	-262.5
Other (4)	-187.5	-12.3	-17.8
TOTAL	**-436.5**	**-94.7**	**-276.3**

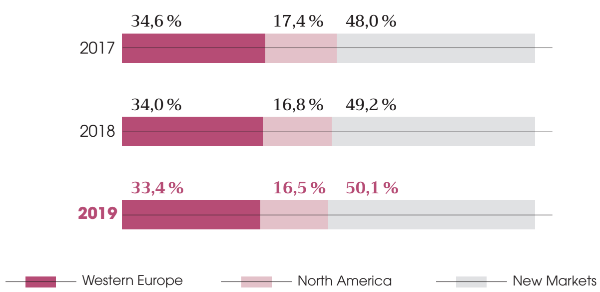
(1) Including €11 million in capital gains on property sales in Germany in 2019.
(2) In 2019, the brand and goodwill of Clarisonic and Roger & Gallet for €80 million and €59 million, respectively.
(3) Including:
• in 2019, the redesign of NYX Professional Makeup's distribution channels (€76 million), the refocus of production facilities on Luxe, mostly in France (€11 million), restructuring Clarisonic manufacturing in the US (€8.6 million), reorganising distribution, organisational and accounting structures in Europe (€9 million) and additional costs for various reorganisation projects in 2018, primarily in Brazil (€8.2 million);
• in 2018, the global plan to transform the Professional Products Division (€15.6 million), the reorganisation in Brazil (€26.8 million), various plans to restructure sales forces and operating structures in Western Europe (€19.3 million), the streamlining of production and the refocusing of the distribution of the Decléor brand (€12.1 million) as well as the closure of the Canton mask production plant in China (€6.0 million) and the discontinuing of various selective brands in Malaysia and Singapore (€4.6 million);
• in 2017, repositioning Clarisonic's distribution activities (€10.0 million), discontinuing several Selective Division brands in countries where they are dilutive (€26.4 million), reorganising activities in Brazil to cope with the difficult economic environment (€50.3 million), reorganising IT structures in Europe (€9.2 million) as well as carrying out various projects to streamline sales teams and operational and administrative structures in Western Europe (€29.4 million), restructuring the activities of the Consumer Products Division in China (€58.2 million), pooling the "international marketing" Divisions of the Global Selective Divisions on one site (€33.9 million), launching the Professional Products Division global transformation plan (€21.8 million), pooling accounting activities in several geographic zones (€7.7 million), as well as continuing to reorganise the French business activities of the four Divisions (€12.4 million).
(4) Including:
• in 2019, acquisition-related costs (€6.1 million), the increase of the Stylenanda earn-out (€56.5 million), the disputes related to intellectual property (€55.8 million) and the profit-sharing adjustment following the agreement signed with the French tax administration for the 2014-2018 tax audits (€56.7 million);
• in 2018, acquisition-related costs (€17.3 million) as well as the downward adjustment of the Atelier Cologne earn-out (-€3.8 million);
•in 2017, acquisition-related costs (€12.9 million), as well as adjustments made to the opening balance sheet of Atelier Cologne (€4.5 million).

NOTE 5. Number of employees, personnel costs and employee benefits

5.1. Number of employees

	31.12.2019	31.12.2018	31.12.2017
Western Europe	29,402	29,256	28,555
North America	14,480	14,443	14,363
New markets	44,092	42,331	39,688
TOTAL (1)	**87,974**	**86,030**	**82,606**

(1) Excluding employees of equity-accounted companies.



5.2. Personnel costs

€ millions	2019	2018	2017
Personnel costs (including welfare contributions) (1)	**6,131.1**	**5,634.1**	**5,433.5**

(1) Excluding employees of equity-accounted companies.

Personnel costs include pension expenses (excluding interest components), the cost of any share-based payments (stock options and free shares), and payroll taxes.

5.3. Executive compensation

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

€ millions	2019	2018	2017
Directors' fees	1.3	1.3	1.3
Salaries and benefits including employer welfare contributions	40.1	34.4	32.3
Employee retirement obligation charges	10.8	10.0	9.7
Share-based payment (stock options and free shares)	33.7	24.6	26.1
Exceptional factors	-	3.2	-

The number of executives who were members of the Management Committee was 20 at 31 December 2019 compared with 16 at 31 December 2018 and 15 at 31 December 2017.

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

Accounting principles

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

For obligatory state schemes and other defined-contribution schemes, the Group recognises in the income statement contributions payable when they are due. No provision has been set aside in this respect as the Group's obligation does not exceed the amount of contributions paid.

The characteristics of the defined benefit schemes in force within the Group are as follows:

- French regulations provide for specific length-of-service awards payable to employees on retirement. An early retirement plan and a defined benefit plan have also been set up. In some Group companies there are also measures providing for the payment of certain healthcare costs for retired employees. These obligations are partially funded by an external fund, except those relating to healthcare costs for retired employees;
- for foreign subsidiaries with employee retirement schemes or other specific obligations relating to defined benefit plans, the excess of the projected benefit obligation over the scheme's assets is also recognised by setting up a provision for charges on the basis of the actuarial value of employees' vested rights.

The charges recorded in the income statement during the year include:

- additional rights vested by employees during the accounting period;
- the impact of any change to existing schemes on previous years or of any new schemes;
- the change in the value of the discounted rights over the past year;
- income on external funds calculated on the basis of the discount rate applied to the benefit obligation.

The latter two items represent the interest component of the pension costs. The interest component is shown within Net financial income on the Other financial income and expenses item.

To determine the discounted value of the obligation for each scheme, the Group applies an actuarial valuation method based on the final salary (projected unit credit method). The obligations and the fair value of plan 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).

As interest rates have dropped sharply over the past few years, since 2017 the Group has used a simplified granular approach to calculate its service cost for the period. Under this simplified approach, two different discount rates are used to calculate the obligation and the service cost based on the duration of the future cash flows relating to each of these items. This change does not affect the calculation of the overall obligation but reduced service cost, primarily for the US and France in 2017 and 2018 owing to durations exceeding those of the obligation and the interest rate yield curve in these countries. Financial costs are calculated by applying the discount rate used for the obligation to plan assets and by applying the differential interest rate to service cost for the period.

Actuarial gains and losses arising on post-employment defined benefit obligations are recognised in equity.

Actuarial gains and losses in relation to other benefits such as jubilee awards and long-serve bonuses are immediately charged to the income statement.

The liability corresponding to the Company's net defined benefit obligation regarding its employees is recorded in the balance sheet on the Provisions for employee retirement obligations and related benefits line.

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

In %	31.12.2019	31.12.2018	31.12.2017
Discount rate (commitment)	1.6%	2.6%	2.2%
Discount rate (service cost)*	1.9%	2.9%	2.5%
Salary increases	3.5%	3.6%	3.6%

** Used for the service cost for the following financial year.*

	31.12.2019			31.12.2018			31.12.2017		
	Initial rate	Final rate	Application of final rate	Initial rate	Final rate	Application of final rate	Initial rate	Final rate	Application of final rate
Expected rate of health care inflation	5.7%	4.2%	2027	5.7%	4.2%	2023	5.7%	4.2%	2023

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

Bond quality is assessed by reference to the AA-/Aa3 minimum rating provided by one of the three main credit-rating agencies.

Discount rates can be broken down by geographic zone as follows:

In %	2019	2018	2017
Weighted average (all countries) based on the benefit obligation	**1.6%**	**2.6%**	**2.2%**
Of which:			
Euro zone			
Discount rate (commitment) (1)	0.9%	1.9%	1.6%
Discount rate (service cost)*	1.0%	2.1%	1.9%
USA			
Discount rate (commitment)	2.8%	4.0%	3.3%
Discount rate (service cost)*	3.0%	4.3%	3.5%
United Kingdom			
Discount rate (commitment)	2.0%	2.8%	2.5%
Discount rate (service cost)*	2.0%	2.8%	2.5%

(1) The weighted average for 2019 consists of a 1.04% discount rate on annuity plans with an average term of 20.48 years and a 0.67% discount rate on capital plans with an average term of 12.63 years.
** Used for the service cost for the following financial year.*

A 50 basis point decrease in the discount rates would increase the projected defined benefit obligations by €258.4 million for the euro zone, €78.5 million for the United States and €75.0 million for the United Kingdom.

The expected returns on plan assets are based on the discount rates used.

The breakdown of plan assets is as follows:

In %	31.12.2019	31.12.2018	31.12.2017
Equity securities (1)	33.9%	33.1%	42.1%
Bonds	57.8%	57.8%	49.3%
Property assets (2)	4.8%	5.3%	4.4%
Monetary instruments	0.6%	1.2%	2.6%
Other	2.9%	2.6%	1.7%
TOTAL	**100%**	**100%**	**100%**

(1) Of which L'Oréal shares: none.
(2) Of which property assets occupied by Group entities: none.

The allocation of plan assets has to comply with specific investment limits for the different classes of assets and meet minimum rating criteria for monetary instruments and bonds.

Fluctuations during 2019, 2018 and 2017 are set out below:

€ millions	Present value of defined benefit obligation	Plan assets	Net provisions
Balance at 31 December 2016	**4,476.8**	**-3,765.1**	**711.8**
Service cost during the period	170.2	-	170.2
Interest cost	105.0	-	105.0
Expected return on assets	-	-88.6	-88.6
Past service cost: new plans/plan amendments	2.2	-	2.2
Curtailments	-20.8	-	-20.8
Settlements	-94.8	96.1	1.3
Benefits paid	-192.6	131.1	-61.5
Contributions paid	6.6	-210.1	-203.5
Actuarial gains and losses	-37.9	-242.1	-280.0
Translation differences	-187.8	153.8	-34.0
Other movements	-5.1	5.0	-0.2
Balance at 31 December 2017	**4,221.7**	**-3,919.8**	**301.9**
Service cost during the period	168.0	-	168.0
Interest cost	96.6	-	96.6
Expected return on assets	-	-88.7	-88.7
Past service cost: new plans/plan amendments	2.2	-	2.2
Curtailments	-24.4	-	-24.4
Settlements	-1.5	1.3	-0.2
Benefits paid	-189.3	138.5	-50.7
Contributions paid	5.1	-85.8	-80.8
Actuarial gains and losses	-172.1	230.5	58.5
Translation differences	43.1	-36.9	6.2
Other movements	-5.2	5.4	0.2
Balance at 31 December 2018	**4,144.4**	**-3,755.5**	**388.9**
Service cost during the period	168.8	-	168.8
Interest cost	111.8	-	111.8
Expected return on assets	-	-99.5	-99.5
Past service cost: new plans/plan amendments	72.9	-	72.9
Curtailments	-100.3	-	-100.3
Settlements	-	-	-
Benefits paid	-198.4	151.9	-46.5
Contributions paid	6.3	-58.9	-52.6
Actuarial gains and losses	706.6	-378.9	327.7
Translation differences	67.9	-66.3	1.6
Other movements	-5.3	5.6	0.3
BALANCE AT 31 DECEMBER 2019	**4,974.5**	**-4,201.6**	**772.9**

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

€ millions	31.12.2019	31.12.2018	31.12.2017
Present value of defined benefit obligations wholly or partly funded	4,507.6	3,755.6	3,843.2
Fair value of plan assets	4,201.6	3,755.5	3,919.8
Net position of defined benefit obligations wholly or partly funded	306.1	0.1	-76.6
Present value of defined benefit obligations wholly unfunded	466.9	388.8	378.5

The retirement expense charged to the income statement is recorded within personnel expenses for the operating part and within financial costs for the financial part and can be analysed as follows:

€ millions	2019	2018	2017
Service cost during the financial year	168.8	168.0	170.2
Interest costs	111.8	96.6	105.0
Expected return on assets	-99.5	-88.7	-88.6
New plans/plan amendments (1)	72.9	2.2	2.2
Curtailments (1)	-100.3	-24.4	-20.8
Settlements	-	-0.2	1.3
TOTAL	**153.6**	**153.6**	**169.2**

(1) Order no. 2019-697 transposing a European Directive dated 16 April 2014 into law no longer allows new members to join "conditional" defined benefit pension schemes as from 4 July 2019, the day the Order was issued. The Order also no longer allows for new additional rights to be acquired in schemes opened on 20 May 2014 for employment periods after 31 December 2019. At the same time, the Group set up a new plan for employment periods starting 1 January 2020. The net impact recorded in net income for these developments is +€17.5 million.

Contributions to defined contribution schemes recognised as an expense for 2019, 2018 and 2017 amounted to €524.8 million, €468.2 million and €463.1 million, respectively.

A change of 1% point in medical cost inflation would have the following impact:

€ millions	Increase of 1%	Decrease of 1%
Impact on projected benefit obligation	11.6	-9.6
Impact on current service cost and interest costs	0.5	-0.4

Actuarial gains and losses for the periods presented are as follows:

€ millions **2019**	Present value of defined benefit obligation	Plan assets	Net provisions
Actuarial gains and losses: experience adjustments	-25.5	-378.9	-404.4
Actuarial gains and losses: demographic assumptions	-36.6	-	-36.6
Actuarial gains and losses: financial assumptions	768.8	-	768.8
TOTAL	**706.6**	**-378.9**	**327.7**

€ millions **2018**	Present value of defined benefit obligation	Plan assets	Net provisions
Actuarial gains and losses: experience adjustments	124.2	230.5	354.7
Actuarial gains and losses: demographic assumptions	-35.3	-	-35.3
Actuarial gains and losses: financial assumptions	-261.0	-	-261.0
TOTAL	**-172.1**	**230.5**	**58.5**

€ millions **2017**	Present value of defined benefit obligation	Plan assets	Net provisions
Actuarial gains and losses: experience adjustments	-31.7	-242.1	-273.8
Actuarial gains and losses: demographic assumptions	-15.1	-	-15.1
Actuarial gains and losses: financial assumptions	9.0	-	9.0
TOTAL	**-37.9**	**-242.1**	**-280.0**

5.5. Share subscription or purchase options – Free shares

Accounting principles

In accordance with the requirements of IFRS 2 "Share-based Payment", the value of options or free shares granted as calculated at the grant date is expensed in the income statement over the vesting period, which is generally five years for purchase options and four years for free shares.

The fair value of stock options is determined using the Black & Scholes model. This model takes into account the characteristics of the plan such as the exercise price and exercise period, and market data at the grant date such as the risk-free rate, share price, volatility, expected dividends and behavioural assumptions regarding beneficiaries.

The fair value of free shares corresponds to the value of the share at the grant date, less dividends expected to be paid during the vesting period. The cost of the additional 2-year holding period applicable to French residents, for plans prior to 1 January 2016, is determined based on the interest rate granted to the employee, considered equivalent to the rate which would be granted by a bank to a private individual customer with an average financial profile.

The impact of IFRS 2 on profit for the period is booked on the Selling, general and administrative expenses item of the income statement at Group level, and is not allocated to the Divisions or geographic zones.

a) Share subscription or purchase options

The table below sets out data concerning option plans in force at 31 December 2019.

Grant date	Number of options	Number of options not yet exercised	Exercise period from	Exercise period to	Exercise price
27.04.2010	4,200,000	211,728	28.04.2015	27.04.2020	€80.03
22.04.2011	1,470,000	312,465	23.04.2016	22.04.2021	€83.19

All plans have a five-year exercise period and no performance-related conditions, except the 22 April 2011 plan (for all participants) and the 27 April 2010 plans for members of the Management Committee. All of the performance conditions of these plans have been definitively fulfilled.

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

	Subscription options April 2010	Subscription options April 2011
Risk-free rate of return	2.83%	3.42%
Expected life span	7 years	8 years
Expected volatility	23.53%	22.60%
Expected dividends	1.86%	2.10%
Share price	€80.50	€85.68
Exercise price	€80.03	€83.19
Fair value	€17.17	€18.58

Expected volatility is equal to the implied volatility of the options listed on MONEP at the grant dates. In order to mitigate the effects of atypical phenomena, the volatility used corresponds to the average between implied volatility at the grant date and 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 financial years 2019, 2018 and 2017 are set out below:

	31.12.2019		31.12.2018		31.12.2017	
	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	**1,313,801**	**€78.60**	**2,233,775**	**€76.43**	**3,798,051**	**€77.04**
• Options granted	-		-		-	
• Options exercised	-785,408	€76.43	-919,474	€73.32	-1,509,576	€78.40
• Options expired	-4,200		-500		-54,700	
Number of options not exercised at end of period	**524,193**	**€81.91**	**1,313,801**	**€78.60**	**2,233,775**	**€76.43**
Of which:						
• number of exercisable options at end of period	524,193	€81.91	1,313,801	€78.60	2,233,775	€76.43
• expired options at end of period	-		-		-	

The weighted average share price was €240.28, €197.19 and €181.49 for 2019, 2018 and 2017, respectively.

No stock option plan expenses were recognised in 2019, 2018 or 2017.

b) Free shares

The table below summarises the data on free share plans vesting after 1 January 2017.

Grant date					
Stock subscription plans	Share purchase plans	Vesting date	Number of shares granted	Number of shares issued/allotted	Number of shares not finally vested
	26.04.2013	27.04.2017	1,057,820	988,180	
17.04.2014		18.04.2018	1,068,565	994,815	
22.04.2015		23.04.2019	860,150	706,937	
20.04.2016		21.04.2020	906,100	125	851,375
20.04.2017		21.04.2021	906,000		863,475
17.04.2018		18.04.2022	931,000		911,475
18.04.2019		19.04.2023	843,075		842,000

For the conditional grant of shares, the plan provides for a four-year vesting period after which vesting is effective and final, subject to meeting the conditions of the plan. After this vesting period, a two-year mandatory holding period applies for French residents, for plans prior to 1 January 2016, during which the shares cannot be sold.

The performance conditions concern for the 18 April 2019, 17 April 2018, 20 April 2017, 20 April 2016 and 22 April 2015 plans:

- for 50% of shares granted, the growth in comparable Cosmetics sales in relation to growth in net sales for a panel of competitors:
  - 2020, 2021 and 2022 financial years under the 2019 plan,
  - 2019, 2020 and 2021 financial years under the 2018 plan,
  - the 2018, 2019 and 2020 financial years under the 2017 plan,
  - 2017, 2018 and 2019 financial years under the 2016 plan;
- for 50% of shares granted, the increase over the same period in the Group's consolidated operating profit.

The calculation will be based on the mean of the performance in the:

- 2020, 2021 and 2022 financial years under the 2019 plan;
- 2019, 2020 and 2021 financial years under the 2018 plan;
- 2018, 2019 and 2020 financial years under the 2017 plan;
- 2017, 2018 and 2019 financial years under the 2016 plan;

and will use a predefined allocation scale based on the performance percentage achieved. No performance condition applies below a block of 200 shares.

The plans of 26 April 2013, 17 April 2014 and 22 April 2015 were finally granted by the allocation of, respectively, 986,220 shares on 27 April 2017, 993,765 shares on 18 April 2018 and 706,262 shares on 23 April 2019.

At 31 December 2019, the performance conditions for plans in progress were deemed achieved except for the 22 April 2015 plan. Shares finally granted for the 22 April 2015 plan accounted for the performance percentage achieved at the end of the plan.

The fair value of free shares is determined using the following assumptions:

	Share purchase plans						Stock subscription plans
Grant date	April 2013	April 2014	April 2015	April 2016	April 2017	April 2018	April 2019
Risk-free rate of return	0.50%	0.65%	-0.02%	-0.06%	-0.35%	-0.28%	-0.25%
Discount for post-vesting transfer restrictions for French employees	5.75%	4.46%	1.70%	n/a	n/a	n/a	n/a
Expected dividends	1.76%	2.06%	1.52%	1.85%	1.82%	1.85%	1.58%
Share price	€130.45	€121.35	€177.10	€168.10	€181.75	€191.85	€243.80
Fair value							
Employees resident in France	€112.37	€104.58	€161.49	€154.32	€166.90	€176.17	€226.25
Employees not resident in France	€119.87	€109.99	€164.50	€154.32	€166.90	€176.17	€226.25

The expense recorded in 2019, 2018 and 2017 amounted to €143.2 million, €120.9 million and €126.7 million, respectively.

c) Capital increase reserved for employees

In June 2018, Group employees had the opportunity to join a Shareholding Plan based on a traditional format with discount and matching contribution.

The subscription price was set at €162.52, representing 80% of the average share price over the 20 trading sessions prior to the decision by the Chairman and Chief Executive Officer setting the subscription period from 4 June to 18 June 2018 during which 423,916 shares were subscribed. This number does not include the subscription reserved for a Trustee under the laws of England and Wales, as part of a Share Incentive Plan established for Group employees in the UK, with the final number of shares subscribed determined at 4,514 in November 2018.

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

For employees in other countries, shares were offered under a free share plan with a continued employment condition for the employee and proportionate to how much the employee contributes to the plan, with a maximum of 4 shares offered for 10 shares subscribed. The shares will be allocated to employees on 25 July 2023 provided they are still with the Group on that date.

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

The capital was increased on 24 July 2018 by 455,613 shares and on 15 November 2018 by 6,524 shares.

The IFRS 2 expense for free shares granted amounted to:

- €5.1 million for French employees based on a subscription price of €162.52 per share; and
- €7.1 million for employees outside France. This cost is amortised over the vesting period and corresponds to the share reference value adjusted for the expected dividends over the vesting period, namely €180.94 per share, except for the Share Incentive Plan for which the acquisition cost is €205.66 per share.

NOTE 6. Income tax

Accounting principles

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 there are temporary differences between the tax basis of assets and liabilities and their basis for consolidated accounting purposes, using the balance sheet liability method.

The restatement of assets and liabilities linked to lease contracts within the scope of IFRS 16 results in the booking of deferred tax.

Deferred tax includes irrecoverable taxation on estimated or confirmed dividends.

Deferred tax is measured using the tax rate enacted at the closing date and which will also apply when the temporary differences reverse.

Deferred tax assets generated by tax loss carryforwards are only recognised to the extent it is probable that the entities will be able to generate taxable profit against which they can be utilised.

Under the French system of tax consolidation, the taxable profits of some French companies are offset when determining the overall tax charge, which is payable only by L'Oréal, the parent company of the tax Group. Tax consolidation systems also exist outside France.

6.1. Detailed breakdown of income tax

€ millions	2019	2018	2017
Current tax	1,699.7	1,241.3	1,096.1
Deferred tax	-42.5	43.0	-194.8
INCOME TAX	**1,657.2**	**1,284.3**	**901.3**

6.2. Analysis of tax charge

The income tax charge may be analysed as follows:

€ millions	2019	2018	2017
Profit from continuing operations before tax and associates	**5,411.4**	**5,183.7**	**4,727.0**
Theoretical tax rate	26.21%	26.25%	28.95%
Expected tax charge	**1,418.1**	**1,360.6**	**1,368.3**
Impact of permanent differences	64.4	28.8	0.5
Impact of tax rate differences (1)	-161.6	-148.3	-305.9
Change in unrecognised deferred taxes	2.3	-3.2	-21.2
Other (2)	334.0	46.4	-140.4
GROUP TAX CHARGE	**1,657.2**	**1,284.3**	**901.3**

(1) Including, in 2017, profits of €147 million related to the impact of the decrease in the tax rate from 38.25% to 24.95% on deferred tax balances in the US, and €35 million in 2017 related to the impact of the decrease in the tax rate from 34.43% to 25.83% on deferred tax balances planned in France by 2022.
(2) Including tax credits, taxes on dividend distributions, tax reassessments and provisions for tax liabilities.
• Including, in 2019, a €262 million expense to cover an agreement made with the French tax administration regarding a disagreement over which French products in our business fall under the tax base for 2014-2018.
• Including, in 2017, €211 million related to the 3% tax on dividends paid, following the claim filed for the 2013 to 2017 financial years, net of charges paid in June 2017 in respect of 2017 in the amount of €55.7 million. This item also includes a charge of €62 million relating to an exceptional and additional contribution of 30% in France.

