

2022 Consolidated Financial Statements *

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

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

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

The subsidiaries operate the Group's business activities in the countries or regions 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	2022	2021	2020
Net sales	3.1	38,260.6	32,287.6	27,992.1
Cost of sales		-10,577.4	-8,433.3	-7,532.3
Gross profit		27,683.3	23,854.3	20,459.8
Research & Innovation expenses		-1,138.6	-1,028.7	-964.4
Advertising and promotion expenses		-12,059.0	-10,591.0	-8,647.9
Selling, general and administrative expenses		-7,028.8	-6,074.2	-5,638.5
Operating profit	3.1	7,456.9	6,160.3	5,209.0
Other income and expenses	4	-241.5	-432.0	-709.0
Operational profit		7,215.4	5,728.3	4,500.0
Finance costs on gross debt		-70.4	-38.0	-79.2
Finance income on cash and cash equivalents		69.8	18.5	19.8
Finance costs, net		-0.6	-19.4	-59.4
Other financial income and expenses	9.4	-72.3	-40.2	-36.5
Sanofi dividends		468.2	378.3	372.4
Profit before tax and associates		7,610.6	6,046.9	4,776.5
Income tax	6	-1,899.4	-1,445.4	-1,209.8
Share of profit in associates		1.4	0.6	0.9
Net profit		5,712.6	4,602.2	3,567.6
Attributable to:				
• owners of the company		5,706.6	4,597.1	3,563.4
• non-controlling interests		6.0	5.1	4.2
Earnings per share attributable to owners of the company (euros)		10.65	8.24	6.37
Diluted earnings per share attributable to owners of the company (euros)		10.61	8.21	6.34
Earnings per share attributable to owners of the company, excluding non-recurring items (euros)	11.4	11.30	8.86	7.33
Diluted earnings per share attributable to owners of the company, excluding non-recurring items (euros)	11.4	11.26	8.82	7.30

5.2. Consolidated Statement of Comprehensive Income

€ millions	Notes	2022	2021	2020
Consolidated net profit for the period		5,712.6	4,602.2	3,567.6
Cash flow hedges		288.5	-203.7	129.1
Cumulative translation adjustments		195.1	610.5	-790.2
Income tax on items that may be reclassified to profit or loss ⁽¹⁾		-58.0	41.5	-23.3
Items that may be reclassified to profit or loss		425.6	448.3	-684.4
Financial assets at fair value through other comprehensive income	9.3	152.1	1,192.2	-1,269.1
Actuarial gains and losses	11.3	395.6	585.5	-225.6
Income tax on items that may not be reclassified to profit or loss ⁽¹⁾		-111.5	-181.7	97.8
Items that may not be reclassified to profit or loss		436.2	1,596.0	-1,396.9
Other comprehensive income		861.8	2,044.3	-2,081.3
Consolidated comprehensive income		6,574.4	6,646.5	1,486.3
Attributable to:				
• owners of the company		6,567.6	6,641.4	1,482.1
• non-controlling interests		6.8	5.1	4.2

(1) The tax effect is as follows:

€ millions	2022	2021	2020
Cash flow hedges	-58.0	41.5	-23.3
Items that may be reclassified to profit or loss	-58.0	41.5	-23.3
Financial assets at fair value through other comprehensive income	-6.1	-37.3	40.4
Actuarial gains and losses	-105.5	-144.4	57.4
Items that may not be reclassified to profit or loss	-111.5	-181.7	97.8
TOTAL	-169.5	-140.2	74.5

5.3. Compared Consolidated Balance Sheets

Assets

€ millions	Notes	31.12.2022	31.12.2021	31.12.2020
Non-current assets		32,794.5	30,937.6	29,046.8
Goodwill	7.1	11,717.7	11,074.5	10,514.2
Other intangible assets	7.2	3,640.1	3,462.8	3,356.3
Right-of-use assets	3.2	1,482.7	1,507.6	1,525.3
Property, plant and equipment	3.2	3,481.7	3,266.2	3,225.2
Non-current financial assets	9.3	11,652.8	10,920.2	9,604.8
Investments accounted for under the equity method	8	18.4	9.9	11.1
Deferred tax assets	6.3	801.1	696.5	809.9
Current assets		14,049.6	12,075.8	14,560.1
Inventories	3.3	4,079.4	3,166.9	2,675.8
Trade accounts receivable	3.3	4,755.5	4,021.0	3,511.3
Other current assets	3.3	2,423.2	2,037.9	1,732.7
Current tax assets		173.9	136.2	234.4
Cash and cash equivalents	9.2	2,617.7	2,713.8	6,405.9
TOTAL		46,844.2	43,013.4	43,606.9

Equity & liabilities

€ millions	Notes	31.12.2022	31.12.2021	31.12.2020
Equity	11	27,186.5	23,592.6	28,998.8
Share capital		107.0	111.5	112.0
Additional paid-in capital		3,368.7	3,265.6	3,259.8
Other reserves		11,675.6	19,092.2	18,642.5
Other comprehensive income		6,404.4	5,738.6	4,304.5
Cumulative translation adjustments		-83.8	-279.1	-889.2
Treasury shares		—	-8,940.2	—
Net profit attributable to owners of the company		5,706.6	4,597.1	3,563.4
Equity attributable to owners of the company		27,178.5	23,585.7	28,993.0
Non-controlling interests		8.0	6.9	5.8
Non-current liabilities		5,937.9	2,837.6	3,478.0
Provisions for employee retirement obligations and related benefits	5.4	457.9	360.6	1,013.5
Provisions for liabilities and charges	12.1	67.7	63.8	56.8
Non-current tax liabilities	6	275.6	344.8	397.9
Deferred tax liabilities	6.3	905.6	810.3	706.6
Non-current borrowings and debt	9.1	3,017.6	10.7	8.5
Non-current lease debt	9.1	1,213.5	1,247.5	1,294.7
Current liabilities		13,719.6	16,583.2	11,130.1
Trade accounts payable		6,345.6	6,068.1	4,764.5
Provisions for liabilities and charges	12.1	1,205.6	1,223.3	1,224.7
Other current liabilities	3.4	4,484.6	3,980.8	3,682.5
Income tax		264.2	268.9	215.1
Current borrowings and debt	9.1	1,012.8	4,619.4	856.4
Current lease debt	9.1	407.0	422.8	386.9
TOTAL		46,844.2	43,013.4	43,606.9

5.4. Consolidated Statements of Changes in Equity

€ millions	Common shares outstanding	Capital	Additional paid-in capital	Retained earnings and net profit ⁽¹⁾	Other comprehensive income	Treasury shares	Cumulative translation adjustments	Equity attributable to owners of the company	Non-controlling interests	Total equity
At 31.12.2019	558,117,205	111.6	3,130.2	20,681.0	5,595.8	—	-99.2	29,419.3	6.7	29,426.0
Consolidated net profit for the period				3,563.4				3,563.4	4.2	3,567.6
Cash flow hedges					105.6			105.6	0.2	105.8
Cumulative translation adjustments							-801.8	-801.8	-0.3	-802.1
Hyperinflation							11.9	11.9		11.9
Other comprehensive income that may be reclassified to profit and loss					105.6		-789.9	-684.3	-0.1	-684.4
Financial assets at fair value through other comprehensive income					-1,228.8			-1,228.8		-1,228.8
Actuarial gains and losses					-168.1			-168.1		-168.1
Other comprehensive income that may not be reclassified to profit and loss					-1,396.9			-1,396.9	—	-1,396.9
Consolidated comprehensive income				3,563.4	-1,291.3		-789.9	1,482.1	4.2	1,486.3
Capital increase	1,754,375	0.4	129.6	-0.2				129.8		129.8
Cancellation of Treasury shares								—		—
Dividends paid (not paid on Treasury shares)				-2,172.6				-2,172.6	-4.9	-2,177.5
Share-based payment				129.7				129.7		129.7
Net changes in Treasury shares								—		—
Changes in the scope of consolidation								—		—
Other movements				4.8				4.8	-0.1	4.7
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							582.4	582.4	0.3	582.7
Hyperinflation							27.8	27.8		27.8
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

(1) Of which €102.2 million pertaining to the IFRIC 2021 interpretation on IAS 19 "Employee Benefits" on Attributing Benefit to Periods of Service.

€ millions	Common shares outstanding	Capital	Additional paid-in capital	Retained earnings and net profit	Other compre- hensive income	Treasury shares	Cumulative translation adjustments	Equity attributable to owners of the company	Non- controlling interests	Total equity
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							127.5	127.5	-0.2	127.3
Hyperinflation							67.8	67.8	—	67.8
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				7.7				7.7	-1.2	6.5
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

(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).

5.5. Compared Consolidated Statements of Cash Flows

€ millions	Notes	2022	2021	2020
Cash flows from operating activities				
Net profit attributable to owners of the company		5,706.6	4,597.1	3,563.4
Non-controlling interests		6.0	5.1	4.2
Elimination of expenses and income with no impact on cash flows:				
• depreciation, amortisation, provisions and non-current tax liabilities		1,536.1	1,781.0	2,028.1
• changes in deferred taxes	6.1	-96.5	83.6	-10.1
• share-based payment (including free shares)	5.5	169.0	155.2	129.7
• capital gains and losses on disposals of assets		7.6	0.5	3.6
Other non-cash transactions		-38.7	16.5	5.8
Share of profit in associates net of dividends received		-0.5	1.3	-0.6
Gross cash flow		7,289.6	6,640.4	5,724.1
Changes in working capital	3.5	-1,011.3	88.0	729.2
Net cash provided by operating activities (A)		6,278.3	6,728.4	6,453.3
Cash flows from investing activities				
Purchases of property, plant and equipment and intangible assets		-1,343.2	-1,075.2	-972.4
Disposals of property, plant and equipment and intangible assets		9.2	14.5	26.6
Changes in other financial assets (including investments in non-consolidated companies)		-142.8	-117.3	-66.5
Effect of changes in the scope of consolidation	2.2	-746.9	-455.7	-1,626.8
Net cash from investing activities (B)		-2,223.8	-1,633.7	-2,639.1
Cash flows from financing activities				
Dividends paid		-2,689.9	-2,352.1	-2,190.6
Capital increase of the parent company		103.2	5.8	129.7
Disposal (acquisition) of Treasury shares		-502.3	-10,060.9	—
Purchase of non-controlling interests		—	—	—
Issuance (repayment) of short-term loans		-3,563.8	3,939.4	-74.8
Issuance of long-term borrowings		3,019.9	—	—
Repayment of long-term borrowings		—	—	-3.6
Repayment of lease debt		-446.9	-396.4	-451.8
Net cash from financing activities (C)		-4,079.9	-8,864.2	-2,591.1
Net effect of changes in exchange rates and fair value (D)		-70.7	77.4	-103.2
Change in cash and cash equivalents (A+B+C+D)		-96.1	-3,692.1	1,119.9
Cash and cash equivalents at beginning of the year (E)		2,713.8	6,405.9	5,286.0
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	9.2	2,617.7	2,713.8	6,405.9

Income tax paid totalled €2,098.7 million, €1,258.3 million and €1,316.3 million for 2022, 2021 and 2020, respectively.

Interest paid (excluding interest on lease debts) amounted to €28.4 million, €1.7 million and €32.4 million for 2022, 2021 and 2020, respectively.

Dividends received totalled €471.8 million, €379.8 million and €372.5 million in 2022, 2021 and 2020, respectively. These are included within the gross cash flow.

Cash outflow relating to leases amounted to €570.3 million (of which €38.1 million related to paid interests on lease debts) €513.1 million (of which €37.0 million related to paid interests on lease debts) and €574.1 million (of which €44.7 million related to paid interests on lease debts) for 2022, 2021 and 2020 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 2022, have been prepared in accordance with *International Financial Reporting Standards* (IFRS), as adopted in the European Union as of 31 December 2022.

