HALF-YEAR FINANCIAL REPORT

AT JUNE 30TH, 2015

L'ORÉAL

Contents

HALF-YEAR FINANCIAL REPORT

REPORT

AT JUNE 30TH, 2015

Half-year situation at June 30th, 2015

The following statements have been examined by the Board of Directors of July 30th, 2015 and have been the object of a limited review by the Statutory Auditors.

This is a free translation into English of the L'Oréal 2015 Half-year Financial Report issued in the French language and is provided solely for the convenience of English speaking readers. In case of discrepancy the French version prevails.

1/ ACTIVITY REPORT

It should be noted that L'Oréal's half-year results are not representative of the full-year results.

1.1. THE GROUP CONSOLIDATED

Like-for-like, i.e. based on a comparable structure and identical exchange rates, sales growth was +3.8%. The net impact of changes in consolidation was +1.2%. Growth at constant exchange rates was +5.0%. Currency fluctuations had a positive impact of +9.7%. If the exchange rates at June 30th, 2015, i.e. €1 = $1.119, are extrapolated up to December 31st, the impact of currency fluctuations on sales would be approximately +7.8% for the whole of 2015.

Based on reported figures, the Group's sales at June 30th, 2015 amounted to 12.82 billion euros, up by +14.7%.

1.1.1. Consolidated income statements

Gross profit, at 9,189 million euros, has come out at 71.7% of sales, compared with 71.8% in the first half of 2014, representing a decrease of 10 basis points. At constant exchange rates, gross profit would have posted a noticeable increase as a percentage of sales.

Research and Development expenses, at 380 million euros, i.e. 3.0% of sales, decreased in relative value due to the impact of currency conversion, as the largest part of R&D is carried out in the Euro zone.

Advertising and promotion expenses, at 3,753 million euros, are flat as a percentage of sales, which corresponds to a stronger investment in volume.

Selling, general and administrative expenses have increased in percentage of sales, due in particular to the acceleration of our digital transformation.

Overall, the **operating profit**, at 2,323 million euros, amounted to 18.1% of sales, representing a very strong increase of +14.5%.

Overall finance costs amounted to 9.8 million euros, compared with 8.1 million euros in the first half of 2014.

Sanofi dividends amounted to 337 million euros.

Income tax excluding non-recurring items amounted to 692 million euros, i.e. a tax rate of 26.1%, slightly above that of the first half of 2014.

Net profit from continuing operations, excluding non-recurring items, after non-controlling interests, amounted to 1,957 million euros, up by 10.4% compared with the first half of 2014.

Net EPS rose 18.9% to 3.47 euros.

Net profit after non-controlling interests rose 8.5% to 1,883 million euros.

1.1.2. Cash flow statements/balance sheet

Gross cash flow amounted to 2,370 million euros, up by +12.4% compared with the first half of 2014.

The **change in working capital** amounted to 816 million euros. As it is the case every year, it includes the impact of the seasonality of part of the business on the trade receivables. In the first half of 2015, it takes also into account the payment of the fine linked with the decision of the French Competition Authority.

Investments, at 512 million euros, represented 4% of sales.

Operating cash flow has come out at 1,042 million euros.

After payment of the dividend and acquisitions, the **residual cash flow** amounted to -701 million euros.

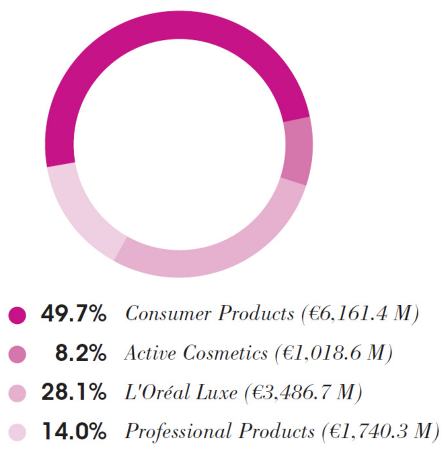
At June 30, 2015, **net debt** amounted to 1,394 million euros, higher than the level of December 31, 2014, mainly due to the payment of the annual dividend in the first half. This is the case every year.

The balance sheet structure is particularly solid: **shareholders' equity** of 22.9 billion euros is stronger than the level at December 31, 2014.

1.2. SEGMENT INFORMATION

1.2.1. Turnover by Operational Division

1.2.1.1. Cosmetics



COSMETICS TOTAL: €12,407M

At the end of June, the **Professional Products Division** posted growth of +3.5% like-for-like and +15.6% based on reported figures, with improvements particularly in the United States.