The expected tax charge reflects the sum of pre-tax profit for each country, multiplied by the normal taxation rate. The theoretical tax rate reflects the total expected tax charge as a percentage of pre-tax profit. The impact of any reduced tax rates existing in certain countries in addition to the normal tax rates is included on the line Impact of tax rate differences.

6.3. Deferred taxes in the balance sheet

The net change in deferred taxes (assets and liabilities) can be analysed as follows:

€ millions	
Balance of deferred tax assets at 31 December 2016	**548.3**
Balance of deferred tax liabilities at 31 December 2016	**-842.9**
Income statement impact (including The Body Shop)	197.2
Translation differences	12.7
Other effects (1)	18.0
Balance of deferred tax assets at 31 December 2017	**530.3**
Balance of deferred tax liabilities at 31 December 2017	**-597.0**
Income statement impact	-43.0
Translation differences	-19.0
Other effects (1)	27.8
Balance of deferred tax assets at 31 December 2018	**572.7**
Balance of deferred tax liabilities at 31 December 2018	**-673.7**
Income statement impact	42.5
Translation differences	3.8
Other effects (1)	94.3
BALANCE OF DEFERRED TAX ASSETS AT 31 DECEMBER 2019	**777.3**
BALANCE OF DEFERRED TAX LIABILITIES AT 31 DECEMBER 2019	**-737.7**

(1) Including mainly the deferred tax impact of currency hedging instruments recognised in equity, as well as the tax effect on actuarial gains and losses recognised in equity. We also took into account in 2017 the impact of a decrease in the tax rate in France on the Group's stake in Sanofi for €16.6 million and the impact of the decrease in the rates in the US on deferred taxes on currency hedges and an actuarial gains and losses amounting to €26 million, as well as the impact of the sale of The Body Shop for €79 million.

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

	31.12.2019		**31.12.2018**		**31.12.2017**	
€ millions	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Temporary differences	760.2	422.5	562.4	409.6	520.3	346.9
Deferred tax liabilities on revaluation of Sanofi		315.2		264.1		250.1
Tax credits and tax loss carry-forwards	17.1		10.3		10.0	
DEFERRED TAX TOTAL	**777.3**	**737.7**	**572.7**	**673.7**	**530.3**	**597.0**

Deferred tax assets on temporary differences mainly relate to provisions for pensions and early retirement (€209.8 million, €113.0 million and €77.2 million respectively at the end of 2019, 2018 and 2017) and provisions for liabilities and charges (€136.5 million, €113.1 million and €138.9 million at the end of 2019, 2018 and 2017).

Deferred tax liabilities on temporary differences mainly include intangible assets acquired under business combinations other than non-tax-deductible goodwill.

Deferred tax assets whose recovery is not considered probable are not recorded in the financial statements; such assets amount to €17.0 million at 31 December 2019 compared with €21.6 million at 31 December 2018 and €35.5 million at 31 December 2017.

NOTE 7. Intangible assets

7.1. Goodwill

Accounting principles

Business combinations are accounted for by the purchase method. The assets, liabilities and contingent liabilities of the Company acquired are measured at fair value 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 and the Group's interest in the fair value of the identified assets and liabilities is recorded as Goodwill and allocated to the Cash Generating Units expected to benefit from the acquisition or the related synergies.

Goodwill generated on the acquisition of an associate is presented in the Investments in associates item.

For business combinations carried out after 1 January 2010, the main changes with regard to previously applicable accounting principles are set out below:

- for each acquisition, the Group chooses whether to recognise the full amount of goodwill regardless of the ownership interest acquired, or an amount of goodwill corresponding to its interest in the acquired company (previously the only method allowed);
- deferred tax assets recognised after the initial accounting is complete are included in profit or loss, and in contrast to previous practices, the amount of goodwill that would have been recorded had the deferred tax asset been recognised as an identifiable asset at the acquisition date is not deducted;
- costs incurred in respect of a business combination are now expensed and no longer included in the acquisition cost;
- the acquisition cost, which includes contingent consideration, is recognised and measured at its acquisition-date fair value. Subsequent changes in fair value, affecting in particular the contingent consideration recorded in liabilities, are recognised in Other income and expenses in the income statement and no longer treated as an adjustment to goodwill;
- any previous interest held in the acquiree prior to the date control was obtained is now remeasured at its acquisition-date fair value, with the corresponding gain or loss on remeasurement recognised on the income statement;
- purchase commitments for minority interests are recognised in financial debt at the acquisition-date fair value. Subsequent changes in fair value of the commitment are recognised by adjusting equity.

Goodwill is allocated by Cash Generating Units or by groups of Cash Generating Units. A Cash Generating Unit corresponds to one or more worldwide brands.

€ millions 2019	31.12.2018	Acquisitions/Disposals	Other movements	31.12.2019
L'Oréal Professionnel/Kérastase	388.9		5.6	394.5
Matrix	405.8		7.3	413.1
Redken/Pureology	560.5	3.5	9.1	573.1
Decléor and Carita	137.4			137.4
Others	66.1		1.8	67.9
Professional Products Total	1,558.7	3.5	23.8	1,586.0
L'Oréal Paris	899.1		11.0	910.2
Maybelline/Garnier	1,251.6		23.5	1,275.1
LaSCAD	158.3			158.3
NYX Professional Makeup	322.6		5.2	327.8
Niely	139.7		-2.5	137.1
Stylenanda	429.4		1.3	430.7
Others	495.4		-9.0	486.4
Consumer Products Total	3,696.1	-	29.4	3,725.5
Lancôme	825.3		7.3	832.6
Shu Uemura	137.9		5.3	143.1
YSL Beauté	533.2		2.9	536.1
Perfumes	454.9		2.8	457.7
L'Oréal Beauty Device (1)	71.3		-46.7	24.6
Urban Decay	150.2		2.5	152.7
IT Cosmetics	775.9		11.4	787.4
Others	65.0		2.6	67.5
L'Oréal Luxe Total	3,013.8	-	-12.0	3,001.8
Vichy/Dermablend	354.3		-34.6	319.6
CeraVe	629.5		5.9	635.4
La Roche-Posay	161.4		7.6	169.0
Others	77.6		1.1	78.6
Active Cosmetics Total	**1,222.8**	**-**	**-20.1**	**1,202.7**
Others	105.7		-36.1	69.6
GROUP TOTAL	**9,597.1**	**3.5**	**-14.9**	**9,585.6**

(1) This Cash Generating Unit mainly concerns Clarisonic.

No significant acquisitions or disposals took place during this financial year.

Other movements mainly reflect the positive impact of changes in exchange rates for €65.4 million, as well as the recognition of impairment losses on Clarisonic (€47 million) and Roger & Gallet (€36 million).

The accumulated impairment losses relating to L'Oréal Beauty Device, Magic, and Softsheen-Carson amounted to €279.7 million, €153.0 million, and €149.3 million, respectively at 31 December 2019.

€ millions **2018**	**31.12.2017**	**Acquisitions/Disposals**	**Other movements**	**31.12.2018**
L'Oréal Professionnel/Kérastase	380.3		8.6	388.9
Matrix	391.5		14.3	405.8
Redken/PureOlogy	539.6		20.9	560.5
Decléor and Carita	137.4			137.4
Others	3.0	62.5	0.6	66.1
Professional Products Total	**1,451.7**	**62.5**	**44.4**	**1,558.7**
L'Oréal Paris	852.4		46.8	899.1
Maybelline/Garnier	1,186.0		65.6	1,251.6
LaSCAD	158.3			158.3
NYX Professional Makeup	310.2		12.4	322.6
Niely	155.6		-15.9	139.7
Stylenanda	-	429.3	0.1	429.4
Other (1)	426.0	66.2	3.2	495.4
Consumer Products Total	**3,088.5**	**495.5**	**112.1**	**3,696.1**
Lancôme	795.1		30.2	825.3
Shu Uemura	129.3		8.6	137.9
YSL Beauté	519.8		13.4	533.2
Perfumes	453.9		1.0	454.9
L'Oréal Beauty Device (2)	69.8		1.5	71.3
Urban Decay	144.1		6.1	150.2
IT Cosmetics	749.0		27.0	775.9
Others	64.6		0.4	65.0
L'Oréal Luxe Total	**2,925.6**	**-**	**88.1**	**3,013.7**
Vichy/Dermablend	278.1		76.1	354.3
CeraVe	943.0		-313.5	629.5
La Roche-Posay	52.4	8.7	100.3	161.4
Others	63.3		14.3	77.6
Active Cosmetics Total	**1,336.8**	**8.7**	**-122.8**	**1,222.8**
Others	69.6	36.1		105.7
GROUP TOTAL	**8,872.3**	**602.8**	**121.9**	**9,597.1**

(1) The Magic Holdings business is no longer a full Cash Generating Unit due to the reorganisation of the distribution networks and the commercial structures that are now pooled together with the Consumer Products Division in China.
(2) This Cash Generating Unit mainly concerns Clarisonic.

The acquisitions in 2018 mainly involved Stylenanda, Logocos, ModiFace, Pulp Riot and the La Roche-Posay thermal centre, totalling €602.8 million.

The €943.0 million goodwill stemming from the acquisition of CeraVe was primarily allocated to the amount of €99.7 million to the La Roche-Posay Cash Generating Unit, €73.5 million to the Vichy Cash Generating Unit and €54.5 million to the L'Oréal Paris Cash Generating Unit on the basis of expected synergies.

No significant disposals took place during 2018.

Other movements mainly reflect the positive impact of changes in exchange rates for €124.6 million.

The accumulated impairment losses relating to L'Oréal Beauty Device, Magic, Softsheen-Carson, Yue-Sai and Sanoflore amounted to €228.3 million, €152.4 million, €146.3 million, €30.9 million and €35.7 million respectively at 31 December 2018.

€ millions 2017	31.12.2016	Acquisitions/Disposals	Other movements	31.12.2017
L'Oréal Professionnel/Kérastase	397.9	7.6	-25.2	380.3
Matrix	436.2		-44.6	391.5
Redken/PureOlogy	585.6	13.6	-59.6	539.6
Decléor and Carita	137.4			137.4
Others	3.4		-0.4	3.0
Professional Products Total	**1,560.4**	**21.2**	**-129.8**	**1,451.7**
L'Oréal Paris	870.5		-18.1	852.4
Maybelline/Garnier	1,291.7		-105.7	1,186.0
Magic Holdings	274.0		-16.8	257.2
LaSCAD	158.3			158.3
NYX Professional Makeup	345.1		-34.9	310.2
Niely	180.3		-24.7	155.6
Others	186.8		-18.0	168.8
Consumer Products Total	**3,306.7**	**-**	**-218.2**	**3,088.5**
Lancôme	800.3		-5.2	795.1
Shu Uemura	141.7		-12.4	129.3
YSL Beauté	519.8			519.8
Perfumes	447.8		6.2	453.9
L'Oréal Beauty Device (1)	73.9		-4.1	69.8
Urban Decay	161.1		-17.0	144.1
IT Cosmetics	812.4		-63.4	749.0
Others	65.6		-1.0	64.6
L'Oréal Luxe Total	**3,022.6**	**-**	**-96.9**	**2,925.6**
Vichy/Dermablend	285.5		-7.3	278.1
CeraVe	-	1,004.0	-61.0	943.0
Others	123.8		-8.1	115.7
Active Cosmetics Total	**409.2**	**1,004.0**	**-76.4**	**1,336.8**
Others	83.9		-14.3	69.6
The Body Shop	409.8	-382.4	-27.5	-
GROUP TOTAL	**8,792.5**	**642.9**	**-563.1**	**8,872.3**

(1) This Cash Generating Unit mainly concerns Clarisonic.

2017 acquisitions mainly relate to CeraVe and Four Star Salon Services for €1,025.2 million.

2017 disposals mainly relate to The Body Shop on 7 September 2017 (see note 2.3.). This sale generated a write-off of goodwill for a value of -€382.4 million.

Other movements mainly reflect the negative currency impact of -€580.9 million.

The accumulated impairment losses relating to L'Oréal Beauty Device, Magic, Softsheen-Carson, Yue-Sai and Sanoflore amount to €218.3 million, €153.1 million, €141.4 million, €31.1 million and €35.7 million respectively at 31 December 2017.

7.2. Other intangible assets

Accounting principles

Intangible assets are recorded on the balance sheet at cost. Intangible assets identified following an acquisition as well as internally generated intangible assets are also included in this item.

a) Intangible assets acquired through business combinations

They mainly consist of brands, customer relationships and formulas and patents.

With regard to brands, the use of the "discounted cash flow" method is preferred to enable the value in use to be monitored more easily following the acquisition. Two approaches have been adopted to date:

- premium-based approach: this method involves estimating the portion of future cash flows that could be generated by the brand, compared with the future cash flows that the activity could generate without the brand;
- royalty-based approach: this involves estimating the value of the brand by referencing the levels of royalties demanded for the use of similar brands. It is based on sales forecasts drawn up by the Group.

These approaches are based on a qualitative analysis of the brand in order to ensure that the assumptions selected are relevant. The discount rate used is based on the weighted average cost of capital (WACC) for the target acquired. Terminal growth rates are consistent with available market data (generally 2.5% for Europe and 3% for the rest of the world, except in specific cases).

A brand may have a finite or an indefinite useful life span.

Local brands which are to be gradually replaced by an international brand already existing within the Group have a finite useful life span.

They are amortised over their useful lives as estimated at the date of acquisition.

International brands are brands which have an indefinite life span. They are tested for impairment at least once a year during the fourth quarter, and whenever an adverse event occurs. Adverse events may result among other things from an increase in market interest rates or from a decrease in actual net sales or operational profit compared to forecasts.

The impairment test consists of calculating the recoverable amount of the brand based on the model adopted when the acquisition took place.

Customer relationships refer to relations developed with customers either through contractual arrangements or by non-contractual means through constant revenue streams resulting from the target's competitive position or reputation in its market.

The useful life of a customer relationship is limited and varies depending on the estimated attrition rate of existing customers at the time of the acquisition.

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

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

The amortisation period applicable to patents corresponds to the period during which they enjoy legal protection. Formulas, which are not protected by legal means, are amortised over a maximum period of 5 years.

b) Internally generated intangible assets

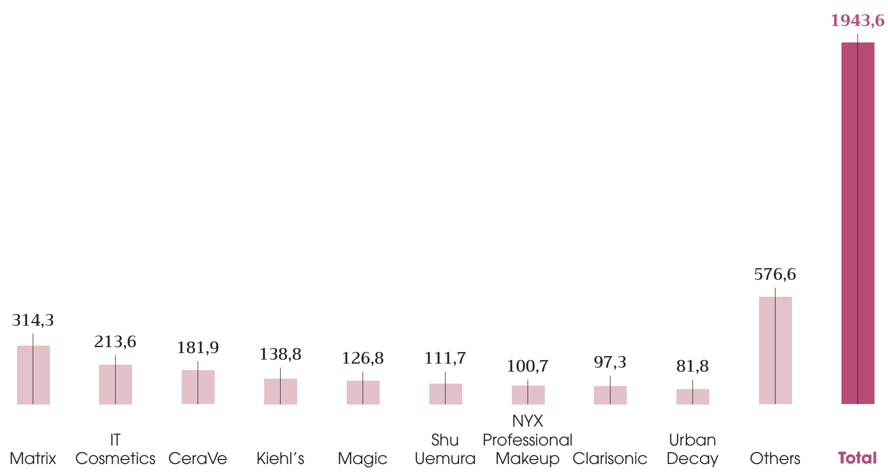
These mainly consist of software.

Innovation costs of software for internal use are capitalised for the programming, coding and testing phases. The costs of substantial updates and upgrades resulting in additional functions are also capitalised.

Capitalised innovation costs are amortised from the date the software is made available in the entity concerned and over its probable useful life, which, in most cases, is between 5 and 8 years.

€ millions 2019	31.12.2018	Acquisitions/ Depreciation	Disposals/ Reversals	Changes in the scope of consolidation	Other movements (1)	31.12.2019
Brands with indefinite useful life (2)	1,906.4				37.2	1,943.6
Amortisable brands and product ranges	101.3		-2.8		0.5	99.0
Licences and patents	579.9	140.1			10.5	730.5
Software	1,380.8	80.4	-38.1		126.5	1,549.6
Customer relationships	605.0			1.3	4.4	610.8
Key money	74.2				-74.2	0.0
Others	197.6	144.9	-8.6		-94.1	239.8
Gross value	**4,845.1**	**365.4**	**-49.5**	**1.3**	**10.8**	**5,173.1**
Brands with indefinite useful life	156.1	55.3			1.0	212.4
Amortisable brands and product ranges	72.3	3.5	-0.9		0.3	75.2
Licences and patents	163.7	8.7			0.5	172.9
Software	936.5	157.0	-38.0		10.6	1,066.1
Customer relationships	404.2	48.2			6.3	458.7
Key money	14.1				-14.1	0.0
Others	10.8	10.2	-4.8		7.9	24.1
Depreciation and provisions	**1,757.8**	**282.9**	**-43.7**		**12.4**	**2,009.4**
OTHER INTANGIBLE ASSETS – NET	**3,087.3**	**82.5**	**-5.8**	**1.3**	**-1.6**	**3,163.8**

(1) Other movements mainly include the reclassification of €60.1 million in key money to right-of-use assets on 1 January 2019, which was offset by the final granting of the acquisition of Logocos purchased in 2018. The Group allocated €14.5 million to the brands with an indefinite useful life span line and €9.9 million to the Licences and patents line. Lastly, there was a €31.3 million positive change in exchange rates over the period.
(2) At end-2019, the gross value of brands with an indefinite useful life span breaks down as follows:



€ millions **2018**	31.12.2017	Acquisitions/ Depreciation	Disposals/ Reversals	Change in the scope of consolidation [(2)]	Other movements [(1)]	31.12.2018
Brands with indefinite useful life [(3)]	1,761.0	-	-	93.8	51.6	1,906.4
Amortisable brands and product ranges	111.0	-	-9.6	-	-0.2	101.3
Licences and patents	308.3	265.0	-	5.6	1.0	579.9
Software	1,172.0	89.7	-24.2	1.3	142.1	1,380.8
Customer relationships	542.6	-	-	41.9	20.5	605.0
Key money	53.0	23.1	-1.8	-	-0.2	74.2
Others	198.5	126.2	-0.3	0.4	-127.1	197.6
Gross value	**4,146.4**	**504.0**	**-35.9**	**142.9**	**87.7**	**4,845.1**
Brands with indefinite useful life	154.8	-	-	-	1.3	156.1
Amortisable brands and product ranges	78.2	3.9	-9.6	-	-0.3	72.3
Licences and patents	149.0	12.4	-	1.4	0.9	163.7
Software	816.6	128.6	-24.5	1.0	14.7	936.5
Customer relationships	349.6	40.8	-	-	13.8	404.2
Key money	8.6	7.3	-1.8	-	0.0	14.1
Others	10.4	1.8	-0.1	0.1	-1.4	10.8
Depreciation and provisions	**1,567.4**	**194.8**	**-35.9**	**2.6**	**28.9**	**1,757.8**
OTHER INTANGIBLE ASSETS – NET	**2,579.1**	**309.1**	**0.0**	**140.3**	**58.8**	**3,087.3**

(1) Other movements mainly consisted of the positive change in exchange rates over the period for €60.9 million.
(2) This mainly relates to changes in the scope of consolidation: Stylenanda, Pulp Riot and Logocos.
(3) At 31 December 2018, brands with an indefinite useful life span mainly included Matrix (€309.7 million), IT Cosmetics (€210.1 million), CeraVe (€179.5 million), Kiehl's (€137.0 million), Magic (€126.3 million), Shu Uemura (€109.1 million), NYX Professional Makeup (€99.1 million), Clarisonic (€95.8 million), Decléor and Carita (€81.4 million).

Accumulated impairment losses amounted to €53.9 million on Softsheen-Carson, €45.9 million on Magic, €42.4 million on Yue-Sai and €14.0 million on Biomedic at 31 December 2018.

€ millions **2017**	31.12.2016	Acquisitions/ Depreciation	Disposals/ Reversals	Change in the scope of consolidation [(2)]	Other movements [(1)]	31.12.2017
Brands with indefinite useful life [(3)]	2,219.5	-	-	-260.3	-198.2	1,761.0
Amortisable brands and product ranges	117.9	0.1	-	1.0	-7.9	111.0
Licences and patents	323.6	0.4	-10.1	1.0	-6.7	308.3
Software	1,151.2	67.1	-44.9	-42.4	41.1	1,172.0
Customer relationships	606.8	-	-1.4	3.0	-65.8	542.6
Key money	82.3	7.7	-2.4	-36.9	2.2	53.0
Others	263.6	140.3	-27.3	-52.4	-125.8	198.5
Gross value	**4,765.0**	**215.7**	**-86.1**	**-387.0**	**-361.1**	**4,146.4**
Brands with indefinite useful life	165.5	-	-	-	-10.7	154.8
Amortisable brands and product ranges	79.8	4.1	-	-1.5	-4.2	78.2
Licences and patents	150.5	11.7	-10.1	-	-3.1	149.0
Software	804.5	127.7	-44.9	-26.9	-43.8	816.6
Customer relationships	290.9	96.6	-1.4	-	-36.5	349.6
Key money	19.5	4.7	-2.4	-14.0	0.7	8.6
Others	74.9	5.3	-26.8	-38.7	-4.3	10.4
Depreciation and provisions	**1,585.5**	**250.2**	**-85.5**	**-81.0**	**-101.9**	**1,567.4**
OTHER INTANGIBLE ASSETS – NET	**3,179.4**	**-34.5**	**-0.6**	**-305.9**	**-259.2**	**2,579.1**

(1) Other movements mainly consisted of the negative change in exchange rates over the period totalling -€241.7 million.
(2) This mainly relates to changes in the scope of consolidation: The Body Shop and CeraVe.
(3) At 31 December 2017, brands with an indefinite useful life mainly included Matrix (€298.3 million), IT Cosmetics (€201.5 million), CeraVe (€173.7 million), Kiehl's (€132.4 million), Shu Uemura (€103.8 million), NYX Professional Makeup (€95.0 million), Clarisonic (€92.1 million), Decléor and Carita (€81.4 million), and Magic (€80.8 million).

Accumulated impairment losses amounted to €52.2 million on Softsheen-Carson, €46.1 million on Magic, €42.6 million on Yue-Sai and €14.0 million on Biomedic at 31 December 2017.

7.3. Impairment tests on intangible assets

Accounting principles

Goodwill is not amortised. It is tested for impairment at least once a year during the fourth quarter or whenever an adverse event occurs. Adverse events may result among other things from an increase in market interest rates or from a decrease in actual net sales or operational profit compared to forecasts.