On 9 February 2023, the Board of Directors closed the consolidated financial statements at 31 December 2022. The financial statements will not become final until they have been approved by the Annual General Meeting of shareholders to be held on 21 April 2023.

The Group did not anticipate any standards or interpretations not mandatorily applicable in 2022.

Publication in April 2021 by the IFRIC of a decision related to IAS 38 "Intangible Assets" on Configuration or Customisation Costs in a Cloud Computing Arrangement within the frame of a "Software as a service" contract (SaaS). The application of this decision did not have any significant impact on the accounts of the Group.

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.

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 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 €858.4 million. The total amount of goodwill and other intangible assets resulting from their acquisitions provisionally amounted to €818.3 million.

In 2022, the acquisition of Skinbetter Science represented €105.9 million in full-year net sales and €18.7 million in full-year operating profit.

2.1.2. 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 new 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.

2.1.3. Year 2020

Acquisition

On 31 March 2020, L'Oréal finalised the acquisition of the Mugler and Azzaro brands and perfumes belonging to the Clarins group for a cash amount of €1.3 billion, net of cash acquired.

This acquisition has been fully consolidated since that date.

On 18 June 2020, L'Oréal announced the acquisition of US skincare brand Thayers Natural Remedies. The brand will be integrated into L'Oréal's Consumer Products Division.

The distribution strategy, initially focused on a network of natural products stores, has evolved into a multi-channel approach that today includes mass-market retailers, specialised retailers, drug stores and online distribution. In 2019, Thayers generated sales of US\$44 million. The acquisition was completed on 31 July 2020 and has been fully consolidated since that date.

The cost of these acquisitions represented €1.7 billion. The total amount of goodwill and other intangible assets resulting from these acquisitions amounted at their acquisition dates to €1,464 million for Azzaro and Mugler and €304.3 million for Thayers.

In 2020, these acquisitions represented €275.7 million in full-year net sales and €34.9 million in full-year operating profit.

Sale

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

Founded in Paris in 1862, Roger & Gallet emerged from the world of Apothecary Perfumery inspired by the French *art de vivre*. Part of L'Oréal since 2008 following the acquisition of Yves Saint Laurent Beauté, Roger & Gallet offers a rich catalogue of fragrances in a range of perfumes, toiletries and skincare. In 2018, the brand generated sales of €52 million.

On 29 June 2020, L'Oréal and French investment holding company Impala announced that they had finalised the sale of the Roger & Gallet brand.

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

For 2022, these changes related to Skinbetter Science acquisition.

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

For 2020, these changes mainly related to the Azzaro-Mugler and Thayers Natural Remedies 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 will have 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 have been fully repaid in 2022.

2.4. Other information

Russia-Ukraine conflict

This conflict has no material impact on the Group.

The Group decided to temporarily close all its own stores and directly operated counters in department stores in Russia as well as suspend all its business and advertising investments in the country.

The Group also decided to temporarily shut down the e-commerce sites of its brands in Russia.

Pursuant to the sanctions introduced by the European Union and the United States, the Group also suspended the sale of all its products except essential everyday items.

Sustainability-linked Bond issue

The Group issued a €3 billion bond in three tranches, one of which was in the amount of €1.25 billion and included environmental (ESG) criteria linked to the Group's CSR performance (note 9.1).

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.);

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

The Division has built a unique portfolio of prestigious brands including iconic mainstream, aspirational, alternative and specialist brands (Lancôme, 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, etc.);

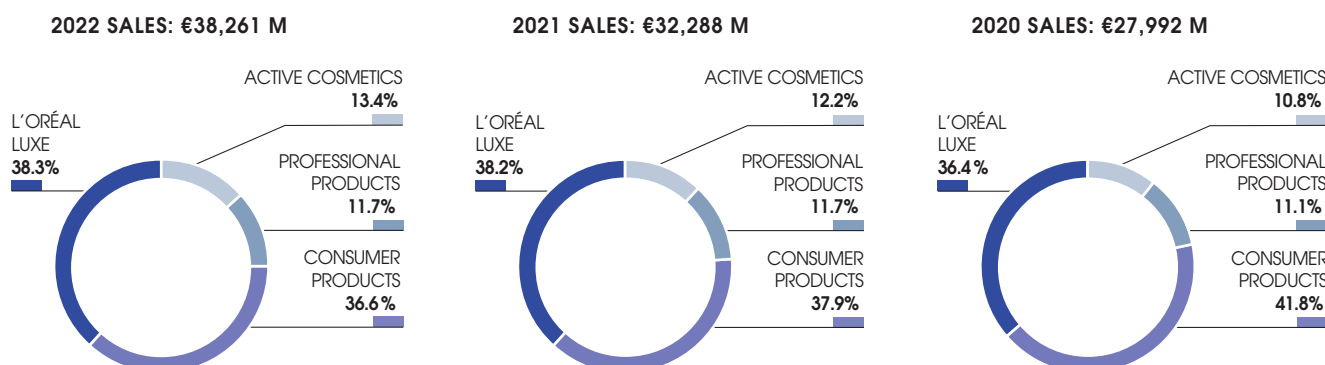
- the Active Cosmetics Division, whose goal is to help everyone in their quest to have healthy and beautiful skin.

Its portfolio of highly complementary brands (La Roche-Posay, Vichy, CeraVe, SkinCeuticals, 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 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
L'Oréal Luxe	14,638.1	3,350.4	9,925.2	359.6	518.4
Active Cosmetics	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
L'Oréal Luxe	12,346.2	2,816.3	9,532.4	293.3	473.6
Active Cosmetics	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.

€ millions 2020	Sales	Operating profit	Operational Assets ⁽¹⁾	Investments in property, plant and equipment and intangible assets	Depreciation, amortisation and provisions
Professional Products	3,097.3	581.7	2,962.6	63.1	198.8
Consumer Products	11,703.8	2,388.1	9,887.6	360.8	818.2
L'Oréal Luxe	10,179.9	2,275.9	8,773.4	277.2	545.9
Active Cosmetics	3,011.1	766.0	2,524.2	56.7	125.1
TOTAL OF DIVISIONS	27,992.1	6,011.6	24,147.7	757.8	1,688.1
Non-allocated		-802.6	1,042.6	167.4	198.4
GROUP	27,992.1	5,209.0	25,190.3	925.2	1,886.4

(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 2022, 2021 and 2020 balance sheets as follows:

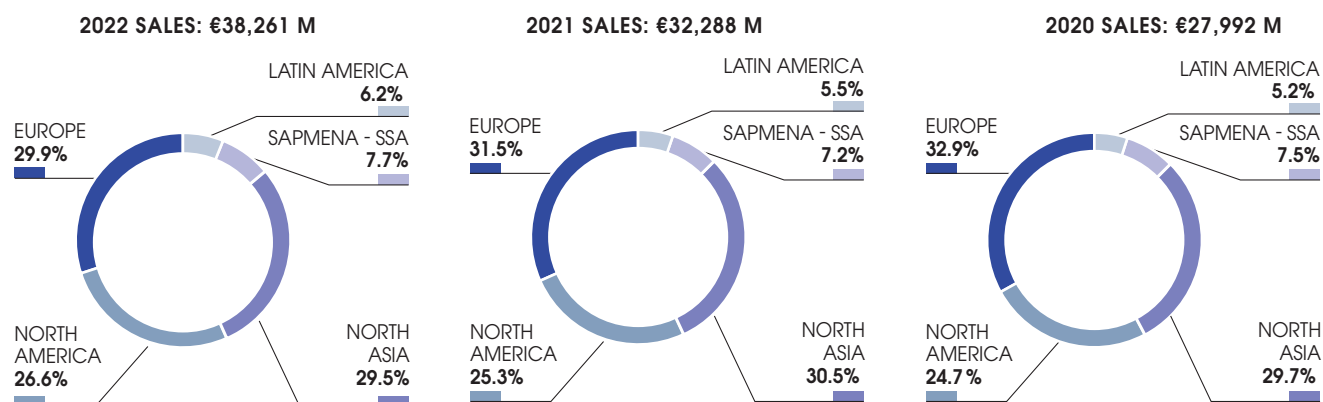
€ millions	2022	2021	2020
Operational assets	29,690.5	26,975.7	25,190.3
Non-current financial assets	11,652.8	10,920.2	9,604.8
Investments accounted for under the equity method	18.4	9.9	11.1
Deferred tax assets	801.1	696.5	809.9
Other current assets	2,063.7	1,697.4	1,584.9
Cash and cash equivalents	2,617.7	2,713.8	6,405.9
Non-allocated assets	17,153.7	16,037.7	18,416.6
TOTAL ASSETS	46,844.2	43,013.4	43,606.9

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



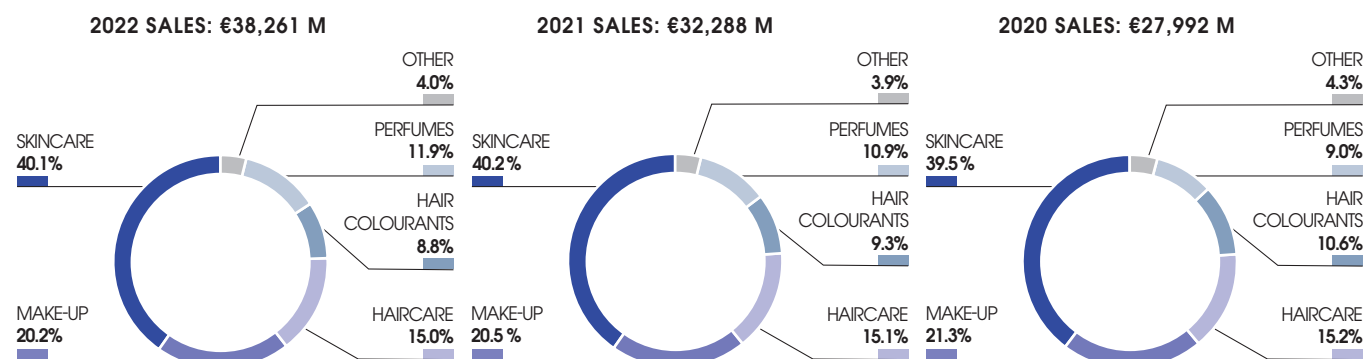
€ millions	2022	Growth (%)		2021	2020
		Published data	Excluding exchange effect		
Europe	11,436.7	12.3%	11.1%	10,184.8	9,199.3
North America	10,164.0	24.6%	11.2%	8,155.9	6,903.4
North Asia	11,321.4	14.8%	6.5%	9,863.3	8,318.1
SAPMENA - SSA	2,962.4	28.1%	21.9%	2,312.0	2,101.9
Latin America	2,376.2	34.1%	26.8%	1,771.5	1,469.3
GROUP	38,260.6	18.5%	11.3%	32,287.6	27,992.1

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

€ millions	2022		2021		2020	
	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	12,531.6	423.0	11,837.5	375.8	11,504.0	358.5
North America	8,944.7	279.5	7,636.3	208.5	6,991.0	193.7
North Asia	4,132.2	187.6	4,030.1	153.9	3,424.4	116.7
SAPMENA - SSA	1,306.1	51.5	1,170.7	52.7	1,059.6	48.8
Latin America	1,541.2	49.2	1,253.4	33.6	1,168.7	40.0
Non-allocated	1,234.9	351.0	1,047.7	259.6	1,042.6	167.4
GROUP	29,690.5	1,341.9	26,975.7	1,084.0	25,190.3	925.2

3.1.3. Sales by business segment

Weight of net sales by business segment over the three periods



€ millions	2022	Growth (%)		2021	2020
		Published data	Excluding exchange effect		
Skincare	15,344.3	18.2%	10.6%	12,982.3	11,051.7
Make-up	7,738.8	16.8%	9.0%	6,626.8	5,969.3
Haircare	5,750.2	17.8%	11.9%	4,880.1	4,254.3
Hair colourants	3,361.6	11.5%	4.5%	3,016.1	2,971.6
Perfumes	4,546.2	29.5%	22.8%	3,511.8	2,528.7
Other	1,519.5	19.6%	13.4%	1,270.6	1,216.5
GROUP	38,260.6	18.5%	11.3%	32,287.6	27,992.1

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 €1,474.2 million, including €428.0 million for right-of-use (IFRS 16), €1,459.1 million, including €405.6 million

for right-of-use (IFRS 16) and €1,616.9 million, including €466.6 million for right-of-use (IFRS 16) respectively, for 2022, 2021 and 2020.

