2023 Consolidated Financial Statements AFR

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AFR *This information forms an intregral 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 head office in France. It acts as a holding company and provides strategic coordination, particularly for brands, as well as reasearch, innovation and technical coordination for the L'Oréal Group throughout the world. At the same time, it performed a sales activity until this activity was subsidiarised on 1 July 2023 to the companies L'Oréal France and L'Oréal International Distribution, as approved by the Annual General Meeting of 21 April 2023 in its 19th and 20th resolutions.

The subsidiaries operate the Group's business activities in the countries or region(s) in which they are located, on the domestic or the export markets. To do so, they define the development strategy specific to their market(s), make the most suitable choices in terms of consumer targets and distribution channels, and manufacture, directly or indirectly, and market the brands they decide to sell on their market(s).

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	2023	2022	2021
Net sales	**3.1**	**41,182.5**	**38,260.6**	**32,287.6**
Cost of sales		-10,767.0	-10,577.4	-8,433.3
Gross profit		**30,415.5**	**27,683.3**	**23,854.3**
Research & Innovation expenses		-1,288.9	-1,138.6	-1,028.7
Advertising and promotion expenses		-13,356.6	-12,059.0	-10,591.0
Selling, general and administrative expenses		-7,626.7	-7,028.8	-6,074.2
Operating profit	**3.1**	**8,143.3**	**7,456.9**	**6,160.3**
Other income and expenses	4	-449.9	-241.5	-432.0
Operational profit		**7,693.4**	**7,215.4**	**5,728.3**
Finance costs on gross debt		-226.7	-70.4	-38.0
Finance income on cash and cash equivalents		162.1	69.8	18.5
Finance costs, net		**-64.6**	**-0.6**	**-19.4**
Other financial income and expenses	9.4	-48.8	-72.3	-40.2
Sanofi dividends		420.9	468.2	378.3
Profit before tax and associates		**8,001.0**	**7,610.6**	**6,046.9**
Income tax	6	-1,810.6	-1,899.4	-1,445.4
Share of profit in associates		0.2	1.4	0.6
Net profit		**6,190.5**	**5,712.6**	**4,602.2**
Attributable to:				
• owners of the company		6,184.0	5,706.6	4,597.1
• non-controlling interests		6.5	6.0	5.1
Earnings per share attributable to owners of the company *(euros)*		11.55	10.65	8.24
Diluted earnings per share attributable to owners of the company *(euros)*		11.52	10.61	8.21
Earnings per share attributable to owners of the company, excluding non-recurring items *(euros)*	11.4	12.11	11.30	8.86
Diluted earnings per share attributable to owners of the company, excluding non-recurring items *(euros)*	11.4	12.08	11.26	8.82

5.2. Consolidated Statement of Comprehensive Income

€ millions	Notes	2023	2022	2021
Consolidated net profit for the period		**6,190.5**	**5,712.6**	**4,602.2**
Cash flow hedges		-137.3	288.5	-203.7
Cumulative translation adjustments		-425.8	195.1	610.5
Income tax on items that may be reclassified to profit or loss[1]		22.7	-58.0	41.5
Items that may be reclassified to profit or loss		**-540.3**	**425.6**	**448.3**
Financial assets at fair value through other comprehensive income	9.3	-76.3	152.1	1,192.2
Actuarial gains and losses	11.3	-119.3	395.6	585.5
Income tax on items that may not be reclassified to profit or loss[1]		28.9	-111.5	-181.7
Items that may not be reclassified to profit or loss		**-166.7**	**436.2**	**1,596.0**
Other comprehensive income		**-707.0**	**861.8**	**2,044.3**
CONSOLIDATED COMPREHENSIVE INCOME		**5,483.6**	**6,574.4**	**6,646.5**
Attributable to:				
• owners of the company		5,477.7	6,567.6	6,641.4
• non-controlling interests		5.9	6.8	5.1

(1) The tax effect is as follows:

€ millions	2023	2022	2021
Cash flow hedges	22.7	-58.0	41.5
Items that may be reclassified to profit or loss	**22.7**	**-58.0**	**41.5**
Financial assets at fair value through other comprehensive income	-1.3	-6.1	-37.3
Actuarial gains and losses	30.2	-105.5	-144.4
Items that may not be reclassified to profit or loss	**28.9**	**-111.5**	**-181.7**
TOTAL	**51.6**	**-169.5**	**-140.2**

5.3. Compared Consolidated Balance Sheets

ASSETS

€ millions	Notes	31.12.2023	31.12.2022	31.12.2021
Non-current assets		**35,529.7**	**32,794.5**	**30,937.6**
Goodwill	7.1	13,102.6	11,717.7	11,074.5
Other intangible assets	7.2	4,287.1	3,640.1	3,462.8
Right-of-use assets	3.2	1,692.4	1,482.7	1,507.6
Property, plant and equipment	3.2	3,867.7	3,481.7	3,266.2
Non-current financial assets	9.3	11,631.6	11,652.8	10,920.2
Investments accounted for under the equity method	8	27.0	18.4	9.9
Deferred tax assets	6.3	921.2	801.1	696.5
Current assets		**16,325.4**	**14,049.6**	**12,075.8**
Inventories	3.3	4,482.4	4,079.4	3,166.9
Trade accounts receivable	3.3	5,092.7	4,755.5	4,021.0
Other current assets	3.3	2,270.6	2,423.2	2,037.9
Current tax assets		191.6	173.9	136.2
Cash and cash equivalents	9.2	4,288.1	2,617.7	2,713.8
TOTAL		**51,855.1**	**46,844.2**	**43,013.4**

EQUITY & LIABILITIES

€ millions	Notes	31.12.2023	31.12.2022	31.12.2021
Equity	**11**	**29,081.6**	**27,186.5**	**23,592.6**
Share capital		106.9	107.0	111.5
Additional paid-in capital		3,370.2	3,368.7	3,265.6
Other reserves		13,799.1	11,675.6	19,092.2
Other comprehensive income		6,123.8	6,404.4	5,738.6
Cumulative translation adjustments		-509.6	-83.8	-279.1
Treasury shares		—	—	-8,940.2
Net profit attributable to owners of the company		6,184.0	5,706.6	4,597.1
Equity attributable to owners of the company		**29,074.3**	**27,178.5**	**23,585.7**
Non-controlling interests		7.3	8.0	6.9
Non-current liabilities		**7,873.9**	**5,937.9**	**2,837.6**
Provisions for employee retirement obligations and related benefits	5.4	562.0	457.9	360.6
Provisions for liabilities and charges	12.1	68.8	67.7	63.8
Non-current tax liabilities	6	255.7	275.6	344.8
Deferred tax liabilities	6.3	846.6	905.6	810.3
Non-current borrowings and debt	9.1	4,746.7	3,017.6	10.7
Non-current lease debt	9.1	1,394.2	1,213.5	1,247.5
Current liabilities		**14,899.7**	**13,719.6**	**16,583.2**
Trade accounts payable		6,347.0	6,345.6	6,068.1
Provisions for liabilities and charges	12.1	977.2	1,205.6	1,223.3
Other current liabilities	3.4	4,816.1	4,484.6	3,980.8
Income tax		208.1	264.2	268.9
Current borrowings and debt	9.1	2,091.5	1,012.8	4,619.4
Current lease debt	9.1	459.8	407.0	422.8
TOTAL		**51,855.1**	**46,844.2**	**43,013.4**

5.4. Consolidated Statements of Changes in Equity

€ millions	Common shares outstanding	Capital	Additional paid-in capital	Retained earnings and net profit[1]	Other comprehen-sive income	Treasury shares	Cumulative translation adjustments	Equity attributable to owners of the company	Non-controlling interests	Total equity
At 31.12.2020	**559,871,580**	**112.0**	**3,259.8**	**22,206.0**	**4,304.5**	**—**	**-889.1**	**28,993.0**	**5.8**	**28,998.8**
Consolidated net profit for the period				4,597.1				4,597.1	5.1	4,602.2
Cash flow hedges					-161.9			-161.9	-0.3	-162.2
Cumulative translation adjustments							610.2	610.2	0.3	610.5
Other comprehensive income that may be reclassified to profit and loss					**-161.9**		**610.2**	**448.3**	**—**	**448.3**
Financial assets at fair value through other comprehensive income					1,154.9			1,154.9		1,154.9
Actuarial gains and losses					441.1			441.1		441.1
Other comprehensive income that may not be reclassified to profit and loss					**1,596.0**			**1,596.0**	**—**	**1,596.0**
Consolidated comprehensive income				**4,597.1**	**1,434.1**		**610.2**	**6,641.4**	**5.1**	**6,646.5**
Capital increase	800,780		5.8					5.8		5.8
Cancellation of Treasury shares		-0.5		-1,104.3		1,104.8		—		—
Dividends paid (not paid on Treasury shares)				-2,264.4				-2,264.4	-4.7	-2,269.1
Share-based payment				155.2				155.2		155.2
Net changes in Treasury shares	-25,260,000					-10,045.0		-10,045.0		-10,045.0
Changes in the scope of consolidation								—		—
Other movements[1]				99.8				99.8	0.6	100.4
At 31.12.2021	**535,412,360**	**111.5**	**3,265.6**	**23,689.3**	**5,738.6**	**-8,940.2**	**-279.1**	**23,585.7**	**6.9**	**23,592.6**
Impact of the application of the IFRIC decision on SaaS contracts				-151.2				-151.2		-151.2
At 01.01.2022[2]	**535,412,360**	**111.5**	**3,265.6**	**23,538.1**	**5,738.6**	**-8,940.2**	**-279.1**	**23,434.5**	**6.9**	**23,441.4**
Consolidated net profit for the period				5,706.6				5,706.6	6.0	5,712.6
Cash flow hedges					229.7			229.7	0.8	230.5
Cumulative translation adjustments							195.3	195.3	-0.2	195.1
Other comprehensive income that may be reclassified to profit and loss					**229.7**		**195.3**	**425.0**	**0.6**	**425.6**
Financial assets at fair value through other comprehensive income					146.1			146.1		146.1
Actuarial gains and losses					290.0			290.0	0.1	290.1
Other comprehensive income that may not be reclassified to profit and loss					**436.1**			**436.1**	**0.1**	**436.2**
Consolidated comprehensive income				**5,706.6**	**665.8**		**195.3**	**6,567.6**	**6.8**	**6,574.4**
Capital increase	1,317,073	0.3	103.1	-0.2				103.2		103.2
Cancellation of Treasury shares		-4.8		-9,437.7		9,442.5		—		—
Dividends paid (not paid on Treasury shares)				-2,601.2				-2,601.2	-4.4	-2,605.6
Share-based payment				169.0				169.0		169.0
Net changes in Treasury shares	-1,542,871					-502.3		-502.3		-502.3
Changes in the scope of consolidation								—		—
Other movements				7.6				7.6	-1.2	6.4
At 31.12.2022	**535,186,562**	**107.0**	**3,368.7**	**17,382.2**	**6,404.4**	**—**	**-83.8**	**27,178.5**	**8.0**	**27,186.5**

(1) Of which €102.2 million pertaining to the IFRIC 2021 interpretation on IAS19 "Employee Benefits" on Attributing Benefit to Periods of Service.
(2) After taking account of the IFRIC final decision in April 2021 on set-up and customization costs for SaaS-type contracts software (note 1).

€ millions	Common shares outstanding	Capital	Additional paid-in capital	Retained earnings and net profit	Other comprehen -sive income	Treasury shares	Cumulative translation adjustments	Equity attributable to owners of the company	Non-controlling interests	Total equity
At 31.12.2022	**535,186,562**	**107.0**	**3,368.7**	**17,382.2**	**6,404.4**	**—**	**-83.8**	**27,178.5**	**8.0**	**27,186.5**
Consolidated net profit for the period				6,184.0				6,184.0	6.5	6,190.5
Cash flow hedges					-113.9			-113.9	-0.6	-114.5
Cumulative translation adjustments							-425.9	-425.9	0.1	-425.8
Other comprehensive income that may be reclassified to profit and loss					**-113.9**		**-425.9**	**-539.8**	**-0.6**	**-540.3**
Financial assets at fair value through other comprehensive income					-77.5		—	-77.5		-77.5
Actuarial gains and losses					-89.2		—	-89.2	—	-89.2
Other comprehensive income that may not be reclassified to profit and loss					**-166.7**			**-166.7**	**—**	**-166.7**
Consolidated comprehensive income				**6,184.0**	**-280.6**		**-425.9**	**5,477.6**	**5.9**	**5,483.6**
Capital increase	810,545	0.2	1.5	—				1.7		1.7
Cancellation of Treasury shares		-0.3		-503.2		503.3		-0.2		-0.2
Dividends paid (not paid on Treasury shares)				-3,248.4				-3,248.4	-6.2	-3,254.6
Share-based payment				168.5				168.5		168.5
Net changes in Treasury shares	-1,271,632					-503.3		-503.3		-503.3
Changes in the scope of consolidation								—		—
Other movements				-0.1	—			-0.1	-0.4	-0.6
AT 31.12.2023	**534,725,475**	**106.9**	**3,370.2**	**19,983.1**	**6,123.8**	**—**	**-509.6**	**29,074.3**	**7.3**	**29,081.6**

5.5. Compared Consolidated Statements of Cash Flows

€ millions	Notes	2023	2022	2021
Cash flows from operating activities				
Net profit attributable to owners of the company		6,184.0	5,706.6	4,597.1
Non-controlling interests		6.5	6.0	5.1
Elimination of expenses and income with no impact on cash flows:				
• depreciation, amortisation, provisions and non-current tax liabilities[1]		1,715.0	1,536.1	1,781.0
• changes in deferred taxes	6.1	-95.3	-96.5	83.6
• share-based payment (including free shares)	5.5	168.5	169.0	155.2
• capital gains and losses on disposals of assets		6.9	7.6	0.5
Other non-cash transactions		14.1	-38.7	16.5
Share of profit in associates net of dividends received		-0.2	-0.5	1.3
Gross cash flow		**7,999.5**	**7,289.6**	**6,640.4**
Changes in working capital[1]	3.5	-394.9	-1,011.3	88.0
Net cash provided by operating activities (A)		**7,604.6**	**6,278.3**	**6,728.4**
Cash flows from investing activities				
Purchases of property, plant and equipment and intangible assets		-1,488.7	-1,343.2	-1,075.2
Disposals of property, plant and equipment and intangible assets		12.8	9.2	14.5
Changes in other financial assets (including investments in non-consolidated companies)		-170.7	-142.8	-117.3
Effect of changes in the scope of consolidation	2.2	-2,497.2	-746.9	-455.7
Net cash from investing activities (B)		**-4,143.7**	**-2,223.8**	**-1,633.7**
Cash flows from financing activities				
Dividends paid		-3,425.6	-2,689.9	-2,352.1
Capital increase of the parent company		1.5	103.2	5.8
Disposal (acquisition) of Treasury shares		-503.3	-502.3	-10,060.9
Purchase of non-controlling interests		—	—	—
Issuance (repayment) of short-term loans		-823.7	-3,563.8	3,939.4
Issuance of long-term borrowings		3,567.1	3,019.9	—
Repayment of long-term borrowings		—	—	—
Repayment of lease debt		-430.6	-446.9	-396.4
Net cash from financing activities (C)		**-1,614.6**	**-4,079.9**	**-8,864.2**
Net effect of changes in exchange rates and fair value (D)		-175.9	-70.7	77.4
Change in cash and cash equivalents (A+B+C+D)		**1,670.4**	**-96.1**	**-3,692.1**
Cash and cash equivalents at beginning of the year (E)		**2,617.7**	**2,713.8**	**6,405.9**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	**9.2**	**4,288.1**	**2,617.7**	**2,713.8**

(1) Following the outcome of the dispute with the French Competition Authority, the reversal of the provision and the reversal of the debt for the same amount of €189.5 million were presented in operations without impact on cash flow.

Income tax paid totalled €1,995.7 million, €2,098.7 million and €1,258.3 million for 2023, 2022 and 2021, respectively.

Interest paid (excluding interest on lease debts) amounted to €184.9 million, €28.4 million and €1.7 million for 2023, 2022 and 2021, respectively.

Dividends received totalled €423.6 million, €471.8 million and €379.8 million in 2023, 2022 and 2021, respectively. These are included within the gross cash flow.

Cash outflow relating to leases amounted to €539.2 million (of which €43.8 million related to paid interests on lease debts) €570.3 million (of which €38.1 million related to paid interests on lease debts) and €513.1 million (of which €37.0 million related to paid interests on lease debts) for 2023, 2022 and 2021 including leases that do not fall under the scope of IFRS 16.

5.6. Notes to the Consolidated Financial Statements

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Note 1. Accounting principles

The consolidated financial statements of L'Oréal and its subsidiaries ("the Group") published for 2023, have been prepared in accordance with *International Financial Reporting Standards* (IFRS), as adopted in the European Union as of 31 December 2023.

On 8 February 2024, the Board of Directors closed the consolidated financial statements at 31 December 2023. The financial statements will not become final until they have been approved by the Annual General Meeting of shareholders to be held on 23 April 2024.

The Group did not anticipate any standards or interpretations not mandatorily applicable in 2023.

Established by the OECD and transposed in December 2023 in France, the Pillar 2 global tax reform aims to establish a minimum taxation of multinational groups at 15% and is applicable from the 2024 financial year. After analysis of the texts as stand current regulations and their consequences, the financial impact of this reform should be insignificant, due in particular to the consistency between the Group's tax footprint and its operational and geographic footprint.

In May 2023, the IASB amended IAS 12 Income Taxes by introducing a temporary exception to the recognition of deferred taxes arising from the Pillar 2 reform. The European Union adopted these amendments on 9 November 2023. The Group has implemented this exception as of 31 December 2023.

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, non-current tax liabilities, 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.

Devaluation of the Argentine Peso for the 2023 financial year

On 13 December 2023, the Argentine government and the Central Bank of Argentina modified their exchange control system with the aim of stabilizing the economy plagued by inflation. The official devalued rate as of 31 December 2023 is 894.98 ARS for one Euro (compared to 189.34 ARS for one Euro at the end of 2022).

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 2023

Acquisitions

On 3 April, L'Oréal announced that it had signed an agreement with Natura & Co to acquire Aēsop, the Australian luxury beauty brand, for $2.6 billion (representing €2.4 billion at the rate of the acquisition date). Created in 1987, Aēsop is a global super brand known for its skin, hair and body products, available across luxury retail, beauty and hospitality locations around the world. Aesop operates online and in around 400 exclusive points of sale across the Americas, Europe, Australia and Asia, with a nascent footprint in China where the first store opened in 2022.

This acquisition was completed on 30 August 2023 and has been fully consolidate since that date.

In 2023, this acquisition represented €557.5 million in full-year net sales and €13.1 million in full-year operating profit.

The provisional allocation of the purchase price led to the recognition of goodwill of €1,682.3 million and is as follows:

€ millions	**Fair value at the date of acquisition**
Intangible assets[1]	580.9
Other assets	428.4
Cash	74.8
Other liabilities	-415.3
Aēsop net assets	**668.8**
Goodwill	1,682.3
ACQUISITION PRICE	**2,351.1**

(1) Including €52.8 million of brand and €54.9 million of technological assets.