Impairment tests consist of comparing the carrying amount of assets including goodwill with the recoverable amount of each Cash Generating Unit. A Cash Generating Unit corresponds to one or more worldwide brands. A Cash Generating Unit can contain several brands depending on organisational criteria and particularly when distribution circuits and commercial/management structures are pooled. Recoverable values are determined on the basis of discounted operating cash flow forecasts covering 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, in the same way as the net carrying amounts to which they are compared, at the estimated exchange rate for the following year. The discount rate used for these calculations is based on the weighted average cost of capital (WACC), which amounted to 6.8% in 2019, to 6.9% in 2018 and 6.8% in 2017 for amounts in euro, adjusted where appropriate by a country risk premium according to the geographic zones concerned. The discount rates are post-tax rates applied to post-tax cash flows, and result in recoverable amounts identical to those obtained by applying pre-tax rates to pre-tax cash flows. The assumptions adopted in terms of sales growth and terminal values are reasonable and consistent with the available market data (generally 2.5% for Europe and 3% for the rest of the world for terminal values except in specific cases).

The use of discounted cash flow forecasts is preferred in order to determine recoverable amounts, unless details of similar recent transactions are readily available.

Impairment charged against goodwill cannot be reversed.

Impairment tests of Cash Generating Units for which the carrying amount of goodwill and intangible assets with indefinite useful lives is significant, are carried out based on the following data and assumptions:

€ millions	Net carrying amount of goodwill and brands with an indefinite useful life	Discount rate *(%)* International excluding US	Discount rate *(%)* USA
TEST 2019			
Maybelline/Garnier	1,275.1	6.8	7.8
IT Cosmetics	1,001.0	6.8	7.8
L'Oréal Paris	910.2	6.8	7.8
Lancôme	832.6	6.8	7.8
CeraVe	817.3	6.8	7.8
Matrix	727.4	6.8	7.8
Redken/PureOlogy	645.5	6.8	7.8
YSL Beauté	536.1	6.8	(1)
Stylenanda	506.6	6.8	7.8
Perfumes/Helena Rubinstein/Atelier Cologne	474.0	6.8	7.8
NYX Professional Makeup	428.5	6.8	7.8
L'Oréal Professionnel/Kérastase	394.6	6.8	7.8
Vichy/Dermablend	335.4	6.8	(1)
Shu Uemura	254.8	6.8	7.8
TEST 2018			
Maybelline/Garnier	1,251.6	6.9	8.1
IT Cosmetics	986.0	6.9	8.1
L'Oréal Paris	899.1	6.9	8.1
Lancôme	825.3	6.9	8.1
CeraVe	809.0	6.9	8.1
Matrix	715.5	6.9	8.1
Redken/PureOlogy	631.6	6.9	8.1
YSL Beauté	533.2	6.9	(1)
Perfumes/Helena Rubinstein/Atelier Cologne	471.2	6.9	8.1
NYX Professional Makeup	421.7	6.9	8.1
L'Oréal Professionnel/Kérastase	389.0	6.9	8.1
Vichy/Dermablend	377.5	6.9	(1)
Urban Decay	230.8	6.9	8.1
L'Oréal Beauty Device	167.1	6.9	8.1
TEST 2017			
Maybelline/Garnier	1,186.0	6.8	7.7
L'Oréal Paris	852.4	6.8	7.7
Lancôme	795.1	6.8	7.7
Matrix	689.8	6.8	7.7
Redken/PureOlogy	607.4	6.8	7.7
YSL Beauté	519.8	6.8	(1)
Perfumes/Helena Rubinstein/Atelier Cologne	470.2	6.8	7.7
NYX Professional Makeup	405.2	6.8	7.7
L'Oréal Professionnel/Kérastase	380.3	6.8	7.7
Magic (2)	338.1	9.3	-
Vichy/Dermablend	315.1	6.8	(1)
Urban Decay	221.9	6.8	7.7
L'Oréal Beauty Device	161.9	6.8	7.7

(1) Since the USD amounts for the YSL Beauté and the Vichy/Dermablend CGUs are not material, no specific discount rate has been used in this respect.
(2) The Magic Holdings business no longer comprises a full Cash Generating Unit from 2018 due to the reorganisation of distribution networks and commercial structures that are now grouped together in the Consumer Products Division in China.

The impairment test carried out on 31 December 2019 on the L'Oréal Beauty Device Cash Generating Unit resulted in the same impairment loss recorded at 30 June 2019. The recoverable amount of the L'Oréal Beauty Device Cash Generating Unit totalled €94.3 million at the end of December 2019.

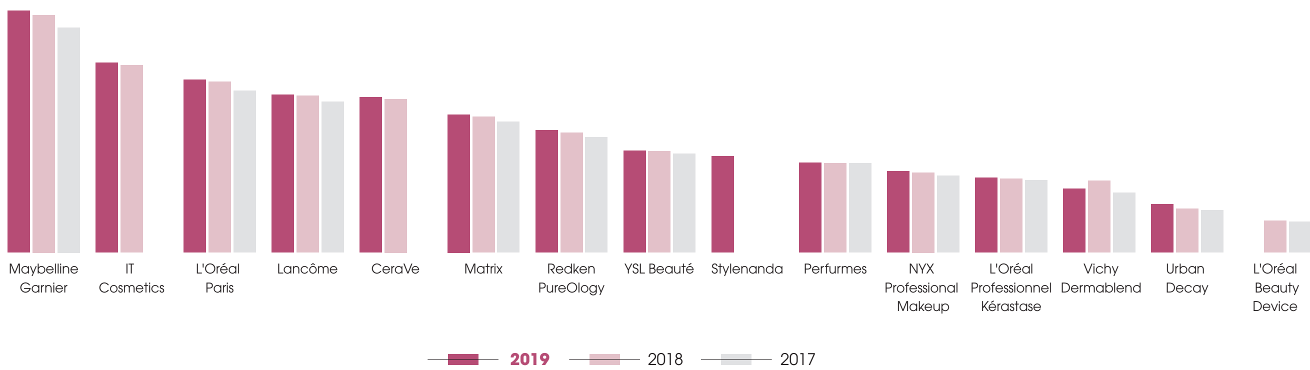
At 31 December 2019, a 1% increase in the discount rate on all the Group's Cash Generating Units would lead to an impairment loss risk of around €59.6 million.

The terminal growth rate is consistent with market data, i.e. 2.5% for Europe and 3% for the rest of the world.

A 1% decrease in the terminal growth rate on all the Group's Cash Generating Units would lead to an impairment loss risk of around €36.7 million.

A 1-point decrease in the margin rate over the business plan period on all the Group's Cash Generating Units would lead to an impairment loss risk of around €28.8 million.

The net carrying amount of goodwill and brands with indefinite useful life breaks down as follows for the largest Cash Generating Units:



NOTE 8. Investments in associates

€ millions	31.12.2019	31.12.2018	31.12.2017
Investments in associates			
LIPP Distribution (1)	10.1	8.1	-
Others	0.8	0.9	1.1
TOTAL	**10.9**	**9.0**	**1.1**

(1) On 13 June 2018, L'Oréal acquired 49% of the Tunisian company LIPP Distribution, which distributes the Group's brands in Tunisia.

NOTE 9. Financial assets and liabilities – Cost of debt

Accounting principles

Finance costs, net

Net financial debt consists of all current and non-current financial borrowings and debt, less cash and cash equivalents.

Net finance costs consist of income and expenses arising on the items making up net financial debt during the accounting period, including gains and losses on the corresponding interest rate and foreign exchange rate hedges. As interest rate derivatives are fully effective, no ineffectiveness impacts finance costs.

Borrowings and debt

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

In accordance with the principle of fair value hedge accounting, fixed-rate borrowings and debt swapped at a floating rate are valued on the balance sheet at market value. The resulting changes in value are recorded as finance costs and are offset by changes in the value of the related interest rate swaps.

The fair value of fixed-rate debt is determined by the discounted cash flow method using bond yield curves at the closing date, allowing for the spread corresponding to the Group's risk class to be taken into account.

The carrying amount of floating-rate debt is a reasonable approximation of its fair value.

Medium- and long-term borrowings and debt are recorded under Non-current liabilities. Short-term borrowings and debt as well as the current portion of medium- and long-term borrowings and debt are presented under Current liabilities.

Cash and cash equivalent

Cash and cash equivalents consist of cash in bank accounts, units of cash unit trusts and liquid short-term investments with a negligible risk of changes in value and a maturity date of less than three months at the date of acquisition.

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 are presented in Current borrowings and debt.

The money-market unit trusts are classified as financial assets at fair value through profit or loss. As such, they are valued in the balance sheet at their market value at the closing date. Any related unrealised gains are accounted for in Finance costs, Net in the income statement.

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

Non-current financial assets

Non-current financial assets include investments in non-consolidated companies and long-term loans and receivables maturing after more than 12 months.

Investments in non-consolidated companies are classified as financial assets at fair value through other comprehensive income. 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 Other comprehensive income.

The fair value of listed securities is determined on the basis of the share price at the closing date. For unlisted securities, in the absence of specific events, their acquisition cost is deemed to be the best possible estimate of fair value.

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

9.1. Borrowings and debt

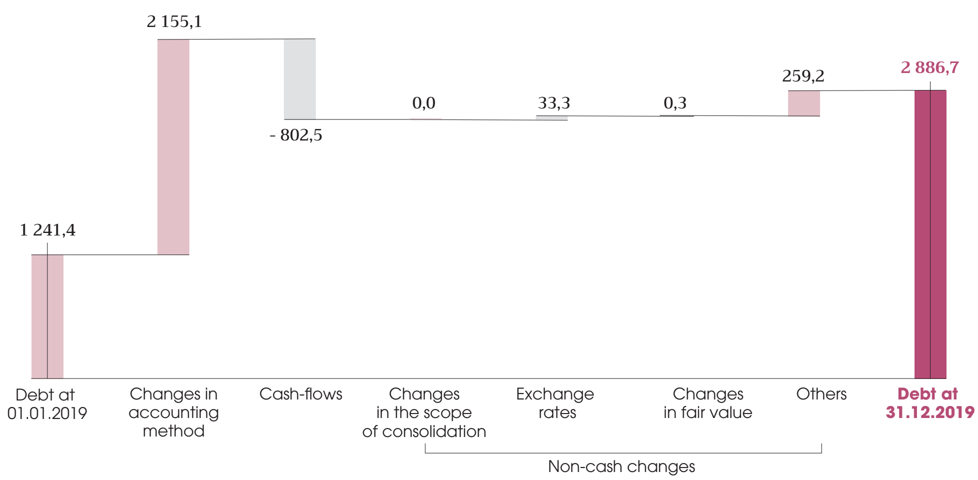
The Group takes out bank loans to cover its medium-term financing needs and issues short-term marketable instruments in France and commercial paper in the US to cover its financing needs in the short term. None of the Group's borrowings or debt contains an early repayment clause linked to financial ratios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

9.1.1. Debt by type

	31.12.2019		31.12.2018		31.12.2017	
€ millions	Non-current	Current	Non-current	Current	Non-current	Current
Short-term marketable instruments	-	601.1	-	748.6	-	768.1
MLT bank loans	-	-	0.6	-	0.3	0.3
Debt on finance lease contracts	-	-	3.6	2.4	4.6	2.9
Lease debt	1,628.0	407.9	-	-	-	-
Overdrafts	-	136.8	-	363.8	-	261.0
Other borrowings and debt	9.6	103.3	9.3	113.0	8.6	128.7
TOTAL	**1,637.6**	**1,249.1**	**13.5**	**1,227.8**	**13.4**	**1,161.0**

9.1.2. Change in debt

				"Non-cash" changes				
€ millions	31.12.2018	Change in accounting policy	Cash-flows	Changes in the scope of consolidation	Translation adjustments	Changes in fair value	Others	31.12.2019
Short-term marketable instruments	748.6		-158.4		10.9			601.1
MLT bank loans	0.6		-0.6					0.0
Lease debt	6.1	2,155.1	-425.8		30.5		270.0	2,035.9
Overdrafts	363.8		-220.9		-6.0			136.9
Other borrowings and debt	122.3		3.2		-2.1	0.3	-10.8	112.9
TOTAL	**1,241.4**	**2,155.1**	**-802.5**	**0.0**	**33.3**	**0.3**	**259.2**	**2,886.7**



9.1.3. Debt by maturity date

€ millions	31.12.2019	31.12.2018	31.12.2017
Less than 1 year (1)	1,249.1	1,227.8	1,161.0
1 to 5 years	1,162.3	3.6	4.2
More than 5 years	475.3	9.9	9.2
TOTAL	**2,886.7**	**1,241.4**	**1,174.4**

(1) At 31 December 2019, the Group had confirmed undrawn credit lines for €3,801.1 million compared with €3,643.6 million at 31 December 2018 and €3,675.2 million at 31 December 2017. These lines were not subject to any covenants.

Estimated interest expense at 31 December 2019, as at 31 December 2018 and 31 December 2017, is not material given the outstanding debt at these dates, comprising short-term marketable instruments drawn at very short terms and at negative interest rates in France, very short-term miscellaneous borrowings contracted locally by subsidiaries, and lease debts.

These estimates are computed on the basis of the effective interest rate at the end of the financial year, after allowing for hedging instruments and assuming that no debt is rolled over at maturity.

9.1.4. Debt by currency excluding lease debts

€ millions	31.12.2019	31.12.2018	31.12.2017
Euro (EUR)	284.2	404.8	378.2
US Dollar (USD)	422.2	571.7	630.2
Chilean Peso (CLP)	27.5	26.2	18.7
Colombian Peso (COP)	27.0	25.4	29.4
Egyptian Pound (EGP)	14.5	20.6	13.6
Chinese Yuan Renminbi (CNY)	13.4	16.9	19.2
Kenyan Shilling (KES)	11.5	10.6	6.6
South African Rand (ZAR)	9.3	6.7	7.5
Argentine Peso (ARS)	7.8	21.6	2.5
Pakistani Rupee (PKR)	6.2	4.0	2.2
Indonesian Rupee (IDR)	5.2	3.4	9.2
Others	22.0	129.4	57.1
TOTAL	**850.8**	**1,241.4**	**1,174.4**

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

€ millions	31.12.2019	31.12.2018	31.12.2017
Floating rate	757.4	1,162.0	1,132.3
Fixed rate including lease debts	2,129.3	79.4	42.1
TOTAL	**2,886.7**	**1,241.4**	**1,174.4**

9.1.6. Effective interest rates

Effective interest rates on Group debt after allowing for hedging instruments are 0.99% in 2019 compared with 1.69% in 2018 and 0.94% in 2017 for short-term marketable instruments.

Medium- to long-term bank loans amounted to €0.0 million at 31 December 2019 compared with €0.6 million at 31 December 2018 and €0.6 million at 31 December 2017.

9.1.7. Average debt interest rates

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

	31.12.2019	31.12.2018	31.12.2017
Euro (EUR) (1)	-0.45%	-0.45%	-0.42%
US Dollar (USD)	2.34%	1.97%	1.00%

(1) The fall in euro interest rates is now reflected by drawdowns of short-term marketable instruments with negative interest rates.

9.1.8. Fair value of borrowings and debt

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

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

The fair value of borrowings and debt amounted to €2,886.7 million at 31 December 2019 compared with €1,241.8 million at 31 December 2018 and €1,175.0 million at 31 December 2017.

9.1.9. Debt covered by collateral

No debt was covered by material amounts of collateral at 31 December 2019, 2018 and 2017.

9.1.10. Confirmed credit lines

At 31 December 2019, L'Oréal and its subsidiaries had €3,801.1 million of confirmed undrawn credit lines, compared with €3,643.6 million at 31 December 2018 and €3,675.2 million at 31 December 2017.

The maturities of the credit lines at 31 December 2019 are broken down as follows:

- €222.8 million at less than one year;
- €3,578.3 million between one and four years.

9.2. Cash and cash equivalents

	31.12.2019		31.12.2018		31.12.2017	
€ millions	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost
Marketable securities	3,042.4	3,044.6	1,899.8	1,900.5	1,810.4	1,810.8
Bank accounts and other cash and cash equivalents	2,243.6	2,243.6	2,092.2	2,092.2	1,236.1	1,236.1
TOTAL	**5,286.0**	**5,288.2**	**3,992.0**	**3,992.7**	**3,046.6**	**3,046.9**

Marketable securities consist mainly of SICAV money-market funds and unit trusts (on which the return is based on EONIA). They are considered as financial assets at fair value through profit or loss.

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

9.3. Non-current financial assets

	31.12.2019		31.12.2018		31.12.2017	
€ millions	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost
Investments in non-consolidated companies						
• Sanofi (1)	10,595.5	4,033.5	8,945.0	4,033.5	8,494.6	4,033.5
• Unlisted securities (2)	94.9	189.2	52.5	147.5	32.1	127.1
Financial assets at amortised cost						
• Non-current loans and receivables	129.0	131.4	103.0	105.5	239.5	242.4
TOTAL	**10,819.4**	**4,354.1**	**9,100.5**	**4,286.5**	**8,766.2**	**4,403.0**

(1) L'Oréal's stake in Sanofi was 9.43% at 31 December 2019. The carrying amounts at 31 December 2019, 31 December 2018 and 31 December 2017 (€10,595.5 million, €8,945.0 million and €8,494.6 million respectively) correspond to the market value of the shares based on the closing price at each of these dates (€89.62, €75.66 and €71.85, respectively). The acquisition cost of €4,033.5 million corresponds to an entry cost of €34.12. The investment is measured at fair value through other comprehensive income.
(2) This heading mainly includes:
• strategic investments in investment funds measured at fair value through other comprehensive income;
• securities of our subsidiaries in Venezuela deconsolidated since 31 December 2015, for €94.4 million fully written down.
In the absence of specific events, their acquisition cost is deemed to be the best possible estimate of fair value.

9.4. Other financial income and expenses

This item is broken down as follows:

€ millions	2019	2018	2017
Interest component of pension costs	-12.3	-7.9	-16.3
Other financial income and expenses	-3.7	-7.1	-9.7
TOTAL	**-16.0**	**-15.0**	**-26.0**

NOTE 10. Derivatives and exposure to market risks

Accounting principles

Derivative instruments entered into to hedge identifiable foreign exchange and interest rate risks are accounted for in accordance with hedge accounting principles.

Forward foreign exchange 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. Hence changes in the fair value of these hedging instruments is recorded as follows:

- changes in the market value linked to variations in the time value of forwards used as hedges are recognised in equity and the amount accumulated in equity impacts the income statement at the date on which the hedged transactions are completed;
- changes in the market value linked to variations in the spot rate between the inception of the hedge and the closing date are charged to equity, and the amount accumulated in equity impacts income statements at the date on which the transactions hedged are completed. Any remaining hedge ineffectiveness is recognised directly in the income statement.

In accordance with hedge accounting, unrealised exchange gains and losses relating to unsold inventories are deferred in the inventories item in the balance sheet. Similarly, if a currency hedge has been taken out in respect of fixed assets purchased with foreign currency, these assets are valued in the balance sheet on the basis of the hedging rate.

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

With regard to interest rate risk, fixed-rate debt and financial loans hedged by interest rate swaps are valued in the balance sheet at their market value. Changes in the fair value of these items are recorded as finance costs and offset by adjustments to the fair value of the related hedging derivatives. Floating-rate debt and financial loans are valued at cost, which corresponds to their market value. The swaps or caps which hedge these items are valued in the balance sheet at their market value, with changes in value recorded directly through equity on the Other comprehensive income item.

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

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

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

10.1. Hedging of currency risk

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

The Group's policy regarding its exposure to currency risk on future commercial transactions is to hedge, before the end of the year, a large part of the currency risk for the following year, using derivatives based on operating budgets in each subsidiary.

All the Group's future foreign currency flows are analysed in detailed forecasts for the coming budgetary year. Any currency risks identified are hedged by forward contracts or options in order to reduce as far as possible the currency exposure of each subsidiary. The term of the derivatives is aligned with the Group's settlements. Exchange rate derivatives are negotiated by FINVAL or, in exceptional cases, directly by the Group's subsidiaries. Such transactions are supervised by the Group's Treasury department.

As a non-financial corporation, FINVAL is subject to the European Market Infrastructure Regulations (EMIR). Published by the European Commission in September 2012, EMIR is aimed at moving OTC markets towards a centralised model, thereby enhancing market transparency and regulatory oversight and decreasing systemic risk using a guarantee mechanism. As the Group's companies must borrow and invest their cash in their own currency, the exchange rate risks generated by managing their own cash and debt are almost non-existent.

Owing to the Group's policy of currency risk hedging a large part of annual requirements for the following year before the end of the current year, the sensitivity of profit or loss to changes in foreign exchange rates at 31 December is marginal. The impact of changes in foreign exchange rates on the foreign exchange cash flow hedges reserve is described in note 11.3.

All derivative financial instruments held for currency risk hedging purposes have a maturity of less than 18 months at inception and break down as follows:

	Nominal			Market value		
€ millions	31.12.2019	31.12.2018	31.12.2017	31.12.2019	31.12.2018	31.12.2017
Currency futures						
Purchase of EURO against foreign currencies	**2,959.1**	**2,552.5**	**1,784.8**	**-75.8**	**-54.8**	**61.5**
EUR/CNY	678.8	452.1	185.1	-5.7	-9.2	1.4
EUR/USD	370.5	319.2	188.3	-3.1	-12.9	13.6
EUR/RUB	268.2	238.7	127.7	-12.9	5.5	-1.7
EUR/GBP	241.1	295.5	229.0	-16.4	2.6	5.6
EUR/MXN	196.6	171.7	168.3	-6.4	-2.9	8.9
EUR/HKD	166.5	87.6	42.2	-12.8	-22.9	16.2
EUR/CAD	140.0	119.4	173.2	-3.0	2.7	1.9
EUR/AUD	93.9	87.8	97.1	-1.4	1.8	3.0
EUR/BRL	85.4	63.2	57.7	0.0	-4.1	2.9
EUR/TRY	67.9	62.4	76.7	-3.0	-7.1	4.1
EUR/Asia Pacific currencies	252.5	288.0	230.8	-8.3	-9.4	3.3
EUR/Eastern European currencies	92.5	66.7	68.9	-1.1	-0.7	-2.0
EUR/Other currencies	305.2	300.1	139.8	-1.7	1.7	4.4
Purchase of USD against foreign currencies	**414.0**	**377.9**	**434.8**	**1.2**	**9.0**	**-10.6**
USD/Other currencies	188.9	161.7	202.2	-1.8	1.5	-3.9
USD/Latin American currencies	132.9	126.8	149.7	4.0	2.1	-3.6
USD/CAD	92.2	89.3	82.9	-1.0	5.3	-3.0
Sale of USD against foreign currencies	**199.8**	**185.3**	**14.2**	**-0.7**	**3.0**	**-4.8**
USD/Asia Pacific currencies	199.8	185.3	14.1	-0.7	3.0	-4.8
USD/Other currencies	-	-	0.1	-	-	-
Other currency pairs	**727.2**	**1,073.6**	**705.0**	**-4.2**	**0.8**	**-27.2**
CURRENCY FUTURES TOTAL	**4,300.0**	**4,189.2**	**2,938.8**	**-79.5**	**-42.0**	**18.9**
Currency options						
EUR/CNY	63.5	100.9	37.8	1.7	2.3	1.7
EUR/USD	40.9	-	75.5	0.7	-	5.0
EUR/GBP	33.3	-	101.6	0.3	-	3.3
EUR/TRY	19.7	31.4	10.5	1.2	4.1	1.9
EUR/BRL	9.9	35.4	4.6	0.8	1.8	0.5
EUR/RUB	-	-	76.7	-	-	4.0
EUR/HKD	-	-	34.9	-	-	2.8
EUR/Other currencies	-	-	19.3	-	-	1.9
Other currency pairs	**7.8**	**22.8**	**8.1**	**0.6**	**0.9**	**0.2**
CURRENCY OPTIONS TOTAL	**175.1**	**190.6**	**369.0**	**5.3**	**9.1**	**21.3**
Of which total options purchased	175.1	190.6	369.0	5.3	9.1	21.3
TOTAL	**4,475.2**	**4,379.8**	**3,307.8**	**-74.2**	**-32.9**	**40.2**

The market values by type of hedging are as follows:

€ millions	2019	2018	2017
Fair value hedges [1]	-25.6	-9.7	-0.6
Cash flow hedges	-48.6	-23.2	40.8
TOTAL	**-74.2**	**-32.9**	**40.2**

(1) Fair value hedges relate to currency risks on operating receivables and payables as well as on foreign currency investments and financing.