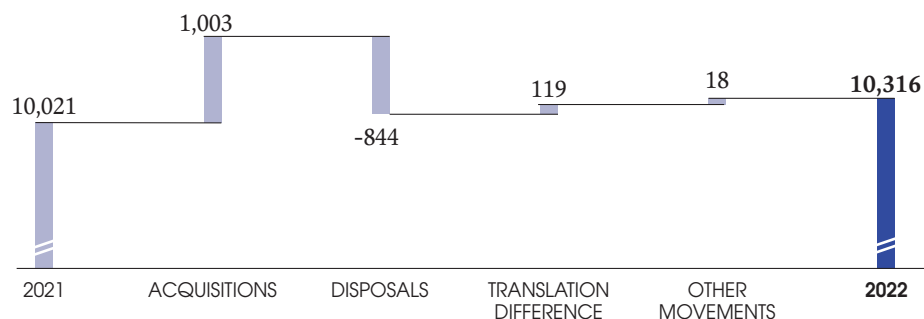
3.2.2. Property, plant and equipment

€ millions	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 asset 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.

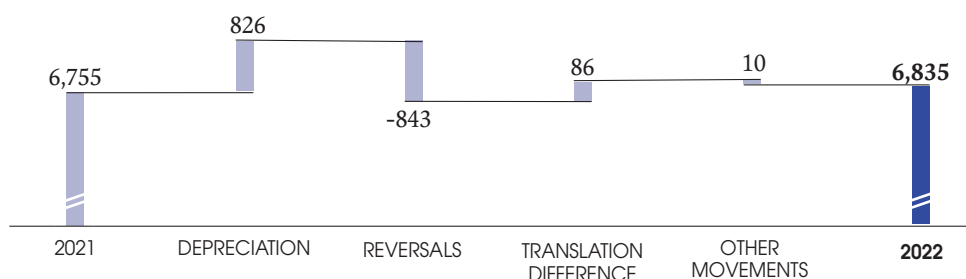
Change in gross fixed assets

(€ millions)



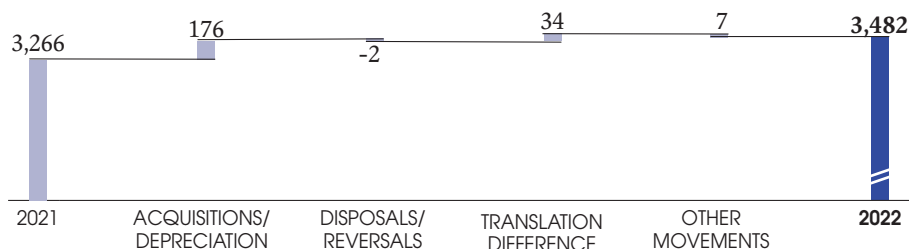
Change in depreciation, amortisation and provisions

(€ millions)



Net property, plant and equipment

(€ millions)



€ millions	31.12.2020	Acquisitions/ Depreciation	Disposals/ Reversals	Translation difference	Other movements ⁽¹⁾	31.12.2021
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.

€ millions 2020	31.12.2019	Acquisitions/ Depreciation	Disposals/ Reversals	Translation difference	Other movements ⁽¹⁾	31.12.2020
Land and buildings	2,333.3	47.2	-24.9	-101.0	80.3	2,334.7
Machinery and equipment	3,735.3	163.1	-120.3	-175.4	37.1	3,639.7
Point-of-sales advertising: stands and displays	2,358.1	221.0	-420.2	-144.4	81.8	2,096.4
Other property, plant and equipment and fixed assets in progress	2,004.3	262.1	-97.5	-114.4	-207.8	1,846.8
Gross value	10,431.1	693.4	-662.9	-535.2	-8.6	9,917.6
Land and buildings	1,218.7	79.4	-19.3	-38.1	10.5	1,251.2
Machinery and equipment	2,732.6	259.2	-119.3	-115.0	-56.9	2,700.6
Point-of-sales advertising: stands and displays	1,774.4	408.2	-415.4	-113.9	11.6	1,664.9
Other property, plant and equipment	1,061.0	165.0	-94.8	-66.4	11.0	1,075.7
Depreciation and provisions	6,786.8	911.7	-648.8	-333.4	-23.8	6,692.4
PROPERTY, PLANT AND EQUIPMENT – NET	3,644.3	-218.3	-14.1	-201.8	15.2	3,225.2

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

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	31.12.2022 Net	Depreciation and impairment losses ⁽¹⁾ 2022	31.12.2021 Net	31.12.2020 Net
Buildings	1,116.4	282.5	1,124.6	1,101.2
Stores	273.5	125.7	294.1	327.8
Others	92.9	16.7	88.8	96.3
RIGHT-OF-USE ASSETS	1,482.7	424.9	1,507.6	1,525.3

(1) Of which €428.0 million in depreciation for the period.

3.2.3.2. Lease debt

Lease debt break down as follows:

€ millions	31.12.2022	31.12.2021	31.12.2020
Lease debt due in more than 5 years	360.5	313.8	299.9
Lease debt due in between 1 and 5 years	853.0	933.7	994.8
Lease debt due in less than 1 year	407.0	422.8	386.9
LEASE DEBT	1,620.5	1,670.3	1,681.6

3.3. Inventories, Trade accounts receivable and Other current assets

3.3.1. Inventories

€ millions	31.12.2022	31.12.2021	31.12.2020
Finished products and consumables	3,375.5	2,770.3	2,492.2
Raw materials, packaging and semi-finished products	1,178.1	838.6	643.4
Gross value	4,553.6	3,608.9	3,135.6
Valuation allowance	474.2	442.1	459.8
INVENTORIES – NET	4,079.4	3,166.9	2,675.8

3.3.2. Trade accounts receivable

€ millions	31.12.2022	31.12.2021	31.12.2020
Gross value	4,792.3	4,069.7	3,565.4
Valuation allowance	36.8	48.7	54.1
NET VALUE	4,755.5	4,021.0	3,511.3

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

The non-collection risk on trade accounts receivables is therefore minimised, and this is reflected in the level of the allowance, which is less than 2% of gross receivables at the end of 2022.

3.3.3. Other current assets

€ millions	31.12.2022	31.12.2021	31.12.2020
Tax and employee-related receivables (excluding income tax)	831.6	707.9	639.0
Prepaid expenses	617.3	503.6	452.2
Derivatives	260.9	67.6	183.0
Current financial assets	23.1	4.8	6.7
Other current assets ⁽¹⁾	690.2	753.9	451.8
TOTAL	2,423.2	2,037.9	1,732.7

(1) These mainly include year-end rebates for €178.8 million and advances and down-payments on purchase orders for €201.1 million.

3.4. Other current liabilities

€ millions	31.12.2022	31.12.2021	31.12.2020
Tax and employee-related payables (excluding income tax)	1,853.2	1,628.3	1,533.8
Credit balances on trade receivables	1,651.2	1,326.4	1,244.5
Fixed assets payables	418.0	386.6	385.1
Derivatives	170.6	240.4	94.9
Other current liabilities ⁽¹⁾	391.5	399.1	424.3
TOTAL	4,484.6	3,980.8	3,682.5

(1) These mainly include prepaid income for €135.4 and other payables for €178.1 million.

3.5. Changes in working capital

This caption is broken down as follows:

€ millions	2022	2021	2020
Inventories	-865.4	-373.3	101.9
Trade accounts receivable	-717.6	-407.1	315.3
Trade accounts payable	247.9	1,086.8	345.3
Other receivables and payables	323.8	-218.5	-33.3
TOTAL	-1,011.3	88.0	729.2

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	2022	2021	2020
Capital gains and losses on disposals of property, plant and equipment and intangible assets ⁽¹⁾	-7.4	-0.4	-3.5
Impairment of property, plant and equipment and intangible assets ⁽²⁾	-39.0	-337.5	-89.8
Restructuring costs ⁽³⁾	-172.6	-149.6	-382.1
Other ⁽⁴⁾	-22.5	55.5	-233.5
TOTAL	-241.5	-432.0	-709.0

(1) Including:

- in 2022, mainly the capital loss (-€8.8 million) on the assets disposal of Dermablend in the United States;
- in 2020, mainly the capital loss (-€2.7 million) on the disposal of Roger & Gallet (after recognition of a €62 million impairment on intangible assets at 31 December 2019).

(2) Including:

- 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);
- in 2020, the residual brand and goodwill of Clarisonic (-€63.6 million) and (-€24.6 million) respectively, due to the brand's discontinuation.

(3) Including:

- 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);
- in 2020, the reorganisation of the distribution structures of the Luxe Division in North America (€96.3 million) and in Asia-Pacific (€27.2 million), the repositioning of certain distribution channels in China (€27.8 million), the reorganisation of organisational and distribution structures within the Luxe and Professional Divisions in Western Europe (€85.9 million), the continued redesign of NYX Professional Makeup's distribution channels (€66.3 million), the repositioning of the Decléor Carita brands and their sales strategy (€22.5 million), as well as the operational impact of the discontinuation of the Clarisonic brand (€18.9 million).

(4) Including:

- in 2022, corporate philanthropy donations amounting to €25.3 million, exceptional costs associated with the conflict in Ukraine totalling €18.4 million, partially offset by the downward revaluation of earn-out liabilities of €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);
- in 2020, certain specific and identifiable costs relating to the consequences of the public health crisis borne during the first half of the year including €27 million in additional health costs (additional hygiene measures, protective measures for employees, thermal cameras, etc.) and the costs incurred by a total and sudden suspension of activity over clearly defined lockdown periods imposed by local authorities. These include €43 million relating to own points of sales (mainly the salaries of beauty advisers and costs relating to the amortisation of store rights-of-use net of any subsidies received from lessors) and €70 million mainly corresponding to the salaries of the Professional Products Division's sales force, the Luxe Division's beauty advisers in Department stores and the Medical Doctors' sales forces which were prohibited from visiting the United States.

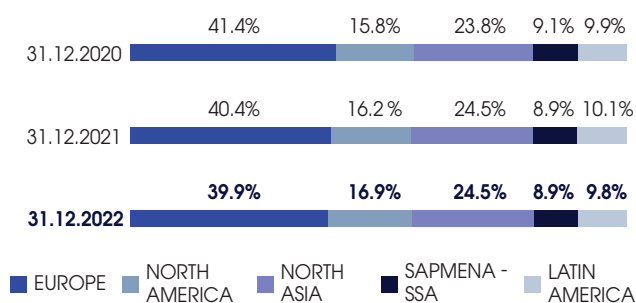
Acquisition-related costs (€24 million) and disputes related to intellectual property (€20 million).

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

5.1. Number of employees

	31.12.2022	31.12.2021	31.12.2020
Europe	34,856	34,503	35,372
North America	14,788	13,806	13,492
North Asia	21,387	20,9	20,345
SAPMENA - SSA	7,797	7,609	7,739
Latin America	8,541	8,594	8,444
TOTAL⁽¹⁾	87,369	85,412	85,392

(1) Excluding employees of equity-accounted companies.



5.2. Personnel costs

€ millions	2022	2021	2020
Personnel costs (including welfare contributions) ⁽¹⁾	7,263.7	6,471.1	6,124.2

(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	2022	2021	2020
Directors' fees	1.3	1.4	1.4
Salaries and benefits including employer welfare contributions	40.4	40.5	40.3
Employee retirement obligation charges	10.2	11.2	12.9
SHARE-BASED PAYMENT (STOCK OPTIONS AND FREE SHARES)	28.9	27.2	27.5

The number of executives and members of the Management Committee was 20 at 31 December 2022 compared with 19 at 31 December 2021 and 20 at 31 December 2020.