On 4 December 2023, L'Oréal completed the acquisition of Lactobio, a leading probiotic and microbiome research company based in Copenhagen (Denmark). The strategic acquisition builds on 20 years of advanced research by L'Oréal into the microbiome scientific territory, deepening its knowledge of the microorganisms that live on the skin's surface and reinforcing the Groupe's leadership in this field. The acquisition also opens up new scientific opportunities, including leveraging Lactobio's microbiome expertise and significant IP portfolio to develop safe and effective new cosmetic solutions using live bacteria.

The cost of these new acquisitions represented €2,401.8 million. The total amount of goodwill and other intangible assets resulting from their acquisitions provisionally amounted to €2,313.9 million.

2.1.2. Year 2022

Acquisitions

On 23 September 2022, L'Oréal signed an agreement to acquire Skinbetter Science, a physician-dispensed American skincare brand backed by cutting-edge, dermatological science, combining patented efficacious ingredients with luxurious sensorial textures.

Skinbetter Science was co-founded in 2016 by pharmaceutical industry professionals, Jonah Shacknai, Justin Smith and Seth Rodner, and has since become one of the fastest growing medical-dispensed skincare brands in the United States. Skinbetter Science is known for formulating innovative products with active ingredients for anti-aging, moisturizing, cleansing, exfoliating, skin peeling and sun protection. The brand is strongly supported by deep knowledge of skin and chemistry with clinical trials led by board-certified dermatologists.

Skinbetter Science's products are mainly available through a network of leading dermatology, plastic surgery and medical aesthetics practices throughout the United States, powered by a national medical sales team.

Headquartered in Arizona, the brand's leadership team will continue to run the business following the acquisition and will be integrated under the leadership of the President of the Active Cosmetics Division within L'Oréal USA.

This acquisition was completed on 14 October 2022 and has been fully consolidated since that date.

The cost of this new acquisition represented €857.7 million. The total amount of goodwill and other intangible assets resulting from its acquisition amounted to €833.1 million.

In 2022, this acquisition represented €105.9 million in full-year net sales and €18.7 million in full-year operating profit.

2.1.3. Year 2021

Acquisitions

On 1 February 2021, L'Oréal finalised the acquisition of Takami Co. This company develops and markets under licence products from the Takami skincare brand; owned by Dr. Hiroshi Takami, the founder of the two eponymous dermatology clinics in Tokyo. Mainly available in Japan and in some Asian countries, notably in China.

At the same time, L'Oréal also renewed the brand licensing agreement with Dr. Takami for a very long period and signed a collaboration agreement with the Takami clinics. *Takami* will be integrated into the L'Oréal Luxe Division.

In 2021, the acquisition of Takami represented €54.4 million in full-year net sales and -€7.7 million in full-year operating profit.

On 8 December 2021, L'Oréal signed an agreement to acquire *Youth to the People*, a skincare company based in California inspired by superfood.

Youth to the People develops and markets high-performance skincare products known for innovative formulas that combine premium vegan blends of superfood extracts and science.

Available in the US, Canada, Australia and in select European countries where it enjoys a very strong appeal, the brand is marketed through an omnichannel distribution – mix of D2C e-commerce and selective distribution.

The brand will be integrated into the L'Oréal Luxe Division. In 2021, Youth to the People is expected to record over $50 million of sales. This acquisition was completed on 29 December 2021 and has been fully consolidated since that date.

The cost of these acquisitions represented €524.3 million. The total amount of goodwill and other intangible assets resulting from their acquisitions amounted to €507,7 million (of which €336.7 million of intangible assets related to Youth to the People).

Sale

On 31 March 2021, L'Oréal finalised the sale of the Cosmeurop production site, located in Strasbourg, France to the Superga group.

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

For 2023, these changes mainly related to Aēsop acquisition.

For 2022, these changes related to Skinbetter Science acquisition.

For 2021, these changes mainly related to the Takami and Youth to the People acquisitions.

2.3. Transaction on share capital

On 7 December 2021, the L'Oréal Board of Directors approved a strategic transaction consisting of the repurchase by L'Oréal, as part of its share buyback programme, of 22.26 million of its own shares – representing 4% of its capital – from Nestlé. The total price paid to Nestlé was €8.904 billion.

All shares redeemed by L'Oréal have been bought back for the express purpose of cancelling them. The transaction had a marginally accretive impact on the diluted net earnings per share in 2021, given that the shares were repurchased at the end of 2021, but had a full-year accretive impact of at least 4% for the 2022 financial year.

This transaction led the Group to take out a bridging loan of €1.9 billion and issue commercial paper for €2.3 billion, with the balance financed by the cash available at 31 December 2021. These loans were fully repaid in 2022.

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.

Incentives granted to distributors or consumers are recognised as a deduction from sales: the service cannot be separated from the product sales transaction or it is not possible to reasonably estimate the fair value of the cost of the service.

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.

Leases

All leases are recognised using a single model consisting of recording lease liabilities as liabilities (amount of discounted future payments) and rights of use as assets.

The lease term corresponds to the non-cancellable term of each contract and includes any renewal options that the Group is reasonably certain to exercise, particularly if the estimated useful life of the fittings in which the Group invested initially or during the lifetime of the contract exceeds the initial contractual life. In the case of termination options subject to a short notice period, these options have not been taken into account in the assessment of the lease terms.

The right of use is amortised over the expected lease term. French lease rights are not amortised.

The discount rate used to value the lease liability corresponds to the annual rate for each contract calculated using zero-coupon rates obtained by currency and by maturity tranche, increased by the Group's credit spread.

Deferred taxes are recorded during the initial recognition.

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

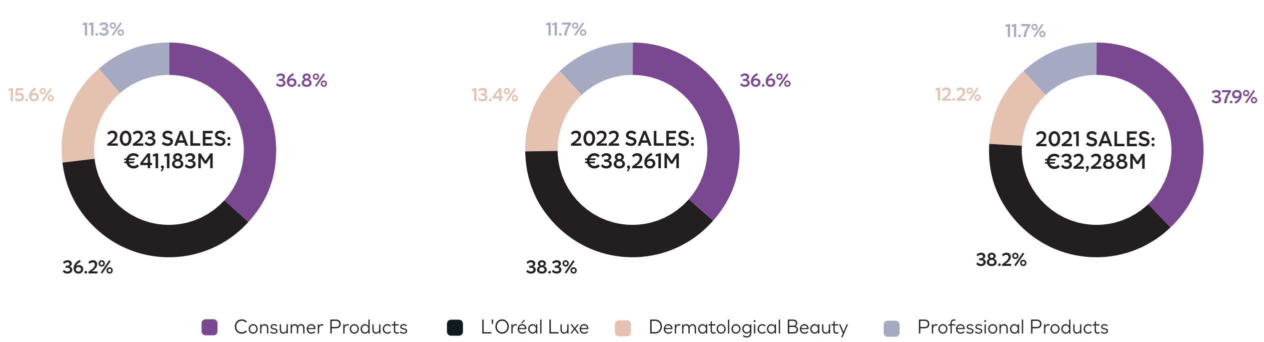
  The Division is underpinned by four major global brands (*L'Oréal Paris, Garnier, Maybelline New York and NYX Professional Makeup*), and by the deployment of its specialised and regional brands (*Stylenanda, Essie, Mixa, etc.*);
- the Luxe Division creates exceptional experiences and products, for the 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, Kiehl's, Giorgio Armani Beauty, Yves Saint Laurent Beauté, Biotherm, Helena Rubinstein, Shu Uemura, IT Cosmetics, Urban Decay, Ralph Lauren, Mugler, Viktor&Rolf, Valentino, Azzaro, Prada, Takami, Aēsop etc.);*
- the Dermatological Beauty Division, whose goal is to help everyone in their quest to have healthy and beautiful skin.

  Its portfolio of highly complementary brands (*La Roche-Posay, Vichy, CeraVe, SkinCeuticals, Skinbetter Science, etc.*) is designed to keep pace with major skincare trends and recommendations of healthcare professionals.

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

WEIGHT OF NET SALES BY DIVISION OVER THE THREE PERIODS



€ millions 2023	Sales	Operating profit	Operational assets[1]	Investments in property, plant and equipment and intangible assets	Depreciation, amortisation and provisions
Professional products	4,653.9	1,005.3	3,704.8	121.7	183.8
Consumer products	15,172.7	3,114.7	11,241.6	523.6	592.2
Luxe	14,924.0	3,331.8	12,584.0	428.6	559.7
Dermatological beauty	6,432.0	1,670.9	4,319.2	90.5	94.3
TOTAL OF DIVISIONS	**41,182.5**	**9,122.7**	**31,849.6**	**1,164.4**	**1,430.0**
Non-allocated		-979.4	1,222.9	341.4	191.2
GROUP	**41,182.5**	**8,143.3**	**33,072.5**	**1,505.8**	**1,621.2**

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

€ millions 2022	Sales	Operating profit	Operational assets[1]	Investments in property, plant and equipment and intangible assets	Depreciation, amortisation and provisions
Professional products	4,476.8	953.6	3,512.0	110.1	161.9
Consumer products	14,021.3	2,774.9	10,969.3	449.1	687.8
Luxe	14,638.1	3,350.4	9,925.2	359.6	518.4
Dermatological beauty	5,124.5	1,303.0	4,049.3	72.2	122.3
TOTAL OF DIVISIONS	**38,260.6**	**8,381.9**	**28,455.8**	**990.9**	**1,490.4**
Non-allocated		-925.1	1,234.8	351.0	210.9
GROUP	**38,260.6**	**7,456.9**	**29,690.5**	**1,341.9**	**1,701.3**

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

€ millions 2021	Sales	Operating profit	Operational assets[1]	Investments in property, plant and equipment and intangible assets	Depreciation, amortisation and provisions
Professional products	3,783.9	806.9	3,251.6	80.3	175.1
Consumer products	12,233.5	2,466.0	10,186.6	370.7	709.1
Luxe	12,346.2	2,816.3	9,532.4	293.3	473.6
Dermatological beauty	3,924.0	990.5	2,957.4	80.1	117.5
TOTAL OF DIVISIONS	**32,287.6**	**7,079.7**	**25,927.9**	**824.4**	**1,475.3**
Non-allocated		-919.4	1,047.7	259.6	215.6
GROUP	**32,287.6**	**6,160.3**	**26,975.7**	**1,084.0**	**1,690.9**

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

Operational assets can be reconciled to the 2023, 2022 and 2021 balance sheets as follows:

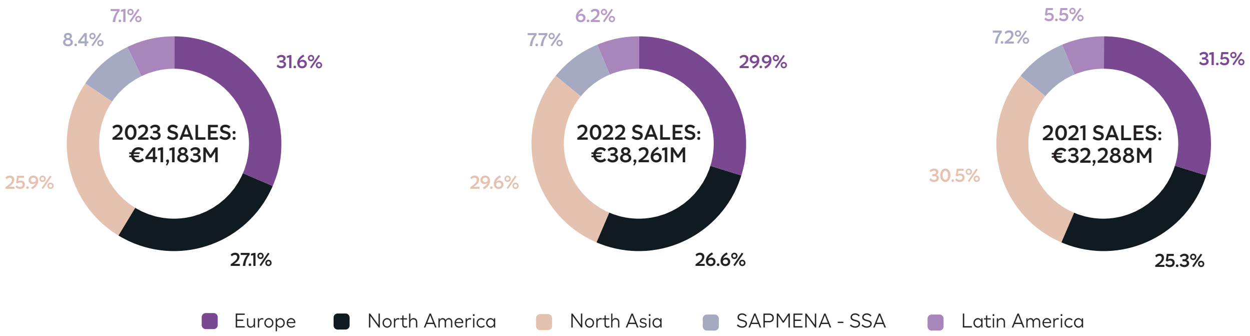
€ millions	2023	2022	2021
Operational assets	**33,072.5**	**29,690.5**	**26,975.7**
Non-current financial assets	11,631.6	11,652.8	10,920.2
Investments accounted for under the equity method	27.0	18.4	9.9
Deferred tax assets	921.2	801.1	696.5
Other current assets	1,914.7	2,063.7	1,697.4
Cash and cash equivalents	4,288.1	2,617.7	2,713.8
Non-allocated assets	**18,782.7**	**17,153.7**	**16,037.7**
TOTAL ASSETS	**51,855.1**	**46,844.2**	**43,013.4**

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

WEIGHT OF NET SALES BY GEOGRAPHIC ZONE OVER THE THREE PERIODS



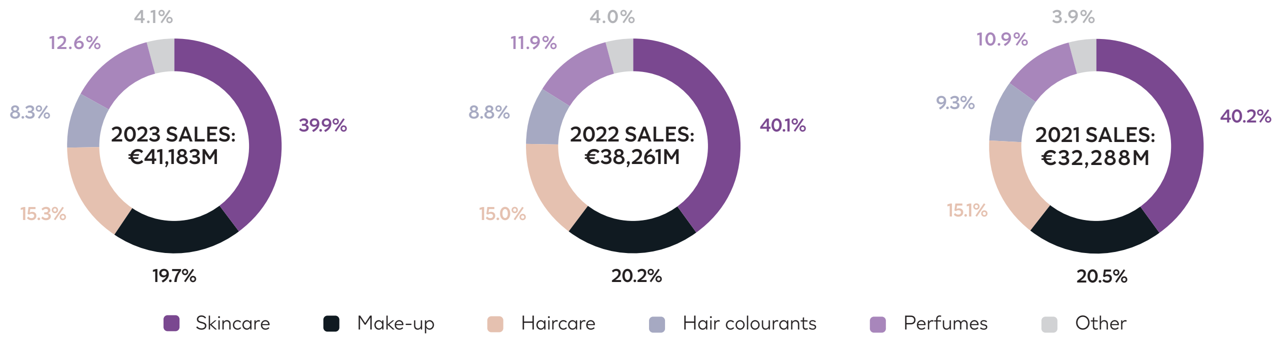
€ millions	2023	Growth (%) Published data	Growth (%) Excluding exchange effect	2022	2021
Europe	13,007.8	13.7%	17.3%	11,436.7	10,184.8
North America	11,147.2	9.7%	13.2%	10,164.0	8,155.9
North Asia	10,662.9	-5.8%	0.1%	11,321.4	9,863.3
Sapmena – SSA	3,447.7	16.4%	24.7%	2,962.4	2,312.0
Latin America	2,916.9	22.8%	31.3%	2,376.2	1,771.5
GROUP	**41,182.5**	**7.6%**	**12.6%**	**38,260.6**	**32,287.6**

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

	2023		2022		2021	
€ 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
Europe	13,621.9	494.2	12,531.6	423.0	11,837.5	375.8
North America	8,571.3	296.0	8,944.7	279.5	7,636.3	208.5
North Asia	3,972.6	194.5	4,132.2	187.6	4,030.1	153.9
Sapmena – SSA	3,829.1	97.9	1,306.1	51.5	1,170.7	52.7
Latin America	1,854.8	81.7	1,541.2	49.2	1,253.4	33.6
Non-allocated	1,222.9	341.4	1,234.9	351.0	1,047.7	259.6
GROUP	**33,072.5**	**1,505.8**	**29,690.5**	**1,341.9**	**26,975.7**	**1,084.0**

3.1.3. Sales by business segment

WEIGHT OF NET SALES BY BUSINESS SEGMENT OVER THE THREE PERIODS



€ millions	2023	Growth (%) Published data	Growth (%) Excluding exchange effect	2022	2021
Skincare	16,447.1	7.2%	12.5%	15,344.3	12,982.3
Make-up	8,123.7	5.0%	9.6%	7,738.8	6,626.8
Haircare	6,319.6	9.9%	15.0%	5,750.2	4,880.1
Hair colourants	3,425.6	1.9%	6.4%	3,361.6	3,016.1
Perfumes	5,171.3	13.7%	16.9%	4,546.2	3,511.8
Other	1,695.3	11.6%	20.0%	1,519.5	1,270.6
GROUP	**41,182.5**	**7.6%**	**12.6%**	**38,260.6**	**32,287.6**

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

3.2.1. Depreciation and amortisation expenses

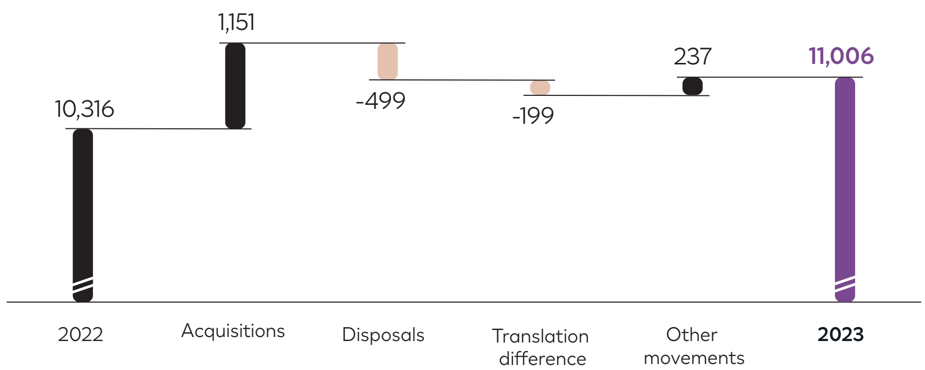
Depreciation and amortisation of property, plant and equipment and intangible assets included in operating expenses amounted to €1,429.7 million, including €426.0 million for right-of-use (IFRS 16), €1,474.2 million, including €428.0 million for right-of-use (IFRS 16) and €1,459.1 million, including €405.6 million for right-of-use (IFRS 16) respectively, for 2023, 2022 and 2021.

3.2.2. Property, plant and equipment

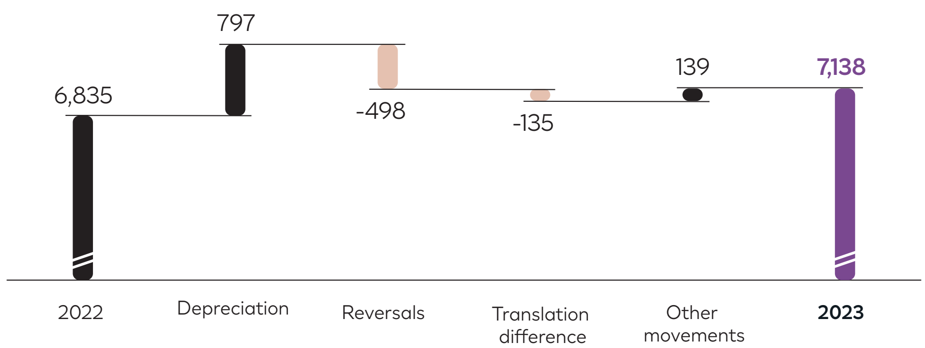
€ millions 2023	31.12.2022	Acquisitions/ depreciation	Disposals/ reversals	Translation difference	Other movements[1]	31.12.2023
Land and buildings	2,489.1	101.3	-51.3	-37.2	160.5	2,662.4
Machinery and equipment	3,914.9	176.9	-108.6	-51.2	168.4	4,100.5
Point-of-sales advertising: stands and displays	1,630.5	313.7	-210.8	-53.5	89.2	1,769.1
Other property, plant and equipment and fixed asset in progress	2,281.6	558.8	-128.5	-57.0	-181.2	2,473.7
Gross value	**10,316.2**	**1,150.6**	**-499.2**	**-198.8**	**237.0**	**11,005.8**
Land and buildings	1,352.7	82.5	-51.1	-19.7	0.8	1,365.2
Machinery and equipment	2,972.0	268.4	-108.3	-39.4	16.0	3,108.7
Point-of-sales advertising: stands and displays	1,246.5	277.2	-210.9	-41.3	40.3	1,311.9
Other property, plant and equipment	1,263.2	169.3	-127.8	-34.3	82.0	1,352.3
Depreciation and provisions	**6,834.5**	**797.3**	**-498.1**	**-134.7**	**139.1**	**7,138.1**
PROPERTY, PLANT AND EQUIPMENT – NET	**3,481.7**	**353.3**	**-1.2**	**-64.0**	**97.9**	**3,867.7**

(1) These mainly include the effect of changes in the scope of consolidation for €52.5 million (including €63.6 million for Aēsop and -€11.1 million linked to disposals), the impacts of hyperinflation for €44.3 million and tangible assets in progress allocated to other fixed assets.