The fair value of the derivatives is their market value.

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

10.2. Foreign exchange gains and losses

Accounting principles

Foreign exchange gains and losses resulting from the difference between the value of foreign currency operating income and expenses translated at the spot rate effective on the transaction date and at the exchange rate effective on the settlement date are recognised directly on the appropriate income and expense lines, after allowing for hedging derivatives.

Foreign exchange gains and losses break down as follows:

€ millions	2019	2018	2017
Time value	-126.9	-76.7	-90.5
Other foreign exchange gains and losses	-63.2	87.1	-5.0
TOTAL	**-190.1**	**10.4**	**-95.5**

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

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

- changes in market value linked to variations in the spot rate between the inception of the hedge and the date when the hedged transactions are completed;
- residual ineffectiveness linked to excess hedges and recognised directly in the income statement under other foreign exchange gains and losses for -€9.2 million, -€4.3 million and -€8.4 million in 2019, 2018 and 2017, respectively.

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

€ millions	2019	2018	2017
Cost of sales	-161.9	13.2	-77.8
Research and innovation expenses	16.5	-6.2	3.3
Advertising and promotion expenses	-25.5	1.9	-12.4
Selling, general and administrative expenses	-19.3	1.6	-8.6
FOREIGN EXCHANGE GAINS AND LOSSES	**-190.1**	**10.4**	**-95.5**

10.3. Hedging of interest rate risk

The Group did not have any interest rate hedging instruments at 31 December 2019, 2018 and 2017.

10.4. Sensitivity to changes in interest rates

An increase of 100 basis points in interest rates would have had a direct positive impact of +€45.3 million on the Group's net finance costs at 31 December 2019, compared with a direct positive impact of +€28.3 million at 31 December 2018 and a direct positive impact of +€19.1 million at 31 December 2017. This calculation allows for cash, cash equivalents and derivatives, and assumes that total net debt/cash remains stable and that fixed-rate debt at maturity is 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 any interest rate derivatives, can be estimated at -€0.9 million at 31 December 2019 compared with -€0.4 million at 31 December 2018 and €0.1 million 31 December 2017.

10.5. Counterparty risk

The Group has financial relations with international banks rated investment grade by specialised agencies. The Group thus considers that its exposure to counterparty risk is low.

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

10.6. Liquidity risk

The Group's liquidity risk can be assessed on the basis of its outstanding short-term debt under its short-term marketable instruments programme. Should these bank facilities not be renewed, the Group would have confirmed undrawn credit lines of €3,801.1 million at 31 December 2019. These lines were not subject to any covenants.

10.7. Shareholding risk

No cash has been invested in shares.

Available cash is invested with top-ranking financial institutions in the form of non-speculative instruments which can be drawn in very short periods. At 31 December 2019, marketable securities consist mainly of unit trusts (note 9.2.).

At 31 December 2019, the Group held 118,227,307 Sanofi shares for an amount of €10,595.5 million (note 9.3.). A change of plus or minus 10% in the market price of these shares relative to the market price of €89.62 on 31 December 2019 would have an impact of plus or minus €1,059.5 million before tax on Group equity.

The initial share price for Sanofi shares was €34.12.

The shares are valued based on their fair value, and unrealised losses and gains are accounted for through equity in the Other comprehensive income item.

At 31 December 2018, the Group held 118,227,307 Sanofi shares for an amount of €8,945.0 million (note 9.3.). A change of plus or minus 10% in the market price of these shares relative to the market price of €75.66 on 31 December 2018 would have an impact of plus or minus €894.5 million before tax on Group equity.

At 31 December 2017, the Group held 118,227,307 Sanofi shares for an amount of €8,494.6 million (note 9.3.). A change of plus or minus 10% in the market price of these shares relative to the market price of €71.85 on 31 December 2017 would have an impact of plus or minus €849.5 million before tax on Group equity.

10.8. Fair value hierarchy

IFRS 7 as amended in 2009 requires financial assets and liabilities recognised at fair value in the balance sheet to be classified according to three levels:

- level 1: quoted prices on an active market;
- level 2: valuation techniques using observable inputs;
- level 3: valuation techniques using unobservable inputs.

The table below provides an analysis of financial instruments recorded at fair value on the balance sheet by level of the fair value hierarchy.

€ millions **31 December 2019**	Level 1	Level 2	Level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives		49.2		49.2
Sanofi shares	10,595.5			10,595.5
Marketable securities	3,042.4			3,042.4
TOTAL ASSETS AT FAIR VALUE	**13,637.9**	**49.2**	**-**	**13,687.1**
Liabilities at fair value				
Foreign exchange derivatives		123.6		123.6
TOTAL LIABILITIES AT FAIR VALUE	**-**	**123.6**	**-**	**123.6**

€ millions **31 December 2018**	Level 1	Level 2	Level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives		149.6		149.6
Sanofi shares	8,945.0			8,945.0
Marketable securities	1,899.8			1,899.8
TOTAL ASSETS AT FAIR VALUE	**10,844.8**	**149.6**	**-**	**10,994.4**
Liabilities at fair value				
Foreign exchange derivatives		182.5		182.5
TOTAL LIABILITIES AT FAIR VALUE	**-**	**182.5**	**-**	**182.5**

€ millions **31 December 2017**	Level 1	Level 2	Level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives		230.3		230.3
Sanofi shares	8,494.6			8,494.6
Marketable securities	1,810.4			1,810.4
TOTAL ASSETS AT FAIR VALUE	**10,305.0**	**230.3**	**-**	**10,535.3**
Liabilities at fair value				
Foreign exchange derivatives		190.5		190.5
TOTAL LIABILITIES AT FAIR VALUE	**-**	**190.5**	**-**	**190.5**

10.9. Offsetting financial assets and financial liabilities

Financial assets and liabilities resulting from foreign exchange and/or interest rate hedging transactions entered into with the Group's counterparty banks are not offset in the balance sheet since they are FBF (French Banking Federation) or ISDA (International Swaps and Derivatives Association) agreements that only provide for offsetting in the event of default by one of the parties to the agreement. Accordingly, they do not meet the offsetting criteria set out in IAS 32.

Had the agreements been offset at the level of each counterparty bank, assets and liabilities would have decreased by €48.8 million, €65.5 million and €80.1 million respectively in 2019, 2018 and 2017.

NOTE 11. Equity – Earnings per share

11.1. Share capital and additional paid in capital

Share capital consists of 558,117,205 shares with a par value of €0.20 at 31 December 2019 following the exercise of subscription options for 785,408 shares, the issue of eight shares for the employee shareholding plan, 706,262 free shares and the cancellation of 3,771,125 shares.

Share capital consisted of 560,396,652 shares with a par value of €0.20 at 31 December 2018, following the exercise of subscription options for 919,474 shares and 993,765 free shares, the cancellation of 2,497,814 shares and the Employee Shareholding Plan for 462,139 shares.

Share capital consisted of 560,519,088 shares with a par value of €0.20 at 31 December 2017, following the exercise of subscription options for 1,509,576 shares and 375 free shares and the cancellation of 2,846,604 shares.

11.2. Treasury shares

Accounting principles

Treasury shares are recorded at acquisition cost and deducted from equity. Capital gains/losses on disposal of these items net of tax are charged directly to equity and do not contribute to profit for the financial year.

a) 2019

The change in the number of shares in 2019 was as follows:

In shares	Share capital	Treasury shares	Common shares outstanding
At 01.01.2019	560,396,652	-771,125	559,625,527
Shares cancelled	-3,771,125	3,771,125	
Options and free shares exercised	1,491,678		1,491,678
Treasury shares purchased		-3,000,000	-3,000,000
AT 31.12.2019	558,117,205	-	558,117,205

The change in treasury shares in 2019 was as follows:

In shares	Buyback programme	Allocated to stock option/free-share plans	Total	€ millions
At 01.01.2019		771,125	771,125	56.5
Shares cancelled	-3,000,000	-771,125	-3,771,125	-56.5
Options and free shares exercised				
Treasury shares purchased	3,000,000		3,000,000	
AT 31.12.2019	-	-	-	-
€ millions	-	-	-	

b) 2018

The change in the number of shares in 2018 was as follows:

In shares	Share capital	Treasury shares	Common shares outstanding
At 01.01.2018	560,519,088	-771,125	559,747,963
Shares cancelled	-2,497,814	2,497,814	
Options and free shares exercised	2,375,378		2,375,378
Treasury shares purchased		-2,497,814	-2,497,814
AT 31.12.2018	560,396,652	-771,125	559,625,527

The change in treasury shares in 2018 was as follows:

In shares	Buyback programme	Allocated to stock option/free-share plans	Total	€ millions
At 01.01.2018		771,125	771,125	56.5
Shares cancelled	-2,497,814		-2,497,814	
Options and free shares exercised				
Treasury shares purchased	2,497,814		2,497,814	
AT 31.12.2018	-	771,125	771,125	56.5
€ millions	-	56.5	56.5	

c) 2017

The change in the number of shares in 2017 was as follows:

In shares	Share capital	Treasury shares	Common shares outstanding
At 01.01.2017	561,855,741	-1,757,345	560,098,396
Shares cancelled	-2,846,604	2,846,604	
Options and free shares exercised	1,509,951	986,220	2,496,171
Treasury shares purchased		-2,846,604	-2,846,604
AT 31.12.2017	560,519,088	-771,125	559,747,963

The change in treasury shares in 2017 was as follows:

In shares	Buyback programme	Allocated to stock option/free-share plans	Total	€ millions
At 01.01.2017		1,757,345	1,757,345	133.6
Shares cancelled	-2,846,604		-2,846,604	-499.2
Options and free shares exercised		-986,220	-986,220	-77.2
Treasury shares purchased	2,846,604		2,846,604	499.2
AT 31.12.2017	-	771,125	771,125	56.5
€ millions	-	56.5	56.5	

11.3. Other comprehensive income

The following tables indicate movements in this item:

€ millions	31.12.2019	31.12.2018	31.12.2017
Securities at fair value through other comprehensive income			
Reserve at beginning of period	4,911.7	4,461.2	-
Changes in fair value over period	1,650.6	450.5	-
Changes in fair value recorded through other comprehensive income	-	-	-
RESERVE AT END OF PERIOD	6,562.3	4,911.7	-

€ millions	31.12.2019	31.12.2018	31.12.2017
Financial assets available-for-sale			
Reserve at beginning of period	-	-	5,058.2
Changes in fair value over period	-	-	-597.0
Impairment loss recorded through other comprehensive income	-	-	-
Changes in fair value recorded in profit and loss	-	-	-
RESERVE AT END OF PERIOD	**-**	**-**	**4,461.2**

€ millions	31.12.2019	31.12.2018	31.12.2017
Cash flow hedges – foreign exchange			
Reserve at beginning of period	41.7	101.0	10.7
Change in accounting policy (1)	-	1.0	-0.4
Changes in fair value over period	201.8	54.2	162.5
Changes in fair value recorded through other comprehensive income	-198.7	-114.5	-74.2
Deconsolidation	-	-	2.4
RESERVE AT END OF PERIOD	**44.8**	**41.7**	**101.0**

(1) IFRS 9 "Financial Instruments" (note 1).

The table below shows the impact of an increase or decrease of over 10% in the euro and US dollar against other currencies on the foreign exchange cash flow hedging reserve and the market value of the hedging instruments:

€ millions	31.12.2019	31.12.2018	31.12.2017
Impact of a 10% increase in the EUR against all other Group currencies	+323.1	+277.8	+250.0
Impact of a 10% decrease in the EUR against all other Group currencies	-301.9	-258.7	-217.4
Impact of a 10% increase in the USD against key Group currencies	-27.0	-16.1	+10.0
Impact of a 10% decrease in the USD against key Group currencies	+41.2	+27.7	+3.6

€ millions	31.12.2019	31.12.2018	31.12.2017
Cash flow hedges – interest rates			
Reserve at beginning of period	-	-	-
Changes in fair value over period	-	-	-
Changes in fair value recorded through other comprehensive income	-	-	-
RESERVE AT END OF PERIOD	**-**	**-**	**-**

€ millions	31.12.2019	31.12.2018	31.12.2017
Actuarial gains/(losses) and impact of asset ceiling			
Reserve at beginning of period	-730.5	-671.8	-946.2
Actuarial gains/(losses) over the period	-327.7	-58.5	279.9
Impact of asset ceiling	-	-	-
Deconsolidation and other	-	-0.2	-5.6
RESERVE AT END OF PERIOD	**-1,058.2**	**-730.5**	**-671.8**

€ millions	31.12.2019	31.12.2018	31.12.2017
Other comprehensive income			
Gross reserve	5,548.8	4,222.9	3,890.6
Associated tax effect	46.9	19.2	4.4
RESERVE NET OF TAX	**5,595.8**	**4,242.1**	**3,895.0**

11.4. Net profit from continuing operations attributable to owners of the company excluding non-recurring items – Earnings per share

Accounting principles

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

Basic earnings per share are obtained on the basis of the weighted average number of shares outstanding during the year, less the average number of treasury shares held deducted from equity.

Where applicable, diluted earnings per share take into account dilutive stock options and free shares in accordance with the "treasury share method", under which sums collected on exercise or purchase are assumed to be allocated firstly to share buybacks at market price.

11.4.1. Reconciliation with net profit from continuing operations

Net profit from continuing operations attributable to owners of the company excluding non-recurring items reconciles as follows with net profit of continuing operations attributable to owners of the company:

€ millions	2019	2018	2017
Net profit from continuing operations attributable to owners of the company	**3,750.0**	**3,895.4**	**3,821.7**
Capital gains and losses on property, plant and equipment and intangible assets	-14.0	-2.7	-3.9
Impairment of property, plant and equipment and intangible assets	142.8	-	-
Restructuring costs	120.2	85.1	262.5
Others	187.5	12.3	17.8
Tax effect on non-recurring items	165.0	-25.1	-83.4
Non-controlling interests on non-recurring items	-0.1	-	-0.1
Tax effect on acquisitions and internal restructuring	5.5	32.7	-16.1
Impact of the decrease in the US tax rate	-	-10.1	-90.3
Impact of the decrease in the French tax rate on deferred tax liabilities relating to the Sanofi shareholding	-	-	-13.4
3% tax levied on dividends paid and 2017 exceptional and additional contributions (1)	-	-	-146.0
NET PROFIT FROM CONTINUING OPERATIONS ATTRIBUTABLE TO OWNERS OF THE COMPANY EXCLUDING NON-RECURRING ITEMS	**4,356.9**	**3,987.6**	**3,748.7**

(1) Following the decision taken by the Constitutional Court in October 2017 to invalidate the additional 3% contribution, the amounts paid for financial years 2013 to 2017 were reimbursed with default interest. In return, exceptional contributions and an additional contribution to the exceptional contribution were introduced by the amended finance law for 2017 and are included in this line item.

11.4.2. Earnings per share attributable to owners of the company

The tables below set out earnings per share attributable to owners of the company (excluding the dilutive impact of shares carrying preferential dividend rights; note 11.4.5.):

2019	Net profit – attributable to owners of the company *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company *(€)*
Earnings per share	3,750.0	559,739,718	6.70
Stock options	-	666,108	-
Free shares	-	2,407,303	-
DILUTED EARNINGS PER SHARE	**3,750.0**	**562,813,129**	**6.66**

2018	Net profit – attributable to owners of the company *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company *(€)*
Earnings per share	3,895.4	559,603,188	6.96
Stock options	-	1,155,173	-
Free shares	-	2,340,145	-
DILUTED EARNINGS PER SHARE	**3,895.4**	**563,098,506**	**6.92**

2017	Net profit – attributable to owners of the company *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company *(€)*
Earnings per share	3,581.4	559,233,644	6.40
Stock options	-	1,792,615	-
Free shares	-	2,502,243	-
DILUTED EARNINGS PER SHARE	**3,581.4**	**563,528,502**	**6.36**

11.4.3. Earnings per share excluding non-recurring items

The tables below set out in detail earnings per share from continuing operations attributable to owners of the company excluding non-recurring items (excluding the dilutive impact of shares carrying preferential dividend rights, note 11.4.5.):

2019	Net profit attributable to owners of the company excluding non-recurring items *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company excluding non-recurring items *(€)*
Earnings per share excluding non-recurring items	4,356.9	559,739,718	7.78
Stock options	-	666,108	-
Free shares	-	2,407,303	-
DILUTED EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS	**4,356.9**	**562,813,129**	**7.74**

2018	Net profit attributable to owners of the company excluding non-recurring items *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company excluding non-recurring items *(€)*
Earnings per share excluding non-recurring items	3,987.6	559,603,188	7.13
Stock options	-	1,155,173	-
Free shares	-	2,340,145	-
DILUTED EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS	**3,987.6**	**563,098,506**	**7.08**

2017	Net profit attributable to owners of the company excluding non-recurring items *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company excluding non-recurring items *(€)*
Earnings per share excluding non-recurring items	3,748.7	559,233,644	6.70
Stock options	-	1,792,615	-
Free shares	-	2,502,243	-
DILUTED EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS	**3,748.7**	**563,528,502**	**6.65**

11.4.4. Calculation of the number of shares

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

11.4.5. Diluted earnings per share including the impact of shares carrying preferential dividend rights

The table below shows the calculation of diluted earnings per share taking into account the 10% preferential dividend payable for 2019 on shares held continuously in registered form between 31 December 2017 and the 2020 dividend payment date. The number of shares eligible for the preferential dividend cannot exceed 0.5% of the share capital for any one shareholder.

2019	Number of shares	Diluted earnings per share	Diluted earnings per share of continuing operations
Shares carrying ordinary dividend rights	516,215,525	6.61	6.61
Shares carrying preferential dividend rights	46,597,604	7.27	7.27

2018	Number of shares	Diluted earnings per share	Diluted earnings per share of continuing operations
Shares carrying ordinary dividend rights	514,624,593	6.86	6.86
Shares carrying preferential dividend rights	48,473,913	7.54	7.54

2017	Number of shares	Diluted earnings per share	Diluted earnings per share of continuing operations
Shares carrying ordinary dividend rights	517,623,734	6.30	6.73
Shares carrying preferential dividend rights	45,904,768	6.93	7.40

NOTE 12. Provisions for liabilities and charges and other non-current liabilities – Contingent liabilities and material ongoing disputes

12.1. Provisions for liabilities and charges and other non-current liabilities

Accounting principles

Provisions for liabilities and charges and other non-current liabilities are set up to cover probable outflows for the benefit of third parties without any equivalent consideration being received by the Group in return. They mainly relate to restructuring costs, industrial, environmental and commercial risks relating to operations such as breach of contract, product returns, employee-related risks and uncertain tax positions.

These provisions are estimated based on the most likely assumptions or by using statistical methods, depending on their type.

Provisions for liabilities and charges and other non-current liabilities are recorded either as Non-current liabilities or as Current liabilities, depending on their type. Provisions for liabilities or disputes which must be settled within 12 months of the closing date, and those linked to the normal operating cycle (such as product returns), are recorded as Current liabilities. Other provisions for liabilities and charges are recorded as Non-current liabilities.

12.1.1. Closing balances

€ millions	31.12.2019	31.12.2018	31.12.2017
Provisions for liabilities and charges and other non-current liabilities	**367.1**	**336.1**	**434.9**
Non-current provisions (1)	56.9	47.6	184.0
Non-current liabilities (2)	310.2	288.5	250.9
Current provisions for liabilities and charges	**1,117.8**	**979.8**	**889.2**
Provisions for restructuring	112.9	102.1	146.0
Provisions for product returns	351.1	316.8	303.6
Other current provisions (1)	653.7	560.9	439.6
TOTAL	**1,484.9**	**1,315.9**	**1,324.1**

(1) This item notably includes provisions for industrial, environmental and commercial risks relating to operations (breach of contract), personnel costs, investments in associates when the Group's share in the net asset is negative, as well as risks relating to investigations carried out by competition authorities (note 12.2.2.a and b).
(2) This heading corresponds to uncertain tax positions. It includes an estimate of tax risks and litigation related to income tax for the various countries the Group operates in.

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

€ millions	31.12.2017	31.12.2018	Charges (2)	Reversals (used) (2)	Reversals (not used) (2)	Other (1)	31.12.2019
Provisions for restructuring	146.0	102.1	89.1	-58.7	-13.3	-6.4	112.9
Provisions for product returns	303.6	316.8	301.0	-233.6	-38.6	5.5	351.1
Other provisions for liabilities and charges	623.6	608.5	278.9	-127.7	-62.2	13.2	710.7
TOTAL	**1,073.2**	**1,027.4**	**669.0**	**-420.0**	**-114.1**	**12.4**	**1,174.7**

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

€ millions	Charges	Reversals (used)	Reversals (not used)
• Operating profit	530.7	-360.0	-100.8
• Other income and expenses	138.3	-60.0	-13.3
• Net financial income	-	-	-

The change in this caption in 2018 can be analysed as follows:

€ millions	31.12.2016	31.12.2017	Charges (2)	Reversals (used) (2)	Reversals (not used) (2)	Other (1)	31.12.2018
Provisions for restructuring	47.5	146.0	48.7	-83.7	-7.5	-1.4	102.1
Provisions for product returns	323.4	303.6	294.7	-248.3	-39.3	6.0	316.8
Other provisions for liabilities and charges	559.1	623.6	287.8	-130.8	-167.3	-4.8	608.5
TOTAL	**930.0**	**1,073.2**	**631.2**	**-462.8**	**-214.1**	**-0.1**	**1,027.4**

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

€ millions	Charges	Reversals (used)	Reversals (not used)
• Operating profit*	580.5	-356.1	-191.8
• Other income and expenses	50.7	-106.7	-7.6
• Net financial income*	-	-	-14.8

** Including dispute on IPI, with an increase of €46.9 million and a reversal without cost of €114.3 million under operating and €14.8 million under financial (see note 12.2.1.).*

The change in this caption in 2017 can be analysed as follows:

€ millions	31.12.2015	31.12.2016	Charges (2)	Reversals (used) (2)	Reversals (not used) (2)	Other (1)	31.12.2017
Provisions for restructuring	50.9	47.5	156.6	-41.8	-10.1	-6.0	146.0
Provisions for product returns	309.3	323.4	331.1	-276.7	-54.9	-19.4	303.6
Other provisions for liabilities and charges	432.4	559.1	163.3	-113.9	-34.4	49.5	623.6
TOTAL	**792.6**	**930.0**	**651.0**	**-432.4**	**-99.5**	**24.1**	**1,073.2**

(1) Mainly resulting from translation differences and €67.1 million relating to the dispute on IPI with the tax administration in Brazil (note 12.2.1.).
(2) These figures can be analysed as follows:

€ millions	Charges	Reversals (used)	Reversals (not used)
• Operating profit	494.1	-388.4	-89.4
• Other income and expenses	156.9	-44.0	-10.1
• Net financial income	-	-	-

12.2. Contingent liabilities and material ongoing disputes

L'Oréal is party to several material disputes, described below:

12.2.1. Tax disputes

Brazil – IPI indirect tax base challenged

In January 2015, decree 8.393/2015 stated that commercial companies in Brazil would be liable for the indirect IPI tax on certain products as from 1 May 2015. L'Oréal is challenging the legal grounds of this decree and its application. In light of changes in market practices and a favourable change in the opinion of its advisers, since 1 January 2018 L'Oréal has recognised the IPI collected under income and the provision that had been funded was accordingly reversed in 2018.