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 %	31.12.2022	31.12.2021	31.12.2020
Discount rate (commitment)	4.2%	1.6%	1.1%
Discount rate (service cost)*	4.2%	1.8%	1.4%
Salary increases	3.7%	3.6%	3.4%

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

	31.12.2022			31.12.2021			31.12.2020		
	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	5.4%	4.3%	2027	5.3%	4.2%	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 %	2022	2021	2020
Weighted average (all countries) based on the benefit obligation	4.2%	1.6%	1.1%
Of which:			
Euro zone			
Discount rate (commitment) ⁽¹⁾	3.7%	1.0%	0.5%
Discount rate (service cost)*	3.7%	1.1%	0.6%
USA			
Discount rate (commitment)	5.0%	2.5%	2.0%
Discount rate (service cost)*	5.3%	2.8%	2.3%
United Kingdom			
Discount rate (commitment)	4.8%	2.0%	1.5%
Discount rate (service cost)*	4.8%	2.0%	1.5%

(1) The weighted average for 2022 consists of a 3.73% discount rate on annuity plans with an average term of 16.25 years and a 3.63% discount rate on capital plans with an average term of 10.56 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 €131.5 million for the euro zone, €76.0 million for the United States and €38.7 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 %	31.12.2022	31.12.2021	31.12.2020
Equity securities ⁽¹⁾	34.0%	36.6%	35.2%
Bonds	51.5%	54.1%	57.2%
Property assets ⁽²⁾	5.9%	4.3%	4.6%
Monetary instruments	3.4%	3.3%	0.9%
Other	5.2%	1.7%	2.1%
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 2022, 2021 and 2020 are set out below:

€ millions	Present value of defined benefit obligation	Plan assets	Net commitment
Balance at 31 December 2019	4,974.5	-4,201.6	772.9
Service cost during the period	201.2	—	201.2
Interest cost	80.0	—	80.0
Expected return on assets	—	-66.7	-66.7
Past service cost: new plans/plan amendments	-12.7	—	-12.7
Curtailments	-21.2	—	-21.2
Settlements	-1.0	1.1	0.2
Benefits paid	-227.7	161.9	-65.9
Contributions paid	4.1	-85.3	-81.3
Actuarial gains and losses	483.1	-257.5	225.6
Translation differences	-167.0	139.8	-27.2
Other movements	5.1	3.3	8.4
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 ⁽¹⁾	-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	-3.8	3.7	-0.1
BALANCE AT 31 DECEMBER	3,736.5	-3,678.7	57.9

(1) Including -€137.4million 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	2022	2021	2020
Net commitment	57.9	360.6	1,013.5
Surplus funds for pension scheme commitments held in assets	-400.0	—	—
Provision in the balance sheet	457.9	360.6	1,013.5

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

€ millions	31.12.2022	31.12.2021	31.12.2020
Present value of defined benefit obligations wholly or partly funded	3,325.7	4,635.0	4,832.5
Fair value of plan assets	3,678.7	4,686.6	4,304.9
Net position of defined benefit obligations wholly or partly funded	-352.9	-51.6	527.6
Present value of defined benefit obligations wholly unfunded	410.8	412.2	485.9

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	2022	2021	2020
Service cost during the financial year	236.0	221.9	201.2
Interest costs	86.6	60.5	80.0
Expected return on assets	-80.1	-50.4	-66.7
New plans/plan amendments	-0.8	-10.0	-12.7
Curtailments	-15.1	-16.7	-21.2
Settlements	0.3	1.1	0.2
TOTAL	226.9	206.4	180.9

Contributions to defined contribution schemes recognised as an expense for 2022, 2021 and 2020 amounted to €670.6 million, €559.3 million and €511.3 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	5.84	-5.70
Impact on current service cost and interest costs	0.25	-0.21

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

€ 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

€ millions 2020	Present value of defined benefit obligation	Plan assets	Net provisions
Actuarial gains and losses: experience adjustments	40.3	-257.5	-217.2
Actuarial gains and losses: demographic assumptions	7.2	—	7.2
Actuarial gains and losses: financial assumptions	435.6	—	435.6
TOTAL	483.1	-257.5	225.7

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 2022.

Data concerning all share option plans during financial years 2022, 2021 and 2020 are set out below:

	31.12.2022		31.12.2021		31.12.2020	
	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	524,193	€81.91
Options granted			—		—	
Options exercised			-52,397	€83.19	-465,796	€81.76
Options expired			-5,000		-1,000	
Number of options not exercised at end of period	—		—		57,397	€83.19
Of which:						
number of exercisable options at end of period					57,397	€83.19
expired options at end of period					—	
Weighted average share price				€364.74		€273.24

b) Free shares

The table below summarises the data on free share plans vesting after 1 January 2020.

Grant date	Vesting date	Number of shares granted	Number of shares issued/allotted	Number of shares not finally vested
20.04.2016	21.04.2020	906,100	835,725	—
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	450	801,400
14.10.2020	15.10.2024	713,660	385	691,150
07.10.2021	08.10.2025	588,750	105	578,325
13.10.2022	14.10.2026	700,000	—	700,000

For the conditional grant of shares, the plan provides for a four-year vesting period after which vesting is effective and final, subject to meeting the conditions of the plan.

The performance conditions apply to the 7 October 2021, 14 October 2020 and 18 April 2019 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,
 - 2020, 2021 and 2022 financial years under the 2019 plan;
- for 50% of shares granted, the increase over the same period in the Group’s consolidated operating profit for the 7 October 2021, 14 October 2020 and 18 April 2019 plans.

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;
- 2020, 2021 and 2022 financial years under the 2019 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 13 October 2022 plan, 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 for financial years 2023, 2024 and 2025,
 - 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 2023, 2024 and 2025,

- 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 2016, 20 April 2017 and 17 April

2018 were finally granted by the allocation of, respectively, 835,600 shares on 21 April 2020, 742,276 shares on 21 April 2021 and 868,225 shares on 19 April 2022. The number of fully vested shares for the 17 April 2018 plan took into account the performance percentage achieved at the end of the plan.

At 31 December 2022, the performance conditions for plans in progress were deemed achieved.

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

Grant date	Stock subscription plans						
	April 2016	April 2017	April 2018	April 2019	October 2020	October 2021	October 2022
Risk-free rate of return	-0.06%	-0.35%	-0.28%	-0.25%	-0.53%	-0.60%	2.24%
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	1.85%	1.82%	1.85%	1.58%	1.34%	1.11%	1.46%
Share price	€168.10	€181.75	€191.85	€243.80	€288.00	€360.00	€327.80
Fair value							
• Employees resident in France	€154.32	€166.90	€176.17	€226.25	€269.37	€339.34	€303.33
• Employees not resident in France	€154.32	€166.90	€176.17	€226.25	€269.37	€339.34	€303.33

The expense recorded in 2022, 2021 and 2020 amounted to €155.3 million, €152.3 million and €120.1 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 €254.90, 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 will be finalised in October 2023.

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, including matching shares.

The IFRS 2 expense for free shares granted amounted to:

- €9.5 million for French employees based on a subscription price of €254.90 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 2022 financial year amounted to €13.7 million and corresponds to 2018, 2020 and 2022 plans.

The IFRS 2 expense amounted respectively to €9.7 million and €2.8 million in 2020 and 2021.

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	2022	2021	2020
Current tax	1,995.9	1,361.7	1,219.9
Deferred tax	-96.5	83.6	-10.1
INCOME TAX	1,899.4	1,445.4	1,209.8

6.2. Analysis of tax charge

The income tax charge may be analysed as follows:

€ millions	2022	2021	2020
Profit from continuing operations before tax and associates	7,610.6	6,046.9	4,776.5
Theoretical tax rate	24.36%	24.72%	26.37%
Expected tax charge	1,853.9	1,494.8	1,259.7
Impact of permanent differences	102.7	17.3	31.4
Impact of tax rate differences	-154.0	-74.3	-129.9
Change in unrecognised deferred taxes	4.1	3.5	1.7
Effect of non-current tax liabilities	17.3	-11.9	108.2
Other ⁽¹⁾	75.4	16.0	-61.3
GROUP TAX CHARGE	1,899.4	1,445.4	1,209.8

(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 2019	777.3
Balance of deferred tax liabilities at 31 December 2019	-737.7
Income statement impact	10.1
Translation differences	-8.5
Other effects ⁽¹⁾	62.1
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

(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

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

€ millions	31.12.2022		31.12.2021		31.12.2020	
	Deferred tax assets	Deferred tax assets	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Temporary differences	777.7	589.5	672.3	498.8	783.3	431.4
Deferred tax liabilities on revaluation of Sanofi		316.1		311.5		275.2
Tax credits and tax loss carry-forwards	23.4		24.2		26.6	
DEFERRED TAX TOTAL	801.1	905.6	696.5	810.3	809.9	706.6

Deferred tax assets on temporary differences mainly relate to provisions for pensions and early retirement (€20.9 million, €93.6 million and €263.8 million respectively at the end of 2022, 2021 and 2020) and provisions for liabilities and charges (€192.7 million, €115.9 million and €135.8 million at the end of 2022, 2021 and 2020).

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 €20.4 million at 31 December 2022 compared with €16.4 million at 31 December 2021 and €14.3 million at 31 December 2020.

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 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			16.5	156.4
Other	375.5			-19.3	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
Luxe skincare ⁽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
L'Oréal 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
Active Cosmetics 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 Science 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
L'Oréal 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
Active Cosmetics 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. Allocation of the goodwill from these transactions to the CGUs has not yet been finalised.

Other movements mainly reflect the positive impact of changes in exchange rates for €317.7 million, as well as 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.

€ millions 2020	31.12.2019	Acquisitions/ Disposals	Other movements	Translation difference	31.12.2020
Recken/PureOlogy	681.0	0.5		-42.3	639.2
L'Oréal Professionnel/Kérastase	421.0			-17.3	403.7
Matrix	413.1			-30.7	382.4
Decléor and Carita ⁽¹⁾	137.4		-137.4		—
Other	3.2	-3.2			—
Professional Products Total	1,655.7	-2.7	-137.4	-90.3	1,425.3
L'Oréal Paris	910.2	253.1	-0.5	-30.8	1,132.0
Mass Market make-up	1,037.9		1.3	-67.7	971.5
Garnier	503.9		-0.5	-59.6	443.8
Stylenanda	430.7			-7.0	423.7
NYX Professional Makeup	327.8			-23.3	304.5
LaSCAD	158.3		-1.9	—	156.4
Other	356.8	—		-15.6	341.2
Consumer Products Total	3,725.5	253.1	-1.6	-203.9	3,773.1
Perfumes ⁽²⁾	457.7	1,119.4	-106.9	-1.9	1,468.3
Lancôme	832.6			-3.5	829.1
IT Cosmetics	787.4			-50.9	736.5
YSL Beauté	536.1			-0.6	535.5
Skincare premium ⁽¹⁾	—		172.8	0.2	173.0
Urban Decay	152.7			-11.3	141.4
Shu Uemura	143.1			-5.6	137.5
L'Oréal Beauty Device ⁽³⁾	24.6		-24.6	—	—
Other	67.5			-0.7	66.8
L'Oréal Luxe Total	3,001.8	1,119.4	41.3	-74.3	4,088.1
CeraVe	635.4			-26.7	608.7
Vichy ⁽⁴⁾	323.8	-1.1		-8.3	314.4
La Roche-Posay	169.0			-5.4	163.6
Other ⁽¹⁾	74.5		71.2	-4.8	140.9
Active Cosmetics Total	1,202.7	-1.1	71.3	-45.2	1,227.6
GROUP TOTAL	9,585.6	1,368.7	-26.4	-413.7	10,514.2

(1) Reclassification related to Decléor/Carita.