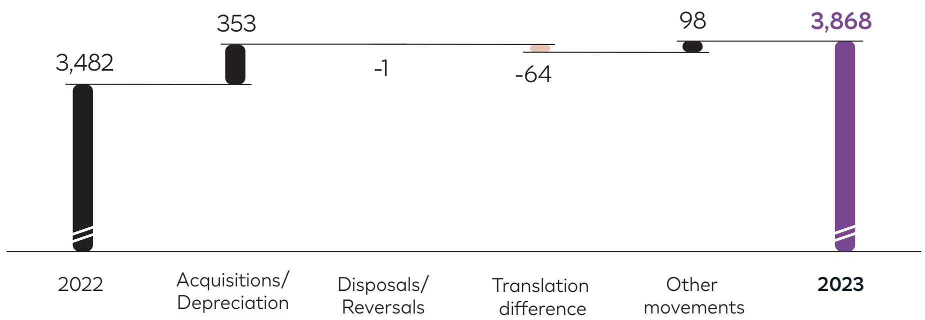
CHANGE IN GROSS FIXED ASSETS
(€ millions)



CHANGE IN DEPRECIATION, AMORTISATION AND PROVISIONS
(€ millions)



NET PROPERTY, PLANT AND EQUIPMENT
(€ millions)



€ millions 2022	31.12.2021	Acquisitions/ depreciation	Disposals/ reversals	Translation difference	Other movements[1]	31.12.2022
Land and buildings	2,383.3	73.3	-20.5	10.2	42.8	2,489.1
Machinery and equipment	3,733.7	145.9	-95.2	43.8	86.7	3,914.9
Point-of-sales advertising: stands and displays	1,927.1	265.2	-625.8	36.2	27.8	1,630.5
Other property, plant and equipment and fixed assets in progress	1,976.9	518.4	-102.8	28.7	-139.5	2,281.6
Gross value	**10,020.9**	**1,002.7**	**-844.2**	**119.0**	**17.8**	**10,316.2**
Land and buildings	1,292.0	81.1	-20.3	6.9	-7.0	1,352.7
Machinery and equipment	2,783.2	271.8	-95.0	29.7	-17.8	2,972.0
Point-of-sales advertising: stands and displays	1,547.2	295.4	-628.0	29.9	2.0	1,246.5
Other property, plant and equipment	1,132.4	177.9	-99.2	19.0	33.2	1,263.2
Depreciation and provisions	**6,754.7**	**826.3**	**-842.5**	**85.5**	**10.4**	**6,834.5**
PROPERTY, PLANT AND EQUIPMENT – NET	**3,266.2**	**176.4**	**-1.7**	**33.5**	**7.4**	**3,481.7**

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

€ millions 2021	31.12.2020	Acquisitions/ depreciation	Disposals/ reversals	Translation difference	Other movements[1]	31.12.2021
Land and buildings	2,334.7	42.2	-75.3	52.8	29.0	2,383.3
Machinery and equipment	3,639.7	133.8	-204.8	101.5	63.5	3,733.7
Point-of-sales advertising: stands and displays	2,096.4	203.8	-506.0	90.1	42.8	1,927.1
Other property, plant and equipment and fixed assets in progress	1,846.8	366.4	-142.2	77.0	-171.0	1,976.9
Gross value	**9,917.6**	**746.2**	**-928.3**	**321.4**	**-35.7**	**10,020.9**
Land and buildings	1,251.2	89.9	-69.0	28.0	-8.1	1,292.0
Machinery and equipment	2,700.6	237.4	-203.3	75.0	-26.5	2,783.2
Point-of-sales advertising: stands and displays	1,664.9	317.9	-505.5	69.7	0.2	1,547.2
Other property, plant and equipment	1,075.7	144.2	-140.1	47.1	5.5	1,132.4
Depreciation and provisions	**6,692.4**	**789.4**	**-917.9**	**219.8**	**-28.9**	**6,754.7**
PROPERTY, PLANT AND EQUIPMENT – NET	**3,225.2**	**-43.2**	**-10.4**	**101.6**	**-6.8**	**3,266.2**

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

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	31.12.2023 Net[1]	Depreciation and impairment losses[2] 2023	31.12.2022 Net	31.12.2021 Net
Buildings	1,095.9	294.3	1,116.4	1,124.6
Stores	481.0	123.5	273.5	294.1
Others	115.5	12.7	92.9	88.8
RIGHT-OF-USE ASSETS	**1,692.4**	**430.5**	**1,482.7**	**1,507.6**

(1) Of which €690.1 million in right-of-use entries in gross value (including €228.1 million for Aēsop).
(2) Of which €426.0 million in depreciation for the period.

3.2.3.2. Lease debt

Lease debt break down as follows:

€ millions	31.12.2023	31.12.2022	31.12.2021
Lease debt due in more than 5 years	406.3	360.5	313.8
Lease debt due in between 1 and 5 years	987.9	853.0	933.7
Lease debt due in less than 1 year	459.8	407.0	422.8
LEASE DEBT	**1,854.0**	**1,620.5**	**1,670.3**

3.3. Inventories, Trade accounts receivable and Other current assets

3.3.1. Inventories

€ millions	31.12.2023	31.12.2022	31.12.2021
Finished products and consumables	3,826.9	3,375.5	2,770.3
Raw materials, packaging and semi-finished products	1,156.1	1,178.1	838.6
Gross value	**4,983.0**	**4,553.6**	**3,608.9**
Valuation allowance	500.6	474.2	442.1
INVENTORIES – NET	**4,482.4**	**4,079.4**	**3,166.9**

3.3.2. Trade accounts receivable

€ millions	31.12.2023	31.12.2022	31.12.2021
Gross value	5,125.5	4,792.3	4,069.7
Valuation allowance	32.8	36.8	48.7
NET VALUE	**5,092.7**	**4,755.5**	**4,021.0**

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 remains less than 1% of gross receivables at the end of 2023.

3.3.3. Other current assets

€ millions	31.12.2023	31.12.2022	31.12.2021
Tax and employee-related receivables (excluding income tax)	864.4	831.6	707.9
Prepaid expenses	655.8	617.3	503.6
Derivatives	177.7	260.9	67.6
Current financial assets	33.1	23.1	4.8
Other current assets(1)	539.6	690.2	753.9
TOTAL	**2,270.6**	**2,423.2**	**2,037.9**

(1) These mainly include year-end rebates for €186.0 million and advances and down-payments on purchase orders for €206.4 million.

3.4. Other current liabilities

€ millions	31.12.2023	31.12.2022	31.12.2021
Tax and employee-related payables (excluding income tax)	2,176.5	1,853.2	1,628.3
Credit balances on trade receivables	1,801.7	1,651.2	1,326.4
Fixed assets payables	290.1	418.0	386.6
Derivatives	127.1	170.6	240.4
Other current liabilities(1)	420.7	391.5	399.1
TOTAL	**4,816.1**	**4,484.6**	**3,980.8**

(1) These mainly include prepaid income for €173.5 million and other miscellaneous payables for €163.8 million.

3.5. Changes in working capital

This caption is broken down as follows:

€ millions	2023	2022	2021
Inventories	-438.3	-865.4	-373.3
Trade accounts receivable	-427.3	-717.6	-407.1
Trade accounts payable	138.7	247.9	1,086.8
Other receivables and payables	331.9	323.8	-218.5
TOTAL	**-394.9**	**-1,011.3**	**88.0**

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	**2023**	**2022**	**2021**
Capital gains and losses on disposals of property, plant and equipment and intangible assets(1)	-6.7	-7.4	-0.4
Impairment of property, plant and equipment and intangible assets(2)	-270.6	-39.0	-337.5
Restructuring costs(3)	-88.5	-172.6	-149.6
Other(4)	-84.1	-22.5	55.5
TOTAL	**-449.9**	**-241.5**	**-432.0**

(1) Including:
-in 2023, the residual impact of the sale of Logocos in Germany (-€5 million);
-in 2022, mainly the capital loss (-€8.8 million) on the assets disposal of Dermablend in the United States.

(2) Including:
-in 2023, the impairment of the goodwill of IT Cosmetics (€250 million) and that of the brand Decléor(€20 million);
-in 2022, the impairment of the brand Decléor (-€39 million);
-in 2021, the goodwill of IT Cosmetics (-€254,7 million) and the brand Magic (-€82,8 million).

(3) Including:
-in 2023, the restructuring of the organisation and distribution of the Consumer Products and Professional Products Divisions in Europe (€39 million), the strategic reorganisation of legal entities in France (€17 million), the recognition following French pension reforms of additional charges on advanced leave provisions from previous restructuring (€7 million) and additional impairment concerning the right to use in Brazil (€9 million);
-in 2022, mainly the loss resulting from the sale of Logocos for €114.6 million following the signing of an agreement on 2 December 2022 (this project should be completed by March 2023), the continued restructuring of the sales forces in the Consumer Products Division in Europe (€14.5 million) and the reorganisation of the operational structures in Europe and Sapmena (€23.1 million);
-in 2021, the ongoing restructuring of the organisation and distribution of the Luxe and Professional Divisions in Europe (€60.8 million), the reorganisation of the Consumer Products Division's sales forces in North Asia (€29 million), the restructuring of an industrial activity in Eastern Europe (€10 million), the restructuring of production in Germany (€18.2 million) and the reorganisation of Urban Decay's distribution structures in 17 countries (€9.2 million).

(4) Including:
-in 2023, corporate philanthropy donations (€29 million) and acquisition costs (€46 million);
-in 2022, corporate philanthropy donations (€25.3 million), exceptional costs associated with the conflict in Ukraine (€18.4 million), partially offset by the downward revaluation of earn-out liabilities (€21.2 million);
-in 2021, the reversal of a provision for disputes related to intellectual property (€45.6 million), the write-down of Earn-out Style Nanda and Atelier Cologne earn-out debts (€44.2 million), partially offset by charitable donations (€16 million) and acquisition costs (€14.3 million).

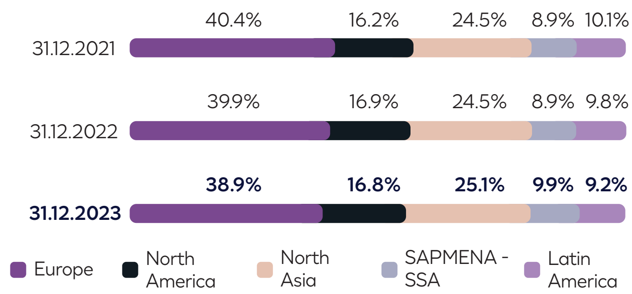
Note 5. Number of employees, personnel costs and employee benefits

5.1. Number of employees

	31.12.2023	31.12.2022	31.12.2021
Europe	36,839	34,856	34,503
North America	15,931	14,788	13,806
North Asia	23,783	21,387	20,900
SAPMENA – S SA	9,339	7,797	7,609
Latin America	8,713	8,541	8,594
TOTAL[1]	**94,605**	**87,369**	**85,412**

(1) Excluding employees of equity-accounted companies and including 4,242 Aēsop employees.

NUMBER OF EMPLOYEES BY GEOGRAPHIC ZONE



5.2. Personnel costs

€ millions	2023	2022	2021
Personnel costs (including welfare contributions)[1]	**7,796.0**	**7,263.7**	**6,471.1**

(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	2023	2022	2021
Directors' fees	1.4	1.3	1.4
Salaries and benefits including employer welfare contributions	43.2	40.4	40.5
Employee retirement obligation charges	4.7	10.2	11.2
SHARE-BASED PAYMENT (STOCK OPTIONS AND FREE SHARES)	**31.2**	**28.9**	**27.2**

The number of executives who were members of the Management Committee was 20 at 31 December 2023 compared with 20 at 31 December 2022 and 19 at 31 December 2021.

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).

The Group applies 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. 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 %	31.12.2023	31.12.2022	31.12.2021
Discount rate (commitment)	3.9%	4.2%	1.6%
Discount rate (service cost) *	4.1%	4.2%	1.8%
Salary increases	3.9%	3.7%	3.6%

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

	31.12.2023			31.12.2022			31.12.2021		
	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	5.6%	4.1%	2031	5.4%	4.3%	2027	5.3%	4.2%	2027

The discount rates are obtained by reference to market yields on high quality corporate bonds having term 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 %	2023	2022	2021
Weighted average (all countries) based on the benefit obligation	**3.9%**	**4.2%**	**1.6%**
Of which:			
Euro zone			
Discount rate (commitment)[1]	3.3%	3.7%	1.0%
Discount rate (service cost) *	3.4%	3.7%	1.1%
U SA			
Discount rate (commitment)	4.8%	5.0%	2.5%
Discount rate (service cost) *	5.0%	5.3%	2.8%
United Kingdom			
Discount rate (commitment)	4.5%	4.8%	2.0%
Discount rate (service cost) *	4.5%	4.8%	2.0%

(1) *The weighted average for 2023 consists of a 3.35% discount rate on annuity plans with an average term of 16.62 years and a 3.3% discount rate on capital plans with an average term of 10.72 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 €151.2 million for the euro zone, €53.2 million for the United States and €31.8 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 %	31.12.2023	31.12.2022	31.12.2021
Equity securities[1]	28.2%	34.0%	36.6%
Bonds	61.2%	51.5%	54.1%
Property assets[2]	4.7%	5.9%	4.3%
Monetary instruments	0.9%	3.4%	3.3%
Other	5.0%	5.2%	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 2023, 2022 and 2021 are set out below:

€ millions	Present value of defined benefit obligation	Plan assets	Net commitment
Balance at 31 December 2020	**5,318.4**	**-4,305.0**	**1,013.5**
Service cost during the period	221.9	—	221.9
Interest cost	60.5	—	60.5
Expected return on assets	—	-50.4	-50.4
Past service cost: new plans/plan amendments	-10.0	—	-10.0
Curtailments	-16.7	—	-16.7
Settlements	1.1	—	1.1
Benefits paid	-221.6	174.7	-46.9
Contributions paid	6.4	-101.1	-94.6
Actuarial gains and losses	-329.9	-255.2	-585.2
Translation differences	159.0	-151.4	7.5
Other movements	-141.9	1.8	-140.0
Balance at 31 December 2021	**5,047.2**	**-4,686.6**	**360.6**
Service cost during the period	236.0	—	236.0
Interest cost	86.6	—	86.6
Expected return on assets	—	-80.1	-80.1
Past service cost: new plans/plan amendments	-0.8	—	-0.8
Curtailments	-15.1	—	-15.1
Settlements	0.3	—	0.3
Benefits paid	-238.6	180.0	-58.7
Contributions paid	7.3	-98.7	-91.3
Actuarial gains and losses	-1,431.6	1,036.1	-395.5
Translation differences	49.0	-33.1	16.0
Other movements(1)	-3.8	3.7	-0.1
Balance at 31 December 2022	**3,736.5**	**-3,678.7**	**57.9**
Service cost during the period	190.5	—	190.5
Interest cost	149.3	—	149.3
Expected return on assets	—	-147.0	-147.0
Past service cost: new plans/plan amendments	0.2	—	0.2
Curtailments	-12.3	—	-12.3
Settlements	-1.6	0.2	-1.4
Benefits paid	-216.7	158.0	-58.7
Contributions paid	5.7	-60.4	-54.7
Actuarial gains and losses	239.8	-120.4	119.3
Translation differences	-33.0	21.5	-11.4
Other movements	-0.3	1.2	0.9
BALANCE AT 31 DECEMBER 2023	**4,058.1**	**-3,825.6**	**232.6**

(1) Including -€137.4 million pertaining to the IFRIC 2021 interpretation on IAS 19 "Employee Benefits" on Attributing Benefit to Periods of Service.

The net commitment breaks down as follows:

€ millions	2023	2022	2021
Net commitment	**232.6**	**57.9**	**360.6**
Surplus funds for pension scheme commitments held in assets	-329.4	-400.0	—
Provision in the balance sheet	562.0	457.9	360.6

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

€ millions	31.12.2023	31.12.2022	31.12.2021
Present value of defined benefit obligations wholly or partly funded	3,612.3	3,325.7	4,635.0
Fair value of plan assets	3,825.6	3,678.7	4,686.6
Net position of defined benefit obligations wholly or partly funded	-213.3	-352.9	-51.6
Present value of defined benefit obligations wholly unfunded	445.8	410.8	412.2

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	2023	2022	2021
Service cost during the financial year	190.5	236.0	221.9
Interest costs	149.3	86.6	60.5
Expected return on assets	-147.0	-80.1	-50.4
New plans/plan amendments	0.2	-0.8	-10.0
Curtailments	-12.3	-15.1	-16.7
Settlements	-1.4	0.3	1.1
TOTAL	**179.2**	**226.9**	**206.4**

Contributions to defined contribution schemes recognised as an expense for 2023, 2022 and 2021 amounted to €680.7 million, €670.6 million and €559.3 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	4.60	-3.91
Impact on current service cost and interest costs	1.12	-1.01

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

€ millions 2023	Present value of defined benefit obligation	Plan assets	Net provisions
Actuarial gains and losses: experience adjustments	44.1	-120.4	-76.3
Actuarial gains and losses: demographic assumptions	-12.9	—	-12.9
Actuarial gains and losses: financial assumptions	208.6	—	208.6
TOTAL	**239.8**	**-120.4**	**119.3**

€ millions 2022	Present value of defined benefit obligation	Plan assets	Net provisions
Actuarial gains and losses: experience adjustments	100.3	1,036.1	1,192.0
Actuarial gains and losses: demographic assumptions	-1.5	—	-1.5
Actuarial gains and losses: financial assumptions	-1,530.4	—	-1,586.1
TOTAL	**-1,431.6**	**1,036.1**	**-395.5**

€ millions 2021	Present value of defined benefit obligation	Plan assets	Net provisions
Actuarial gains and losses: experience adjustments	31.5	-255.2	-223.7
Actuarial gains and losses: demographic assumptions	23.2	—	23.2
Actuarial gains and losses: financial assumptions	-384.6	—	-384.6
TOTAL	**-329.9**	**-255.2**	**-585.1**

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 free shares corresponds to the value of the share at the grant date, less dividends expected to be paid during the vesting period.