- Haircare, the number one contributor to growth, is being driven by the success of *Thérapiste* at *Kérastase*, *Frizz Dismiss* at *Redken*, *Biolage Cleansing Conditioner* at *Matrix* and the very good start made by *Pro Fiber* at *L'Oréal Professionnel*. Hair colour is benefiting from the strong momentum of *Redken* and *Matrix* and the solid sales of *Majirel* and *Inoa* at *L'Oréal Professionnel*. *Essie* is growing strongly in Europe. Growth in professional skincare with *Carita* and *Decléor* is promising in Western Europe.
- All the geographic Zones are growing. The main contributors to growth are the United States, India and the United Kingdom.

In the first half, the **Consumer Products Division** recorded growth of +1.9% like-for-like and +12.4% based on reported figures. Excluding Brazil, the Division is accelerating, from +1.7% in the first quarter to +2.9% in the second quarter.

- The Division is boosting its growth in make-up with the launches of *Infallible Gloss* and *False Lash Superstar* by *L'Oréal Paris*, with eyebrow make-up and palettes by *Maybelline*. In addition, *NYX* is expanding very quickly.

  In haircare, the globalisation of *L'Oréal Paris* is continuing thanks to the successful launches of *Hyaluron Moisture* in China and *Nutri-Gloss* in Western Europe and North America. *Ultra Doux* by *Garnier* is maintaining its winning momentum.

  The men's skincare ranges *L'Oréal Men Expert* and *Garnier Men* are growing in Asia.

  In hair colour, the successful launch of *Excellence Age Perfect* by *L'Oréal Paris* shows it is well suited to the senior target group.
- The Division is still being held back by a sluggish European market but is winning market share in the New Markets.

L'Oréal Luxe posted solid growth at +6.7% like-for-like and +20.1% based on reported figures. The Division is continuing to win market share.

- *Lancôme* is expanding thanks to the successes of its fragrances *La vie est belle* and *La Nuit Trésor*, its innovative *Miracle Cushion* foundation launched all over the world, *Grandiôse* mascara and the relaunch of the star skincare *Génifique*. *Giorgio Armani* is posting double-digit growth thanks to the upsurge in its fragrances *Sì* Eau de Toilette and *Acqua di Giò Profumo*. *Yves Saint Laurent* is growing very quickly thanks to *Black Opium* and the quality of its make-up initiatives. *Urban Decay* is now being rolled out internationally. The American skincare brand *Kiehl's* is maintaining a very high growth level, confirming the relevance of its business model. *Shu Uemura* is successfully developing its Asian make-up artistry concept.
- L'Oréal Luxe is outperforming the world market, particularly in Western Europe, in Asia thanks to the strategically important Chinese market, in the Middle East and in Latin America. Travel Retail also remains very robust.

At +7.1% like-for-like and +10.6% based on reported figures, the **Active Cosmetics Division** is continuing to grow very strongly and reinforcing its worldwide position.

- *Vichy* is boosting its *Idealia* franchise with the successful launch of *Idealia Skin Sleep* and is strengthening its position in the body care segment with the success of *Ideal Body*. *La Roche-Posay* is demonstrating its great vitality with double-digit growth in all Zones, building on the success of its franchises *Lipikar* in body care and *Anthelios* in sun protection. *SkinCeuticals* is gaining share in all geographic Zones. *Roger&Gallet* has successfully launched its perfume *Fleur de Figuier*.
- All Zones are contributing to growth, with outstanding performances in Brazil, the United States and China.

1.2.1.2. The Body Shop

The Body Shop recorded growth of +2.8% like-for-like and +13.2% based on reported figures. The strategy based on innovation, service, digital communication and point-of-sale optimisation is reaping rewards. Europe, the Americas and the Middle East are continuing to expand, while growth in some key Asian countries remains difficult. The integration of the Australian franchisee and the reorganisation in the United States are on track.

1.2.2. Operating profit by Operational Division

	06.30.2014		12.31.2014		06.30.2014	
	€ millions	% of sales	€ millions	% of sales	€ millions	% of sales
By Operational Division						
Professional Products	294.7	19.6%	608.8	20.1%	332.0	19.1%
Consumer Products	1,157.2	21.1%	2,186.2	20.3%	1,313.1	21.3%
L'Oréal Luxe	590.6	20.3%	1,269.2	20.5%	716.0	20.5%
Active Cosmetics	259.5	28.2%	376.4	22.7%	280.2	27.5%
Total Divisions before non-allocated	**2,302.0**	**21.3%**	**4,440.6**	**20.5%**	**2,641.3**	**21.3%**
Non-allocated [1]	-275.7	-2.6%	-615.2	-2.8%	-311.1	-2.5%
Total Divisions after non-allocated	**2,026.3**	**18.7%**	**3,825.4**	**17.7 %**	**2,330.2**	**18.8%**
The Body Shop	**2.7**	**0.8%**	**65.3**	**7.5 %**	**-7.2**	**-1.8%**
GROUP	**2,029.0**	**18.2%**	**3,890.7**	**17.3 %**	**2,323.0**	**18.1%**