(2) Allocation of Azzaro-Mugler goodwill to the Perfumes Cash Generating Unit.

(3) Following the discontinuation of the Clarisonic brand, residual goodwill was fully written down.

(4) Disposal of the Roger & Gallet brand on 29 June 2020.

2020 acquisitions mainly relate to Azzaro/Mugler and Thayers for €1,372 million.

Following the strategic repositioning of the Decléor and Carita brands within the Active Cosmetics and Luxe Divisions with effect from 1 July 2020, Decléor-Carita goodwill of €137.4 million was reallocated, respectively, to the Skinceuticals Cash Generating Unit for Decléor for €71.2 million and to the new Skincare Premium Cash Generating Unit for Carita for €66.1 million, in view of the expected synergies between the brands belonging to these Cash Generating Units.

Hélène Rubinstein goodwill of €106.9 million was reallocated to the Skincare Premium Cash Generating Unit with the Carita brand to reflect the new dedicated operational structure for these two Skincare brands.

Other movements mainly reflect the recognition of an impairment loss on Clarisonic (€25 million) due to the discontinuation of the brand.

The accumulated impairment losses relating to L'Oréal Beauty Device, Magic, Softsheen-Carson and Yue Sai amounted to €282.9 million, €149.1 million, €136.5 million and €30.3 million, respectively, at 31 December 2020.

7.2. Other intangible assets

Accounting principles

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

a) Intangible assets acquired through business combinations

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

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

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

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

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

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

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

International brands are brands which have an indefinite life span. They are tested for impairment at least once a year during the fourth quarter, and whenever an adverse event occurs.

Adverse events may result among other things from an increase in market interest rates or from a decrease in actual net sales or operational profit compared to forecasts.

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

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

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

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

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

The amortisation period applicable to patents corresponds to the period during which they enjoy legal protection.

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.

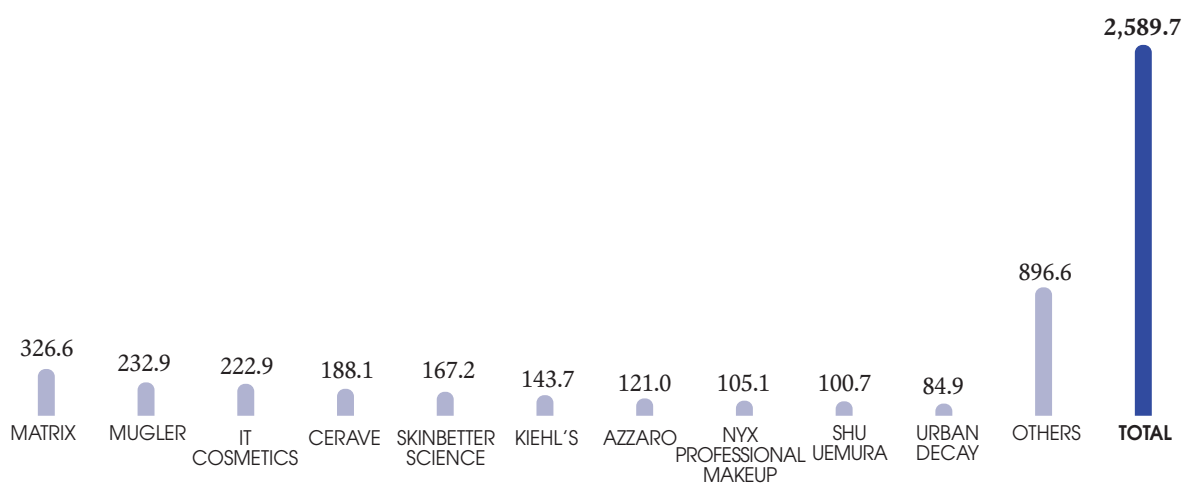
Capitalised innovation costs are amortised from the date the software is made available in the entity concerned and over its probable useful life, which, in most cases, is between five and eight years.

€ million 2022	31.12.2021	Acquisitions/ Depreciation	Disposals/ Reversals	Changes in the scope of consolidation ⁽²⁾	Other movements ⁽¹⁾	Translation difference	31.12.2022
Brands with indefinite useful life ⁽³⁾	2,301.0	10.8	-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:



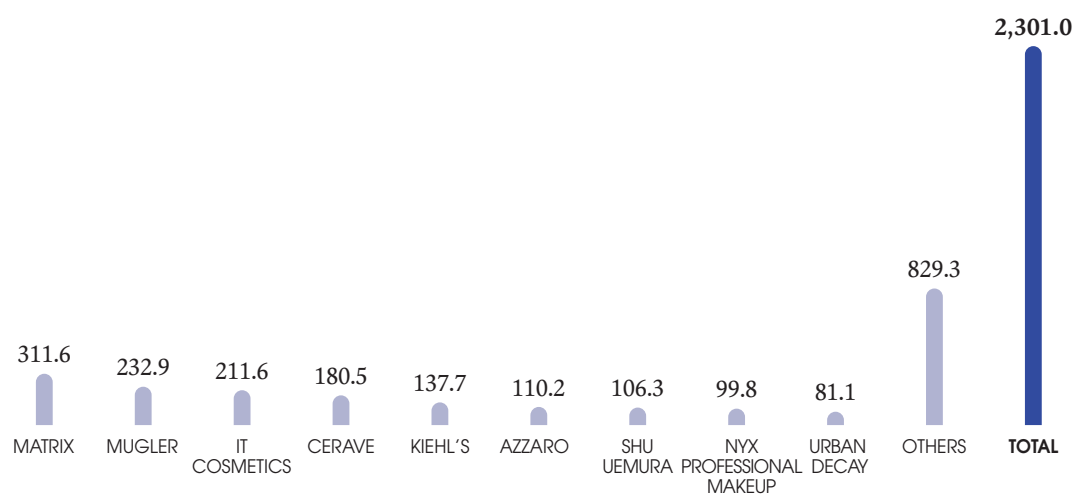
Accumulated impairment losses relating to brands amounted to €39 million on Decléor, €14.5 million on Logona and Santé, €133.4 million on Magic, €101.4 million on Clarisonic, €56.5 million on Softsheen-Carson, €44.8 million on Yue-Sai and €14 million on Biomedic at 31 December 2022.

€ million 2021	31.12.2020	Acquisitions/ Depreciation	Disposals/ Reversals	Change in the scope of consolidation	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 ⁽²⁾	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 and its consequence on the slippage in Business Plan. The Magic technology is in contrast successfully implemented globally on brands Garnier and L'Oréal Paris.

(3) At end-2021, the gross value of brands with an indefinite useful life span breaks down as follows:

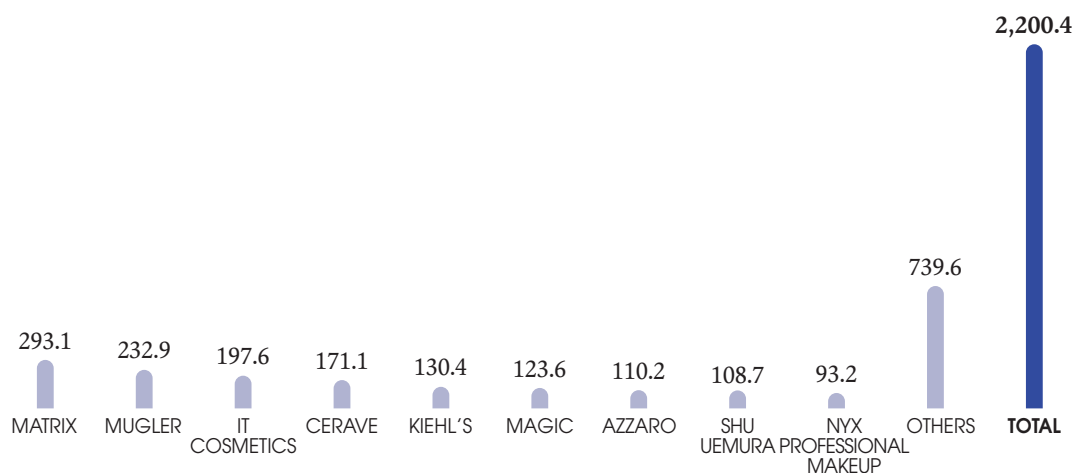


Accumulated impairment losses relating to brands amounted to €137.1 million on Magic, €96.5 million on Clarisonic, €54.2 million on Softsheen-Carson, €46.0 million on Yue-Sai and €14.0 million on Biomedic at 31 December 2021.

€ million 2020	31.12.2019	Acquisitions/ Depreciation	Disposals/ Reversals	Change in the scope of consolidation ⁽²⁾	Other movements ⁽¹⁾	Translation difference	31.12.2020
Brands with indefinite useful life ⁽²⁾	1,943.6		-23.2	387.5		-107.5	2,200.4
Amortisable brands and product ranges	99.0	0.1	-1.2		-0.9	-4.8	92.3
Licences and patents	730.5	15.7	-5.2	0.8	1.5	-4.4	738.7
Software	1,549.6	71.6	-82.3	5.8	153.3	-70.5	1,627.5
Customer relationships	610.8		-11.4	6.5		-42.3	563.6
Assets under construction	206.4	152.9	-1.3		-160.1	-7.4	190.5
Others	33.2	4.3	-8.2		0.3	-1.9	27.6
Gross value	5,173.1	244.6	-132.9	400.7	-5.9	-238.8	5,440.6
Brands with indefinite useful life	212.4	63.6	-22.2		-11.7		242.1
Amortisable brands and product ranges	75.2	3.5	-1.2		-1.2	-2.7	73.6
Licences and patents	172.9	10.3	-0.3	0.1	1.5	-4.4	180.1
Software	1,066.1	183.4	-82.3	4.7	-8.9	-48.8	1,114.1
Customer relationships	458.7	42.7	-11.4			-34.9	455.1
Others	24.1		-3.6		0.1	-1.3	19.3
Depreciation and provisions	2,009.4	303.4	-120.8	4.8	-20.2	-92.1	2,084.3
OTHER INTANGIBLE ASSETS – NET	3,163.8	-58.8	-12.1	395.9	14.3	-146.7	3,356.3

(1) Other movements mainly consisted of the impact of hyperinflation in Argentina.

(2) At end-2020, the gross value of brands with an indefinite useful life span breaks down as follows:



Accumulated impairment losses relating to brands amounted to €90.4 million on Clarisonic, €51.4 million on Softsheen-Carson, €44.9 million on Magic, €41.5 million on Yue-Sai and €14.0 million on Biomedic at 31 December 2020.

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 8.8% in 2022, to 7.8% in 2021 and 7.3% in 2020 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 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	2022	2021	2020
Net carrying amount of goodwill and brands with an indefinite useful life			
Perfumes	1,842.2	1,812.9	1,827.7
L'Oréal Paris	1,235.7	1,215.6	1,174.8
Maquillage Mass Market	1,109.5	1,067.5	1,017.5
SkinCeuticals/Skinbetter Science	938.2	234.7	228.3
Lancôme	850.8	852.7	842.5
CeraVe	839.0	812.5	779.8
Redken/PureOlogy	802.4	767.2	722.1
IT Cosmetics	757.4	726.9	934.1
Matrix	755.4	720.8	675.6
Skincare Luxe	640.4	630.7	142.8
YSL Beauté	536.4	536.0	535.5
Stylenanda	493.8	494.6	498.2
NYX Professional Makeup	446.4	424.6	397.6
Garnier	436.6	493.8	471.3
L'Oréal Professionnel/Kérastase	429.5	417.9	403.7
Vichy/Dermablend	327.3	336.2	327.9
Urban Decay	244.1	232.4	217.8
Shu Uemura	228.3	242.9	246.2

The discount rate used at 31 December 2022 for this test were between 6.2% and 15.9% including 8.6% for the USA and 8.8% for international. This rate is the result of specific rates for each market or geographic zone based on the risks they represent.