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

There is no option plans in force at 31 December 2023.

Data concerning all share option plans during financial years 2023, 2022 and 2021 are set out below:

	31.12.2023		31.12.2022		31.12.2021	
	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	—		—		57,397	€83.19
Options granted					—	
Options exercised					-52,397	€83.19
Options expired					-5,000	
Number of options not exercised at end of period	—		—		—	
Of which:						
• number of exercisable options at end of period						
• expired options at end of period						
Weighted average share price						€364.74

b) Free shares

The table below summarises the data on free share plans vesting after 1 January 2021.

Grant date	Vesting date	Number of shares granted	Number of shares issued/allotted	Number of shares not finally vested
STOCK SUBSCRIPTION PLANS				
20.04.2017	21.04.2021	906,000	742,276	—
17.04.2018	18.04.2022	931,000	868,575	—
18.04.2019	19.04.2023	843,075	776,975	—
14.10.2020	15.10.2024	713,660	385	673,530
07.10.2021	08.10.2025	588,750	105	570,685
13.10.2022	14.10.2026	700,000	—	699,375
12.10.2023	13.10.2027	650,580	—	650,580

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.

The performance conditions apply to the 7 October 2021 and 14 October 2020 plans:

- for 50% of shares granted, the growth in comparable Cosmetics sales in relation to growth in net sales for a panel of competitors:
  - 2022, 2023 and 2024 financial years under the 2021 plan,
  - 2021, 2022 and 2023 financial years under the 2020 plan;
- for 50% of shares granted, the increase over the same period in the Group's consolidated operating profit for the 7 October 2021. and

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

- 2022, 2023 and 2024 financial years under the 2021 plan;
- 2021, 2022 and 2023 financial years under the 2020 plan.

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

For the 12 October 2023 and 13 October 2022 plans, the performance conditions comprise the following:

- 80% based on financial performance criteria, split evenly between:
  - growth – compared with that of a panel of competitors – in comparable cosmetics sales:
    - 2024, 2025 and 2026 financial years under the 2023 plan,
    - 2023, 2024 and 2025 financial years under the 2022 plan,
  - the increase over the same period in the Group's consolidated operating profit. The calculation will be made on the basis of the arithmetic average of the performances for:
    - 2024, 2025 and 2026 financial years under the 2023 plan,
    - 2023, 2024 and 2025 financial years under the 2022 plan;
- 20% based on non-financial performance criteria, of which:
  - 15% is associated with the fulfilment of environmental and social responsibility commitments made by the Group as part of the L'Oréal for the Future programme,
  - 5% is associated with the gender balance within strategic positions, including the Executive Committee.

No performance condition applies below a block of 100 shares.

The plans of 20 April 2017, 17 April 2018 and 18 April 2019 were finally granted by the allocation of, respectively, 742,276 shares on 21 April 2021, 868,225 shares on 19 April 2022 and 776,525 shares on 19 April 2023. The number of fully vested shares for 18 April 2019 plan took into account the performance percentage achieved at the end of the plan.

At 31 December 2023, the performance conditions for plans in progress were deemed achieved.

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

	Stock subscription plans						
Grant date	**April 2017**	**April 2018**	**April 2019**	**October 2020**	**October 2021**	**October 2022**	**October 2023**
Risk-free rate of return	-0.35%	-0.28%	-0.25%	-0.53%	-0.60%	2.24%	3.07%
Discount for post-vesting transfer restrictions for French employees	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Expected dividends	1.82%	1.85%	1.58%	1.34%	1.11%	1.46%	1.50%
Share price	€181.75	€191.85	€243.80	€288.00	€360.00	€327.80	€399.90
Fair value							
• employees resident in France	€166.90	€176.17	€226.25	€269.37	€339.34	€303.33	€371.96
• employees not resident in France	€166.90	€176.17	€226.25	€269.37	€339.34	€303.33	€371.96

The expense recorded in 2023, 2022 and 2021 amounted to €164.5 million, €155.3 million and €152.3 million, respectively.

c) Capital increase reserved for employees

In June 2022, 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 €254.9, representing 80% of the average share price over the 20 trading sessions prior to the decision by the Chief Executive Officer setting the subscription period from 8 June to 22 June 2022 during which 410,943 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, for which the number of shares was finalised in October 2023 and amounted to 3,376 shares.

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 26 July 2027 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 26 July 2022 by 448,267 shares and on 12 October 2023 by 4,643, including matching shares.

The total IFRS 2 expense for free shares granted for the 2022 plan amounted to:

- €9.5 million for French employees based on a subscription price of €254.9 per share; and
- €12.2 million for employees outside of 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 €286.36 per share.

The IFRS 2 expense for free shares recognised for the 2023 financial year amounted to €4 million and corresponds to 2018, 2020 and 2022 plans.

The IFRS 2 expense amounted respectively to €2.8 million and €13.7 million in 2021 and 2022.

Grant date	Vesting date France	Vesting date international	Number of shares granted	Number of shares issued/allotted	Number of shares not fully vested
18.06.2018	18.06.2018	19.06.2023	498,974	490,740.0	—
02.10.2020	02.10.2020	03.10.2025	496,991	456,695.0	35,554
22.06.2022	22.06.2022	23.06.2027	494,073	451,643.0	41,057

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 relating to lease contracts 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.

Uncertain tax positions are recorded in the balance sheet under *Non-current tax liabilities*. These correspond to an estimate of tax risks and litigation related to income tax for the various countries in which the Group operates.

6.1. Detailed breakdown of income tax

€ millions	2023	2022	2021
Current tax	1,905.9	1,995.9	1,361.7
Deferred tax	-95.3	-96.5	83.6
INCOME TAX	**1,810.6**	**1,899.4**	**1,445.4**

6.2. Analysis of tax charge

The income tax charge may be analysed as follows:

€ millions	2023	2022	2021
Profit from continuing operations before tax and associates	**8,001.0**	**7,610.6**	**6,046.9**
Theoretical tax rate	24.50%	24.36%	24.72%
Expected tax charge	**1,960.4**	**1,853.9**	**1,494.8**
Impact of permanent differences	62.0	102.7	17.3
Impact of tax rate differences	-160.3	-154.0	-74.3
Change in unrecognised deferred taxes	4.2	4.1	3.5
Effect of non-current tax liabilities	11.7	17.3	-11.9
Other[1]	-67.4	75.4	16.0
GROUP TAX CHARGE	**1,810.6**	**1,899.4**	**1,445.4**

(1) *Including tax credits and taxes on dividend distributions.*

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 2020	**809.9**
Balance of deferred tax liabilities at 31 December 2020	**-706.6**
Income statement impact	-83.6
Translation differences	-7.4
Other effects[1]	-126.0
Balance of deferred tax assets at 31 December 2021	**696.5**
Balance of deferred tax liabilities at 31 December 2021	**-810.3**
Income statement impact	96.5
Translation differences	-17.0
Other effects[1]	-70.3
Balance of deferred tax assets at 31 December 2022	**801.1**
Balance of deferred tax liabilities at 31 December 2022	**-905.6**
Income statement impact	95.3
Translation differences	-20.3
Other effects[1]	104.2
BALANCE OF DEFERRED TAX ASSETS AT 31 DECEMBER 2023	**921.3**
BALANCE OF DEFERRED TAX LIABILITIES AT 31 DECEMBER 2023	**-846.6**

(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 and the deferred tax effect of the acquisition of Aēsop.*

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

	31.12.2023		**31.12.2022**		**31.12.2021**	
€ millions	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Temporary differences	899.2	530.8	777.7	589.5	672.3	498.8
Deferred tax liabilities on revaluation of Sanofi		315.8		316.1		311.5
Tax credits and tax loss carry-forwards	22.1		23.4		24.2	
DEFERRED TAX TOTAL	**921.3**	**846.6**	**801.1**	**905.6**	**696.5**	**810.3**

Deferred tax assets on temporary differences mainly relate to provisions for pensions and early retirement (€73.2 million, €20.9 million and €93.6 million respectively at the end of 2023, 2022 and 2021) and provisions for liabilities and charges (€194.5 million, €192.7 million and €115.9 million at the end of 2023, 2022 and 2021) and intra-group margin included in inventories (€273.6 million, €235.8 million and €192.2 million respectively at the end of 2023, 2022 and 2021).

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 €16.3 million at 31 December 2023 compared with €20.4 million at 31 December 2022 and €16.4 million at 31 December 2021.

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 2023	31.12.2022	Acquisitions/ Disposals	Other movements	Translation difference	31.12.2023
Redken/PureOlogy	708.2	8.3		-18.0	698.4
L'Oréal Professionnel/Kérastase	429.5			-7.1	422.4
Matrix	428.8			-12.3	416.5
Professional Products Total	**1,566.5**	**8.3**	**—**	**-37.4**	**1,537.4**
L'Oréal Paris	1,186.9		10.1	-16.6	1,180.4
Mass Market make-up	1,060.6		4.4	-26.4	1,038.6
Garnier	422.4		9.4	-5.9	425.9
Stylenanda	420.1			-13.2	406.9
NYX Professional Makeup	341.3			-9.8	331.4
LaSCAD	156.4				156.4
Other	372.6			-19.8	352.9
Consumer Products Total	**3,960.3**	**—**	**23.9**	**-91.6**	**3,892.6**
Aēsop(1)	—	1,682.3		56.2	1,738.4
Perfumes	1,472.1			-0.3	1,471.8
Lancôme	836.4			-5.0	831.4
YSL Beauté	536.5			-0.2	536.2
Luxe skincare(2)	428.7			-19.3	409.4
IT Cosmetics	534.5		-249.9	-7.3	277.3
Urban Decay	159.3			-4.8	154.5
Shu Uemura	127.6			-11.5	116.1
Other	227.4			—	227.4
Luxe Total	**4,322.3**	**1,682.3**	**-249.9**	**7.7**	**5,762.4**
SkinCeuticals/Skinbetter Science	718.5		28.7	-19.3	727.9
CeraVe	650.9			-11.2	639.6
Vichy	327.3	-1.5		-3.4	322.4
La Roche-Posay	171.9			-2.3	169.6
Dermatological Beauty Total	**1,868.5**	**-1.5**	**28.7**	**-36.1**	**1,859.5**
Lactobio(1)	—	50.7	—	—	50.7
GROUP TOTAL	**11,717.7**	**1,739.8**	**-197.3**	**-157.6**	**13,102.6**

(1) Allocation of the goodwill from Aēsop and Lactobio to the Cash Generating Units has not yet been finalised.
(2) The Cash Generating Unit includes Kiehl's, Takami and Youth To The People.

2023 acquisitions mainly relate to Aēsop for €1,682.3 million.

Other movements mainly reflect a recognition of an impairment loss (€249.9 million) on IT Cosmetics as well as the final goodwill allocation of Skinbetter Science.

The accumulated impairment losses relating to IT Cosmetics, L'Oréal Beauty Device, Magic, Softsheen-Carson and Yue Sai amounted to -€517.9 million, -€307.7 million, -€152.3 million, -€148.6 million and -€30.9 million respectively at 31 December 2023.

€ millions 2022	31.12.2021	Acquisitions/ Disposals	Other movements	Translation difference	31.12.2022
Redken/PureOlogy	678.1	0.7		29.4	708.2
L'Oréal Professionnel/Kérastase	417.9			11.6	429.5
Matrix	409.1			19.7	428.8
Professional Products Total	**1,505.1**	**0.7**		**60.7**	**1,566.5**
L'Oréal Paris	1,169.4		—	17.5	1,186.9
Mass Market make-up	1,019.9		4.2	36.5	1,060.6
Garnier	466.2		-53.6	9.8	422.4
Stylenanda	420.7			-0.6	420.1
NYX Professional Makeup	324.8			16.5	341.3
LaSCAD	156.4			—	156.4
Other	375.5			-2.8	372.6
Consumer Products Total	**3,932.9**	**—**	**-49.5**	**76.9**	**3,960.3**
Perfumes	1,453.5			18.6	1,472.1
Lancôme	837.9			-1.5	836.4
YSL Beauté	536.0			0.4	536.5
IT Cosmetics	515.4			19.1	534.5
Skincare Luxe(1)	492.9		-64.2	-0.1	428.7
Urban Decay	151.3			8.0	159.3
Shu Uemura	136.6			-9.0	127.6
Other	246.0	—		-18.6	227.4
Luxe Total	**4,369.6**		**-64.2**	**16.9**	**4,322.3**
SkinCeuticals(2)	145.1	610.1		-36.7	718.5
CeraVe	632.0			18.9	650.9
Vichy	321.6			5.6	327.3
La Roche-Posay	168.2			3.7	171.9
Dermatological Beauty Total	**1,266.9**	**610.1**	**—**	**-8.5**	**1,868.5**
GROUP TOTAL	**11,074.5**	**610.8**	**-113.7**	**146.0**	**11,717.7**

(1) *The Cash Generating Unit includes Kiehl's, Takami and Youth To The People.*
(2) *The Cash Generating Unit also includes the 2022 acquisition of Skinbetter Scicence and Decléor.*

2022 acquisitions mainly relate to Skinbetter Science for €610.1 million.

Other movements mainly reflect a recognition of an impairment loss (€53.6 million) on Logocos as well as the final goodwill allocation of Youth To The People.

The accumulated impairment losses relating to Logocos, IT Cosmetics, L'Oréal Beauty Device, Magic, Softsheen-Carson and Yue Sai amounted to -€53.6 million, -€281.9 million, -€319.7 million, -€160.9 million, -€154.5 million and -€32.7 million respectively at 31 December 2022.

€ millions 2021	31.12.2020	Acquisitions/ Disposals	Other movements	Translation difference	31.12.2021
Redken/PureOlogy	639.2	1.5		37.3	678.1
L'Oréal Professionnel/Kérastase	403.7			14.3	417.9
Matrix	382.4	0.2		26.5	409.1
Professional Products Total	**1,425.3**	**1.7**		**78.1**	**1,505.1**
L'Oréal Paris	1,132.0		6.3	31.1	1,169.4
Mass Market make-up	971.5		2.4	46.0	1,019.9
Garnier	443.8		1.3	21.1	466.2
Stylenanda	423.7			-3.0	420.7
NYX Professional Makeup	304.5			20.4	324.8
LaSCAD	156.4			—	156.4
Other	341.2			34.2	375.5
Consumer Products Total	**3,773.1**	**—**	**10.0**	**149.8**	**3,932.9**
Perfumes	1,468.3		1.5	-16.3	1,453.5
Lancôme	829.1			8.8	837.9
YSL Beauté	535.5			0.5	536.0
IT Cosmetics	736.5		-254.7	33.6	515.4
Urban Decay	141.4			9.9	151.3
Shu Uemura	137.5			-0.8	136.6
Other	239.8	484.2		14.8	738.9
Luxe Total	**4,088.1**	**484.2**	**-253.2**	**50.5**	**4,369.6**
CeraVe	608.7			23.3	632.0
Vichy	314.4			7.2	321.6
La Roche-Posay	163.6			4.6	168.2
Other	140.9			4.2	145.1
Dermatological Beauty Total	**1,227.6**	**—**	**—**	**39.3**	**1,266.9**
GROUP TOTAL	**10,514.1**	**485.9**	**-243.2**	**317.7**	**11,074.5**

2021 acquisitions mainly relate to Takami and Youth to the People for €484.2 million.

Other movements mainly reflect the recognition of an impairment loss on IT Cosmetics (€254.7 million).

The accumulated impairment losses relating to IT Cosmetics, L’Oréal Beauty Device, Magic, Softsheen-Carson and Yue Sai amounted to €265.6 million, €301.6 million, €165.5 million, €146.4 million and €33.6 million, respectively, at 31 December 2021.

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 3.0% 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.

b) Internally generated intangible assets

These mainly consist of software.

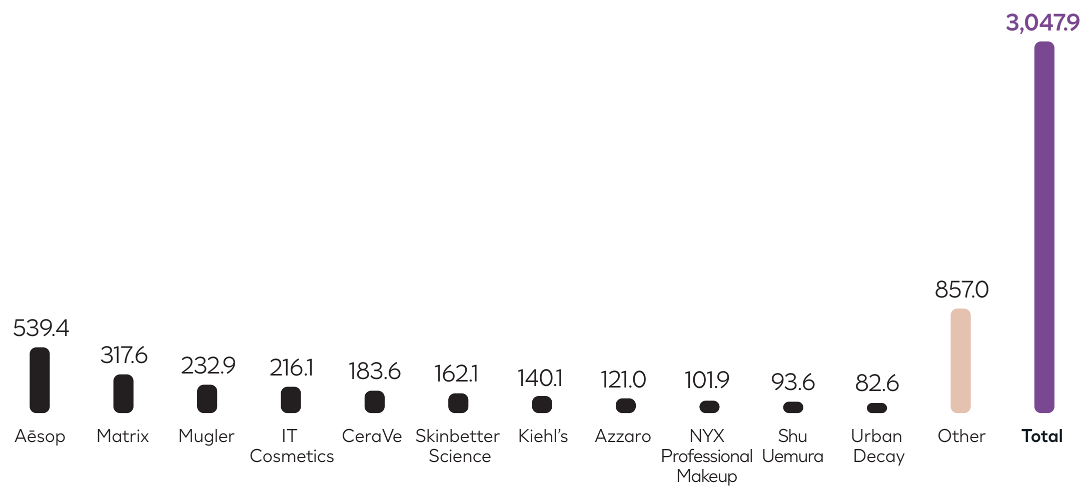
Innovation costs of software for internal use are capitalised for the programming, coding and testing phases. The costs of substantial updates and upgrades resulting in additional functions are also capitalised.

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 five and eight years.

€ million **2023**	**31.12.2022**	**Acquisitions/ Depreciation**	**Disposals/ Reversals**	**Changes in the scope of consolidation[2]**	**Other movements[1]**	**Translation difference**	**31.12.2023**
Brands with indefinite useful life[3]	2,589.7	0.1		507.3	-0.1	-49.1	3,047.9
Amortisable brands and product ranges	93.9			-8.7	6.0	-2.8	88.4
Licences and patents	771.4	1.8	-6.6	42.1	5.3	-0.5	813.5
Software	1,624.7	46.6	-169.9	16.5	80.8	-32.5	1,566.2
Customer relationships	658.0			-7.4	-13.8	-22.2	614.6
Assets under construction	416.8	296.7			-79.3	-2.4	631.8
Others	32.9	10.0	-2.8	0.8	-1.6	-1.1	38.2
Gross value	**6,187.1**	**355.1**	**-179.3**	**550.6**	**-2.7**	**-110.7**	**6,800.1**
Brands with indefinite useful life	403.5	19.8		-14.5		-13.8	395.0
Amortisable brands and product ranges	79.6	2.1		-8.7	4.7	-2.8	74.9
Licences and patents	210.3	20.3	-6.6	-12.8	3.0	-0.6	213.6
Software	1,241.3	155.0	-169.7	12.3	7.7	-24.1	1,222.5
Customer relationships	586.8	18.9		-10.0	0.5	-21.3	574.9
Others	25.5	10.0	-2.7	0.8	-0.6	-0.9	32.1
Depreciation and provisions	**2,547.0**	**226.2**	**-179.0**	**-32.9**	**15.3**	**-63.5**	**2,513.0**
OTHER INTANGIBLE ASSETS – NET	**3,640.1**	**128.9**	**-0.2**	**583.5**	**-18.1**	**-47.2**	**4,287.1**

(1) Other movements mainly consisted of the reduction in the gross value of the recognized customer relationship following the finalization of the allocation of the price paid for the Skinbetter Science acquisition (-€13.8 million).
(2) Changes in scope of consolidation mainly correspond to the provisional allocation of Aēsop goodwill to the brand (€521.8 million), technology (€54.9 million) and software for (€4.2 million).
(3) At end-2023, the gross value of brands with an indefinite useful life span breaks down as follows:

GROSS VALUE OF BRANDS WITH AN INDEFINITE USEFUL LIFE SPAN
(€ millions)



Accumulated impairment losses relating to brands amounted to €126.3 million on Magic, €98.4 million on Clarisonic, €58.8 million on Decléor, €55.1 million on Softsheen-Carson, €42.4 million on Yue-Sai and €14 million on Biomedic at 31 December 2023.