L'Oréal received tax reassessment notices regarding the indirect IPI tax for financial years 2008 and 2011 to 2015 totalling €699.9 million, including interest and penalties. The Brazilian tax authorities are questioning the ex-works sales price to the commercial arm used to calculate the IPI tax base. After consulting with its tax advisors, L'Oréal considers that the Brazilian tax authorities' position is unfounded and has challenged these notices. L'Oréal continues its legal proceedings with the tax and legal authorities.

In light of the negative developments in administrative court decisions on the same matter for other Brazilian groups, L'Oréal funded a provision to partially cover this risk using the average prices applied by its subsidiaries as a basis for tax and not its whole third party net sales.

India – Advertising, marketing and promotional costs challenged

L'Oréal received several tax reassessment notices regarding financial years 2007/08 to 2015/16 for the most part concerning the tax deductibility of advertising, marketing and promotional expenses for a total amount of €167.6 million including interest and penalties. After consulting with its tax advisors, L'Oréal decided to contest these notices and continues the legal proceedings with the administrative and legal authorities.

Europe – Mutual agreement procedures

Mutual agreement procedures were instigated vis-à-vis the Italian, French and Spanish tax authorities in order to eliminate double taxation following disagreements between these authorities.

12.2.2. Investigations carried out by the competition authorities

The national competition authorities in several European countries have launched investigations targeting the cosmetics industry in particular.

a) Europe (excluding France)

In Greece, in its decision passed down on 4 October 2017, the Greek competition authority condemned L'Oréal Hellas to pay a fine of €2.6 million for carrying out anti-competitive practices in 2005-2006. L'Oréal Hellas refuted all allegations of having engaged in anti-competitive practices with other luxury cosmetics manufacturers. The Greek Administrative Court of Appeal quashed this decision on 5 November 2018. The Greek competition authority lodged an appeal in cassation against this decision on 28 January 2019 and a hearing before the Council of State will be held during the first half of 2020.

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

b) France

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

Following an appeal lodged by L'Oréal, on 27 March 2019, the Court of Cassation partially overturned the ruling relating to the amount of the fine imposed on L'Oréal. The hearing before the Second Court of Appeal will be held in early 2020 and the ruling should be handed down during the first half of 2020.

It should be noted that since the appeal and cassation appeal do not entail a stay in the judgement, the fine provisioned at the end of 2014 was paid on 28 April 2015.

At 31 December 2019, the provision was maintained in liabilities and the payment recognised in Other current assets.

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

A provision has been set aside for all disputes still in progress at 31 December 2019 amounting to €189.5 million at year-end, versus €189.5 million at end-2018 and €212.3 million at end-2017.

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

NOTE 13. Off-balance sheet commitments

13.1. Lease commitments

These amounted to €230.7 million at 31 December 2019 compared with €2,582.1 million at 31 December 2018 and €2,385.0 million at 31 December 2017, of which:

- €41.8 million was due within one year at 31 December 2019, compared with €512.4 million at 31 December 2018 and €475.5 million at 31 December 2017;
- €48.5 million was due within one to five years at 31 December 2019, compared with €1,422.8 million at 31 December 2018 and €1,222.0 million at 31 December 2017;
- €140.4 million was due in over five years at 31 December 2019, compared with €646.9 million at 31 December 2018 and €687.5 million at 31 December 2017.

13.2. Other off-balance sheet commitments

Confirmed credit lines are discussed in note 9.1.10.

Other significant off-balance sheet commitments have been identified and measured. They chiefly fall due within one year and are as follows:

€ millions	31.12.2019	31.12.2018	31.12.2017
Guarantees given (1)	398.5	380.8	305.9
Guarantees received	80.3	63.7	60.2
Capital expenditure orders (2)	329.6	303.2	284.1
Firm purchase commitments under logistics supply contracts	871.0	932.8	770.8

(1) These consist mainly of guarantees given to governmental bodies or concerning loans granted to third parties who are partners of the Group, and the net commitment toward the L'Oréal Foundation for its long-term action programme and commitment to pay into the fund dedicated to rebuilding the Notre-Dame Cathedral.
(2) Despite their strategic nature, none of these investments taken individually is material enough at Group level to warrant more detailed disclosure.

13.3. Environmental risks

The Group strictly complies with regulations and laws relating to environmental protection, and does not expect that they will have any significant impact on the future operations, financial situation, earnings or assets.

The risks identified at 31 December 2019 are not material.

NOTE 14. Transactions with related parties

14.1. Transactions with associated companies (Related parties)

Equity-accounted companies include joint ventures only.

The consolidated financial statements include transactions carried out between the Group and its equity-accounted companies, considered to be related parties. The main transactions with these related parties and the associated outstanding balances are as follows:

€ millions	2019	2018	2017
Sales of goods and services	-0.0	0.1	0.1
Financial expenses and income	-	-	-

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

€ millions	31.12.2019	31.12.2018	31.12.2017
Operating receivables	0.0	0.1	0.1
Operating payables	0.1	0.1	0.1
Financial receivables	0.1	0.1	-1.5

14.2. Related parties with a significant influence on the Group

L'Oréal has been informed that on 16 December 2016, the members of the Bettencourt Meyers family group, and Mr. Jean-Paul Agon for 100 shares, signed lock-up agreements under the Dutreil law for 185,704,189 L'Oréal shares representing 33.065% of the capital and of the voting rights of the Company on the date of the agreement.

The lock-up agreements were concluded in application of Articles 787 B and 885 I bis of the French General Tax Code for a period of two years, tacitly renewable for one-year periods. They do not include any preferential rights for sales or acquisitions for the benefit of the signatories and do not constitute a concerted action *vis-à-vis* the Company.

In 2019, no significant transactions were carried out with a member of senior management or a shareholder with a significant influence, except for the operation above.

NOTE 15. Fees accruing to auditors and members of their networks payable by the Group

FEES FOR THE 2019 FINANCIAL YEAR

	PricewaterhouseCoopers Audit				Deloitte & Associés			
	Auditor PricewaterhouseCoopers Audit		Network		Auditor Deloitte & Associés		Network	
€ millions excl. VAT	Amount	As a %	Amount	As a %	Amount	As a %	Amount	As a %
Review of interim, company and consolidated financial statements								
L'Oréal	1.1	50%	n/a	n/a	1.4	57%	n/a	n/a
Fully consolidated subsidiaries	0.8	36%	4.0	41%	0.7	28%	4.7	93%
Subtotal	**1.9**	**86%**	**4.0**	**41%**	**2.1**	**85%**	**4.7**	**93%**
Non-audit services (1)								
L'Oréal	0.3	13%	2.6	27%	0.3	14%	-	-
Fully consolidated subsidiaries	0.0	1%	3.2	32%	0.0	0%	0.4	7%
Subtotal	**0.3**	**14%**	**5.8**	**59%**	**0.3**	**15%**	**0.4**	**7%**
TOTAL	**2.2**	**100%**	**9.8**	**100%**	**2.4**	**100%**	**5.1**	**100%**

(1) Mainly concerning acquisition audits.

FEES FOR THE 2018 FINANCIAL YEAR

	PricewaterhouseCoopers Audit				Deloitte & Associés			
	Auditor PricewaterhouseCoopers Audit		Network		Auditor Deloitte & Associés		Network	
€ millions excl. VAT	Amount	As a %	Amount	As a %	Amount	As a %	Amount	As a %
Review of interim, company and consolidated financial statements								
L'Oréal	1.1	49%	n/a	n/a	1.4	56%	n/a	n/a
Fully consolidated subsidiaries	0.8	39%	3.9	47%	0.6	23%	4.8	88%
Subtotal	**1.9**	**88%**	**3.9**	**47%**	**2.0**	**79%**	**4.8**	**88%**
Non-audit services (1)								
L'Oréal	0.2	9%	2.0	25%	0.5	20%	-	-
Fully consolidated subsidiaries	0.1	3%	2.3	28%	0.0	1%	0.6	12%
Subtotal	**0.3**	**12%**	**4.3**	**53%**	**0.5**	**21%**	**0.6**	**12%**
TOTAL	**2.2**	**100%**	**8.2**	**100%**	**2.5**	**100%**	**5.5**	**100%**

(1) Mainly concerning acquisition audits.

NOTE 16. Acquisition in progress

On 2 July 2019, L'Oréal announced that the Group had entered into negotiations with Clarins to acquire the Mugler and Azzaro brands. The Clarins group owns these two iconic companies worldwide.

On 21 October 2019, after the two parties consulted with each other via employee representative bodies, L'Oréal and the Clarins group signed an agreement to make the sale of the Mugler brand and Azzaro perfumes official. When L'Oréal's acquisition of Clarins's fragrance division was finalised, it comprised Mugler, Thierry Mugler (Fashion), Clarins Fragrance Group (CFG), CFG France, Cosmeurop and CFG UK. These businesses generated combined net sales of approximately €340 million in 2018.

The Clarins group owns iconic globally renowned perfume brands and has well-known and highly-valued expertise within the industry: Angel revolutionised the industry, Alien built solid positions, Azzaro Pour Homme and Chrome are classics, and millennials love Wanted and Wanted Girl.

By joining L'Oréal, the Mugler and Azzaro brands will be able to continue growing internationally and taking advantage of our resources as a worldwide leader in the beauty market – especially our marketing, distribution and innovation resources.

The acquisition should be finalised by the first half of 2020, subject to traditional suspensive conditions and approval from regulatory authorities.

NOTE 17. Subsequent events

On 4 February 2020, after some strategic thinking to ensure the best possible development for the Roger & Gallet brand, L'Oréal announced it had entered into negotiations with the French investment holding company Impala to sell Roger & Gallet.

The project will be subject to an information-consultation phase between employee representative bodies of L'Oréal and could be finalised by this summer.

5.7. CONSOLIDATED COMPANIES AT 31 DECEMBER 2019

5.7.1. Fully consolidated companies

Company	Head office	% interest
ATELIER COLOGNE (as a sub-group)	France	100.00
BCI BIO COSMETICS INTERNATIONAL GmbH	Germany	100.00
BEAUTE, RECHERCHE & INDUSTRIES	France	100.00
BEAUTYCOS INTERNATIONAL COMPANY LIMITED	China	100.00
BEAUTYLUX INTERNATIONAL COSMETICS (SHANGHAI) CO LTD	China	100.00
BIOTHERM	Monaco	99.80
BOLD BUSINESS OPPORTUNITIES FOR L'ORÉAL DEVELOPMENT	France	100.00
CANAN KOZMETIK SANAYI VE TICARET A.S.	Turkey	100.00
CENTRE LOGISTIQUE D'ESSIGNY ou CLOE	France	100.00
CENTRE THERMAL DE LA ROCHE-POSAY	France	100.00
CHIMEX	France	100.00
COBELSA COSMETICOS, S.A.	Spain	100.00
COLORIGHT LTD	Israel	100.00
COMPAGNIE THERMALE HOTELIERE ET FINANCIERE – C.T.H.F.	France	99.98
COMPTOIR LAINIER AFRICAIN	Morocco	100.00
COSBEL S.A. de C.V.	Mexico	100.00
COSMELOR LTD	Japan	100.00
COSMEPHIL HOLDINGS CORPORATION PHILIPPINES	The Philippines	100.00
COSMETIL	Morocco	49.80
COSMETIQUE ACTIVE FRANCE	France	100.00
COSMETIQUE ACTIVE INTERNATIONAL – CAI	France	100.00
COSMETIQUE ACTIVE PRODUCTION – C.A.P.	France	100.00
DIGIT INVEST IMMOBILIER	France	100.00
EGYPTELOR LLC	Egypt	100.00
ELEBELLE (PROPRIETARY) LIMITED	South Africa	100.00
EPISKIN	France	99.89
EPISKIN BRASIL BIOTECNOLOGIA EIRELI	Brazil	99.89
ERWITON S.A.	Uruguay	100.00
FAPAGAU & CIE	France	100.00
FAPROREAL	France	100.00
FINVAL	France	100.00
FITNE GESUNDHEIT UND WELLNESS GmbH	Germany	100.00
FRABEL S.A. de C.V.	Mexico	100.00
GEMEY PARIS – MAYBELLINE NEW YORK	France	100.00
HELENA RUBINSTEIN ITALIA S.p.A.	Italy	100.00
HOLDIAL	France	100.00
INTERBEAUTY COSMETICS LTD	Israel	92.97
INTERBEAUTY PRODUCTS LIMITED	Kenya	100.00
JSC L'OREAL	Russia	100.00
KOSMEPOL Sp. z.o.o.	Poland	100.00
L & J RE	France	100.00
LA ROCHE-POSAY LABORATOIRE DERMATOLOGIQUE	France	99.98
LABORATOIRE SANOFLORE	France	100.00
LABORATORIOS DE COSMETICOS VOGUE S.A.S.	Colombia	100.00
LOA1	France	100.00
LOA3	France	100.00
LOA6	France	100.00
LOA7	France	100.00

Company	Head office	% interest
LOGISTICA 93 S.r.l.	Italy	100.00
LOGO-BAU GmbH & CO GRÜNDSTÜCKSVERWALTUNGS KG	Germany	100.00
LOGO-BAU VERWALTUNGS GmbH	Germany	100.00
LOGOCOS NATURKOSMETIK AG	Germany	100.00
L'OREAL (CHINA) CO. LTD	China	100.00
L'OREAL (THAILAND) LIMITED	Thailand	100.00
L'OREAL (UK) LIMITED	United Kingdom	100.00
L'OREAL ADRIA d.o.o.	Croatia	100.00
L'OREAL ARGENTINA Sociedad Anonima	Argentina	100.00
L'OREAL AUSTRALIA PTY LTD	Australia	100.00
L'OREAL BALKAN d.o.o.	Serbia	100.00
L'OREAL BALTIC SIA	Latvia	100.00
L'OREAL BANGLADESH LIMITED	Bangladesh	100.00
L'OREAL BELGILUX S.A.	Belgium	100.00
L'OREAL BRASIL COMERCIAL DE COSMÉTICOS LTDA	Brazil	100.00
L'OREAL BRASIL PESQUISAS E INOVACAO LTDA	Brazil	100.00
L'OREAL BRASIL-LICENCIAMENTOS EMPRESARIAIS, COSMETICOS E PERFUMES LTDA	Brazil	100.00
L'OREAL BULGARIA EOOD	Bulgaria	100.00
L'OREAL CANADA, INC.	Canada	100.00
L'OREAL CENTRAL AMERICA S.A.	Panama	100.00
L'OREAL CENTRAL WEST AFRICA LTD	Nigeria	100.00
L'OREAL CESKA REPUBLIKA s.r.o.	Czech Republic	100.00
L'OREAL CHILE S.A.	Chile	100.00
L'OREAL COLOMBIA S.A.S.	Colombia	100.00
L'OREAL COSMETICS INDUSTRY S.A.E.	Egypt	100.00
L'OREAL CÔTE D'IVOIRE	Ivory Coast	100.00
L'OREAL DANMARK A/S	Denmark	100.00
L'OREAL DEUTSCHLAND GmbH	Germany	100.00
L'OREAL EAST AFRICA LIMITED	Kenya	100.00
L'OREAL ECUADOR S.A.	Ecuador	100.00
L'OREAL EGYPT LLC	Egypt	100.00
L'OREAL ESPANA S.A.	Spain	100.00
L'OREAL FINLAND OY	Finland	100.00
L'OREAL GUATEMALA S.A.	Guatemala	100.00
L'OREAL HELLAS S.A.	Greece	100.00
L'OREAL HONG KONG LIMITED	Hong Kong	100.00
L'OREAL INDIA PRIVATE LIMITED	India	100.00
L'OREAL INVESTMENTS B.V.	The Netherlands	100.00
L'OREAL ITALIA S.p.A.	Italy	100.00
L'OREAL KAZAKHSTAN Limited Liability Partnership	Kazakhstan	100.00
L'OREAL KOREA LIMITED	Korea	100.00
L'OREAL LIBAN SAL	Lebanon	99.98
L'OREAL LIBRAMONT	Belgium	100.00
L'OREAL MAGYARORSZAG KOZMETIKAI Kft	Hungary	100.00
L'OREAL MALAYSIA SDN BHD	Malaysia	100.00
L'OREAL MANUFACTURING MIDRAND (PROPRIETARY) LIMITED	South Africa	100.00
L'OREAL MAROC	Morocco	50.00
L'OREAL MEXICO S.A. de C.V.	Mexico	100.00
L'OREAL MEXICO SERVICIOS S.A. DE C.V.	Mexico	100.00
L'OREAL MIDDLE EAST	United Arab Emirates	100.00
L'OREAL NEDERLAND B.V.	The Netherlands	100.00
L'OREAL NEW ZEALAND LIMITED	New Zealand	100.00
L'OREAL NORGE A/S	Norway	100.00

Company	Head office	% interest
L'OREAL ÖSTERREICH GmbH	Austria	100.00
L'OREAL PAKISTAN PRIVATE LIMITED	Pakistan	100.00
L'OREAL PANAMA COMERCIAL S.A.	Panama	100.00
L'OREAL PANAMA S.A.	Panama	100.00
L'OREAL PERU S.A.	Peru	100.00
L'OREAL PHILIPPINES, INC.	The Philippines	100.00
L'OREAL POLSKA Sp. z.o.o.	Poland	100.00
L'OREAL PORTUGAL UNIPESSOAL, LDA	Portugal	100.00
L'OREAL PRODUITS DE LUXE FRANCE	France	100.00
L'OREAL PRODUITS DE LUXE INTERNATIONAL	France	100.00
L'OREAL PRODUKTION DEUTSCHLAND BETEILIGUNGS GmbH	Germany	100.00
L'OREAL PRODUKTION DEUTSCHLAND GmbH & CO KG	Germany	100.00
L'OREAL ROMANIA SRL	Romania	100.00
L'OREAL SAIPO INDUSTRIALE S.p.A.	Italy	100.00
L'OREAL SAUDI ARABIA	Saudi Arabia	75.00
L'OREAL SINGAPORE Pte Ltd	Singapore	100.00
L'OREAL SLOVENIJA kozmetika d.o.o.	Slovenia	100.00
L'OREAL SLOVENSKO s.r.o.	Slovakia	100.00
L'OREAL SLP S.A. de C.V.	Mexico	100.00
L'OREAL SOUTH AFRICA HOLDINGS (PROPRIETARY) LIMITED	South Africa	100.00
L'OREAL SUISSE S.A.	Switzerland	100.00
L'OREAL SVERIGE AB	Sweden	100.00
L'OREAL TAIWAN CO., LTD.	Taiwan	100.00
L'OREAL TRAVEL RETAIL AMERICAS, INC.	USA	100.00
L'OREAL TÜRKIYE KOZMETIK SANAYI VE TICARET ANONIM SIRKETI	Turkey	100.00
L'OREAL UAE GENERAL TRADING LLC	United Arab Emirates	99.80
L'OREAL UKRAINE	Ukraine	100.00
L'OREAL URUGUAY S.A.	Uruguay	100.00
L'OREAL USA, INC. (sub-groupe)	USA	100.00
L'OREAL VERWALTUNGS GmbH	Germany	100.00
L'OREAL VIETNAM CO. LTD	Vietnam	100.00
L'OREAL WEST AFRICA LIMITED	Ghana	100.00
MAGIC HOLDINGS (sub-groupe)	China	100.00
MASRELOR LLC	Egypt	100.00
MATRIX DISTRIBUTION GmbH	Germany	100.00
MODIFACE INC.	Canada	100.00
NANDA CO. LTD	Korea	100.00
NANDA JAPAN K.K.	Japan	100.00
NIELY DO BRASIL INDUSTRIAL LTDA	Brazil	100.00
NIHON L'OREAL KABUSHIKI KAISHA	Japan	100.00
NLO KABUSHIKI KAISHA	Japan	100.00
NYX PROFESSIONAL MAKEUP SPRL/BVBA	Belgium	100.00
OOMES B.V.	The Netherlands	100.00
P.T. L'OREAL INDONESIA	Indonesia	100.00
P.T. YASULOR INDONESIA	Indonesia	100.00
PRESTIGE ET COLLECTIONS INTERNATIONAL	France	100.00
PROCOSA PRODUCTOS DE BELEZA LTDA	Brazil	100.00
PRODUCTOS CAPILARES L'OREAL S.A.	Spain	100.00
REAL CAMPUS BY L'OREAL	France	100.00
REDKEN FRANCE	France	100.00
RETAIL EXCELLENCE 4	France	100.00
SCENTAL LIMITED	Hong Kong	100.00
SHANGHAI EPISKIN BIOTECHNOLOGY CO. LTD	China	99.89

Company	Head office	% interest
SHANGHAI L'OREAL INTERNATIONAL TRADING CO. LTD	China	100.00
SHU UEMURA COSMETICS INC.	Japan	100.00
SICOS & CIE	France	100.00
SLP ASISTENCIA S.A. DE C.V.	Mexico	100.00
SOCIETE HYDROMINERALE DE LA ROCHE-POSAY	France	99.98
SOPROCOS	France	100.00
SOPROREAL	France	100.00
SPARLYS	France	100.00
THERMES DE SAINT-GERVAIS-LES-BAINS LE FAYET	France	100.00
YICHANG TIANMEI INTERNATIONAL COSMETICS CO LTD	China	100.00

5.7.2. Equity-accounted companies

Company	Head office	% interest
INNEOV ARGENTINA S.A.	Argentina	50.00 (1)
INNEOV DEUTSCHLAND GmbH	Germany	50.00 (1)
INNEOV HELLAS A.E.	Greece	50.00 (1)
INNEOV MEXICO S.A. DE C.V.	Mexico	50.00 (1)
INNEOV TAIWAN CO. LTD	Taiwan	50.00 (1)
LIPP DISTRIBUTION	Tunisia	49.00
NUTRICOS TECHNOLOGIES	France	50.00 (1)
SCI GOLF DU CONNETABLE	France	38.12

(1) Companies jointly owned with Nestlé.