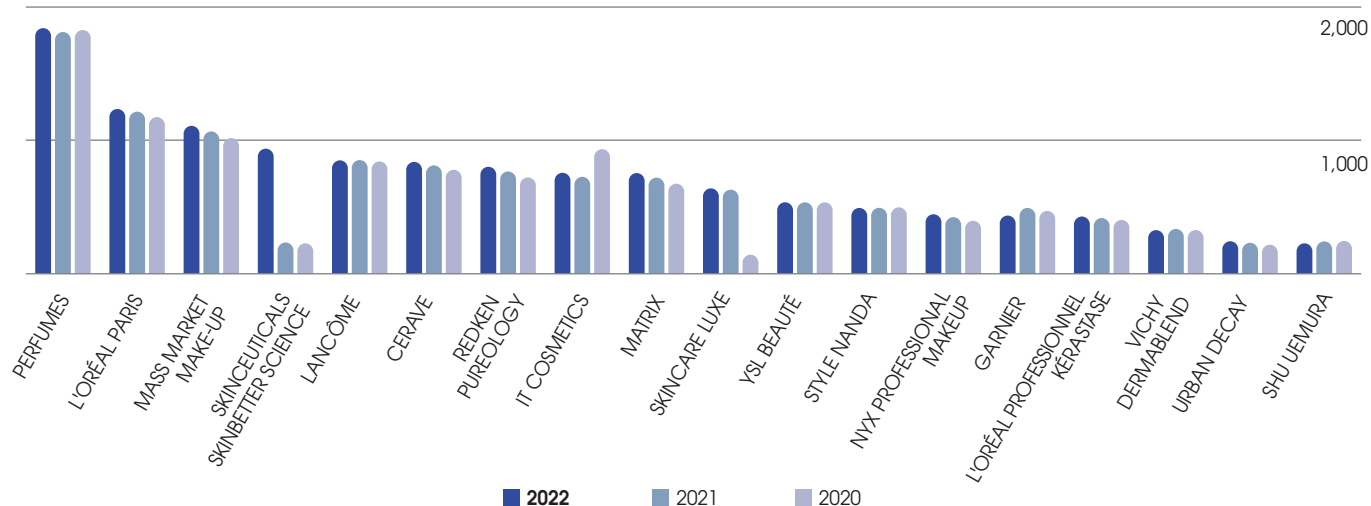
At 31 December 2022, a 1% increase in the discount rate on all the Group's Cash Generating Units would lead to an impairment loss risk of around €168.9 million.

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 €94.4 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 €64.5 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	31.12.2022	31.12.2021	31.12.2020
Investments accounted for under the equity method			
LIPP Distribution	9.9	9.3	10.5
Other ⁽¹⁾	8.5	0.6	0.6
TOTAL	18.4	9.9	11.1

(1) Of which Loshian Co., Ltd in Korea (€8.1 million).

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

In March 2022, the Group conducted a bond issue totalling €3 billion. It comprised three tranches: a €750 million 2-year floating rate note; a €1,000 million 2-year fixed rate bond paying a coupon of 0.375% p.y.; a €1,250 million 4.25-year fixed rate Sustainability-Linked Bond paying a coupon of 0.875% p.y. and including environmental (ESG) criteria linked to the Group's internal performance.

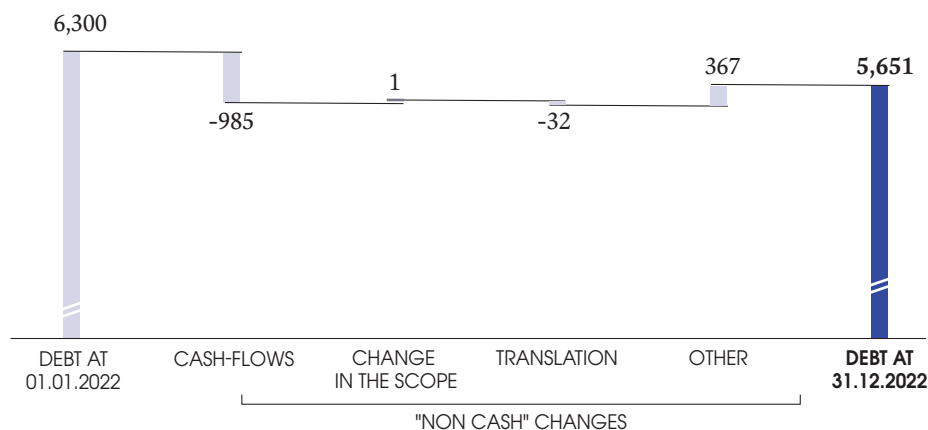
9.1.1. Debt by type

€ millions	31.12.2022		31.12.2021		31.12.2020	
	Non-current	Current	Non-current	Current	Non-current	Current
Short-term marketable instruments ⁽¹⁾	—	795.2	—	2,507.0	—	706.4
MLT bank loans	—	—	—	—	—	—
Lease debt	1,213.5	407.0	1,247.5	422.8	1,294.7	386.9
Overdrafts	—	81.7	—	118.7	—	61.6
Other borrowings and debt	17.8	122.3	10.7	1,993.7	8.6	88.3
Bond	2,999.8	13.5	—	—	—	—
TOTAL	4,231.1	1,419.8	1,258.2	5,042.2	1,303.3	1,243.2

9.1.2. Change in debt

€ millions	31.12.2021	Cash-flows	"Non-cash" changes				31.12.2022
			Changes in the scope of consolidation	Translation adjustments	Changes in fair value	Other ⁽¹⁾	
Short-term marketable instruments	2,507.1	-1,711.8	—	—	—	—	795.2
MLT bank loans	—	—	—	—	—	—	—
Lease debt	1,670.3	-446.9	1.3	30.1	—	365.7	1,620.5
Overdrafts	118.7	7.1	—	-43.9	—	—	81.7
Other borrowings and debt	2,004.4	-1,846.9	—	-18.6	—	1.2	140.1
Bond	—	3,013.3	—	—	—	—	3,013.3
TOTAL	6,300.4	-985.1	1.3	-32.3	—	366.9	5,650.9

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



9.1.3. Debt by maturity date

€ millions	31.12.2022	31.12.2021	31.12.2020
Less than 1 year ⁽¹⁾	1,419.8	5,042.2	1,243.2
1 to 5 years	3,859.0	933.7	994.8
More than 5 years	372.1	324.4	308.5
TOTAL	5,650.9	6,300.4	2,546.5

(1) At 31 December 2022 the Group had confirmed undrawn credit lines for €5,000 million compared with €5,000.0 million at 31 December 2021 and €5,363.0 million at 31 December 2020. These lines were not subject to any covenants.

Estimated interest expense at 31 December 2022, as at 31 December 2021 and 31 December 2020, is not material given the outstanding debt at these dates, comprising short-term marketable instruments drawn at very short terms and at negative interest rates in France, very short-term miscellaneous borrowings contracted locally by subsidiaries, and lease debts.

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

9.1.4. Debt by currency excluding lease debts

€ millions	31.12.2022	31.12.2021	31.12.2020
Euro (EUR)	3,065.7	4,441.4	382.0
US dollar (USD)	822.2	59.2	368.4
Turkish lira (TRY)	46.2	19.3	5.4
Colombian Peso (COP)	25.2	21.2	34.8
Egyptian Pound (EGP)	12.5	8.3	13.9
Indonesian Rupee (IDR)	10.5	—	—
Kenyan Shilling (KES)	10.0	12.9	6.4
Chilean Peso (CLP)	8.7	8.8	24.1
Korean Won (KRW)	7.8	—	—
Filipino Peso (PHP)	5.9	4.3	—
Pakistani Rupee (PKR)	5.2	8.0	7.4
Other	10.4	46.6	22.5
TOTAL	4,030.3	4,630.0	864.9

9.1.5. Breakdown of fixed rate - floating rate debt

€ millions	31.12.2022	31.12.2021	31.12.2020
Floating rate	1,638.5	4,529.9	768.2
Fixed rate including lease debts	4,012.4	1,770.5	1,778.3
TOTAL	5,650.9	6,300.4	2,546.5

9.1.6. Effective interest rates

Effective interest rates on Group debt after allowing for hedging instruments are 1.68% in 2022 compared with -0.54% in 2021 and 0.39% in 2020 for short-term marketable instruments.

Effective interest rate on the bond issued by the Group in March 2022 is 2.24% in 2022.

There is no medium- to long-term bank loan at 31 December 2022 as at 31 December 2021 and 31 December 2020.

9.1.7. Average debt interest rates

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

	31.12.2022	31.12.2021	31.12.2020
Euro (EUR)	0.26%	-0.51%	-0.30%
US dollar (USD)	2.18%	0.08%	0.90%

9.1.8. Fair value of borrowings and debt

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

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

The fair value of borrowings and debt excluding IFRS 16 amounted to €4,030.3 million at 31 December 2022 compared with €4,630.0 million at 31 December 2021 and €864.9 million at 31 December 2020.

9.1.9. Debt covered by collateral

No debt was covered by material amounts of collateral at 31 December 2022, 2021 and 2020.

9.1.10. Confirmed credit lines

At 31 December 2022, L'Oréal and its subsidiaries had €5,000 million of confirmed undrawn credit lines, compared with €5,000.0 million at 31 December 2021 and €5,363.0 million at 31 December 2020.

The maturities of the credit lines at 31 December 2022 are broken down as follows:

- €0 million at less than one year;
- €2,600.0 million between one and four years;
- €2,400.0 million at more than five years.

9.2. Cash and cash equivalents

€ millions	31.12.2022		31.12.2021		31.12.2020	
	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost
Marketable securities	718.5	718.5	513.2	513.3	3,739.9	3,743.5
Bank accounts and other cash and cash equivalents ⁽¹⁾	1,899.2	1,899.4	2,200.6	2,201.6	2,666.0	2,680.5
TOTAL	2,617.7	2,617.9	2,713.8	2,714.9	6,405.9	6,424.0

(1) Including €370 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	31.12.2022		31.12.2021		31.12.2020	
	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost
Investments in non-consolidated companies						
Sanofi ⁽¹⁾	10,621.5	4,033.5	10,472.6	4,033.5	9,304.5	4,033.5
Other listed securities ⁽²⁾	99.7	95.2	34.5	20.6	30.7	12.0
Unlisted securities ⁽³⁾	392.6	441.4	277.9	336.4	154.4	244.7
Financial assets at amortised cost						
Non-current loans and receivables	139.0	141.1	135.2	137.2	115.1	117.1
Surplus funds for pension scheme commitments held in assets						
	400.0		—		—	
TOTAL	11,652.8	4,711.3	10,920.2	4,527.7	9,604.8	4,407.3

(1) L'Oréal's stake in Sanofi was 9.38% at 31 December 2022. The carrying amounts at 31 December 2022, 31 December 2021 and 31 December 2020 (€10,621.5 million, €10,472.6 million and €9,304.5 million (respectively) correspond to the market value of the shares based on the closing price at each of these dates (€89.84, €88.58 and €78.70, 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 €71.2 million (reassessed cost) as an exceptional dividend paid in shares by Sanofi.