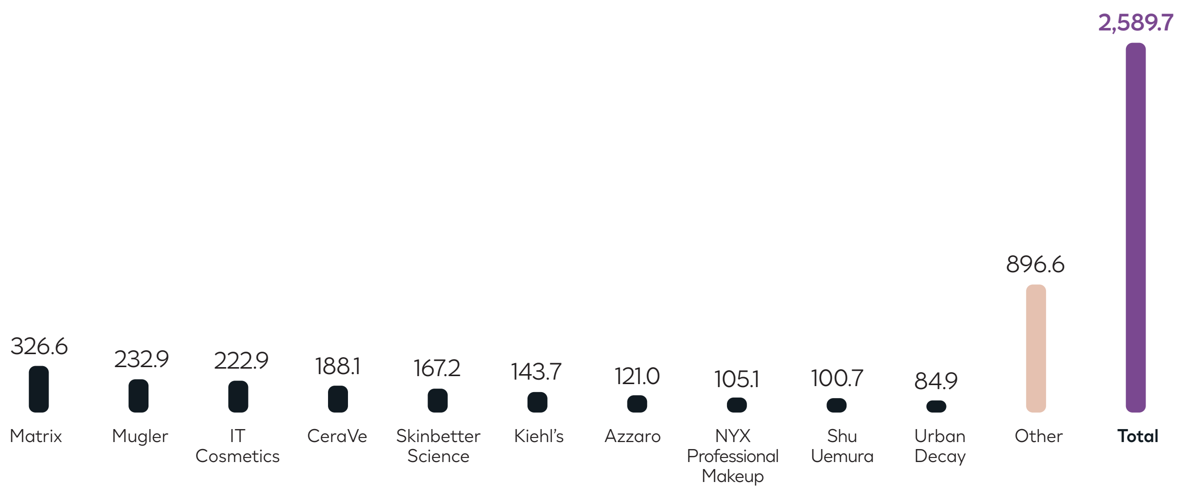
€ million 2022	31.12.2021	Acquisitions/ Depreciation	Disposals/ Reversals	Change in the scope of consolidation[2]	Other movements[1]	Translation difference	31.12.2022
Brands with indefinite useful life[3]	2,301.0		-15.7	182.0	65.0	46.6	2,589.7
Amortisable brands and product ranges	94.1	0.1			0.7	-1.0	93.9
Licences and patents	765.5	1.8	-0.1	4.7	-0.4	-0.1	771.4
Software	1,739.1	63.4	-59.1		-137.3	18.6	1,624.7
Customer relationships	613.0	0.5		21.5		23.0	658.0
Assets under construction	327.2	257.0	-2.6		-165.5	0.7	416.8
Others	31.5	6.2	-6.3		0.2	1.3	32.9
Gross value	**5,871.4**	**339.7**	**-83.9**	**208.2**	**-237.4**	**89.1**	**6,187.1**
Brands with indefinite useful life	347.8				53.5	2.2	403.5
Amortisable brands and product ranges	77.9	2.2			0.5	-1.0	79.6
Licences and patents	194.7	15.0	-0.1		-0.5	1.3	210.3
Software	1,229.2	166.5	-59.1		-109.1	13.8	1,241.3
Customer relationships	536.6	27.7				22.5	586.8
Others	22.5	8.4	-6.3			0.9	25.5
Depreciation and provisions	**2,408.7**	**219.7**	**-65.5**	**—**	**-55.6**	**39.7**	**2,547.0**
OTHER INTANGIBLE ASSETS – NET	**3,462.8**	**120.0**	**-18.4**	**208.2**	**-181.9**	**49.4**	**3,640.1**

(1) Other movements mainly consisted of the impact of the reclassification at the beginning of the year on SaaS projects (-€193 million), the allocation of goodwill (€65 million) to the brand from the acquisition of Youth to the people, and the impairment of brand Decléor (-€39 million) and brands Logona and Santé (-€14.5 million).

(2) Changes in the scope of consolidation mainly correspond to the temporary allocation of goodwill (€182 million) to the brand from the acquisition of Skinbetter Science, and to customer relationships (€21.5 million) and technology (€4.6 million).

(3) At end-2022, the gross value of brands with an indefinite useful life span breaks down as follows:

GROSS VALUE OF BRANDS WITH AN INDEFINITE USEFUL LIFE SPAN
(€ millions)

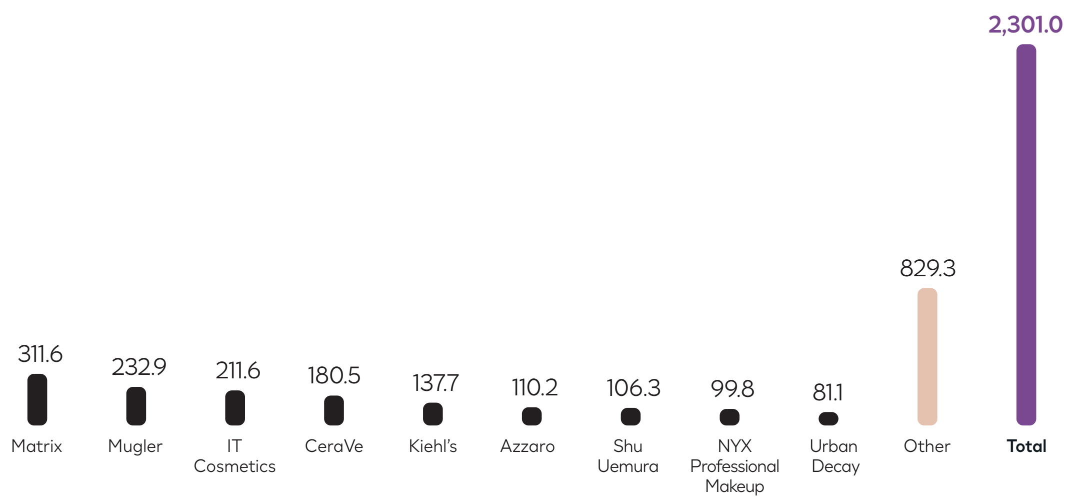


Accumulated impairment losses relating to brands amounted to €39 million on Decléor, €14.5 million on Logona and Santé, €133.4 million on Magic, €101.4 million on Clarisonic, €56.5 million on Softsheen-Carson, €44.8 million on Yue-Sai and €14 million on Biomedic at 31 December 2022.

€ million 2021	31.12.2020	Acquisitions/ Depreciation	Disposals/ Reversals	Change in the scope of consolidation[2]	Other movements[1]	Translation difference	31.12.2021
Brands with indefinite useful life[3]	2,200.4					100.6	2,301.0
Amortisable brands and product ranges	92.3		-2.4		1.2	3.1	94.1
Licences and patents	738.7	14.6	-8.7	19.6	0.3	1.0	765.5
Software	1,627.5	62.1	-104.3	-1.9	104.4	51.3	1,739.1
Customer relationships	563.6	0.5	-0.6	6.3		43.2	613.0
Assets under construction	190.4	259.0			-127.0	4.8	327.2
Others	27.7	2.1	-0.3		0.4	1.6	31.5
Gross value	**5,440.6**	**338.3**	**-116.3**	**24.0**	**-20.7**	**205.6**	**5,871.4**
Brands with indefinite useful life	242.1	82.8				22.9	347.8
Amortisable brands and product ranges	73.6	3.2	-2.4		0.5	3.0	77.9
Licences and patents	180.1	21.8	-8.7		-0.1	1.5	194.7
Software	1,114.1	193.7	-101.9	-2.1	-11.3	36.7	1,229.2
Customer relationships	455.1	43.1	-0.6		0.7	38.3	536.6
Others	19.3	2.4	-0.3			1.1	22.5
Depreciation and provisions	**2,084.3**	**347.0**	**-113.9**	**-2.1**	**-10.2**	**103.5**	**2,408.7**
OTHER INTANGIBLE ASSETS – NET	**3,356.3**	**-8.7**	**-2.5**	**26.2**	**-10.4**	**102.1**	**3,462.8**

(1) Other movements mainly consisted of the impact of hyperinflation in Argentina.
(2) Including the impairment of the brand Magic (€83 million), due to the exacerbated competition on the masks market in China.
(3) At end-2021, the gross value of brands with an indefinite useful life span breaks down as follows:

GROSS VALUE OF BRANDS WITH AN INDEFINITE USEFUL LIFE SPAN
(€ millions)



Accumulated impairment losses relating to brands amounted to €137.1 million on Magic, €96.5 million on Clarisonic, €54.2 million on Softsheen-Carson, €46.0 million on Yue-Sai and €14.0 million on Biomedic at 31 December 2021.

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 and brands 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 in case of similar marketing position or 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 9.2% in 2023, to 8.8% in 2022 and 7.8% in 2021 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	2023	2022	2021
Net carrying amount of goodwill and brands with an indefinite useful life(1)			
Perfumes	1,842.0	1,842.2	1,812.9
L'Oréal Paris	1,227.7	1,235.7	1,215.6
Maquillage Mass Market	1,086.7	1,109.5	1,067.5
SkinCeuticals/Skinbetter Science	921.5	938.2	234.7
Lancôme	845.0	850.8	852.7
CeraVe	823.2	839.0	812.5
Redken/PureOlogy	789.6	802.4	767.2
Matrix	734.1	755.4	720.8
Skincare Luxe	615.7	640.4	630.7
YSL Beauté	536.2	536.4	536.0
IT Cosmetics	493.4	757.4	726.9
Stylenanda	478.0	493.8	494.6
Garnier	440.7	436.6	493.8
NYX Professional Makeup	433.3	446.4	424.6
L'Oréal Professionnel/Kérastase	422.4	429.5	417.9
Vichy	322.4	327.3	336.2
Urban Decay	237.1	244.1	232.4
Shu Uemura	209.7	228.3	242.9

(1) *Excluding acquisitions during the year.*

Due to a delay in the IT Cosmetics Business Plan, mainly due to a delay in the international development of the brand, an impairment test was carried out on the IT Cosmetics Cash Generating Unit and a loss of value was recorded for €249.9 million.

The recoverable value of the IT Cosmetics Cash Generating Unit amounts to €561.3 million at the end of December 2023.

The discount rate used at 31 December 2023 for this test were between 6.4% and 14.8% including 9.1% for the USA and 9.2% for international. This rate is the result of specific rates for each market or geographic zone based on the risks they represent.

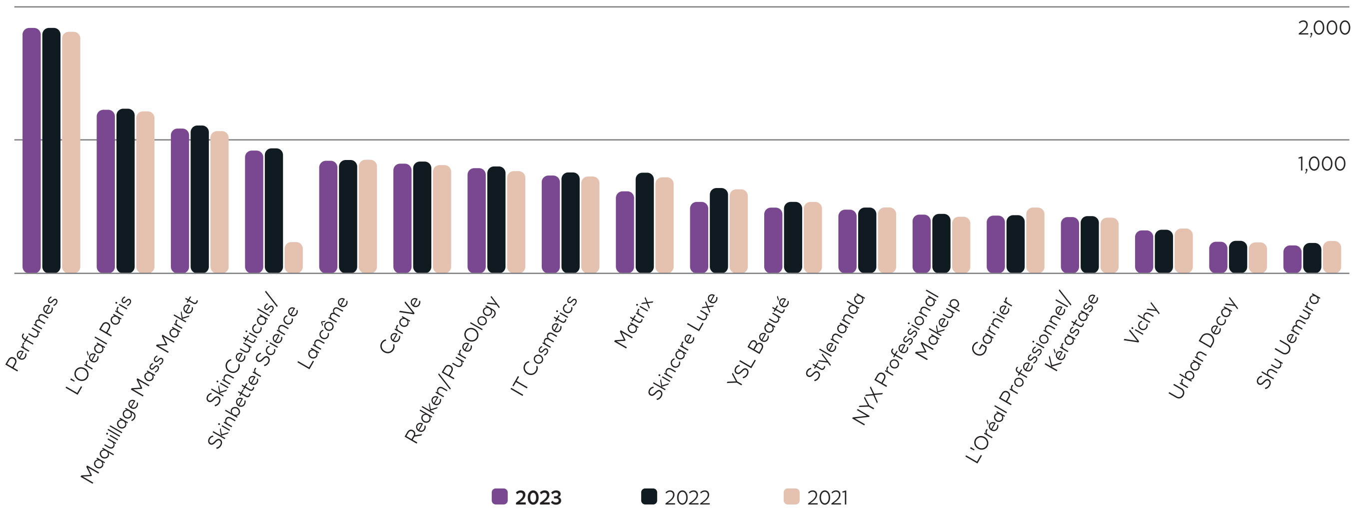
At 31 December 2023, a 1% increase in the discount rate on all the Group's Cash Generating Units would lead to an impairment loss risk of around €129.6 million.

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 €65.9 million.

The terminal growth rate is consistent with market data, i.e. 2.5% for Europe and 3.0% for the rest of the world.

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 €58.5 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 accounted for under the equity method

€ millions	31.12.2023	31.12.2022	31.12.2021
Investments accounted for under the equity method			
LIPP Distribution	12.0	9.9	9.3
Loshian Co	5.8	8.1	—
Salon Interactive[1]	8.8	—	—
Other	0.5	0.5	0.6
TOTAL	**27.0**	**18.4**	**9.9**

(1) Acquisition of a 38.32% stake in Salon Interactive Inc in December 2023.

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 foreign exchange rate hedges.

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 conducts bond issues 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

	31.12.2023		31.12.2022		31.12.2021	
€ millions	**Non-current**	**Current**	**Non-current**	**Current**	**Non-current**	**Current**
Short-term marketable instruments	—	—	—	795.2	—	2,507.0
MLT bank loans	—	—	—	—	—	—
Lease debt	1,394.2	459.8	1,213.5	407.0	1,247.5	422.8
Overdrafts	—	67.0	—	81.7	—	118.7
Other borrowings and debt	18.3	219.3	17.8	122.3	10.7	1,993.7
Bond	4,728.3	1,805.1	2,999.8	13.5	—	—
TOTAL	**6,140.8**	**2,551.3**	**4,231.1**	**1,419.8**	**1,258.2**	**5,042.2**

9.1.2. Bond and EMTN

Tranches *€ millions*		Issuance type	Issuance date	Rate type	EIR[1]	Maturity date	31.12.2023[4]	31.12.2022
	750	—	March 2022	Floating	2.400%	March 2024	754.5	758.4
	1,000	—	March 2022	Fixed	0.580%	March 2024	1,002.3	1,000.3
	1,250	SLB[2]	March 2022	Fixed	0.960%	June 2026	1,252.9	1,254.6
	1,000	EMTN[3]	May 2023	Fixed	3.390%	May 2025	1,015.8	—
	1,000	EMTN[3]	May 2023	Fixed	3.080%	May 2028	1,009.5	—
	800	EMTN[3]	November 2023	Fixed	3.520%	January 2027	799.4	—
	700	EMTN[3]	November 2023	Fixed	3.470%	November 2029	699.0	—
TOTAL	**6,500**				**2.350%**		**6,533.4**	**3,013.3**

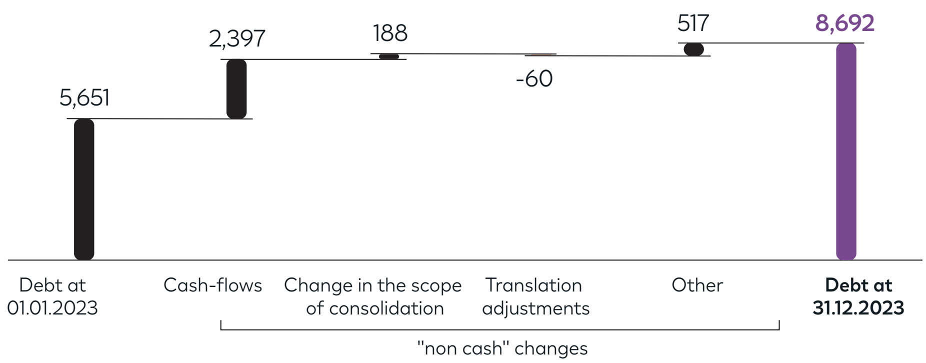
(1) Effective interest rate.
(2) Sustainability linked Bond.
(3) Euro Medium Term Notes.
(4) including undisbursed short-term and long-term accrued interest.

Bond issues are mainly carried out as part of a "Euro Medium-Term Notes" program with a ceiling of €5 billion at 31 December 2023.

9.1.3. Change in debt

			"Non-cash" changes				
€ millions	31.12.2022	Cash-flows	Changes in the scope of consolidation	Translation adjustments	Changes in fair value	Other[1]	31.12.2023
Short-term marketable instruments	795.2	-795.2	—	—	—	—	—
MLT bank loans	—	—	—	—	—	—	—
Lease debt	1,620.6	-430.6	187.5	-39.6	—	516.1	1,854.0
Overdrafts	81.7	-10.6	0.6	-4.7	—	—	67.0
Other borrowings and debt	140.1	112.8	—	-15.9	—	0.7	237.7
Bond	3,013.3	3,520.1	—	—	—	—	6,533.4
TOTAL	**5,651.0**	**2,396.5**	**188.1**	**-60.2**	**—**	**516.8**	**8,692.1**

(1) These are renewals and amendments to contracts and new leases location.



9.1.4. Debt by maturity date

€ millions	31.12.2023	31.12.2022	31.12.2021
Less than 1 year[1]	2,551.3	1,419.8	5,042.2
1 to 5 years	5,022.1	3,859.0	933.7
More than 5 years	1,118.6	372.1	324.4
TOTAL	**8,692.1**	**5,650.9**	**6,300.4**

(1) At 31 December 2023, the Group had confirmed undrawn credit lines for €5,000 million as at 31 December 2022 and 31 December 2021. These lines were not subject to any covenants.

Estimated interest expense at 31 December 2023, as at 31 December 2022 and 31 December 2021, is not material given the outstanding debt at these dates, comprising short-term marketable instruments drawn at very short terms short/medium term bond issues, 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.