6

PARENT COMPANY FINANCIAL STATEMENTS*

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

The individual financial statements set out in this chapter are those of the L'Oréal parent company. They show the financial situation of the parent company stricto sensu. Unlike the consolidated financial statements, they do not include the results of the Group's subsidiaries.

The information with regard to the parent company financial statements that was previously included in the Management Report of the Board of Directors is now included in this chapter. The pages concerned are the table showing the main changes and thresholds crossed regarding investments in subsidiaries and the five-year financial summary as well as the amount of expenses and charges provided for in Article 223 quater of the French General Tax Code, and the table showing invoices issued and received, not paid at the end of the financial year and in arrears, provided for by Articles L. 441-6-1 and D. 441-4 of the French Commercial Code. The Statutory Auditor's Report on the parent company financial statements completes this information.

6.1. COMPARED INCOME STATEMENTS

€ millions	Notes	31.12.2019	31.12.2018	31.12.2017
Operating revenue		**4,615.5**	**4,319.4**	**4,017.5**
Sales	2	4,131.0	3,888.4	3,613.5
Reversals of provisions and transfers of charges		84.5	76.4	69.2
Other revenues	3	400.0	354.6	334.8
Operating expenses		**-4,184.5**	**-3,930.4**	**-3,697.5**
Purchases and change in inventories		-424.7	-401.0	-358.8
Other purchases and external charges		-2,119.0	-2,064.0	-1,976.8
Taxes and similar payments		-108.2	-92.0	-105.3
Personnel costs		-1,038.5	-979.4	-898.6
Depreciation, amortisation and charges to provisions	5	-283.6	-195.6	-169.6
Other charges		-210.5	-198.4	-188.4
Operating profit		**431.0**	**389.0**	**320.0**
Net financial revenue	6	4,086.5	3,523.6	2,637.2
Net charges/reversals of provisions and transfers of charges	6	-198.7	-221.9	122.3
Exchange gains and losses		-108.0	-24.2	-111.9
Net financial income		**3,779.8**	**3,277.5**	**2,647.6**
Profit before tax and exceptional items		**4,210.8**	**3,666.5**	**2,967.6**
Exceptional items	**7**	**22.5**	**-57.0**	**-62.2**
Employee Profit Sharing		-44.8	-21.5	-19.7
Income tax	8	-82.7	6.9	166.0
NET PROFIT		**4,105.8**	**3,594.9**	**3,051.7**

6.2. COMPARED BALANCE SHEETS

ASSETS

€ millions (net values)	Notes	31.12.2019	31.12.2018	31.12.2017
Intangible assets	11	2,937.5	2,820.5	2,234.4
Tangible assets	12	530.9	513.5	498.0
Financial assets	14	10,633.8	10,368.8	10,237.1
Non-current assets		**14,102.2**	**13,702.8**	**12,969.5**
Inventories		69.7	74.8	64.7
Prepayments to suppliers		7.3	7.8	6.2
Trade accounts receivable	16	616.7	540.5	567.6
Other current assets	16	471.1	486.2	452.5
Marketable securities	15	22.6	93.5	95.3
Cash and cash equivalents	27	2,463.5	1,496.9	806.5
Current assets		**3,650.9**	**2,699.7**	**1,992.8**
Prepaid expenses		65.9	59.6	58.2
Unrealised exchange losses	21	60.3	55.0	46.4
TOTAL ASSETS		**17,879.3**	**16,517.1**	**15,066.9**

SHAREHOLDERS' EQUITY & LIABILITIES

€ millions	Notes	31.12.2019	31.12.2018	31.12.2017
Share capital		111.6	112.1	112.1
Additional paid-in capital		3,130.2	3,070.3	2,935.3
Reserves and retained earnings		8,087.1	7,470.2	6,922.8
Net profit		4,105.8	3,594.9	3,051.7
Regulated provisions		49.8	64.4	89.1
Shareholders' equity		**15,484.5**	**14,311.9**	**13,111.0**
Provisions for liabilities and charges	**18**	**610.4**	**516.0**	**466.3**
Borrowings and debt	19	207.5	209.6	211.6
Trade accounts payable	20	568.0	718.4	684.5
Other current liabilities	20	999.0	743.8	571.4
Other payables		1,774.5	1,671.8	1,467.5
Unrealised exchange gains	21	9.9	17.4	22.1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**17,879.3**	**16,517.1**	**15,066.9**

6.3. CHANGES IN SHAREHOLDERS' EQUITY

The share capital comprises 558,117,205 shares with a par value of €0.2 each following transactions carried out in 2019:

- subscription of 785,408 shares following the exercise of options, the issue of eight shares for the employee shareholding plan and the grant of 706,262 free shares ;
- cancellation of 3,771,125 treasury shares.

Changes in shareholders' equity are as follows:

€ millions	Share capital	Additional paid-in capital	1976 revaluation reserve	Reserves and retained earnings	Net profit	Regulated provisions	Total
Balance at 1 January 2017 before appropriation of net profit	**112.4**	**2,817.3**	**43.7**	**6,221.3**	**3,014.4**	**92.2**	**12,301.3**
Capital increase	0.3	118.0					118.3
Cancellation of shares	-0.6			-497.6			-498.2
Appropriation of 2016 net profit				1,156.7	-1,156.7		0.0
Dividends paid for 2016					-1,857.7		-1,857.7
2017 net profit					3,051.7		3,051.7
Other movements during the period			-1.2			-3.2	-4.4
Balance at 31 December 2017 before appropriation of net profit	**112.1**	**2,935.3**	**42.5**	**6,880.4**	**3,051.7**	**89.0**	**13,111.0**
Capital increase	0.5	135.0					135.5
Cancellation of shares	-0.5			-497.6			-498.1
Appropriation of 2017 net profit				1,045.1	-1,045.1		0.0
Dividends paid for 2017					-2,006.6		-2,006.6
2018 net profit					3,594.9		3,594.9
Other movements during the period				-0.2		-24.6	-24.8
Balance at 31 December 2018 before appropriation of net profit	**112.1**	**3,070.3**	**42.5**	**7,427.7**	**3,594.9**	**64.4**	**14,311.9**
Capital increase	0.3	59.9					60.2
Cancellation of shares	-0.8			-801.2			-802.0
Appropriation of 2018 net profit				1,418.2	-1,418.2		0.0
Dividends paid for 2018					-2,176.7		-2,176.7
2019 net profit					4,105.8		4,105.8
Other movements during the period				-0.1		-14.6	-14.7
BALANCE AT 31 DECEMBER 2019 BEFORE APPROPRIATION OF NET PROFIT	**111.6**	**3,130.2**	**42.5**	**8,044.6**	**4,105.8**	**49.8**	**15,484.5**

The amount added to reserves for unpaid dividends on some treasury shares held by L'Oréal as well as movements between 1 January and the dividend payment date, on maturing free share plans, stock option exercises and the final number of shares eligible for the bonus dividend, stood at -€0.7 million in 2019, compared with -€0.7 million in 2018 and €9.9 million in 2017.

Regulated provisions mainly consisted of accelerated tax-driven depreciation, which amounted to €49.7 million at 31 December 2019, compared with €64.2 million at 31 December 2018 and €88.8 million at 31 December 2017.

Details of option plans and free share plans are provided in note 17.

6.4. STATEMENTS OF CASH FLOWS

€ millions	Notes	31.12.2019	31.12.2018	31.12.2017
Operating activities				
Net profit		4,105.8	3,594.9	3,051.7
Depreciation and amortisation	12	121.0	117.2	105.7
Charges to provisions (net of reversals)		304.4	290.4	-93.3
Gains and losses on disposals of non-current assets		-1.3	2.0	61.4
Other non-cash transactions (1)		-136.4	-	71.5
Gross cash flow		**4,393.5**	**4,004.5**	**3,197.0**
Changes in working capital	25	-231.0	81.8	292.4
Net cash provided by operating activities		**4,162.5**	**4,086.3**	**3,489.4**
Investing activities				
Investments in non-current assets		-1,234.3	-1,674.2	-2,209.5
Changes in other financial assets	26	30.9	56.2	46.7
Disposals of non-current assets		55.4	39.5	962.9
Net cash from investing activities		**-1,148.0**	**-1,578.5**	**-1,199.9**
Financing activities				
Capital increase		60.0	135.3	118.3
Dividends paid		-2,176.7	-2,006.6	-1,857.7
Changes in financial debt		-0.9	-1.9	196.9
Net cash from financing activities		**-2,117.6**	**-1,873.2**	**-1,542.5**
Cash acquired or sold in the period (complete transfer of assets and liabilities)		69.8	55.9	32.7
Change in cash and cash equivalents		**966.7**	**690.5**	**779.7**
Net cash and cash equivalents at beginning of the year		1,496.6	806.1	26.4
NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**27**	**2,463.3**	**1,496.6**	**806.1**

(1) In 2017, mainly made up of the value of free shares acquired related to the 2013 plan that matured in 2017. For 2019, it mainly consisted of the merger bonus from the complete transfer of assets and liabilities of Lancôme Parfums et Beauté & Cie.

6.5. NOTES TO THE FINANCIAL STATEMENTS OF L'ORÉAL SA

Notes contents

Highlights of the financial year

On 3 September 2019, the assets and liabilities of Lancôme Parfums et Beauté & Cie were transferred to L'Oréal.

NOTE 1. Accounting principles

The Company's annual financial statements are prepared in accordance with French law and regulations (French Chart of Accounts) and generally accepted accounting principles.

Change in accounting policy applied on 1 January 2017: ANC Regulation No. 2015-05 relative to derivative financial instruments and hedging operations

This regulation notably specifies that:

- income from hedging instruments be presented on the same line in the income statement as hedged items, and recognised symmetrically;
- option premiums and income/discounts must impact profit and loss at the same time as the hedged items;
- the overall currency position be calculated on a currency-per-currency basis, include items with a maturity date effective in the same accounting year, and exclude hedging transactions and the items they cover;
- unrealised gains/losses relative to isolated open positions be booked under Translation Adjustments;
- a provision for currency risk be recognised in the event of an unrealised foreign currency loss.

In accordance with regulations, the impact of the change in accounting policy was limited to existing transactions at 1 January 2017.

This change led to a reduction in opening shareholders' equity at 1 January 2017, to the tune of €4.7 million net of tax, which was offset by increases in the amount of unrealised exchange losses (€104.9 million), corporate income tax receivables (€2.5 million), unrealised exchange gains (€11.8 million) and provisions for currency losses (€100.3 million).

1.1. Sales

These are comprised of sales of goods (net of returns from distributors and rebates and discounts) and services (including technological assistance fees).

1.2. Advertising and promotion expenses

Expenses relating to the advertisement and promotion of products to customers and consumers are recognised as expenses for the year in which the advertisement or promotional initiative 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. 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, including acquisition costs.

Pursuant to Regulation No. 2015-06 issued by the French accounting standards-setter (Autorité des Normes Comptables – ANC), technical merger losses were allocated to the corresponding underlying assets, reclassified to special-purpose accounts at 1 January 2016 and amortised where appropriate.

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.

In accordance with regulation No. 2004-06 on assets, certain trademarks have been identified as amortisable regarding their estimated useful life.

Non-amortisable trademarks are tested for impairment at least once a year on the basis of the valuation model used at the time of their acquisition. An impairment is recorded where appropriate. Initial trademark registration costs are recorded as expenses.

Patents are amortised over a period ranging from 2 to 10 years.

Business goodwill is not amortised. It is impaired whenever the present value of future cash flows is less than the book value.

Software of material value is amortised using the straight-line method over its probable useful life, generally between 5 and 7 years. It is also subject to accelerated tax-driven amortisation, which is recognised over a 12-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, including acquisition expenses.

The useful lives of tangible assets are as follows:

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

Both straight-line and declining-balance depreciation is calculated over the actual useful lives of the assets concerned. Exceptionally, industrial machinery and equipment is depreciated using the straight-line method over a period of 10 years, with all additional depreciation classified as accelerated tax-driven depreciation.

1.7. Financial assets

1.7.1. Financial investments

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 mainly based on the current and forecast profitability of the subsidiary concerned and the share of equity owned. If the value in use falls below the net book value, an 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, impairments are recognised against these items to reflect their value in use at the end of the financial year.

Treasury stock acquired in connection with buyback programmes to be cancelled is recognised in other long-term investments.

At the end of the financial year, other long-term investments are compared with their probable sale price and a provision for impairment recognised where appropriate.

1.8. Inventories

Inventories are valued using the weighted average cost method.

An impairment is made for obsolete and slow-moving inventories on the basis of their probable net realisable value, estimated on the basis of historic and projected data.

1.9. Trade accounts receivable and other receivables

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

NOTE 2 Marketable securities cash and cash equivalents

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 and free shares plans recognised in marketable securities.

No discount is granted on the exercise price of the options. Provided that the shares are purchased at a lower price than the exercise price, no impairment is required. However, an impairment is recognised in the event of a decline in the market price, representing the difference between the book value of the treasury shares and the average share price in the month preceding the reporting date.

A provision for liabilities and charges in respect of shares of Treasury stock allocated to free share plans for L'Oréal S.A. parent company employees is recognised over the period during which the rights to the free shares vest. Shares of Treasury stock allocated to free share plans for employees of Group subsidiaries are written down in full. However, the subsidiaries concerned will bear most of the cost of granting these free shares.

1.1. Provisions for liabilities and charges

Provisions for liabilities and charges are recognised to cover probable outflows of resources to third parties, without receipt of equivalent consideration by the Company. They relate mainly to commercial and financial contingencies and litigation (subsidiaries…) and to Administration and employee-related contingencies.

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

1.2. Accounting for foreign currency transactions and exchange rate hedges

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 contracted to hedge commercial transactions recognised in the balance sheet and future transactions that are considered to be highly probable. Gains and losses generated by these instruments are recognised symmetrically with the gains and losses arising on the hedged items, in the same aggregate as profit and loss. Option premium income/discounts are recognised in profit and loss when the hedged item is recognised.

Derivatives that are not designated as hedges are classified as isolated open positions. These are recognised at their fair value in the balance sheet, and offset an "Unrealised exchange gains or losses" account.

Translation differences on operating assets and liabilities and related hedging instruments are also recognised in the balance sheet as "Unrealised exchange gains or losses".

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, calculated on a currency-by-currency basis. The overall foreign exchange position excludes translation differences of hedging instruments and hedged items.

In accordance with French accounting standards, the potential gain resulting from the overall foreign exchange position is not recognised as income in the income statement.

Hedges have already been taken out in respect of forecasted operating transactions for the next financial year. The impact of such hedges on profit or loss will be recorded during the same accounting period as the transactions hedged.

1.3. Accounting for interest rate instruments

In the case of interest-rate hedges, for gains and losses arising on interest rate swaps and caps, hedging financial liabilities are recorded on a pro rata basis symmetrically with the gains and losses on the items hedged.

1.4. Employee retirement obligations and related benefits

L'Oréal parent company operates pension, early retirement and other benefit schemes for employees and retirees depending on 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.

These obligations are partially funded by an external scheme where the funds are gradually built up through contributions paid. The contributions are expensed as incurred under the Other purchases and external charges item.

The related obligations are measured using an actuarial valuation method based on final salaries. The method takes account of length of service, life expectancy, turnover by category of personnel and economic assumptions such as inflation and discount rates.

No provision is recognised in the balance sheet for net unfunded obligations, which are shown in off-balance sheet commitments.

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

NOTE 2. Net sales

€ millions	31.12.2019	31.12.2018	31.12.2017
Sales of goods [(1)]	1,547.9	1,537.7	1,368.2
Services [(2)]	2,424.2	2,186.8	2,053.0
Other revenues	158.9	163.9	192.3
TOTAL	**4,131.0**	**3,888.4**	**3,613.5**

(1) At midnight on 30 June 2018, Gemey Maybelline Garnier transferred all its assets to L'Oréal, in consideration for taking on all its debt, with retroactive effect to 1 January 2018.
(2) Including invoicing of technological assistance.

The Company generated €2,263.9 million of its net sales in France in 2019, compared with €2,172.5 million in 2018 and €1,987.4 million in 2017.

NOTE 3. Other revenue

This account mainly includes trademark royalties as well as foreign exchange gains on operations, booked under Other revenue since 1 January 2017 pursuant to ANC Regulation No. 2015-05.

NOTE 4. Average headcount

Average headcount can be broken down as follows:

	2019	2018 [(1)]	2017
Executives	4,923	4,650	4,230
Supervisors	1,975	2,011	1,994
Administrative staff	180	210	235
Manual workers	227	219	211
Sales representatives	387	420	390
TOTAL	**7,692**	**7,510**	**7,060**
Apprentices	232	203	201

(1) Including a change in 2018 in Gemey Maybelline Garnier personnel over the full-year, following the merger with L'Oréal at midnight on 30 June with retroactive effect to 1 January 2018.

NOTE 5. Depreciation, amortisation and charges to provisions

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

€ millions	31.12.2019	31.12.2018	31.12.2017
Depreciation and amortisation	-119.0	-111.8	-103.5
Impairment of non-current assets	-67.9	-13.3	-6.7
Impairment of current assets	-4.5	-5.7	-4.5
Provisions for liabilities and charges	-92.2	-64.8	-54.9
TOTAL	**-283.6**	**-195.6**	**-169.6**

NOTE 6. Net financial income

Net financial income amounts includes the following items:

€ millions	31.12.2019	31.12.2018	31.12.2017
Dividends received	3,967.0	3,533.2	2,691.2
Revenues on other receivables and marketable securities	0.2	0.5	1.4
Interest expense on borrowings and financial debt	-9.8	-5.9	-4.5
Others (1)	129.1	-4.2	-50.9
TOTAL	**4,086.5**	**3,523.6**	**2,637.2**

(1) In 2019, this mainly included the merger bonus related to the Lancôme Parfums et Beauté & Cie.

Additions to provisions net of reversals and expense transfers chiefly concern:

€ millions	31.12.2019	31.12.2018	31.12.2017
Impairment of financial investments (1)	-181.4	-256.8	5.6
Impairment of other financial assets	-	-	0.2
Impairment of Treasury stock	-	-	79.0
Provisions for liabilities and charges relating to financial items	-17.2	34.9	37.5
Others	-	-	-
TOTAL	**-198.6**	**-221.9**	**122.3**

(1) In 2018, this mainly related to the impairment of shares in Atelier Cologne and L'Oréal Argentina.
In 2019, this mainly related to the impairment of shares in Magic Holdings.

NOTE 7. Exceptional items

Exceptional items represented €22.5 million in 2019, compared to -€57.0 million in 2018 and -€62.2 million in 2017.

NOTE 8. Income tax

The income tax breaks down as follows:

€ millions	31.12.2019	31.12.2018	31.12.2017
Tax on profit before tax and exceptional items	-87.6	4.3	156.6
Tax on exceptional items and employee Profit Sharing	4.9	2.6	9.4
INCOME TAX	**-82.7**	**6.9**	**166.0**

In 2019, the tax charge recorded by L'Oréal recognised includes a tax consolidation loss of €4.1 million and €55.5 million for the agreement with the French Tax Administration regarding the disagreement over which French business products fall under the tax base for 2014 to 2018.

In 2018, the tax income recognised by L'Oréal reflected €56.0 million in savings resulting from tax consolidation.

In 2017, the income tax gain recognised by L'Oréal includes income of €184.3 million (excluding default interest) from an additional 3% tax on dividends following the claims filed for the 2013 to 2017 financial years, net of €55.7 million in charges paid in June 2017, and savings in the amount of €58.7 million resulting from tax consolidation. It also includes €51.2 million stemming from the impact of an exceptional and additional 30% in tax on companies with net sales in excess of €3 billion.

NOTE 9. Increases or reductions in future tax liabilities

	31.12.2017		31.12.2018		Changes		31.12.2019	
€ millions	Liabilities	Assets	Liabilities	Assets	Liabilities			Assets
Temporary differences								
Regulated provisions	-	30.6	-	22.1	8.3	2.1	-	15.9
Temporarily non-deductible charges	84.7	-	74.7	-	20.9	0.3	95.3	-
Charges deducted (or revenue taxed) for tax purposes but not yet recognised	-	8.4	-	12.0	-	4.1	-	16.1
Temporarily non-taxable revenue	-	-	-	-	-	-	-	-
Deductible items								
Tax losses, deferred items	-	-	-	-	-	-	-	-
Potentially taxable items								
Special reserve for long-term capital gains	-	182.7	-	182.7	12.8	-	-	169.9

These figures factor in the social contribution of 3.3% which is added to corporate income tax, both at normal and reduced rates, and the reduction in the tax rate in 2022, mainly for intangible asset impairment.

NOTE 10. Research costs

Expenses booked for Research activities in 2019 totalled €1,015.8 million, compared with €923.3 million in 2018 and €895.0 million in 2017.

NOTE 11. Intangible assets

€ millions	31.12.2017	31.12.2018	Acquisitions/ Depreciation	Disposals/ Reversals	Other movements	31.12.2019
Patents and trademarks	634.6	930.6	9.9	-0.5	3.6	943.6
Business goodwill (1)	1,496.2	1,786.9	1.4	-1.6	-	1,786.7
Software	390.3	466.2	35.0	-6.2	24.4	519.4
Other intangible assets	186.5	239.6	10.8	-	-	250.4
Tangible assets in progress	124.0	54.0	212.6	-25.6	-23.1	217.9
Gross value	**2,831.6**	**3,477.3**	**269.7**	**-33.9**	**4.9**	**3,718.0**
Patents and trademarks	118.4	130.1	7.3	-0.5	3.4	140.3
Business goodwill	0.6	1.3	1.8	-1.6	-	1.5
Software	277.7	314.9	50.3	-6.2	-	359.0
Other intangible assets	56.0	59.7	3.7	-	-	63.4
Amortisation	**452.7**	**506.0**	**63.1**	**-8.3**	**3.4**	**564.2**
Patents and trademarks	51.4	51.4	-	-	-	51.4
Business goodwill (2)	84.6	95.8	42.7	-1.1	-	137.4
Other intangible assets (2)	8.4	3.5	24.0	-	-	27.5
Impairment	**144.4**	**150.7**	**66.7**	**-1.1**	**-**	**216.3**
NET VALUE	**2,234.5**	**2,820.6**	**139.9**	**-24.5**	**1.5**	**2,937.5**

(1) In 2018, the increase in business goodwill was due to the acquisition of ModiFace and Nanda Co.
(2) In 2019, the increase in impairment of goodwill and of other intangible assets was primarily related to Roger & Gallet.

NOTE 12. Tangible assets

€ millions	31.12.217	31.12.2018	Acquisitions/ Depreciation	Disposals/ Reversals	Other movements	31.12.2019
Land	76.5	76.8	0.2	-	0.5	77.5
Buildings	627.6	638.7	17.7	-16.2	30.3	670.5
Industrial machinery and equipment	192.8	199.8	10.1	-1.6	0.4	208.7
Other tangible assets	201.1	225.2	15.6	-6.5	7.6	241.9
Tangible assets in progress	48.1	70.0	32.3	-	-41.3	61.0
Advances and prepayments	0.7	0.9	1.4	-	-	2.3
Gross value	**1,146.8**	**1,211.4**	**77.3**	**-24.3**	**-2.5**	**1,261.9**
Land	0.9	1.2	0.3	-	-	1.5
Buildings	385.7	400.8	23.2	-16.2	-	407.8
Industrial machinery and equipment	148.6	155.5	9.5	-1.5	-	163.5
Other tangible assets	111.6	136.5	24.8	-6.3	-	155.0
Amortisation	**646.8**	**694.0**	**57.8**	**-24.0**	**-**	**727.8**
Industrial machinery and equipment	2.1	3.9	1.2	-1.9	-	3.2
Impairment	**2.1**	**3.9**	**1.2**	**-1.9**	**-**	**3.2**
NET VALUE	**497.9**	**513.5**	**18.3**	**1.6**	**-2.5**	**530.9**

Depreciation and amortisation recognised in 2019 for tangible assets and intangible assets included:

- €118.1 million on a straight-line basis;
- €0.9 million on a declining-balance basis;
- €2.0 million relating to exceptional depreciation and amortisation.