(3) This heading mainly includes:

- strategic investments in investment funds measured at fair value through other comprehensive income of which €50 million subscribed over 2021 in the Circular Innovation Fund, €60 million subscribed in the L'Oréal Fund for Nature Regeneration of which €50 million subscribed over 2020 and €10 million subscribed over 2022 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	2022	2021	2020
Interest component of pension costs	-6.5	-10.1	-13.3
Other financial income and expenses	-65.8	-30.1	-23.3
TOTAL	-72.3	-40.2	-36.5

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		
	31.12.2022	31.12.2021	31.12.2020	31.12.2022	31.12.2021	31.12.2020
Currency futures						
Purchase of EURO against foreign currencies	2,999.0	2,606.1	2,940.2	30.7	-174.7	95.5
EUR/CNY	629.7	540.7	937.5	24.7	-91.3	7.0
EUR/USD	197.6	502.4	343.5	3.7	-26.3	30.2
EUR/SGD	750.9	118.4	5.6	-12.6	3.3	—
EUR/JPY	118.8	201.3	47.5	-2.2	3.3	0.1
EUR/GBP	231.0	162.9	308.9	3.6	-6.8	1.1
EUR/MXN	249.2	148.3	137.7	-5.7	-4.8	-4.1
EUR/BRL	171.3	117.5	70.9	1.2	-0.7	0.6
EUR/AUD	143.3	88.5	89.5	3.6	-1.9	-3.9
EUR/CLP	91.6	57.9	50.2	-5.9	5.5	-1.8
EUR/HKD	90.1	76.7	210.1	1.5	-35.9	54.2
EUR/KRW	70.1	56.7	49.2	-1.2	-0.4	-0.4
EUR/SAPMENA currencies	85.8	182.2	170.3	5.3	-7.2	0.6
EUR/North Asia currencies	56.1	—	52.6	2.9	—	3.8
EUR/Europe currencies	—	288.6	344.3	—	-9.7	8.2
EUR/Latin America currencies	38.4	28.4	22.3	2.6	-0.2	0.2
EUR/SSA currencies	29.1	21.0	28.7	0.5	0.5	-2.2
EUR/Other currencies	46.1	14.5	71.5	8.5	-2.2	1.8
Sale of EUR against foreign currencies	63.6	56.8	—	-13.2	-1.2	—
EUR/Europe	63.6	—	—	-13.2	—	—
EUR/North Asia currencies	—	56.8	—	—	-1.2	—
Purchase of USD against foreign currencies	2,511.6	418.6	373.1	86.5	13.2	-18.2
USD/SAPMENA currencies	2,136.1	238.9	232.6	82.4	2.7	-6.3
USD/Latin America currencies	—	130.7	68.3	—	9.9	-5.7
USD/CAD	85.9	49.0	51.4	2.9	0.6	-3.6
USD/Europe currencies	—	—	19.3	—	—	-2.2
USD/North Asia currencies	289.6	—	—	1.1	—	—
USD/SSA currencies	—	—	1.4	—	—	-0.4
Sale of USD against foreign currencies	273.9	508.8	242.7	-9.6	-5.6	-10.0
USD/North Asia currencies	—	495.6	242.7	—	-6.5	-10.0
USD/Latin America currencies	138.9	—	—	-8.9	—	—
USD/Other currencies	134.9	13.2	—	-0.7	0.9	—
Other currency pairs	1,016.5	551.8	481.2	-2.1	-4.1	2.7
CNY/SGD	309.0	0.2	0.7	-8.1	—	—
SGD/HKD	117.2	9.2	19.3	-3.9	0.6	0.4
Other currency pairs	590.3	542.3	461.3	9.9	-4.7	2.2
CURRENCY FUTURES TOTAL	6,864.6	4,142.3	4,037.1	92.2	-172.7	70.0
Currency options						
EUR/CNY	—	—	101.1	—	—	3.6
EUR/RUB	—	—	62.2	—	—	7.4
EUR/USD	—	69.4	37.7	—	—	2.9
EUR/BRL	—	11.1	26.0	—	0.1	2.1
EUR/MXN	—	7.7	21.8	—	—	0.5
EUR/TRY	—	—	9.4	—	—	1.5
EUR/HKD	—	70.4	—	—	-0.1	—
Other currency pairs	—	—	18.6	—	—	0.6
CURRENCY OPTIONS TOTAL	—	158.5	276.7	—	-0.1	18.6
Of which total options purchased	—	158.5	276.7	—	-0.1	18.6
Other hedging elements	—	—	—	—	—	—
Cross Currency Swap	604.2	—	—	-1.3	—	—
OTHER ELEMENTS TOTAL	604.2	—	—	-1.3	—	—
TOTAL	7,468.8	4,300.6	4,313.7	90.9	-172.5	88.6

The market values by type of hedging are as follows:

€ millions	2022	2021	2020
Fair value hedges ⁽¹⁾	-42.7	-38.6	20.4
Cash flow hedges	133.4	-133.9	68.2
TOTAL	90.7	-172.5	88.6

(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	2022	2021	2020
Time value	-105.1	-70.5	-87.6
Other foreign exchange gains and losses	-309.6	17.7	94.0
TOTAL	-414.7	-52.8	6.4

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 €24.5 million, €1.5 million and €13.3 million in 2022, 2021 and 2020, respectively.

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

€ millions	2022	2021	2020
Cost of sales	-324.2	-37.2	6.4
Research and innovation expenses	29.6	-4.2	-2.1
Advertising and promotion expenses	-61.5	-5.9	1.2
Selling, general and administrative expenses	-58.7	-5.5	0.9
FOREIGN EXCHANGE GAINS AND LOSSES	-414.7	-52.8	6.4

10.3. Hedging of interest rate risk

The Group did not have any interest rate hedging instruments at 31 December 2022, 2021 and 2020.

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 €9.8 million on the Group's net finance costs at 31 December 2022, compared with a direct negative impact of -€18.2 million at 31 December 2021 and a direct positive impact of €56.4 million at 31 December 2020. 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 -€23.9 million at 31 December 2022 compared with -€1.0 million at 31 December 2021 and -€1.0 million 31 December 2020.

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 2022. These lines were not subject to any covenants.

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;

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 2022, marketable securities consist exclusively of unit trusts (note 9.2.).

At 31 December 2022, the Group held 118,227,307 Sanofi shares for an amount of €10,621.5 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 2021, the Group held 118,227,307 Sanofi shares for an amount of €10,472.6 million (note 9.3.).

At 31 December 2020, the Group held 118,227,307 Sanofi shares for an amount of €9,304.5 million (note 9.3.).

- 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 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 2021	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

€ millions 31 December 2020	Level 1	Level 2	Level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives		183.0		183.0
Sanofi shares	9,304.5	—		9,304.5
Other securities	30.7	—	153.4	184.1
Marketable securities	3,739.9	—		3,739.9
TOTAL ASSETS AT FAIR VALUE	13,075.1	183.0	153.4	13,411.5
Liabilities at fair value				
Foreign exchange derivatives		94.9		94.9
TOTAL LIABILITIES AT FAIR VALUE	—	94.9	—	94.9

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 €156.7 million, €62.7 million and €75.5 million respectively in 2022, 2021 and 2020.

10.10. Sanofi dividends

In addition to the €3.33 per share annual cash dividend awarded by Sanofi, which amounted to €393.7 million for the L'Oréal Group, Sanofi paid an extraordinary dividend in kind.

The Sanofi group decided to list its wholly owned subsidiary Euroapi on the stock exchange on 6 May 2022 and to distribute 58% of its Euroapi shares to its shareholders.

Consequently, the L'Oréal Group received 5,140,317 Euroapi shares amounting to €74.5 million, which was recognised as financial income.

NOTE 11. Equity – Earnings per share

11.1. Share capital and additional paid in capital

Share capital consists 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 shares.

Share capital consisted of 559,871,580 shares with a par value of €0.20 at 31 December 2020, following the exercise of subscription options for 465,796 shares, the issue of 452,979 shares for the employee shareholding plan and 835,600 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) 2022

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

<i>In shares</i>	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:

<i>In shares</i>	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
AT 31.12.2022	—	—	—	—

b) 2021

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

<i>In shares</i>	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:

<i>In shares</i>	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

c) 2020

The change in the number of shares in 2020 was as follows:

<i>In shares</i>	Share capital	Treasury shares	Common shares outstanding
At 01.01.2020	558,117,205	—	558,117,205
Shares cancelled	—	—	—
Options and free shares exercised	1,754,375	—	1,754,375
Treasury shares purchased	—	—	—
AT 31.12.2020	559,871,580	—	559,871,580

11.3. Other comprehensive income

The following tables indicate movements in this item:

<i>€ millions</i>	31.12.2022	31.12.2021	31.12.2020
Securities at fair value through other comprehensive income			
Reserve at beginning of period	6,485.4	5,293.2	6,562.3
Changes in fair value over period	152.1	1,192.2	-1,269.1
RESERVE AT END OF PERIOD	6,637.5	6,485.4	5,293.2

<i>€ millions</i>	31.12.2022	31.12.2021	31.12.2020
Cash flow hedges – foreign exchange			
Reserve at beginning of period	-29.8	173.8	44.8
Changes in fair value over period	686.3	-75.2	78.7
Changes in fair value recorded through other comprehensive income	-399.2	-128.4	50.3
Deconsolidation and other	—	—	—
RESERVE AT END OF PERIOD	257.3	-29.8	173.8

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:

<i>€ millions</i>	31.12.2022	31.12.2021	31.12.2020
Impact of a 10% increase in the EUR against all other Group currencies	444.9	359.9	344.5
Impact of a 10% decrease in the EUR against all other Group currencies	-432.8	-344.9	-324.2
Impact of a 10% increase in the USD against key Group currencies	-196.5	-80.4	-43.7
Impact of a 10% decrease in the USD against key Group currencies	206.4	90.7	54.9

€ millions	31.12.2022	31.12.2021	31.12.2020
Cash flow hedges – interest rates			
Reserve at beginning of period	—	—	—
Changes in fair value over period	—	—	—
Changes in fair value recorded through other comprehensive income	1.4	—	—
RESERVE AT END OF PERIOD	1.4	—	—

€ millions	31.12.2022	31.12.2021	31.12.2020
Actuarial gains/(losses) and impact of asset ceiling			
Reserve at beginning of period	-698.3	-1,283.7	-1,058.2
Actuarial gains/(losses) over the period	404.9	584.1	-224.4
Impact of asset ceiling	-9.4	1.1	-1.1
Deconsolidation and other	—	0.2	—
RESERVE AT END OF PERIOD	-302.8	-698.3	-1,283.7

€ millions	31.12.2022	31.12.2021	31.12.2020
Other comprehensive income			
Gross reserve	6,592.4	5,757.4	4,183.2
Associated tax effect	-188.1	-18.8	121.4
RESERVE NET OF TAX	6,404.4	5,738.6	4,304.5

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	2022	2021	2020
Net profit from attributable to owners of the company	5,706.6	4,597.1	3,563.4
Capital gains and losses on property, plant and equipment and intangible assets	7.4	0.4	3.5
Impairment of property, plant and equipment and intangible assets	39.0	337.5	89.8
Restructuring costs	172.6	149.6	382.1
Other	22.5	-55.5	233.5
Tax effect on non-recurring items	-52.6	-104.4	-161.5
Non-controlling interests on non-recurring items	—	-0.4	—
Tax effect on acquisitions and internal restructuring	158.5	14.2	-11.8
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY EXCLUDING NON-RECURRING ITEMS	6,054.1	4,938.5	4,099.0

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:

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

2020	Net profit – attributable to owners of the company (€ millions)	Number of shares	Earnings per share attributable to owners of the company (€)
Earnings per share	3,563.4	559,101,322	6.37
Stock options	—	274,942	—
Free shares	—	2,259,699	—
DILUTED EARNINGS PER SHARE	3,563.4	561,635,963	6.34

11.4.3. Earnings per share excluding non-recurring items

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

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

2020	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	4,099.0	559,101,322	7.33
Stock options	—	274,942	—
Free shares	—	2,259,699	—
DILUTED EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS	4,099.0	561,635,963	7.30

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 2022, 340,541,544 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	31.12.2022	31.12.2021	31.12.2020
Provisions for liabilities and charges	67.7	63.8	56.8
Non-current provisions ⁽¹⁾	67.7	63.8	56.8
Current provisions for liabilities and charges	1,205.6	1,223.3	1,224.8
Provisions for restructuring	146.1	182.5	235.1
Provisions for product returns	395.3	405.9	352.4
Other current provisions ⁽¹⁾	664.2	634.9	637.3
TOTAL	1,273.3	1,287.1	1,281.6

(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 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	—	—	—

The change in this caption in 2020 can be analysed as follows:

€ millions	31.12.2018	31.12.2019	Charges ⁽²⁾	Reversals (used) ⁽²⁾	Reversals (not used) ⁽²⁾	Other ⁽¹⁾	31.12.2020
Provisions for restructuring	102.1	112.9	261.9	-110.9	-15.7	-13.1	235.1
Provisions for product returns	316.8	351.1	300.4	-227.0	-49.4	-22.7	352.4
Other provisions for liabilities and charges	608.5	710.7	219.0	-133.8	-58.8	-43.0	694.1
TOTAL	1,027.4	1,174.7	781.3	-471.7	-123.9	-78.8	1,281.6

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

€ millions	Charges	Reversals (used)	Reversals (not used)
Operating profit	498.8	-357.6	-108.1
Other income and expenses	282.5	-114.1	-15.8
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 €631 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 advisers, 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 €42 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 €204 million including interest and penalties. After consulting with its tax advisers, 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 Italian, French, Indonesian and Singaporean tax authorities in order to eliminate double taxation following disagreements between these authorities.