9.1.5. Debt by currency excluding lease debts

€ millions	31.12.2023	31.12.2022	31.12.2021
Euro (EUR)	6,550.6	3,065.7	4,441.4
Korean Won (KRW)	105.7	7.8	—
Colombian Peso (COP)	55.0	25.2	21.2
Turkish lira (TRY)	30.0	46.2	19.3
Chilean Peso (CLP)	15.0	8.7	8.8
US dollar (USD)	12.8	822.2	59.2
Uruguayan Peso (UYU)	11.9	—	—
Egyptian Pound (EGP)	11.7	12.5	8.3
Kenyan Shilling (KES)	9.4	10.0	12.9
Pakistani Rupee (PKR)	5.1	5.2	8.0
Indonesian Rupee (IDR)	4.0	10.5	—
Filipino Peso (PHP)	2.4	5.9	4.3
Other	24.5	10.4	46.6
TOTAL	**6,838.1**	**4,030.3**	**4,630.0**

9.1.6. Breakdown of fixed rate – floating rate debt

€ millions	31.12.2023	31.12.2022	31.12.2021
Floating rate	821.5	1,638.5	4,529.9
Fixed rate including lease debts	7,870.6	4,012.4	1,770.5
TOTAL	**8,692.1**	**5,650.9**	**6,300.4**

9.1.7. Effective interest rates

Effective interest rates on Group debt for short-term marketable instruments after allowing for hedging instruments are 0.00% in 2023 due to marketable instruments repayment at closing compared with 1.68% in 2022 and -0.54% in 2021.

The effective interest rate on bonds issued in 2022 and 2023 by the Group amounts to 2.35% in 2023.

There is no medium-term bank loan at 31 December 2023 as at 31 December 2022 and 31 December 2021.

9.1.8. Average debt interest rates

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

	31.12.2023	31.12.2022	31.12.2021
Euro (EUR)	2.09%	0.26%	-0.51%
US dollar (USD)	3.58%	2.18%	0.08%

9.1.9. 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 excluding IFRS 16 amounted to €6,838.1 million at 31 December 2023 compared with €4,030.3 million at 31 December 2022 and €4,630.0 million at 31 December 2021.

9.1.10. Debt covered by collateral

No debt was covered by material amounts of collateral at 31 December 2023, 2022 and 2021.

9.1.11. Confirmed credit lines

At 31 December 2023, L'Oréal and its subsidiaries had €5,000 million of confirmed undrawn credit lines, as at 31 December 2022 and 31 December 2021.

The maturities of the credit lines at 31 December 2023 are broken down as follows:

- €0 million at less than one year;
- €5,000.0 million between one and four years;
- €0 million at more than five years.

9.2. Cash and cash equivalents

€ millions	31.12.2023		31.12.2022		31.12.2021	
	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost
Marketable securities	624.1	624.1	718.5	718.5	513.2	513.3
Bank accounts and other cash and cash equivalents(1)	3,664.0	3,664.2	1,899.2	1,899.4	2,200.6	2,201.6
TOTAL	**4,288.1**	**4,288.3**	**2,617.7**	**2,617.9**	**2,713.8**	**2,714.9**

(1) Including €245 million in cash in countries in which cash repatriation is difficult.

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

€ millions	31.12.2023 Carrying amount	31.12.2023 Acquisition cost	31.12.2022 Carrying amount	31.12.2022 Acquisition cost	31.12.2021 Carrying amount	31.12.2021 Acquisition cost
Investments in non-consolidated companies						
Sanofi[1]	10,612.1	4,033.5	10,621.5	4,033.5	10,472.6	4,033.5
Other listed securities[2]	60.9	103.3	99.7	95.2	34.5	20.6
Unlisted securities[3]	458.3	437.8	392.6	441.4	277.9	336.4
Financial assets at amortised cost						
Non-current loans and receivables	171.0	175.0	139.0	141.1	135.2	137.2
Surplus funds for pension scheme commitments held in assets	**329.4**		**400.0**		**—**	
TOTAL	**11,631.6**	**4,749.6**	**11,652.8**	**4,711.3**	**10,920.2**	**4,527.7**

(1) L'Oréal's stake in Sanofi was 9.35% at 31 December 2023. The carrying amounts at 31 December 2023, 31 December 2022 and 31 December 2021 (€10,612.1 million, €10,621.5 million and €10,472.6 million (respectively) correspond to the market value of the shares based on the closing price at each of these dates (€89.76, €89.84 and €88.58, 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 includes listed securities of biotechnology start-ups as well as Euroapi shares for €29.5 million (reassessed cost).

(3) This heading mainly includes:
-strategic investments in investment funds measured at fair value through other comprehensive income of which €50 million subscribed in the Circular Innovation Fund, €75 million subscribed in the L'Oréal Fund for Nature Regeneration (of which €15 million subscribed over 2023) and other holdings in start-ups and other investment funds account for the remainder;
-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	2023	2022	2021
Interest component of pension costs	-2.2	-6.5	-10.1
Other financial income and expenses	-46.6	-65.8	-30.1
TOTAL	**-48.8**	**-72.3**	**-40.2**

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 in shareholders' equity and the amount accumulated in shareholders' equity impacts the result on the date of completion of hedged transactions.

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:

€ millions	Nominal			Market value		
	31.12.2023	31.12.2022	31.12.2021	31.12.2023	31.12.2022	31.12.2021
Currency futures						
Purchase of EURO against foreign currencies	**4,561.1**	**2,684.6**	**2,201.1**	**41.6**	**34.3**	**-159.3**
EUR/CNY	1,414.5	629.7	540.7	44.4	24.7	-91.3
EUR/USD	505.8	197.6	502.4	9.8	3.7	-26.3
EUR/SGD	746.9	750.9	118.4	-0.1	-12.6	3.3
EUR/GBP	410.0	231.0	162.9	-6.9	3.6	-6.8
EUR/MXN	266.3	249.2	148.3	-8.4	-5.7	-4.8
EUR/BRL	205.9	171.3	117.5	-3.7	1.2	-0.7
EUR/AUD	188.6	143.3	88.5	-1.9	3.6	-1.9
EUR/CAD	148.2	46.0	14.5	0.1	8.5	-2.2
EUR/HKD	166.0	90.1	76.7	4.2	1.5	-35.9
EUR/DKK	105.4	60.6	9.2	0.2	—	—
EUR/SAPMENA currencies	68.3	85.8	—	1.7	5.3	—
EUR/North Asia currencies	193.0	—	314.8	0.4	—	1.6
EUR/Europe currencies	—	—	—	—	—	—
EUR/Latin America currencies	142.2	—	86.3	1.8	—	5.2
EUR/S SA currencies	—	29.1	21.0	—	0.5	0.5
Sale of EUR against foreign currencies	**174.4**	**377.9**	**480.0**	**-4.8**	**-16.8**	**-16.9**
EUR/Europe	134.4	3.0	297.8	-3.9	-13.1	-9.7
EUR/S SA currencies	40.0	—	—	-0.9	—	—
EUR/Latin America currencies	—	130.0	—	—	-3.3	—
EUR/North Asia currencies	—	244.9	—	—	-0.4	—
EUR/ SAPMENA	—	—	182.2	—	—	-7.2
Purchase of USD against foreign currencies	**1,605.1**	**2,363.4**	**418.6**	**9.7**	**87.3**	**13.2**
USD/SAPMENA currencies	1,152.2	1,987.9	238.9	7.4	83.3	2.7
USD/Latin America currencies	223.4	—	130.7	0.6	—	9.9
USD/CAD	—	85.9	49.0	—	2.9	0.6
USD/Europe currencies	26.4	—	—	0.5	—	—
USD/North Asia currencies	203.1	289.6	—	1.3	1.1	—
USD/S SA currencies	—	—	—	—	—	—
Sale of USD against foreign currencies	**59.4**	**152.2**	**508.8**	**-0.5**	**-10.4**	**-5.6**
USD/North Asia currencies	—	—	495.6	—	—	-6.5
USD/Latin America currencies	—	138.9	—	—	-8.9	—
USD/Other currencies	59.4	13.2	13.2	-0.5	-1.5	0.9
Other currency pairs	**791.7**	**1,016.5**	**551.8**	**-8.7**	**-2.1**	**-4.1**
CNY/SGD	193.7	309.0	0.2	-6.1	-8.1	—
DKK/SEK	76.8	76.5	68.7	-3.1	2.0	0.7
SGD/HKD	17.8	117.2	9.2	-0.2	-3.9	0.6
Other currency pairs	503.3	513.8	473.6	0.7	7.8	-5.4
CURRENCY FUTURES TOTAL	**7,191.5**	**6,594.7**	**4,160.3**	**37.3**	**92.2**	**-172.7**

€ millions	Nominal			Market value		
	31.12.2023	31.12.2022	31.12.2021	31.12.2023	31.12.2022	31.12.2021
Currency options						
EUR/CNY	—	—	—	—	—	—
EUR/RUB	—	—	—	—	—	—
EUR/USD	—	—	69.4	—	—	—
EUR/BRL	—	—	11.1	—	—	0.1
EUR/MXN	—	—	7.7	—	—	—
EUR/TRY	—	—	—	—	—	—
EUR/HKD	—	—	70.4	—	—	-0.1
Other currency pairs	—	—	—	—	—	—
CURRENCY OPTIONS TOTAL	**—**	**—**	**158.5**	**—**	**—**	**-0.1**
Of which total options purchased	—	—	158.5	—	—	0.1
Other hedging elements						
Cross Currency Swap	1,620.1	604.2	—	13.5	-1.3	—
OTHER ELEMENTS TOTAL	**1,620.1**	**604.2**	**—**	**13.5**	**-1.3**	**—**
TOTAL	**8,811.6**	**7,198.9**	**4,318.8**	**50.8**	**90.9**	**-172.5**

The market values by type of hedging are as follows:

€ millions	2023	2022	2021
Fair value hedges[1]	47.9	-42.7	-38.6
Cash flow hedges	2.7	133.4	-133.9
TOTAL	**50.6**	**90.7**	**-172.5**

(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.

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	2023	2022	2021
Time value	-121.7	-105.1	-70.5
Other foreign exchange gains and losses	41.1	-309.6	17.7
TOTAL	**-80.6**	**-414.7**	**-52.8**

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 €1.6 million, €24.5 million and €1.5 million in 2023, 2022 and 2021, respectively.

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

€ millions	2023	2022	2021
Cost of sales	-49.2	-324.2	-37.2
Research and innovation expenses	-12.0	29.6	-4.2
Advertising and promotion expenses	-8.7	-61.5	-5.9
Selling, general and administrative expenses	-10.7	-58.7	-5.5
FOREIGN EXCHANGE GAINS AND LOSSES	**-80.6**	**-414.7**	**-52.8**

10.3. Hedging of interest rate risk

The Group did not have any interest rate hedging instruments at 31 December 2023, 2022 and 2021.

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 €34.7 million on the Group's net finance costs at 31 December 2023, compared with a direct positive impact of €9.8 million at 31 December 2022 and a direct negative impact of -€18.2 million at 31 December 2021. 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 -€60.2 million at 31 December 2023 compared with -€23.9 million at 31 December 2022 and -€1.0 million 31 December 2021.

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.

Accordingly, the Group considers its exposure to counterparty risk to be low.

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 €5,000 million at 31 December 2023. 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 2023, marketable securities consist exclusively of unit trusts (note 9.2.).

At 31 December 2023, the Group held 118,227,307 Sanofi shares for an amount of €10,612.1 million (note 9.3.).

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 2022, the Group held 118,227,307 Sanofi shares for an amount of €10,621.5 million (note 9.3.).

At 31 December 2021, the Group held 118,227,307 Sanofi shares for an amount of €10,472.6 million (note 9.3.).

10.8. Fair value hierarchy

IFRS 7 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 2023**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets at fair value				
Foreign exchange derivatives	—	177.7	—	177.7
Sanofi shares	10,612.1	—	—	10,612.1
Other securities	60.8	—	457.3	518.1
Marketable securities	624.1	—	—	624.1
TOTAL ASSETS AT FAIR VALUE	**11,297.0**	**177.7**	**457.3**	**11,932.0**
Liabilities at fair value				
Foreign exchange derivatives	—	127.1	—	127.1
TOTAL LIABILITIES AT FAIR VALUE	**—**	**127.1**	**—**	**127.1**

€ millions **31 December 2022**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets at fair value				
Foreign exchange derivatives		260.9		260.9
Sanofi shares	10,621.5			10,621.5
Other securities	99.7		391.6	491.3
Marketable securities	718.5			718.5
TOTAL ASSETS AT FAIR VALUE	**11,439.7**	**260.9**	**391.6**	**12,092.2**
Liabilities at fair value				
Foreign exchange derivatives		170.6		170.6
TOTAL LIABILITIES AT FAIR VALUE	**—**	**170.6**	**—**	**170.6**

€ millions **31 December 2022**	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets at fair value				
Foreign exchange derivatives		67.6		67.6
Sanofi shares	10,472.6	—		10,472.6
Other securities	34.5	—	276.9	311.4
Marketable securities	—	—		—
TOTAL ASSETS AT FAIR VALUE	**10,507.1**	**67.6**	**276.9**	**10,851.6**
Liabilities at fair value				
Foreign exchange derivatives		240.4		240.4
TOTAL LIABILITIES AT FAIR VALUE	**—**	**240.4**	**—**	**240.4**

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 €105.5 million, €156.7 million and €62.7 million respectively in 2023, 2022 and 2021.

10.10. Sanofi dividends

In 2022, the L'Oréal Group received 5,140,317 Euroapi shares amounting to €74.5 million, which was recognised as financial income. Sanofi has decided to list the company Euroapi on the stock exchange on 6 May 2022, of which it was a 100% shareholder, and to distribute 58% of its Euroapi shares to its shareholders.

These shares were awarded in addition to the dividend granted in kind by Sanofi as part of the annual dividend paid to its shareholders, representing for the L'Oréal Group an amount of €393.7 million in 2022.

Note 11. Equity – Earnings per share

11.1. Share capital and additional paid in capital

Share capital consists of 534,725,475 shares with a par value of €0.20 at 31 December 2023 following the issue of 34,020 shares for the employee shareholding plan and 776,525 free shares and the cancellation of 1,271,632 shares.

Share capital consisted of 535,186,562 shares with a par value of €0.20 at 31 December 2022 following the issue of 448,267 shares for the employee shareholding plan and 868,806 free shares and the cancellation of 23,802,871 shares.

Share capital consisted of 557,672,360 shares with a par value of €0.20 at 31 December 2021, following the exercise of subscription options for 52,397 shares, the issue of 5,327 shares for the employee shareholding plan in the UK and 743,056 free shares and the cancellation of 3,000,000 free 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) 2023

The change in the number of shares in 2023 was as follows:

In shares	Share capital	Treasury shares	Common shares outstanding
At 01.01.2023	**535,186,562**	**—**	**535,186,562**
Shares cancelled	-1,271,632	1,271,632	—
Options and free shares exercised	810,545	—	810,545
Treasury shares purchased	—	-1,271,632	-1,271,632
AT 31.12.2023	**534,725,475**	**—**	**534,725,475**

The change in treasury shares in 2023 was as follows:

In shares	Buyback programme	Allocated to free-share plans	Total	€ millions
At 01.01.2023	**—**	**—**	**—**	**—**
Shares cancelled	-1,271,632	—	-1,271,632	-503.3
Options and free shares exercised	—	—	—	—
Treasury shares purchased	1,271,632	—	1,271,632	503
AT 31.12.2023	**—**	**—**	**—**	**—**

b) 2022

The change in the number of shares in 2022 was as follows:

In shares	Share capital	Treasury shares	Common shares outstanding
At 01.01.2022	557,672,360	-22,260,000	535,412,360
Shares cancelled	-23,802,871	23,802,871	—
Options and free shares exercised	1,317,073	—	1,317,073
Treasury shares purchased	—	-1,542,871	-1,542,871
AT 31.12.2022	**535,186,562**	**—**	**535,186,562**

The change in treasury shares in 2022 was as follows

In shares	Buyback programme	Allocated to free-share plans	Total	€ millions
At 01.01.2022	22,260,000	—	22,260,000	8,940.0
Shares cancelled	-23,802,871	—	-23,802,871	-9,442.3
Options and free shares exercised	—	—	—	—
Treasury shares purchased	1,542,871	—	1,542,871	502.3
AT 31.12.2022	**-260,000**	**—**	**-260,000**	**—**

c) 2021

The change in the number of shares in 2021 was as follows:

In shares	Share capital	Treasury shares	Common shares outstanding
At 01.01.2021	559,871,580	—	559,871,580
Shares cancelled	-3,000,000	3,000,000	—
Options and free shares exercised	800,780	—	800,780
Treasury shares purchased	—	-25,260,000	-25,260,000
AT 31.12.2021	**557,672,360**	**-22,260,000**	**535,412,360**

The change in treasury shares in 2021 was as follows

In shares	Buyback programme	Allocated to free-share plans	Total	€ millions
At 01.01.2021	—	—	—	—
Shares cancelled	-3,000,000	—	-3,000,000	-1,104.8
Options and free shares exercised	—		—	—
Treasury shares purchased	25,260,000		25,260,000	10,045.0
AT 31.12.2021	**22,260,000**	**—**	**22,260,000**	**8,940.2**

11.3. Other comprehensive income

The following tables indicate movements in this item:

€ millions	31.12.2023	31.12.2022	31.12.2021
Securities at fair value through other comprehensive income			
Reserve at beginning of period	6,637.5	6,485.4	5,293.2
Changes in fair value over period	-76.3	152.1	1,192.2
Changes in fair value recorded through other comprehensive income	—	—	—
RESERVE AT END OF PERIOD	**6,561.2**	**6,637.5**	**6,485.4**

€ millions	31.12.2023	31.12.2022	31.12.2021
Cash flow hedges – foreign exchange			
Reserve at beginning of period	257.3	-29.8	173.8
Changes in fair value over period	-184.6	686.3	-75.2
Changes in fair value recorded through other comprehensive income	55.8	-399.2	-128.4
Deconsolidation and other	-0.1	—	—
RESERVE AT END OF PERIOD	**128.5**	**257.3**	**-29.8**

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	31.12.2023	31.12.2022	31.12.2021
Impact of a 10% increase in the EUR against all other Group currencies	471.5	444.9	359.9
Impact of a 10% decrease in the EUR against all other Group currencies	-457.2	-432.8	-344.9
Impact of a 10% increase in the USD against key Group currencies	-143.7	-196.5	-80.4
Impact of a 10% decrease in the USD against key Group currencies	157.9	206.4	90.7

€ millions	31.12.2023	31.12.2022	31.12.2021
Cash flow hedges – interest rates			
Reserve at beginning of period	1.4	—	—
Changes in fair value over period	-8.5	—	—
Changes in fair value recorded through other comprehensive income	—	1.4	—
RESERVE AT END OF PERIOD	**-7.1**	**1.4**	**—**

€ millions	31.12.2023	31.12.2022	31.12.2021
Actuarial gains/(losses) and impact of asset ceiling			
Reserve at beginning of period	-302.8	-698.3	-1,283.7
Actuarial gains/(losses) over the period	-116.7	404.9	584.1
Impact of asset ceiling	-2.5	-9.4	1.1
Deconsolidation and other	-0.2	—	0.2
RESERVE AT END OF PERIOD	**-422.2**	**-302.8**	**-698.3**

€ millions	31.12.2023	31.12.2022	31.12.2021
Other comprehensive income			
Gross reserve	6,260.5	6,592.4	5,757.4
Associated tax effect	-136.8	-188.1	-18.8
RESERVE NET OF TAX	**6,123.7**	**6,404.4**	**5,738.6**

11.4. Net profit 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

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

€ millions	2023	2022	2021
Net profit from attributable to owners of the company	6,184.0	5,706.6	4,597.1
Capital gains and losses on property, plant and equipment and intangible assets	6.7	7.4	0.4
Impairment of property, plant and equipment and intangible assets	270.6	39.0	337.5
Restructuring costs	88.5	172.6	149.6
Other	84.1	22.5	-55.5
Tax effect on non-recurring items	-100.7	-52.6	-104.4
Non-controlling interests on non-recurring items	-0.2	—	-0.4
Tax effect on acquisitions and internal restructuring	-46.5	158.5	14.2
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY EXCLUDING NON-RECURRING ITEMS	**6,486.6**	**6,054.1**	**4,938.5**

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:

2023	Net profit – attributable to owners of the company *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company *(€)*
Earnings per share	6,184.0	535,428,641	11.55
Stock options	—	—	—
Free shares	—	1,592,398	—
DILUTED EARNINGS PER SHARE	**6,184.0**	**537,021,039**	**11.52**

2022	Net profit – attributable to owners of the company *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company *(€)*
Earnings per share	5,706.6	535,898,659	10.65
Stock options	—	—	—
Free shares	—	1,758,889	—
DILUTED EARNINGS PER SHARE	**5,706.6**	**537,657,548**	**10.61**

2021	Net profit – attributable to owners of the company *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company *(€)*
Earnings per share	4,597.1	557,600,698	8.24
Stock options	—	55,463	—
Free shares	—	2,135,384	—
DILUTED EARNINGS PER SHARE	**4,597.1**	**559,791,545**	**8.21**

11.4.3. Earnings per share excluding non-recurring items

The tables below set out in detail earnings per share excluding non-recurring items:

2023	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 *(€ millions)*
Earnings per share excluding non-recurring items	6,486.6	535,428,641	12.11
Stock options	—	—	—
Free shares	—	1,592,398	—
DILUTED EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS	**6,486.6**	**537,021,039**	**12.08**

2022	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	6,054.1	535,898,659	11.30
Stock options	—	—	—
Free shares	—	1,758,889	—
DILUTED EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS	**6,054.1**	**537,657,548**	**11.26**

2021	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	4,938.5	557,600,698	8.86
Stock options	—	55,463	—
Free shares	—	2,135,384	—
DILUTED EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS	**4,938.5**	**559,791,545**	**8.82**

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.