NOTE 13. Non-current assets held under finance leases

€ millions Balance sheet captions	Non current assets under finance leases at 31.12.2019				Balance sheet including assets under finance leases		
	Cost on initial recognition [(1)]	Depreciation and amortisation expenses [(2)]		Net value	Gross value	Depreciation	Net value
		Period	Accumulated				
Land and buildings	-	-	-	-	747.9	-409.3	338.6
TOTAL AT 31.12.2019	**-**	**-**	**-**	**-**	**747.9**	**-409.3**	**338.6**
Total at 31.12.2018	9.2	-0.5	-4.2	5.0	724.8	-406.3	318.5
Total at 31.12.2017	9.2	-0.5	-3.8	5.4	713.3	-390.5	322.8

(1)Value of the assets on the date the leases were signed.
(2)Depreciation charge for the year and accumulated depreciation that would have been recognised for these assets had they been purchased outright – Depreciation method on a straight-line basis over 20 years.
The finance lease option was exercised on 30 June 2019.

€ millions Balance sheet captions	Finance lease commitments						
	Lease payments made		Lease payments outstanding at year-end				Residual purchase price under the lease
	Period	Accumulated	Less than 1 year	1 to 5 years	More than 5 years	Total payable	
Land and buildings	0.5	10.6	-	-	-	-	-
TOTAL AT 31.12.2019	**0.5**	**10.6**	**-**	**-**	**-**	**-**	**-**
Total at 31.12.2018	1.1	10.1	0.5	-	-	0.5	-
Total at 31.12.2017	1.1	9.0	1.1	0.5	-	1.6	-

The finance lease option was exercised on 30 June 2019.

NOTE 14. Financial assets

€ millions	31.12.2017	31.12.2018	Allocation of technical merger losses	Acquisitions/ Subscriptions	Disposals/ Reductions	Other movements [(3)]	31.12.2019
Financial investments [(1)]	10,682.6	11,117.7	-	320.5	-	148.6	11,586.8
Loans and other receivables	64.0	61.7	-	933.8	-935.5	-11.3	48.7
L'Oréal shares [(2)]	-	-	-	745.5	-745.5	-	-
Others	58.3	14.1	-	0.9	-0.6	-10.0	4.4
Gross value	**10,804.9**	**11,193.5**	**-**	**2,000.7**	**-1,681.6**	**127.3**	**11,639.9**
Financial investments	567.0	823.8	-	193.5	-12.1	-	1,005.2
Loans and other receivables	0.6	0.7	-	0.7	-0.7	-	0.7
Others	0.2	0.2	-	-	-	-	0.2
Impairment	567.8	824.7	-	194.2	-12.8	-	1,006.1
NET VALUE	**10,237.1**	**10,368.8**	**-**	**1,806.5**	**1,668.8**	**127.3**	**10,633.8**

(1) The increase mainly concerns the purchase of Cosmetique Active France shares prior to the merger with L'Oréal SA on 1 January 2020.
(2) At its meeting on 30 July 2019, the Board of Directors voted to buy back L'Oréal shares as part of the authorisation voted on by the Annual General Meeting on 18 April 2019 for a maximum purchase amount of €750 million and 3 million shares. The purchased shares will then be cancelled.
The buyback programme took place on 7 October 2019 and 3,000,000 shares were purchased on the market.
The shares were cancelled in accordance with the Board of Directors' decision on 15 October 2019. The same applies to the previous 771,125 treasury shares.
(3) Other movements mostly came from the Complete transfer of assets and liabilities of Lancôme Parfums et Beauté & Cie on 3 September 2019.

The detailing subsidiaries and affiliates is presented at the end of the present notes.

NOTE 15. Marketable securities

This item breaks down as follows:

€ millions	31.12.2019	31.12.2018	31.12.2017
L'Oréal shares	-	56.5	56.5
Financial instruments/Premiums paid on options	22.6	37.0	38.8
Gross value	**22.6**	**93.5**	**95.3**
L'Oréal shares	-	-	-
Financial instruments/Premiums paid on options	-	-	-
Impairment	**-**	**-**	**-**
NET VALUE	**22.6**	**93.5**	**95.3**

Throughout 2019, 706,262 free shares were granted.

At 31 December 2019, there were no longer any unclaimed treasury shares.

At the end of 2018, the total market value of treasury stock amounted to €157.5 million based on the average share price in December and to €155.2 million based on the closing share price on 31 December.

At the end of 2017, the total market value of treasury stock amounted to €144.7 million based on the average share price in December and to €142.6 million based on the closing share price on 31 December.

NOTE 16. Maturity of receivables

€ millions	1 year or less	More than 1 year	Gross	Impairment	Net
Loans and other receivables	**44.7**	**4.0**	**48.7**	**-0.7**	**48.0**
Other financial assets	**4.2**	**-**	**4.2**	**-**	**4.2**
Trade accounts receivable	**618.4**	**-**	**618.4**	**-1.7**	**616.7**
Other current assets, of which	**472.9**	**-**	**472.9**	**-1.8**	**471.1**
Tax and employee-related receivables (1)	386.1	-	386.1	-	386.1
Other receivables	86.8	-	86.8	-1.8	85.0
Prepaid expenses	**65.9**	**-**	**65.9**	**-**	**65.9**

(1) Including a corporate income tax receivable in the amount of €125.7 million and a fine of €189.5 million paid to the French competition authority on 28 April 2015.

Accrual accounts included in receivables amount are as follows:

€ millions	31.12.2019	31.12.2018	31.12.2017
Trade accounts receivable	1.5	2.3	2.1
Other receivables	14.1	56.4	47.8
TOTAL	**15.6**	**58.7**	**49.9**

NOTE 17. Stock purchase or subscription options – Free shares

17.1. Share subscription or purchase options

The table below sets out data concerning option plans in force at 31 December 2019:

Share grant date	Number of options	Number of options not yet exercised	Exercise period		Exercise price
27.04.2010	4,200,000	211,728	28.04.2015	27.04.2020	80.03
22.04.2011	1,470,000	312,465	23.04.2016	22.04.2021	83.19

All plans have a five-year exercise period and no performance-related conditions, except the 22 April 2011 plan (for all participants) and the 27 April 2010 plan for members of the Management Committee.

All of the performance conditions of these plans have been definitively fulfilled.

17.2. Free shares

The table below summarises data relating to the free share plan.

Grant date					
Stock subscription plans	Stock purchase plans	Vesting date	Number of shares granted	Number of shares issued/allotted	Number of shares not finally vested
	26.04.2013	27.04.2017	1,057,820	988,180	-
17.04.2014		18.04.2018	1,068,565	994,815	-
22.04.2015		23.04.2019	860,150	706,937	-
20.04.2016		21.04.2020	906,100	125	851,375
20.04.2017		21.04.2021	906,000	-	863,475
17.04.2018		18.04.2022	931,000	-	911,475
18.04.2019		19.04.2023	843,075	-	842,000

For the conditional grant of shares, the plan provides for a four-year vesting period after which vesting is effective and final, subject to meeting the conditions of the plan. After this vesting period, a two-year mandatory holding period applies for French residents, for plans prior to 1 January 2016, during which the shares cannot be sold.

The performance conditions concern:

- For the 18 April 2019, 17 April 2018, 20 April 2017 and 20 April 2016, and 22 April 2015 plans:
  - for 50% of shares granted, the increase in comparable Cosmetics net sales for the 2020, 2021 and 2022 financial years under the 2019 plan; for the 2019, 2020 and 2021 financial years under the 2018 plan; for the 2018, 2019 and 2020 financial years under the 2017 plan; and the 2017, 2018 and 2019 financial years under the 2016 plan in relation to the growth in net sales for a panel of competitors;
  - for 50% of shares granted, the increase over the same period in the Group's consolidated operating profit.

The calculation will be based on the mean of the performance in the 2020, 2021 and 2022 financial years under the 2019 plan; in the 2019, 2020 and 2021 financial years under the 2018 plan; in the 2018, 2019 and 2020 financial years under the 2017 plan; and in the 2017, 2018 and 2019 financial years under the 2016 plan; and will use a predefined allocation scale based on the performance percentage achieved. No performance condition applies below a block of 200 shares.

The plans of 26 April 2013, 17 April 2014 and 22 April 2015 were finally granted by the allocation of, respectively, 986,220 shares on 27 April 2017, 993,765 shares on 18 April 2018 and 706,262 shares on 23 April 2019.

At 31 December 2019, the performance conditions for plans in progress were deemed achieved except for the 22 April 2015 plan. Shares finally granted for the 22 April 2015 plan accounted for the performance percentage achieved at the end of the plan.

In June 2018, Group employees had the opportunity to join a Shareholding Plan based on a traditional format with discount and matching contribution.

The subscription price was set at €162.52, representing 80% of the average share price over the 20 trading sessions prior to the decision by the Chairman and Chief Executive Officer setting the subscription period from 4 June to 18 June 2018 during which 423,916 shares were subscribed. This number does not include the subscription reserved for a Trustee under the laws of England and Wales, as part of a Share Incentive Plan established for Group employees in the UK, with the final number of shares subscribed determined at 4,514 in November 2018.

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

For employees in other countries, shares were offered under a free share plan with a continued employment condition for the employee and proportionate to how much the employee contributes to the plan, with a maximum of 4 shares offered for 10 shares subscribed. The shares will be allocated to employees on 25 July 2023 provided they are still with the Group on that date.

The capital was increased on 24 July 2018 by 455,613 shares and on 15 November 2018 by 6,524 shares.

NOTE 18. Provisions for liabilities and charges

€ millions	31.12.2017	31.12.2018	Charges	Reversals (used)	Reversals (not used)	Others	31.12.2019
Provisions for litigation [1]	195.3	195.2	0.9	-2.3	-0.9	-	192.9
Provisions for foreign exchange losses	31.4	44.9	52.0	-44.9	-	-	52.0
Provisions for expenses	124.6	98.4	64.4	-40.2	-12.1	2.2	112.7
Other provisions for liabilities [2]	115.0	177.5	129.1	-31.1	-41.3	18.7	252.9
TOTAL	**466.3**	**516.0**	**246.4**	**-118.5**	**-54.3**	**20.9**	**610.5**

(1) L'Oréal SA was ordered to pay a fine of €189.5 million following the decision handed down in the first instance by the French competition authority on 18 December 2014. L'Oréal appealed against this decision. On 27 October 2016, the Paris Court of Appeal upheld the first instance decision. L'Oréal has lodged an appeal in cassation. On 27 March 2019, the Court of Cassation partially overturned the ruling relating to the amount of the fine imposed on L'Oréal. The hearing before the Second Court of Appeal will be held in early 2020 and the ruling should be handed down during the first half of 2020. The provision was maintained in liabilities and the payment recognised in "Other current assets" (see note 16).
(2) This section mainly includes provisions set aside to cover risks related to government bodies, commercial and financial risks, and personnel-related costs.

The changes in provisions for liabilities and charges impact the 2019 income statement as follows:

€ millions	Charges	Reversals (used)	Reversals (not used)
Operating profit	92.2	-46.7	-15.7
Net financial income	62.7	-44.6	-0.8
Exceptional items	91.5	-27.2	-37.8
TOTAL	**246.4**	**-118.5**	**-54.3**

NOTE 19. Borrowings and debt

L'Oréal obtains financing through medium-term bank loans and issues short-term marketable instruments in France. The amount of the programme is €5,000 million. None of the Group's borrowings or debt contains an early repayment clause linked to financial ratios (covenants).

Liquidity on the short-term marketable instruments issues is provided by confirmed undrawn short-term credit facilities with banks, which amounted to €3,801 million at 31 December 2019, compared to €3,644 million at 31 December 2018 and €3,675 million at 31 December 2017.

All borrowings and debt are denominated in euros and can be broken down as follows:

BREAKDOWN BY TYPE OF DEBT

€ millions	31.12.2019	31.12.2018	31.12.2017
Bonds	-	-	-
Short-term marketable instruments	200.0	200.0	200.0
Bank overdrafts and financing with the Group's cash pool	-	-	-
Other borrowings and debt	7.5	9.6	11.6
TOTAL	**207.5**	**209.6**	**211.6**

BREAKDOWN BY MATURITY DATE

€ millions	31.12.2019	31.12.2018	31.12.2017
Less than 1 year	200.9	200.7	200.5
1 to 5 years	6.6	7.8	9.9
More than 5 years	-	1.1	1.2
TOTAL	**207.5**	**209.6**	**211.6**

EFFECTIVE INTEREST RATE AND AVERAGE INTEREST RATE ON BORROWINGS AND DEBT

The fall in euro interest rates is now reflected by drawdowns of short-term marketable instruments with negative interest rates.

The average interest rate on short-term marketable instruments denominated in euros was -0.45% in 2019, compared with -0.45% in 2018 and -0.42% in 2017.

NOTE 20. Maturity of payables

€ millions	1 year or less	More than 1 year	Total
Trade accounts payable	**568.0**	**-**	**568.0**
Other current liabilities, of which	**814.8**	**184.1**	**999.0**
Tax and employee-related payables	500.0	-	500.0
Payables related to non-current assets [1]	141.3	183.6	324.9
Other payables	173.6	0.5	174.1

(1)Non-current payables relate to earn-out clauses on acquisitions.

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

€ millions	31.12.2019	31.12.2018	31.12.2017
Trade accounts payable	**369.3**	**419.3**	**388.8**
Payables related to non-current assets	**315.4**	**157.4**	**61.0**
Tax and employee-related payables, of which	**391.2**	**330.8**	**291.5**
Provision for employee Profit Sharing	45.5	22.9	22.6
Provision for incentives	103.6	94.9	89.3
Other payables	64.6	85.1	46.5
TOTAL	**1,140.5**	**992.6**	**787.8**

NOTE 21. Unrealised exchange gains and losses

The revaluation of foreign currency receivables and payables at the exchange rates prevailing at 31 December, taking account of hedging instruments, led to the recognition of the following unrealised exchange gains and losses:

	Assets			Liabilities		
€ millions	31.12.2019	31.12.2018	31.12.2017	31.12.2019	31.12.2018	31.12.2017
Financial receivables	-	-	8.2	-	-	0.1
Trade accounts receivable	0.7	0.2	0.2	-	0.1	0.1
Borrowings and debt	-	-	-	-	-	-
Trade accounts payable	-	-	0.6	-	0.1	0.4
Derivative financial instruments	59.6	54.8	37.4	9.9	17.2	21.5
TOTAL	**60.3**	**55.0**	**46.4**	**9.9**	**17.4**	**22.1**

The overall foreign exchange position, calculated on a currency-per-currency basis at 31 December 2019 is an unrealised loss of €52.0 million. This loss is recognised as a provision for risk. At 31 December 2018, the overall foreign exchange position was an unrealised loss of €44.9 million, compared with an unrealised loss of €31.4 million at 31 December 2017.

NOTE 22. Derivative financial instruments

Derivative financial instruments can be broken down as follows:

€ millions	Notional			Market value		
	31.12.2019	31.12.2018	31.12.2017	31.12.2019	31.12.2018	31.12.2017
Currency futures						
Purchase of EURO against foreign currencies						
EUR/CNY	785.0	464.3	319.1	-8.9	-12.6	-0.9
EUR/RUB	296.2	258.0	198.1	-15.7	5.8	-3.1
EUR/USD	114.2	98.9	43.5	-5.2	-4.1	2.1
EUR/BRL	81.1	56.3	58.5	-0.1	-4.3	2.2
EUR/TRY	61.5	47.5	8.6	-3.8	-7.7	0.4
EUR/KRW	57.8	65.5	63.9	-1.2	-2.5	0.2
EUR/TWD	48.1	41.5	37.9	-1.2	-0.6	1.0
EUR/THB	45.1	45.8	41.4	-2.3	-1.9	0.1
EUR/IDR	42.7	33.3	29.9	-3.4	-3.1	0.7
EUR/GBP	36.6	44.9	42.4	-1.8	0.1	0.8
EUR/ZAR	26.9	26.6	22.1	-2.2	-0.6	-1.8
EUR/CAD	25.0	21.6	23.7	-0.8	0.4	0.5
EUR/AUD	19.6	17.5	17.1	-0.4	0.2	0.5
EUR/INR	19.1	28.7	17.4	-0.7	-2.1	-0.5
EUR/PEN	10.4	7.2	6.5	-0.3	-0.1	0.1
EUR/CLP	9.7	9.5	10.4	0.7	0.3	-0.3
EUR/MYR	0.0	4.0	16.7	0.0	-0.3	-0.4
EUR/Other currencies	68.6	67.0	66.3	-1.9	-1.6	0.7
Sale of EUR against foreign currencies						
EUR/PLN	37.8	30.9	31.6	0.6	0.0	0.8
EUR/JPY	22.7	22.2	20.7	-0.1	0.6	-1.8
EUR/SGD	22.4	14.8	14.9	0.3	0.3	-0.1
EUR/HKD	9.7	8.0	7.5	0.0	0.0	-0.6
Purchase of USD against foreign currencies						
USD/CNY	153.8	54.3	0.0	-1.1	-1.0	0.0
USD/BRL	56.4	29.0	50.6	0.2	-0.8	-0.1
USD/THB	34.4	40.6	58.4	-1.4	-0.2	-2.8
USD/KRW	15.7	16.5	21.0	-0.1	0.0	-1.1
USD/TWD	15.1	14.8	18.5	-0.3	0.2	-0.4
USD/PEN	12.7	12.2	15.4	-0.2	0.2	-0.5
USD/PHP	9.2	10.6	17.6	-0.3	-0.3	-0.5
USD/INR	7.9	16.8	16.3	-0.2	-0.4	-0.5
USD/MYR	0.0	5.3	20.3	0.0	-0.2	-1.5
USD/Other currencies	21.4	24.6	20.9	-1.6	-0.3	-1.6
Sale of USD against foreign currencies						
USD/IDR	23.2	22.1	0.0	1.3	0.8	0.0
USD/CNY	0.0	0.0	46.1	0.0	0.0	1.4
Purchase of CNY against foreign currencies						
CNY/IDR	32.4	27.3	0.0	-2.1	-1.5	0.0
CNY/THB	27.8	17.1	0.0	-0.8	-0.2	0.0
CNY/INR	24.8	14.6	0.0	-0.7	-0.6	0.0
CNY/PHP	17.7	9.5	0.0	-0.7	-0.4	0.0
CNY/Other currencies	8.4	8.9	0.0	-0.2	0.0	0.0
Other currencies pairs						
JPY/CNY	45.2	29.0	21.5	-1.0	0.1	-1.7
KRW/CNY	11.5	0.0	0.0	0.0	0.0	0.0
PLN/RUB	7.9	10.4	14.9	-0.5	0.5	0.3
Others	30.8	29.1	29.6	-0.8	-0.5	-1.5
Currency futures total	**2,396.5**	**1,806.7**	**1,449.3**	**-58.9**	**-38.4**	**-9.9**

€ millions	Notional			Market value		
	31.12.2019	31.12.2018	31.12.2017	31.12.2019	31.12.2018	31.12.2017
Currency options						
EUR/CNY	63.5	100.9	37.8	1.7	2.3	1.7
EUR/TRY	19.7	31.5	0.7	1.3	4.1	0.1
EUR/USD	15.7	0.0	25.4	0.3	0.0	1.8
EUR/BRL	9.9	35.4	4.6	0.8	1.8	0.5
USD/BRL	7.8	22.8	4.8	0.6	0.9	0.2
EUR/RUB	0.0	0.0	76.7	0.0	0.0	4.0
Other currencies	3.0	0.0	16.1	0.0	0.0	0.6
Currencies options total	**119.6**	**190.6**	**166.1**	**4.7**	**9.1**	**8.9**
of which total options purchased	119.6	190.6	166.1	4.7	9.1	8.9
of which total options sold	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL INSTRUMENTS	**2,516.1**	**1,997.3**	**1,615.4**	**-54.2**	**-29.3**	**-1.0**

NOTE 23. Transactions and balances with related entities and parties

All material related-party transactions were entered into on an arm's length basis.

NOTE 24. Off-balance sheet commitments

24.1. Lease commitments

Operating lease commitments amounted to €77.5 million due in less than one year, €277.7 million due between one and five years and €72.3 million due after five 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 19.

Other off-balance sheet commitments can be broken down as follows:

€ millions	31.12.2019	31.12.2018	31.12.2017
Commitments in connection with employee retirement obligations and related benefits (1)	246.1	9.0	-97.7
Commitments to buy out non-controlling interests	9.9	9.3	8.6
Guarantees given (2)	1,865.6	1,799.4	1,741.4
Guarantees received	3.7	3.7	3.8
Capital expenditure orders	95.1	77.3	84.6
Documentary credits	-	-	-

(1) The discount rate used in 2019 to measure commitments was 0.70% for plans providing for the payment of capital and 1.10% for annuity plans, compared with 1.75% and 2.00% respectively in 2018, and 1.50% and 1.75% in 2017.
An agreement for the pooling of employee-related liabilities was set up in 2004. Pursuant to this agreement, commitments are allocated among the French companies in the Group and their financing is organised in proportion to their respective payroll costs (customised for each plan) so that the companies are joint and severally liable for meeting the aforementioned commitments within the limit of the collective funds built up.
(2) This line includes miscellaneous guarantees and warranties, including €1,798.5 million at 31 December 2019 on behalf of the Group's direct and indirect subsidiaries, compared with €1,774.8 million at 31 December 2018 and €1,709.1 million at 31 December 2017. Seller's warranties are also included in this amount as appropriate. This line also includes a commitment to pay toward the Notre Dame Cathedral Reconstruction fund.

24.3. Contingent liabilities

In the ordinary course of its operations, L'Oréal is involved in legal actions and is subject to tax assessments, customs controls and administrative audits. The Company sets aside a provision when a risk is found to exist and the related cost can be reliably estimated.

No exceptional event or dispute is highly likely to have a material impact on the earnings, financial position, assets or operations of the Company.

NOTE 25. Changes in working capital

Changes in working capital can be broken down as follows:

€ millions	31.12.2019	31.12.2018	31.12.2017
Inventories	6.5	-11.2	-15.7
Accounts Receivable	-15.7	87.6	214.0
Accounts Payable	-221.8	5.4	94.1
TOTAL	**-231.0**	**81.8**	**292.4**

NOTE 26. Changes in other financial assets

This line primarily includes cash flows relating to financial instruments, classified as Marketable Securities, and cash flows associated with collateral posted with the Group's bank, classified as Financial assets. The deposit was reimbursed at end-2018 due to the merger of the Group bank at 31 December 2018 into the Company running the Group's treasury operations.