12.2.2. Investigations carried out by the competition authorities

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

a) Europe (excluding France)

In Greece, in its decision passed down on 4 October 2017, the Greek competition authority condemned L'Oréal Hellas to pay a fine of €2.6 million for carrying out anti-competitive practices in 2005-2006. L'Oréal Hellas refuted all allegations of having engaged in anti-competitive practices with other luxury cosmetics manufacturers. The Greek Administrative Court of Appeal quashed this decision on 5 November 2018. The Greek competition authority lodged an appeal in cassation against this decision on 28 January 2019 and a hearing before the Council of State, which was postponed on numerous occasions, was finally held on 17 November 2020. The decision should be handed down in the course of the first-half of 2023.

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.

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.

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. The decision should be handed down in the course of the first-half of 2023.

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

At 31 December 2022, the provision was maintained in liabilities and the payment recognised in Other current assets.

Following this ruling, the distributors filed lawsuits for damages against L'Oréal. These proceedings are in initial stages 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.

A provision has been set aside for all disputes still in progress at 31 December 2022 amounting to €192.2 million at year-end unchanged from the provision at end-2021 and end-2020.

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 sustainable development, 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 "carbon neutrality⁽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;
- to date, the adaptation of our plants and product formulas has not led us to identify any risk of our production lines becoming obsolete or experiencing a reduction in their value in use.

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 sustainable development performance incorporate a borrowing cost adjustment mechanism.

The L'Oréal Group has a syndicated loan from 19 banks (€5 billion), which had not been used at the end of December 2022. 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 a €3 billion bond in three tranches, one of which a €1,250 million 4.25-year fixed rate Sustainability-Linked Bond included environmental (ESG) criteria linked to the Group's CSR performance (note 9.1).

b) Short-term investment

The Group's available cash is mainly invested in SRI SICAV money-market funds (40% of all short-term investment in 2022) and term accounts (60% of all short-term investment in 2022).

c) Long-term investment

The Group recorded a total of €157 million in non-current financial assets related to sustainable development 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 impact investing fund, whose investment thesis is focused on seven verticals including new packaging materials and solution from bioeconomy and the circular economy, green technology and waste and recycling collection services.
- in 2020, the creation of a fund for Nature Regeneration to financially support projects to restore natural marine, forest and agricultural ecosystems. This dedicated €60 million fund had already invested in three projects at the end of 2022.
- investment in start-ups (€42 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 developed a process with a low carbon impact to produce microalgae.

(1) A site can claim "carbon neutral" status if it meets the following requirements:

- Direct CO₂ (Scope 1) = 0, with the exception of: the gas used for catering, the fuel oil used for sprinkler tests, fossil energy consumptions during maintenance of on-site renewable facilities, cooling gas leaks if they are lower than 130 tonnes CO₂eq./year; and
- Indirect CO₂ Market Based (Scope 2) = 0. The renewable energy sources must be located on site or less than 500 kilometres from the site, and be connected to the same distribution network. The "carbon neutral" status, as defined above, is achieved without carbon offsetting.

d) Remuneration

The variable portion of the Chief Executive Officer's current remuneration incorporates quantitative and qualitative non-financial 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, the 2022 plan stipulates 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.

NOTE 14. Off-balance sheet commitments**14.1. Lease commitments**

These amounted to €122.7 million at 31 December 2022 compared with €257.9 million at 31 December 2021 and €257.5 million at 31 December 2020, of which:

- €46.7 million was due within one year at 31 December 2022, compared with €45.1 million at 31 December 2021 and €44.3 million at 31 December 2020;

- €61.3 million was due within one to five years at 31 December 2022, compared with €76.9 million at 31 December 2021 and €72.3 million at 31 December 2020;
- €14.8 million was due in over five years at 31 December 2022, compared with €135.9 million at 31 December 2021 and €140.9 million at 31 December 2020.

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	31.12.2022	31.12.2021	31.12.2020
Guarantees given ⁽¹⁾	308.9	312.2	326.5
Guarantees received	110.4	76.8	73.6
Capital expenditure orders ⁽²⁾	508.0	504.2	255.6
Firm purchase commitments under logistics supply contracts	1,852.1	1,341.5	972.8

(1) These consist mainly of guarantees given to governmental bodies or concerning loans granted to third parties who are partners of the Group, and the net commitment toward the L'Oréal Foundation for its long-term action programme and commitment to pay into the fund dedicated to rebuilding the Notre-Dame Cathedral.

(2) Despite their strategic nature, none of these investments taken individually is material enough at Group level to warrant more detailed disclosure.

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	2022	2021	2020
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	31.12.2022	31.12.2021	31.12.2020
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.

In 2022, no significant transactions were carried out with a member of senior management or a shareholder with a significant influence, except for the operation above.

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

Fees for the 2022 financial year

€ millions excl. VAT	Ernst & Young Audit				Deloitte & Associés			
	Auditor Ernst & Young Audit		Network		Auditor Deloitte & Associés		Network	
	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.

Fees for the 2021 financial year

€ millions excl. VAT	PricewaterhouseCoopers				Deloitte & Associés			
	Auditor PricewaterhouseCoopers Audit		Network		Auditor Deloitte & Associés		Network	
	Amount	As a %	Amount	As a %	Amount	As a %	Amount	As a %
Review of interim, company and consolidated financial statements								
L'Oréal	1.2	55%	n/a	n/a	1.4	54%	n/a	n/a
Fully consolidated subsidiaries	0.7	32%	4.0	56%	0.6	22%	4.7	83%
Subtotal	1.9	86%	4.0	56%	2.0	76%	4.7	83%
Non-audit services⁽¹⁾								
L'Oréal	0.3	14%	2.1	29%	0.6	24%	—	—
Fully consolidated subsidiaries	—	—	1.1	15%	—	—	0.9	17%
Subtotal	0.3	14%	3.2	44%	0.6	24%	0.9	17%
TOTAL	2.2	100%	7.2	100%	2.6	100%	5.6	100%

(1) Mainly concerning acquisition audits.

NOTE 17. Subsequent events

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

5.7. Main consolidated companies at 31 December 2022

5.7.1. Fully consolidated companies

Company	Head office	% interest
ATELIER COLOGNE (as a sub-group)	France	100.00
AZZARO MUGLER BEAUTÉ France	France	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.	Turkiye	100.00
CENTRE LOGISTIQUE D'ESSIGNY ou CLOE	France	100.00
CENTRE THERMAL DE LA ROCHE POSAY	France	100.00
COBELSA COSMETICOS, S.A.	Spain	100.00
COMPAGNIE THERMALE HOTELIÈRE ET FINANCIÈRE – C.T.H.F.	France	99.98
COMPTOIR LAINIER AFRICAÏN	Morocco	100.00
COSBEL S.A. de C.V.	Mexico	100.00
COSMELOR LTD	Japan	100.00
COSMEPHIL HOLDINGS CORPORATION PHILIPPINES	The Philippines	100.00
COSMETIL	Morocco	49.80
COSMÉTIQUE ACTIVE INTERNATIONAL – CAI	France	100.00
COSMÉTIQUE ACTIVE PRODUCTION – C.A.P.	France	100.00
EGYPTELORELLC	Egypt	100.00
ELEBELLE (PROPRIETARY) LIMITED	South Africa	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 COSMETICS LTD	Israel	92.97
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 PESQUISAS 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

Company	Head office	% interest
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 COTE D'IVOIRE	Ivory Coast	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.	Spain	100.00
L'ORÉAL FINLAND OY	Finland	100.00
L'ORÉAL GUATEMALA S.A.	Guatemala	100.00
L'ORÉAL HELLAS S.A.	Greece	100.00
L'ORÉAL HONG KONG LIMITED	Hong Kong	100.00
L'ORÉAL INDIA PRIVATE LIMITED	India	100.00
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 A/S	Norway	100.00
L'ORÉAL ÖSTERREICH GmbH	Austria	100.00
L'ORÉAL PAKISTAN PRIVATE LIMITED	Pakistan	100.00
L'ORÉAL PANAMA COMERCIAL S.A.	Panama	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	75.00
L'ORÉAL SINGAPORE Pte Ltd	Singapore	100.00
L'ORÉAL SLOVENSKO s.r.o.	Slovakia	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	100.00
L'ORÉAL TRAVEL RETAIL AMERICAS, INC.	United States	100.00
L'ORÉAL TÜRKIYE KOZMETİK SANAYİ VE TİCARET ANONİM ŞİRKETİ	Turkiye	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
L'ORÉAL USA, INC. (as a sub-group)	United States	100.00
L'ORÉAL VERWALTUNGS GmbH	Germany	100.00
L'ORÉAL VIETNAM CO. LTD	Vietnam	100.00
L'ORÉAL WEST AFRICA LIMITED	Ghana	100.00
LA ROCHE-POSAY LABORATOIRE DERMATOLOGIQUE	France	99.98
LABORATOIRE SANOFLORE	France	100.00
LABORATORIOS DE COSMETICOS VOGUE S.A.S.	Colombia	100.00
LIBRAMONT ÉNERGIES VERTES - LEV	Belgium	100.00

Company	Head office	% interest
LOA3	France	100.00
LOA6	France	100.00
LOA6 USA, INC.	United States	100.00
LOA11	France	100.00
LOA12	France	100.00
LOA13	France	100.00
LOA14	France	100.00
LOA15	France	100.00
LOGO-BAU VERWALTUNGSGESELLSCHAFT mbH	Germany	100.00
LOGOCOS NATURKOSMETIK GmbH & Co. KG	Germany	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
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
PROCOSA PRODUCTOS DE BELEZA LTDA	Brazil	100.00
PRODUCTOS CAPILARES L'ORÉAL S.A.	Spain	100.00
REAL CAMPUS BY L'ORÉAL	France	100.00
SCENTAL LIMITED	Hong Kong	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 POSAY	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
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
YIGAOMEILAN SHANGHAI COSMETICS CO., LTD.	China	100.00

5.7.2. Equity-accounted companies

Company	Head office	% interest
INNEOV ARGENTINA S.A.	Argentina	50.00 ⁽¹⁾
INNEOV DEUTSCHLAND GmbH	Germany	50.00 ⁽¹⁾
INNEOV HELLAS A.E.	Greece	50.00 ⁽¹⁾
INNEOV MEXICO S.A. DE C.V.	Mexico	50.00 ⁽¹⁾
INNEOV TAIWAN CO. LTD	Taiwan	50.00 ⁽¹⁾
LIPP DISTRIBUTION	Tunisia	49.00
LOSHIAN CO., LTD	Korea	40.00
NUTRICOS TECHNOLOGIES	France	50.00 ⁽¹⁾
SCI GOLF DU CONNETABLE	France	38.12

(1) Companies jointly owned with Nestlé.

5.8. Statutory Auditor's Report on the Consolidated Financial Statements

Year ended December 31, 2022

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. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

L'OREAL

14, rue Royale
75008 Paris

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, 2022.

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, 2022 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, 2022 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. 823-9 and R. 823-7 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.