At 31 December 2023, 311,925,292 shares had been held in registered form for two years making them eligible for the 10% preferential dividend.

Note 12. Provisions for liabilities and charges – Contingent liabilities and material ongoing disputes

12.1. Provisions for liabilities and charges

Accounting principles

Provisions for liabilities and charges 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, and employee-related risks.

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

Provisions for liabilities and charges 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	31.12.2023	31.12.2022	31.12.2021
Provisions for liabilities and charges	**68.8**	**67.7**	**63.8**
Non-current provisions[(1)]	68.8	67.7	63.8
Current provisions for liabilities and charges	**977.2**	**1,205.6**	**1,223.3**
Provisions for restructuring	100.3	146.1	182.5
Provisions for product returns	338.2	395.3	405.9
Other current provisions[(1)]	538.7	664.2	634.9
TOTAL	**1,046.0**	**1,273.3**	**1,287.1**

(1) This item notably includes provisions for tax risks and litigation excluding corporate income tax, industrial, environmental and commercial risks relating to operations (breach of contract), personnel costs, investments accounted for under the equity method when the Group's share in the net asset is negative, as well as risks relating to investigations carried out by competition authorities of which France for €189.5 million (note 12.2.2.a and b).

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

The change in this caption in 2023 can be analysed as follows:

€ millions	31.12.2021	31.12.2022	Charges(2)	Reversals (used)(2)	Reversals (not used)(2)	Other(1)	31.12.2023
Provisions for restructuring	182.5	146.1	52.0	-74.7	-22.4	-0.7	100.3
Provisions for product returns	405.9	395.3	384.8	-367.6	-77.7	3.4	338.2
Other provisions for liabilities and charges	698.7	732.0	322.9	-371.4	-82.8	6.9	607.5
TOTAL	**1,287.1**	**1,273.3**	**759.7**	**-813.7**	**-183.0**	**9.6**	**1,046.0**

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

€ millions	Charges	Reversals (used)	Reversals (not used)
Operating profit	707.7	-547.6	-156.4
Other income and expenses	52.0	-266.1	-26.6
Net financial income	—	—	—

The change in this caption in 2022 can be analysed as follows:

€ millions	31.12.2020	31.12.2021	Charges(2)	Reversals (used)(2)	Reversals (not used)(2)	Other(1)	31.12.2022
Provisions for restructuring	235.1	182.5	81.0	-92.9	-32.3	7.8	146.1
Provisions for product returns	352.4	405.9	468.5	-408.8	-81.5	11.1	395.3
Other provisions for liabilities and charges	694.1	698.7	233.7	-125.9	-86.1	11.6	732.0
TOTAL	**1,281.6**	**1,287.1**	**783.2**	**-627.6**	**-199.8**	**30.5**	**1,273.3**

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

€ millions	Charges	Reversals (used)	Reversals (not used)
Operating profit	681.1	-506.6	-171.0
Other income and expenses	102.1	-121.0	-28.8
Net financial income	—	—	—

The change in this caption in 2021 can be analysed as follows:

€ millions	31.12.2019	31.12.2020	Charges(2)	Reversals (used)(2)	Reversals (not used)(2)	Other(1)	31.12.2021
Provisions for restructuring	113.0	235.1	130.5	-145.2	-45.4	7.5	182.5
Provisions for product returns	351.1	352.4	422.9	-305.4	-84.5	20.4	405.9
Other provisions for liabilities and charges	710.7	694.1	216.2	-97.7	-117.7	3.8	698.7
TOTAL	**1,174.7**	**1,281.6**	**769.6**	**-548.3**	**-247.6**	**31.7**	**1,287.1**

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

€ millions	Charges	Reversals (used)	Reversals (not used)
Operating profit	639.1	-417.1	-155.8
Other income and expenses	130.5	-131.2	-91.8
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.

L'Oréal received tax reassessment notices regarding the indirect IPI tax for financial years 2008 and 2011 to 2015 totalling €711 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 for €47 million to partially cover this risk.

India – Advertising, marketing and promotional costs challenged

L'Oréal received several tax reassessment notices regarding financial years 2007/08 to 2017/18 and 2019/20 for the most part concerning the tax deductibility of advertising, marketing and promotional expenses for a total amount of €213 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.

Mutual agreement procedures

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

The Italian procedure has just been resolved, the tax administrations having agreed to eliminate double taxation.

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. This appeal was rejected by the Greek Council of State by a ruling on 2 August 2023. This case is therefore definitively closed.

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. On 18 June 2020, the Second Court of Appeal confirmed the initial amount of the fine. L'Oréal lodged a second appeal with the Court of Cassation against this ruling that was rejected on 18 October 2023.

This final ruling has no impact on the Group's income statement and no cash flow impact, as the fine was paid in 2015.

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

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. Sustainable development and the climate

13.1. Measurement of assets and liabilities

a) Environmental risks

The Group strictly complies with regulations and laws relating to environmental protection, and does not expect current regulations to have any significant impact on the Group's operations, financial position, earnings or assets.

b) Measurement of assets

For many years, L'Oréal has shown a strong commitment to environmental, social and societal responsibility. L'Oréal placed sustainability at the heart of its strategy, with the launch in 2013 of the *Sharing Beauty With All* programme with 2020 targets focused on sustainable production, sustainable innovation, sustainable consumption and shared growth.

In June 2020, L'Oréal initiated the second phase of its commitments to sustainability, under the umbrella of the *L'Oréal for the Future* programme, with a new set of particularly ambitious and concrete targets for 2030, in order to cover all the impacts associated with its value chain: its production and distribution sites as well as its supply chains and the impacts associated with the use of products by consumers.

For example:

- the Group undertakes to reach 100% renewable energy for its sites[1] for all Group sites by 2025, by improving energy efficiency and using 100% renewable energy;
- by 2030, 100% of ingredients in formulas and biobased packaging materials will be traceable and come from sustainable sources. None of them will contribute to deforestation;
- by 2030, 100% of the plastics used in packaging will be from either recycled or biobased sources;
- by 2030, L'Oréal undertakes to innovate to enable its consumers to reduce by 25%, on average and per finished product, the water consumption and greenhouse gas emissions linked to the use of its products, compared to 2016.

The above commitments do not jeopardise the value of the Group's assets or the useful lives of our non-financial assets. In particular:

- our ongoing efforts to bring our products in line with consumer demand as part of *L'Oréal for the Future* are included in the Group's short-term strategic plans used in impairment tests on intangible assets with an indefinite useful life and have no impact on the book value of the assets;
- to date, the adaptation of our plants and product formulas has not led us to identify any risk of our production lines becoming obsolete and does not call into question the depreciation period of assets.

Furthermore, based on data from the climate study on environmental risks, the impact of climate change on consumer behaviour was taken into account in the business plans used for impairment tests of intangible assets and is, to date, considered as having no significant impact on the carrying value of the assets.

13.2. Financing, investments and compensation

The Group's *L'Oréal for the Future* programme rests on its financing, short- and long-term investment and compensation strategies.

a) Financing

The credit lines indexed to the Group's sustainability performance incorporate a borrowing cost adjustment mechanism.

The L'Oréal Group has a syndicated loan from 20 banks (€5 billion), which had not been used at the end of December 2023. This loan incorporates a mechanism whereby the margin is adjusted in line with the Group's performance with regard to four ESG KPIs: climate, biodiversity, resources and social commitment.

The Group issued in 2022 a €3 billion bond, one tranche of which in an amount of €1,250 million is sustainability-linked (note 9.1).

b) Short-term investment

The Group's available cash is mainly invested in SRI SICAV money-market funds (60% of all short-term investment in 2023) and term accounts (40% of all short-term investment in 2023 of which 70% in CSR STI).

c) Long-term investment

The Group recorded a total of €191 million in non-current financial assets related to sustainability activities, measured at fair value through equity (note 9.3).

- At the end of 2021, investment in *Circular Innovation Fund* amounting to €50 million. L'Oréal is one of the main contributors to this fund, that aims at financing innovative companies in the field of recycling, plastic waste management or even materials from the bioeconomy.
- In 2020, the creation of a fund for Nature Regeneration to financially support projects to restore natural marine, forest and agricultural ecosystems (€75 million of which €50 million intended to support the fund's actions).
- Investment in start-ups (€66 million in total):
  - including the Swiss environmental technology firm Gjosa, which developed innovative water saving solutions, the French biotech company Global Bioenergies, which developed a process to convert plant-based resources, the Green Chemistry start-up Carbios, which developed enzymatic processes for plastic biodegradation and biorecycling and the French biotech Microphyt which developped a process with a low carbon impact to produce microalgae;

(1) *Excluding safety equipment.*

- in 2023, minority stakes were acquired, including the American biotech company led by Geno, whose aim is to create sustainable alternatives to key ingredients, as well as the American biotech company Debut, which specializes in the discovery, formulation and manufacturing of innovative natural and complex ingredients and products, usable in a multitude of more efficient and more sustainable beauty products.

d) Remuneration

The variable portion of the Chief Executive Officer's current remuneration incorporates quantitative and qualitative nonfinancial objectives, including objectives associated with the L'Oréal for the Future programme. Since 2016, non-financial objectives in line with the Group's goals for sustainability have been included in the variable remuneration of the top management, including international brand managers and country managers.

For the conditional grant of free shares, plans since 2022 stipulate the fulfilment of non-financial performance criteria, of which:

- the fulfilment of environmental and social responsibility commitments made by the Group as part of the L'Oréal for the Future programme;
- gender balance within strategic positions including the Executive Committee.

At 31 December 2023, these performance conditions of an extra-financial nature were deemed achieved.

Note 14. Off-balance sheet commitments

14.1. Lease commitments

These amounted to €91.0 million at 31 December 2023 compared with €122.7 million at 31 December 2022 and €257.9 million at 31 December 2021, of which:

- €39.4 million was due within one year at 31 December 2023, compared with €46.7 million at 31 December 2022 and €45.1 million at 31 December 2021;
- €47.0 million was due within one to five years at 31 December 2023, compared with €61.3 million at 31 December 2022 and €76.9 million at 31 December 2021;
- €4.6 million was due in over five years at 31 December 2023, compared with €14.8 million at 31 December 2022 and €135.9 million at 31 December 2021.

14.2. 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	31.12.2023	31.12.2022	31.12.2021
Guarantees given(1)	279.0	308.9	312.2
Guarantees received	126.5	110.4	76.8
Capital expenditure orders(2)	581.7	508.0	504.2
Firm purchase commitments under logistics supply and service contracts(3)	2,237.7	1,852.1	1,341.5

(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.

(3) Including irrevocable commitments for energy purchase contracts, particularly on green energies such as purchase power agreements recognized as own use.

Note 15. Transactions with related parties

15.1. 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	2023	2022	2021
Sales of goods and services	—	—	—
Financial expenses and income	—	—	—

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

€ millions	31.12.2023	31.12.2022	31.12.2021
Operating receivables	—	—	0.1
Operating payables	—	—	—
Financial receivables	0.1	0.1	0.1

15.2. 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.

On 29 December 2023, the agreements concluded in 2016 were terminated and a new lock-up agreement was concluded pursuant to Article 787 B of the French General Tax Code, representing the same number of L'Oréal shares and similar to those concluded in 2016, with the addition of the company Financière L'Arcouest (controlled by Ms Françoise Bettencourt Meyers and her family) as a signatory.

Note 16. Fees accruing to auditors and members of their networks payable by the Group

FEES FOR THE 2023 FINANCIAL YEAR

	Ernst & Young Audit				Deloitte & Associés			
	Auditor Ernst & Young 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	1.7	55%	n/a	n/a	1.8	52%	n/a	n/a
Fully consolidated subsidiaries	0.9	29%	4.8	61%	0.9	27%	5.6	77%
Subtotal	**2.6**	**84%**	**4.8**	**61%**	**2.7**	**79%**	**5.6**	**77%**
Non-audit services[1]								
L'Oréal	0.5	16%	2.6	—	0.7	21%	0.6	—
Fully consolidated subsidiaries	—	—%	0.5	6%	—	—	1.1	15%
Subtotal	**0.5**	**16%**	**3.1**	**39%**	**0.7**	**21%**	**1.7**	**23%**
TOTAL	**3.1**	**100%**	**7.9**	**100%**	**3.4**	**100%**	**7.3**	**100%**

(1) *Mainly concerning acquisition audits and IT services.*

FEES FOR THE 2022 FINANCIAL YEAR

	Ernst & Young Audit				Deloitte & Associés			
	Auditor Ernst & Young 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	1.6	64%	n/a	n/a	1.5	56%	n/a	n/a
Fully consolidated subsidiaries	0.7	29%	4.7	53%	0.6	22%	5.0	64%
Subtotal	**2.3**	**93%**	**4.7**	**53%**	**2.1**	**78%**	**5.0**	**64%**
Non-audit services[(1)]								
L'Oréal	0.2	7%	2.3	26%	0.6	22%	1.3	16
Fully consolidated subsidiaries	—	—	1.9	21%	—	—	1.6	20%
Subtotal	**0.2**	**7%**	**4.2**	**47%**	**0.6**	**22%**	**2.9**	**36%**
TOTAL	**2.5**	**100%**	**8.9**	**100%**	**2.7**	**100%**	**7.9**	**100%**

(1) *Mainly concerning acquisition audits.*

Note 17. Subsequent events

On 9 January 2024, L'Oréal announced the signing of an agreement to acquire the entire capital of Gjosa, the Swiss company pioneer in the development of water micronization technology. L'Oréal had already made a first minority investment in Gjosa in 2021 *via* its venture capital fund, BOLD (Business Opportunities for L'Oréal Development). The closing was finalized on 31 January 2024.