NOTE 27. Cash and cash equivalents at the end of the year

Cash and cash equivalents can be broken down as follows:

€ millions	31.12.2019	31.12.2018	31.12.2017
Cash	2,463.5	1,496.9	806.5
Accrued interest receivable	-	-	-
Bank overdrafts and financing with the Group's cash pool (see note 19)	-	-	-
Accrued interest payable	-0.2	-0.3	-0.4
NET CASH AND CASH EQUIVALENTS	**2,463.3**	**1,496.6**	**806.1**

NOTE 28. Other information

Statutory audit fees are presented in note 15 to the Consolidated Financial Statements.

NOTE 29. Subsequent events

On 4 February 2020, after some strategic thinking to ensure the best possible development for the Roger & Gallet brand, L'Oréal announced it had entered into negotiations with the French investment holding company Impala to sell Roger & Gallet.

The project will be subject to an information-consultation phase between employee representative bodies of L'Oréal and could be finalised by this summer.

NOTE 30. Table of subsidiaries and holdings

Table of subsidiaries and holdings at 31 December 2019 (€ thousands)

DETAILED INFORMATION

	Capital	Reserves and retained earnings before appropriation of net profit	% holding	Acquisition cost	Book value of shares held gross (after revaluation) Gross	Net	Profit or loss in last year	Dividends [1] booked during the year
A. Main french subsidiaries (Holdings of over 50%)								
Beauté, Recherche & Industries	1,069	15,045	100.00	9,495	9,495	9,495	6,432	8,056
Chimex	1,958	9,916	100.00	19,955	21,501	21,501	4,766	3,410
Cosmétique Active France	24	7	100.00	300,622	300,622	300,622	12,636	22,055
Cosmétique Active International	19	13,947	88.97	15,100	15,100	15,100	167,800	26,304
Cosmétique Active Production	186	19,279	80.13	5,049	5,081	5,081	6,292	4,093
EpiSkin	13,609	9,485	99.89	17,978	17,978	17,978	671	-
Fapagau & Cie	15	3,972	79.00	12	12	12	8,655	6,290
Faproreal	11,944	4,301	100.00	11,953	11,953	11,953	4,822	-
Finval	19,516	142,736	100.00	75,677	75,677	75,677	27,950	1,182
Gemey Paris – Maybelline New York	35	8,245	99.96	46	46	46	4,509	5,181
Holdial	1	-	98.00	1	1	1	1,603	263
L & J Ré	1,500	10,632	100.00	1,500	1,500	1,500	-151	-
La Roche-Posay Laboratoire Pharmaceutique	380	4,578	99.98	27,579	27,579	27,579	225,351	23,504
Nutricos Technologies	535	385	50.00	38,125	38,125	-	-181	-
Laboratoire Sanoflore	10	1,147	100.00	5,197	5,197	1,697	722	696
L'Oréal Produits de Luxe France	84	56,284	100.00	57,233	57,233	57,233	5,334	9,783
L'Oréal Produits de Luxe International	98	78,693	99.85	75,350	75,350	75,350	29,945	43,918
LOA3	90,402	-35,805	100.00	90,400	90,400	53,624	-272	-
BOLD (Business Opportunities for L'Oréal Development)	16,253	11,852	100.00	28,603	28,603	28,603	-6,267	-
LOA6	3	-7	100.00	3	3	3	-3	-
LOA7	3	-19	100.00	3	3	3	-6	-
Real Campus by L'Oréal	2,705	-13	100.00	2,705	2,705	2,705	-1,383	-
Prestige & Collections International	76	1,779	99.80	92,676	92,676	92,676	420,880	113,372
Magic Holdings International Limited	10,197	80,099	100.00	615,198	615,198	226,398	-739	-
Sicôs & Cie	375	9,033	100.00	386	1,076	1,076	11,546	6,313
Soprocos	8,250	10,431	100.00	8,521	11,904	11,904	9,531	7,324
Soproréal	15	3,914	99.90	15	15	15	-541	3,476
Sparlys	5,477	2,309	100.00	8,553	8,553	8,553	2,743	600
Thermes De Saint Gervais Les Bains Le Fayet	1,047	7,006	100.00	22,942	22,942	22,942	-531	-
B. Main french investments (Holdings of under 50%)								
Sanofi [2]	2,507,692		9.43	423,887	423,887	423,887		362,958

(1) The SNCs (general partnership), and Sociétés civiles (non trading companies), that are not tax consolidated, distributed profits.
(2) Listed company. At the end of 2019, L'Oréal owned 118,227,307 shares. Their market value at 31 December 2019 amounted to €10,595,531 thousand.

	Capital	Reserves and retained earnings before appropriation of net profit	% holding	Acquisition cost	Book value of shares held gross (after revaluation) Gross	Net	Profit or loss in last year	Dividends [1] booked during the year
A. Main foreign subsidiaries (Holdings of over 50%)								
Atelier Cologne (Luxembourg)	1,210	15,725	100.00	106,978	106,978	14,625	-631	-
Beautycos International Co. Ltd (China)	52,482	27,016	73.46	46,195	46,195	46,195	15,972	12,505
Beautylux International Cosmetics (Shanghai) Co. Ltd (China)	5,629	-442	100.00	16,871	16,871	4,871	198	-
Biotherm (Monaco)	152	16	99.80	3,505	3,545	3,545	7,369	5,690
Canan Kozmetik Sanayi Ve Ticaret A.S. (Turkey)	6,451	7,475	100.00	30,290	30,290	21,290	415	1,622
Cosmelor Ltd (Japan)	548	18,455	100.00	35,810	35,810	20,810	-206	-
Cosmephil Holdings Corporation (Philippines)	171	-139	100.00	400	400	14	-	-
Egyptelor LLC (Egypt)	6	368	99.80	7	7	7	110	-
Elebelle (Proprietary) Ltd (South Africa)	806	26,368	100.00	61,123	61,123	49,519	2,614	2,480
Erwiton S.A. (Uruguay)	147	-446	100.00	3	3	3	8,443	5,611
Interbeauty Cosmetics Ltd (Israel)	4,137	15,561	92.97	38,497	38,497	38,497	9,987	8,649
Kosmepol Sp. z.o.o. (Poland)	38,844	62,914	99.73	48,965	48,965	48,965	3,377	6,945
L'Oréal Adria d.o.o. (Croatia)	131	3,955	100.00	1,503	1,503	1,503	-1,709	5,635
L'Oréal Argentina SA (Argentina)	72,530	-43,345	95.00	148,602	148,602	26,702	11,917	-
L'Oréal Australia Pty Ltd	2,711	14,123	100.00	33,516	33,867	33,867	44,936	43,315
L'Oréal Balkan d.o.o. (Serbia)	1,283	-357	100.00	1,285	1,285	1,285	2,331	1,707
L'Oréal Baltic SIA (Latvia)	387	-18	100.00	529	529	529	4,309	5,637
L'Oréal Bangladesh Ltd (Bangladesh)	154	-1,585	100.00	154	154	154	-67	-
L'Oréal Brasil	315,133	-72,155	90.82	287,835	287,835	287,835	6,206	24,624
L'Oréal Belgilux S.A. (Belgium)	16,124	18,173	98.93	59,871	77,150	77,150	31,155	34,775
L'Oréal Brasil Pesquisas e Inovacao Ltda	45,887	-6,007	99.99	45,654	45,654	45,654	1,187	-
L'Oréal Bulgaria EOOD	102	700	100.00	102	102	102	3,975	3,644
L'Oréal Canada Inc.	3,979	73,712	100.00	146,517	146,517	146,517	56,321	79,531
L'Oréal Central America (Panama)	8	-389	100.00	8	8	8	-93	-
L'Oréal Central West Africa (Nigeria)	3,443	-3,435	99.91	18,106	18,106	106	-	-
L'Oréal Ceska Republika s.r.o (Czech Republic)	2,268	1,540	100.00	4,983	4,983	4,983	4,406	13,347
L'Oréal Chile S.A. (Chile)	6,173	8,146	100.00	43,784	43,784	43,784	28,136	26,350
L'Oréal China Co Ltd (China)	43,498	105,920	100.00	345,733	345,733	345,733	441,407	337,673
L'Oréal Colombia S.A. (Colombia)	16,160	43,628	100.00	80,419	80,419	61,419	2,712	-
L'Oréal Cosmetics Industry S.A.E (Egypt)	58,382	-31,442	100.00	58,363	58,363	23,363	-4,516	-
L'Oréal Côte d'Ivoire	99	-1,146	100.00	100	100	-	-750	-
L'Oréal Danmark A/S (Denmark)	270	5,508	100.00	7,929	8,336	8,336	15,015	13,713
L'Oréal Deutschland Gmbh (Germany)	12,647	278,661	100.00	72,259	76,855	76,855	154,879	239,564
L'Oréal East Africa Ltd (Kenya)	301	19,852	99.91	42,050	42,050	11,050	-6,292	-
L'Oréal Ecuador (Ecuador)	9	-	99.99	9	9	9	-	-
L'Oréal España S.A. (Spain)	59,911	20,734	63.86	299,154	299,154	299,154	40,851	55,524

	Capital	Reserves and retained earnings before appropriation of net profit	% holding	Acquisition cost	Book value of shares held gross (after revaluation) Gross	Net	Profit or loss in last year	Dividends [1] booked during the year
L'Oréal Finland Oy (Finland)	673	74	100.00	1,280	1,280	1,280	5,474	8,856
L'Oréal Guatemala S.A.	1,044	1,173	100.00	2,162	2,162	2,162	851	962
L'Oréal Hellas S.A. (Greece)	9,736	3,828	100.00	34,821	35,307	35,307	16,464	16,243
L'Oréal Hong-Kong Ltd	-77	22,593	99.97	24,276	24,276	24,276	-14,004	653,488
L'Oréal India Private Ltd (India)	48,691	-11,663	100.00	75,987	75,987	75,987	35,677	32,248
L'Oréal Investments B.V. (The Netherlands)	18	-1	100.00	18	18	18	-	-
L'Oréal Italia Spa	1,680	53,042	100.00	226,469	226,469	226,469	26,255	66,430
L'Oréal Kazakhstan Llp (Kazakhstan)	422	522	100.00	422	422	422	1,418	3,728
L'Oréal Korea Ltd (Korea)	1,991	7,779	100.00	20,794	20,794	20,794	2,759	-
L'Oréal Liban SAL	-428	1,525	99.98	4,135	4,135	4,135	8,537	18,969
L'Oréal Magyarorszag Kosmetikai Kft (Hungary)	428	-82	100.00	787	787	787	5,866	5,676
L'Oréal Malaysia SDN BHD (Malaysia)	3,268	7,615	100.00	6,762	6,762	6,762	19,051	13,605
L'Oréal Mexico S.A. de C.V. (Mexico)	2,349	69,493	100.00	8,443	8,443	8,443	37,112	37,604
L'Oréal Middle East (United Arab Emirates)	7,761	2,301	100.00	54,379	54,379	44,379	40,143	5,887
L'Oréal Nederland B.V. (The Netherlands)	1,178	159	100.00	18,869	22,014	22,014	27,993	28,972
L'Oréal New Zealand Ltd (New Zealand)	44	2,587	100.00	6,110	6,110	6,110	6,432	6,858
L'Oréal Norge A/S (Norway)	1,384	2,415	100.00	4,050	4,050	4,050	4,058	8,865
L'Oréal Osterreich Gmbh (Austria)	2,915	1,786	100.00	3,417	3,818	3,818	11,344	12,445
L'Oréal Pakistan Private Ltd	17,313	-20,490	100.00	17,534	17,534	-	-4,781	-
L'Oréal Panama S.A.	159	1,887	100.00	168	168	168	-2,949	846
L'Oréal Peru S.A. (Peru)	2,322	565	100.00	3,739	3,739	3,739	3,718	2,994
L'Oréal Philippines, Inc.	1,736	6,425	99.53	39,107	39,107	16,107	6,912	-
L'Oréal Polska Sp. Z.O.O. (Poland)	405	847	100.00	707	707	707	34,338	39,526
L'Oréal Portugal Lda	495	403	100.00	6,289	6,459	6,459	14,514	14,661
L'Oréal Romania SRL (Romania)	799	25	100.00	974	974	974	10,857	10,323
L'Oréal Saudi Arabia (Saudi Arabia)	5,682	-689	74.63	4,260	4,260	4,260	4,375	-
L'Oréal Singapore Pte Ltd (Singapore)	1,165	8,626	100.00	18,991	18,991	18,991	6,238	4,895
L'Oréal Slovenija kosmetika d.o.o. (Slovenia)	465	193	100.00	856	856	856	266	6,882
L'Oréal Slovensko s.r.o. (Slovakia)	98	868	100.00	173	173	173	3,125	3,051
L'Oréal Suisse S.A.	346	12,014	100.00	160,173	160,311	160,311	23,326	21,593
L'Oréal Sverige AB (Sweden)	2,038	1,041	100.00	2,247	2,247	2,247	12,396	13,690
L'Oréal Taiwan Co Ltd (Taiwan)	187	58	100.00	17,881	17,881	17,881	30,890	26,867
L'Oréal Thailand Ltd	3,992	3,915	100.00	5,238	5,238	5,238	44,475	40,173
L'Oréal Turkiye Kozmetik Sanayi Ve Ticaret Anonim Sirketi	39,142	-19,947	100.00	55,093	55,093	40,093	16,744	6,667
L'Oréal UK Ltd (United Kingdom)	121,150	-53,256	100.00	139,351	145,573	145,573	122,150	144,946
L'Oréal Ukraine	3,033	498	100.00	2,990	2,990	2,990	13,084	14,789
L'Oréal Uruguay S.A.	244	3,144	100.00	2,718	2,718	2,718	4,296	3,864
L'Oréal USA Inc. [3]	647,731	3,657,043	100.00	4,851,879	4,851,879	4,851,879	620,359	915,986
L'Oréal Venezuela C.A.	-	-33	100.00	26,953	26,953	0	-11,763	-
L'Oréal Vietnam Co Ltd	13,537	-15,659	100.00	13,646	13,646	0	2,657	-
L'Oréal West Africa Ltd (Ghana)	14,469	-14,373	100.00	17,260	17,260	0	-3,290	-

	Capital	Reserves and retained earnings before appropriation of net profit	% holding	Acquisition cost	Book value of shares held gross (after revaluation) Gross	Net	Profit or loss in last year	Dividends [1] booked during the year
Masrelor LLC (Egypt)	17,686	-9,687	100.00	17,573	17,573	2,073	-17	-
Nanda CO Ltd (Korea)	196	139,798	100.00	629,871	629,871	629,871	37,027	20,071
Nihon L'Oréal KK (Japan)	-17,697	158,758	100.00	351,452	351,504	351,504	17,318	22,371
Oomes B.V. (Netherlands)	6,354	55,956	100.00	144,312	144,312	144,312	31,375	31,397
L'Oréal Travel Retail Americas Inc. (USA)	40	-6,980	100.00	100,317	100,317	100,317	20,289	29,844
Procosa Productos de Beleza Ltda (Brazil)	154,342	22,578	100.00	223,938	223,938	223,938	-915	2,488
P.T. L'Oréal Indonesia	1,510	5,467	99.00	2,305	2,305	2,305	7,840	3,488
P.T. Yasulor Indonesia	73,931	1,047	99.99	110,022	110,022	79,022	941	-
Scental Limited (Hong Kong)	5	197	100.00	8	8	8	-	-
Venprobel (Venezuela)	-	-	100.00	2,722	2,722	0	-	-
B. Main foreign investments (Holdings of under 50%)								
LIPP Distribution (Tunisia)	3,561	3,247	49.00	9,009	9,009	9,009	507	-
L'Oréal UAE General Trading LLC (United Arab Emirates)	72	-13	49.00	35	35	35	4,777	7,801

(1) For foreign subsidiaries and investments, the capital reserves and retained earnings have been translated into thousands of euros on the basis of year-end exchanges rates, while profits and losses have been translated at average rate.
(2) It is specified that the list above is not exclusive.
(3) Figures from the sub-consolidation of L'Oréal USA INC.

GLOBAL INFORMATION RELATING TO SUBSIDIARIES AND INVESTMENTS

	Subsidiaries		Other investments	
	French	**Foreign**	**French**	**Foreign**
Book value of shares held:				
• Gross (after revaluation)	1,536,543	9,584,323	433,887	9,045
• Net	1,069,342	9,046,365	433,887	9,045
Amount of loans and advances granted		40,495		
Amount of guarantees and security granted	7,037	1,791,452		
Amount of dividends booked	285,839	3,230,782	364,083	7,802

6.6. OTHER INFORMATION RELATING TO THE FINANCIAL STATEMENTS OF L'ORÉAL S.A.

6.6.1. Expenses and charges falling under Article 223 quater of the French Tax Code

The total amount of expenses and charges falling under Article 223 quater of the French General Tax Code and the amount of tax applicable to such expenses and charges are as follows:

Expenses and charges	**€2.5 million**
Corresponding tax	€0.9 million

6.6.2. Invoices issued and received but not paid at the end of the financial year and in arrears

In accordance with the French law on the Modernisation of the Economy of 4 August 2008 and Articles L. 441-6-1 and D. 441-4 of the French Commercial Code, invoices issued and received not paid at 31 December 2019 and in arrears are broken down as follows:

INVOICES RECEIVED AND ISSUED NOT PAID AT THE END OF THE FINANCIAL YEAR AND IN ARREARS (TABLE FORESEEN IN I OF ARTICLE D. 441-4)

€	Article D. 441-I.-1: invoices received not paid at the end of the financial year and in arrears						Article D. 441-I.-2: invoices issued not paid at the end of the financial year and in arrears					
	0 days (indicative)	1-30 days	31-60 days	61-90 days	91 days and more	Total (1 day and more) [(1)]	0 days (indicative)	1-30 days	31-60 days	61-90 days	91 days and more	Total (1 day and more)
(A) Late payment tranches												
Number of invoices concerned	37					729	6,410					24,432
Total amount of invoices concerned, including taxes	-288,843	561,269	57,230	98,828	24,023	741,350	5,952,458	41,371,360	9,473,158	4,505,877	21,785,830	77,136,225
Percent of total amount of purchases for the financial year, including taxes	-0.01%	0.02%	0.00%	0.00%	0.00%	0.02%						
Percent of sales for the financial year, including taxes							0.12%	0.84%	0.19%	0.09%	0.44%	1.57%
(B) Invoices excluded from (A) because of disputed or unrecognised payables and receivables												
Number of excluded invoices						1,757						640
Total amount of excluded invoices						10,823,574						2,807,163
(C) Benchmark payment terms used (contractual or statutory term, Article L. 441-6 or L. 443-1 of the French Commercial Code)												
Benchmark payment terms used to calculate late payments	Statutory payment terms: 45 days from end of month						Statutory payment terms: 45 days from end of month					

(1) Including invoices due to L'Oréal Group companies (intra-group):
351,860 euros in invoices received, i.e. 47% of the total amount;
57,717,993 euros in invoices issued, i.e. 75% of the total amount.

6.6.3. Net sales (excluding taxes)

€ millions	2019	2018	% change
1st quarter	1,074.3	1,018.5	5.48%
2nd quarter	1,034.9	1,003.7	3.11%
3rd quarter	992.4	918.4	8.06%
4th quarter	1,029.4	947.8	8.60%
TOTAL	**4,131.0**	**3,888.4**	**6.24%**

This includes sales of goods net of any rebates and discounts granted, along with services provided and technology royalties.

6.7. FIVE-YEAR FINANCIAL SUMMARY

L'Oréal company (excluding subsidiaries)

€ millions (except for earnings per share, shown in €)	2015	2016	2017	2018	2019
I. Financial situation at financial year-end					
a) Share capital	112.6	112.4	112.1	112.1	111.6
b) Number of shares	562,983,348	561,855,741	560,519,088	560,396,652	558,117,205 (1)
c) Number of convertible bonds					
II. Overall results of operations					
a) Net pre-tax sales	2,967.6	3,053.1	3,613.5	3,888.4	4,131.0
b) Pre-tax profit before depreciation, amortisation, provisions and reversals of provisions (including provision for investment activities and profit-sharing reserve)	3,024.7	3,158.0	2,917.8	4,017.1	4,658.7
c) Income tax	+23.3	+113.1	+166.0	+6.9	-82.7
d) Net profit	3,055.4	3,014.4	3,051.7	3,594.9	4,105.8
e) Amount of distributed profits	1,741.9	1,857.7	2,006.6	2,176.7	2,391.6 (2)
III. Results of operations per share					
a) Profit after tax and profit-sharing, but before depreciation, amortisation and provisions	5.38	5.79	5.47	7.14	8.12
b) Net profit	5.43	5.36	5.44	6.41	7.36
c) Dividend paid on each share (not including tax credit)	3.10	3.30	3.55	3.85	4.25 (2)
IV. Personnel					
a) Number of employees	6,385	6,653	7,060	7,510	7,692
b) Total salaries	560.9	569.8	612.2	667.4	692.3
c) Amount paid for welfare benefits (social security, provident schemes, etc.)	265.0	257.2	286.4	312.0	346.2

(1)The share capital comprises 558,117,205 shares with a par value of €0.2 following the subscription of 785,408 shares through the exercise of options, the issue of eight shares under the employee shareholding plan, the grant of 706,262 free shares and the cancellation of 3,771,125 treasury shares.
(2)The dividend will be proposed to the Annual General Meeting of 21 April 2020.

6.8. INVESTMENTS (MAIN CHANGES INCLUDING SHAREHOLDING THRESHOLD CHANGES)

INVESTMENTS

(main changes including shareholding threshold changes >5%)

€ millions	At 31.12.2018 Including revaluation		Acquisitions		Subscriptions		Others		At 31.12.2019	
Headings	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Atelier Cologne (Luxembourg)	101.5	100.0					5.5		107.0	100.0
L'Oréal West Africa	15.0	100.0					2.3		17.3	100.0
Cosmétique Active France	0.1	62.0	300.5						300.6	100.0
Lehoux & Jacque	0.3	100.0					-0.3	[1]	-	-
L'Oréal Liban	7.7	100.0					-3.6	[2]	4.1	100.0
Bold	8.6	100.0			20.0				28.6	100.0
Real Campus by L'Oréal	n/s	100.0			2.7				2.7	100.0
L'Oréal East Africa	39.6	99.9			2.4				42.0	99.9
Lancôme Parfums et Beauté	3.2	100.0					-3.2	[1]	-	-
Prestige et Collections International	25.4	59.5					67.2	[1]	92.7	99.8
L'Oréal Colombia	74.4	100.0					6.0		80.4	100.0
Nanda Co	573.4	100.0					56.5		629.9	100.0
L'Oréal Ecuador	n/s	0.0			n/s				n/s	100.0
L'Oréal Pakistan	16.9	100.0					0.6		17.5	100.0
L'Oréal Produits de Luxe International	73.9	99.4					1.5		75.4	99.8
Sicôs & Cie	1.0	80.0					0.1	[1]	1.1	100.0
L'Oréal Produits de Luxe France	56.3	99.4	0.9				0.1	[1]	57.2	100.0

(1) Complete transfer of assets and liabilities/merger.
(2) Capital reduction.

6.9. STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

(For the year ended December 31, 2019)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

L'Oréal

14, rue Royale

75008 Paris, France

To the Shareholders,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of L'Oréal for the year ended December 31, 2019.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at December 31, 2019 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.