5.7. Consolidated companies at 31 December 2023

5.7.1. Fully consolidated companies

Company	Head office	% interest
2. L'ORÉAL VERWALTUNGS GmbH	Germany	100.00%
AĒSOP (SHANGHAI) COMMERCIAL AND TRADING CO., LTD	China	100.00%
AĒSOP (THAILAND) LIMITED	Thailand	100.00%
AĒSOP AUSTRALIA PTY LTD	Australia	100.00%
AĒSOP AUSTRIA GmbH	Austria	100.00%
AĒSOP BELGIUM BVBA	Belgium	100.00%
AĒSOP BRASIL COMERCIO DE COSMETICOS LTDA	Brazil	100.00%
AĒSOP CANADA, INC.	Canada	100.00%
AĒSOP COSMETICS AUSTRALIA PTY LTD	Australia	100.00%
AĒSOP COSMETICS SPAIN, S.L.	Spain	100.00%
AĒSOP DENMARK ApS	Denmark	100.00%
AĒSOP FRANCE	France	100.00%
AĒSOP GERMANY GmbH	Germany	100.00%
AĒSOP HONG KONG LIMITED	Hong Kong SAR	100.00%
AĒSOP ITALY S.R.L.	Italy	100.00%
AĒSOP JAPAN	Japan	100.00%
AĒSOP KOREA YUHAN HOE SA	Korea	100.00%
AĒSOP MACAU LIMITED	Macau	100.00%
AĒSOP MALAYSIA SDN BHD	Malaysia	100.00%
AĒSOP NETHERLANDS B.V.	The Netherlands	100.00%
AĒSOP NEW ZELAND LIMITED	New Zealand	100.00%
AĒSOP NORWAY AS	Norway	100.00%
AĒSOP RETAIL PTY LTD	Australia	100.00%
AĒSOP SINGAPORE PTE LTD	Singapore	100.00%
AĒSOP SWEDEN AB	Sweden	100.00%
AĒSOP SWITZERLAND AG	Switzerland	100.00%
AĒSOP UK LIMITED	United Kingdom	100.00%
AĒSOP USA, INC.	United States	100.00%
ATELIER COLOGNE (as a sub-group)	France	100.00%
AZZARO MUGLER BEAUTÉ France	France	100.00%
BAKSKINCARE ApS	Denmark	100.00%
BEAUTÉ, 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	France	100.00%
CENTRE THERMAL DE LA ROCHE-POSAY	France	100.00%
COBEL SA COSMETICOS, S.A.	Spain	100.00%
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%

Company	Head office	% interest
COSMÉTIQUE ACTIVE INTERNATIONAL	France	100.00%
COSMÉTIQUE ACTIVE PRODUCTION	France	100.00%
EGYPTELOR LLC	Egypt	100.00%
ELEBELLE (PROPRIETARY) LIMITED	South Africa	100.00%
EMEIS COSMETICS PTY LTD	Australia	100.00%
EMEIS HOLDINGS PTY LTD	Australia	100.00%
EMEIS TRADING PTY LTD	Australia	100.00%
EPISKIN	France	99.92%
EPISKIN BRASIL BIOTECNOLOGIA EIRELI	Brazil	99.92%
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%
GUANGZHOU L'ORÉAL BUYCOOR INTERNET SCIENCE & TECHNOLOGY CO., LTD	China	100.00%
HELENA RUBINSTEIN ITALIA S.p.A.	Italy	100.00%
HOLDIAL	France	100.00%
INTERBEAUTY PRODUCTS LIMITED	Kenya	100.00%
JSC L'ORÉAL	Russia	100.00%
KOSMEPOL Sp. z.o.o.	Poland	100.00%
L & J RE	France	100.00%
L'ORÉAL (CHINA) CO. LTD	China	100.00%
L'ORÉAL (THAILAND) LIMITED	Thailand	100.00%
L'ORÉAL (UK) LIMITED	United Kingdom	100.00%
L'ORÉAL ADRIA d.o.o.	Croatia	100.00%
L'ORÉAL AMERICA LATINA S.A. DE C.V.	Mexico	100.00%
L'ORÉAL ARGENTINA Sociedad Anonima	Argentina	100.00%
L'ORÉAL AUSTRALIA PTY LTD	Australia	100.00%
L'ORÉAL BALKAN d.o.o.	Serbia	100.00%
L'ORÉAL BALTIC SIA	Latvia	100.00%
L'ORÉAL BANGLADESH LIMITED	Bangladesh	100.00%
L'ORÉAL BELGILUX S.A.	Belgium	100.00%
L'ORÉAL BRASIL COMERCIAL DE COSMÉTICOS LTDA	Brazil	100.00%
L'ORÉAL BRASIL PESQUI SAS E INOVACAO LTDA	Brazil	100.00%
L'ORÉAL BULGARIA EOOD	Bulgaria	100.00%
L'ORÉAL CANADA, INC.	Canada	100.00%
L'ORÉAL CENTRAL AMERICA S.A.	Panama	100.00%
L'ORÉAL CENTRAL WEST AFRICA LTD	Nigeria	100.00%
L'ORÉAL CESKA REPUBLIKA s.r.o.	Czech Republic	100.00%
L'ORÉAL CHILE S.A.	Chile	100.00%
L'ORÉAL COLOMBIA S.A.S.	Colombia	100.00%
L'ORÉAL COSMETICS INDUSTRY S.A.E.	Egypt	100.00%
L'ORÉAL DANMARK A/S	Denmark	100.00%
L'ORÉAL DEUTSCHLAND GmbH	Germany	100.00%
L'ORÉAL EAST AFRICA LIMITED	Kenya	100.00%
L'ORÉAL EGYPT LLC	Egypt	100.00%
L'ORÉAL ESPANA S.A.U.	Spain	100.00%

Company	Head office	% interest
L’ORÉAL FINLAND OY	Finland	100.00%
L’ORÉAL FRANCE	France	100.00%
L’ORÉAL GUATEMALA S.A.	Guatemala	100.00%
L’ORÉAL HELLAS S.A.	Greece	100.00%
L’ORÉAL HONG KONG LIMITED	Hong Kong SAR	100.00%
L’ORÉAL INDIA PRIVATE LIMITED	India	100.00%
L’ORÉAL INTERNATIONAL DISTRIBUTION	France	100.00%
L’ORÉAL ISRAEL LTD	Israel	92.97%
L’ORÉAL ITALIA S.p.A.	Italy	100.00%
L’ORÉAL KAZAKHSTAN Limited Liability Partnership	Kazakhstan	100.00%
L’ORÉAL KOREA LIMITED	Korea	100.00%
L’ORÉAL LIBAN SAL	Lebanon	100.00%
L’ORÉAL LIBRAMONT	Belgium	100.00%
L’ORÉAL MAGYARORSZAG KOZMETIKAI Kft	Hungary	100.00%
L’ORÉAL MALAYSIA SDN BHD	Malaysia	100.00%
L’ORÉAL MANUFACTURING MIDRAND (PROPRIETARY) LIMITED	South Africa	100.00%
L’ORÉAL MAROC	Morocco	50.00%
L’ORÉAL MEXICO S.A. de C.V.	Mexico	100.00%
L’ORÉAL MIDDLE EAST	United Arab Emirates	100.00%
L’ORÉAL NEDERLAND B.V.	The Netherlands	100.00%
L’ORÉAL NEW ZEALAND LIMITED	New Zealand	100.00%
L’ORÉAL NORGE AS	Norway	100.00%
L’ORÉAL ÖSTERREICH GmbH	Austria	100.00%
L’ORÉAL PAKISTAN PRIVATE LIMITED	Pakistan	100.00%
L’ORÉAL PANAMA S.A.	Panama	100.00%
L’ORÉAL PERU S.A.	Peru	100.00%
L’ORÉAL PHILIPPINES, INC.	The Philippines	100.00%
L’ORÉAL POLSKA Sp. z.o.o.	Poland	100.00%
L’ORÉAL PORTUGAL UNIPESSOAL, LDA	Portugal	100.00%
L’ORÉAL PRODUITS DE LUXE INTERNATIONAL	France	100.00%
L’ORÉAL PRODUKTION DEUTSCHLAND BETEILIGUNGS GmbH	Germany	100.00%
L’ORÉAL PRODUKTION DEUTSCHLAND GmbH & CO KG	Germany	100.00%
L’ORÉAL ROMANIA SRL	Romania	100.00%
L’ORÉAL SAIPO INDUSTRIALE S.p.A.	Italy	100.00%
L’ORÉAL SAUDI ARABIA	Saudi Arabia	78.48%
L’ORÉAL SINGAPORE Pte Ltd	Singapore	100.00%
L’ORÉAL SLP S.A. de C.V.	Mexico	100.00%
L’ORÉAL SOUTH AFRICA HOLDINGS (PROPRIETARY) LIMITED	South Africa	100.00%
L’ORÉAL SUISSE S.A.	Switzerland	100.00%
L’ORÉAL SVERIGE AB	Sweden	100.00%
L’ORÉAL TAIWAN CO., LTD.	Taiwan Region	100.00%
L’ORÉAL TRAVEL RETAIL	France	100.00%
L’ORÉAL TRAVEL RETAIL AMERICAS, INC.	United States	100.00%
L’ORÉAL TÜRKIYE KOZMETIK SANAYI VE TICARET ANONIM SIRKETI	Turkey	100.00%
L’ORÉAL U A E GENERAL TRADING LLC	United Arab Emirates	100.00%
L’ORÉAL UKRAINE	Ukraine	100.00%
L’ORÉAL URUGUAY S.A.	Uruguay	100.00%

Company	Head office	% interest
L'ORÉAL U SA, INC. (as a sub-group)	United States	100.00%
L'ORÉAL VIETNAM CO. LTD	Vietnam	100.00%
L'ORÉAL WEST AFRICA LIMITED	Ghana	100.00%
LA ROCHE-PO SAY LABORATOIRE DERMATOLOGIQUE	France	99.98%
LABORATORIOS DE COSMETICOS VOGUE S.A.S.	Colombia	100.00%
LACTOBIO A/S	Denmark	100.00%
LIBRAMONT ÉNERGIES VERTES	Belgium	100.00%
LOA15	France	100.00%
LOA6	France	100.00%
LOA6 U SA, INC.	United States	100.00%
LUXURY OF RETAIL	France	100.00%
MAGIC HOLDINGS (as a sub-group)	China	100.00%
MASRELOR LLC	Egypt	100.00%
MATRIX DISTRIBUTION GmbH	Germany	100.00%
MODIFACE INC.	Canada	100.00%
MUGLER FASHION	France	100.00%
NANDA CO. LTD	Korea	100.00%
NANDA JAPAN K.K.	Japan	100.00%
NANTONG L'ORÉAL SUPPLY CHAIN MANAGEMENT CO., LTD	China	100.00%
NEW SOPROREAL	France	100.00%
NIHON L'ORÉAL KABUSHIKI KAISHA	Japan	100.00%
NLO KABUSHIKI KAISHA	Japan	100.00%
NOVEAL	France	100.00%
NYX PROFESSIONAL MAKEUP SPRL/BVBA	Belgium	100.00%
P.T. L'ORÉAL INDONESIA	Indonesia	100.00%
P.T. YASULOR INDONESIA	Indonesia	100.00%
PRESTIGE ET COLLECTIONS INTERNATIONAL	France	100.00%
PROCO SA PRODUCTOS DE BELEZA LTDA	Brazil	100.00%
PRODUCTOS CAPILARES L'ORÉAL S.A.	Spain	100.00%
REAL CAMPUS BY L'ORÉAL	France	100.00%
SALONCENTRIC CANADA LP	Canada	100.00%
SCENTAL LIMITED	Hong Kong SAR	100.00%
SCIENCEMD	France	100.00%
SHANGHAI EPISKIN BIOTECHNOLOGY CO. LTD	China	99.92%
SHANGHAI L'ORÉAL INTERNATIONAL TRADING CO. LTD	China	100.00%
SHANGHAI MEICIFANG BUSINESS CONSULTING CO. LTD	China	100.00%
SHANGHAI MEICIFANG INVESTMENT CO., LTD.	China	100.00%
SHU UEMURA COSMETICS INC.	Japan	100.00%
SICOS & CIE	France	100.00%
SOCIÉTÉ HYDROMINÉRALE DE LA ROCHE PO SAY – S.H.R.P.	France	99.98%
SOPROCOS	France	100.00%
SOPROREAL	France	100.00%
SPARLYS	France	100.00%
SUZHOU L'ORÉAL SUPPLY CHAIN MANAGEMENT CO., LTD	China	100.00%
TAIWAN AESOP COSMETICS COMPANY LIMITED BY SHARES	Taiwan Region	100.00%
TAKAMI CO., LTD	Japan	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 MEXICO S.A. DE C.V.	Mexico	50.00%(1)
INNEOV TAIWAN CO. LTD	Taiwan Region	50.00%(1)
LIPP DISTRIBUTION	Tunisia	49.00%
LOSHIAN CO., LTD	Korea	40.00%
NUTRICOS TECHNOLOGIES	France	50.00%(1)
SALON INTERACTIVE, INC.	United States	38.32%
SCI GOLF DU CONNÉTABLE	France	38.12%

(1) Companies jointly owned with Nestlé.

5.8. Statutory Auditors' Report on the Consolidated Financial Statements

Year ended December 31, 2023

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.This statutory auditors' report includes information required by European regulations and French law, such as information about the appointment of the statutory auditors or the verification of the information concerning the Group presented in the management report and other documents provided to the shareholders.This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Annual General Meeting of L'Oréal,

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of L'Oréal for the year ended December 31, 2023.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2023 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with the independence requirements of the French Commercial Code *(Code de commerce)* and the French Code of Ethics for Statutory Auditors *(Code de déontologie de la profession de commissaire aux comptes)* for the period from January 1, 2023 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L. 821-53 and R. 821-180 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Valuation of goodwill and indefinite-life brands

See Notes 7.1 "Goodwill", 7.2 "Other intangible assets", 7.3 "Impairment tests of intangible assets" and 4 "Other operating income and expenses", to the consolidated financial statements

Risk identified	Our response
As at December 31, 2023, the net book value of goodwill and that of indefinite-life brands amounted respectively to M€ 13,103 and M€ 2,653 (representing a total of 30% of assets) as described in Note 7 to the consolidated financial statements. These assets are subject to an impairment test whenever an adverse event occurs, and at least once a year, in order to verify that their book value does not exceed their recoverable value. The recoverable values of each cash-generating unit (CGU) are determined based on the discounted projections of future operating cash flows over a ten-year period (the necessary period for the strategic positioning of an acquisition) and a terminal value. The assumptions taken into account in the valuation of the recoverable value are described in Note 7.3 and mainly relate to: • the increase in revenue and the margin rate; • an infinite growth rate for calculating the terminal value, and • discount rates based on the weighted average cost of capital, including a country risk premium if necessary. The impairment tests carried out in 2023 showed an impairment of M€ 250 on goodwill and an impairment of M€ 20 on brands. We considered the valuation of these assets to be a key audit matter given their relative proportion in the consolidated financial statements, and because determining their recoverable value requires significant judgment from Management in order to determine future cash flow projections and the key assumptions used.	We obtained an understanding of Management's methodology for conducting impairment tests and sensitivity analyses. We evaluated these, especially by reconciling them with our own sensitivity analyses, in order to define the nature and scope of our work. We assessed the quality of the budgeting and forecasting processes. For the impairment tests of the assets considered the most sensitive, our work consisted in particular in assessing the reasonableness of the main estimates, and more specifically in: • assessing the consistency of revenue and margin rate projections with your Group's past performance and the economic and financial context in which your Group operates; • corroborating the future growth rates used with the performance analyses of the global cosmetics market, taking into account the specificities of the local markets and the distribution channels in which your Group operates; • analyzing the discount rates applied to future cash flows by comparing the parameters used with external references, long-term growth rates and royalty rates by including valuation experts in our team; • examining sensitivity analyses against Management's key assumptions and against our own analyses. We assessed the appropriateness of the information given in the notes to the consolidated financial statements.

Revenue recognition: estimation of items deducted from revenue

See Note 3 "Operating items - Sector-specific information - Accounting principles – Revenue", to the consolidated financial statements

Risk identified	Our response
Your Group's revenue is presented net of product returns and discounts, rebates and other benefits granted to distributors or consumers (such as commercial cooperation), as described in Note 3 to the consolidated financial statements. These various deductions from revenue are recorded simultaneously with the recognition of sales in particular on the basis of contractual conditions and statistical data from past experience. At the end of the financial year, the valuation of the revenue thus includes estimates related to the amounts deducted, which we considered to be (i) complex, due to the diversity of contractual agreements and commercial conditions existing in your Group's various markets, (ii) sensitive, the revenue being a key indicator in the valuation of your Group's and its Management's performance, and (iii) significant, given their impact in the financial statements. The valuation of product returns, discounts, rebates and other benefits granted to customers therefore constitutes a key audit matter.	We assessed the appropriateness of your Group's accounting principles relating to the recognition of product returns, discounts, rebates and other benefits granted to customers, in accordance with IFRS. We obtained an understanding of the internal control system put in place in your Group's commercial entities, which allows the valuation and recognition of the items deducted from the revenue, especially at closing, and we tested, by sampling, the main controls of this system. We also carried out substantial tests in order to assess the reasonableness of the product returns and customer benefits estimates. These tests specifically consisted in: • analyzing the valuation methods used, in particular by critically examining the assumptions used, checking the permanence of the methods and analyzing the anteriority and unwinding of the previous financial year's provisions; • reconciling the statistical data from past experience and contractual conditions with the data contained in the information systems used to manage commercial conditions; • verifying the arithmetic accuracy of the calculation of the corresponding entries (including the residual commitment at closing), their recording in the accounts and their presentation in the consolidated financial statements.

Valuation of provisions for tax risks and uncertain tax positions

See Notes 6 "Income taxes" and 12 "Provisions for risks and expenses – Contingent liabilities and significant outstanding litigation", to the consolidated financial statements

Risk identified	Our response
Your Group is exposed to various business risks, including tax risks. When the amount or maturity can be assessed with sufficient reliability, a tax liability is recognized for these risks. Otherwise, your Group discloses information on contingent liabilities in the notes to the consolidated financial statements. Note 12.2.1 "Tax disputes" sets out, in particular, the current tax disputes in Brazil and in India, for which the administration's claims amount to M€ 711 and M€ 213, respectively. The uncertain tax positions are classified in the balance sheet on the non-current tax liabilities line for M€ 256 as at December 31, 2023. The identification and valuation of these items are considered to be a key audit matter, given: • the high level of judgment required of Management to determine the risks which need to be provisioned, and to valuate the amounts to be provisioned with sufficient reliability; • the potential significant impact of these provisions on your Group's income.	In order to identify and obtain an understanding of all uncertain tax positions, existing liabilities and related judgments, we had discussions with tax departments at different levels of the organization, in France and abroad. We obtained an understanding of the internal control system put in place to identify and assess these risks. We reconciled the list of identified tax disputes with the information provided by your Group's tax departments and the main tax advisors. As for the main uncertain tax positions and tax risks for which a liability is made, we assessed the quality of Management's estimates by considering the data and assumptions used, as well as the calculations made. We also conducted a retrospective analysis by comparing the amounts paid over the last few years with the amounts previously provisioned. By including tax experts into our team when necessary, we: • examined procedural matters and/or tax or technical opinions issued by external advisors selected by Management, in order to assess the appropriateness of a liability; • carried out, on the basis of the information submitted to us, a critical review of the risk estimates, and verified that the assessments used by Management are within these acceptable ranges; • verified the continuation of the methods used for these assessments, when necessary. With regards to contingent liabilities, by including tax experts when necessary, we examined the procedural items and/or the tax or technical opinions issued by external advisors chosen by Management in order to assess the appropriateness of a lack of provision. We assessed the appropriateness of the information given in the notes to the consolidated financial statements.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information relating to the Group given in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L. 225-102-1 of the French Commercial Code (*Code de commerce*) is included in the information relating to the Group given in the management report, it being specified that, in accordance with Article L. 823-10 of said Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

Report on Other Legal and Regulatory Requirements

Format of preparation of the consolidated financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by statutory auditors regarding the annual and consolidated financial statements prepared in the European single electronic format, that the preparation of the consolidated financial statements intended to be included in the annual financial report mentioned in Article L. 4511-2, I of the French Monetary and Financial Code (-*Code monétaire et financier*), prepared under the Chief Executive Officer's responsibility, complies with the single electronic format defined in Commission Delegated Regulation (EU) No. 2019/815 of 17 December 2018. Regarding consolidated financial statements, our work includes verifying that the tagging thereof complies with the format defined in the above-mentioned regulation.

On the basis of our work, we conclude that the preparation of the consolidated financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

Due to the technical limitations inherent to the block-tagging of the consolidated financial statements according to the European single electronic format, the content of certain tags of the notes may not be rendered identically to the accompanying consolidated financial statements.

Furthermore, we have no responsibility to verify that the consolidated financial statements that will ultimately be included by your Company in the annual financial report filed with the AMF *(Autorité des marchés financiers)* agree with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed as statutory auditors of L'Oréal by your annual general meeting held on April 29, 2004 for DELOITTE & ASSOCIES and on April 21, 2022 for ERNST & YOUNG Audit.

As at December 31, 2023, DELOITTE & ASSOCIES was in the twentieth year of total uninterrupted engagement and ERNST & YOUNG Audit in the second year.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these consolidated financial statements.

As specified in Article L. 821-55 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the consolidated financial statements.

- Assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France as set out in particular in Articles L. 821-27 to L. 821-34 of the French Commercial Code *(Code de commerce)* and in the French Code of Ethics for Statutory Auditors *(Code de déontologie de la profession de commissaire aux comptes)*. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris–La Défense, February 16, 2024

The Statutory Auditors

French original signed by

DELOITTE & ASSOCIES
David Dupont-Noel

ERNST & YOUNG Audit
Céline Eydieu-Boutté