[1] *Non-allocated expenses = Central Group expenses, fundamental research expenses, stock option and free grant of shares expenses and miscellaneous items. As a % of total Divisions sales.*

The **Professional Products Division's** profitability has declined from 19.6% to 19.1% following the consolidation of *Decléor* and *Carita* brands.

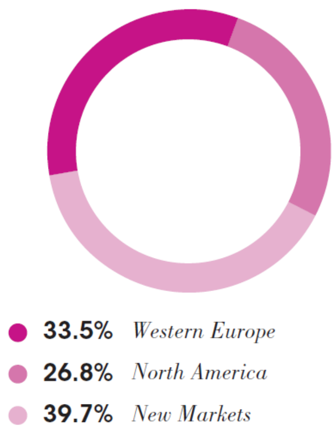
At 21.3% of sales, the profitability of the **Consumer Products Division** has further improved by 20 basis points.

L'Oréal Luxe improved its profitability by 20 basis points.

The **Active Cosmetics Division**, with a profitability of 27.5%, has re-balanced its profitability which reached a record high level of 28.2% in the first half of 2014.

The Body Shop is affected by the technical impact of the first time consolidation of its Australian franchisee.

1.2.3. Cosmetics sales by geographic zone



1.2.3.1. Western Europe

Growth amounted to +1.9% like-for-like and +4.5% based on reported figures. L'Oréal Luxe made a major contribution to this performance by outstripping the growth of the dynamic selective channel. In a mass-market channel which remains lacklustre, the Consumer Products Division is making progress in the haircare, skincare and facial cleansing categories. Both Divisions are making large market share gains in Germany and the United Kingdom.

1.2.3.2. North America

L'Oréal recorded +2.7% like-for-like and +26.8% based on reported figures. L'Oréal Luxe and the Active Cosmetics and Professional Products Divisions are driving growth, with several brands – including *Kiehl's*, *Giorgio Armani* and *La Roche-Posay* – posting an increase of more than 10%. The Consumer Products Division is continuing to strengthen its positions in make-up. Meanwhile, its two recent acquisitions *NYX* and *Carol's Daughter* are maintaining momentum with market share gains.

1.2.3.3. New Markets

- **Asia, Pacific:** L'Oréal recorded growth of +5.0% like-for-like and +25.5% based on reported figures. Despite a slowdown in Hong Kong, L'Oréal Luxe posted good growth, still driven by *Kiehl's*, *Yves Saint Laurent* and *Giorgio Armani*, and by the dynamism of the Japanese market. The Consumer Products Division remains dynamic in the countries of South-East Asia. In China, *L'Oréal Paris* is growing thanks to the success of its launches. Another highlight of the first half was the very good performance of Active Cosmetics, thanks to *La Roche-Posay*.
- **Latin America:** Sales grew by +5.3% like-for-like and +8.3% based on reported figures. Excluding Brazil, sales achieved double-digit growth, thanks to *L'Oréal Paris, Maybelline* and *Lancôme*. In a difficult economic environment, the Brazilian market is also being held back by the recent reform of the TIP (Tax on Industrialised Products).
- **Eastern Europe:** The Zone posted +9.7% like-for-like and -2.6% based on reported figures, with an acceleration in the second quarter, reflecting good performances from the Consumer Products and Professional Products Divisions. The four Divisions are gaining market share. Russia and Turkey, whose sales rose by more than 10% over the period, are the largest contributors to growth.
- **Africa, Middle East:** Growth amounted to +12.3% like-for-like and +33.1% based on reported figures. The Group is outperforming the market in the Zone, and posting strong market share gains in Saudi Arabia, South Africa and Pakistan. This performance is being driven by *Elvive* by *L'Oréal Paris*, *Color Naturals* by *Garnier* and *Maybelline* in Consumer Products. In other Divisions, the fragrances of *Giorgio Armani*, the brands *Yves Saint Laurent*, *Kérastase*, *Vichy* and *La Roche-Posay* are achieving double-digit growth**.**

1.3. IMPORTANT EVENTS DURING THE PERIOD

- On February 2nd, 2015, The Body Shop announced the acquisition of its Australian franchisee Adidem Pty Limited, which operates 91 stores in Australia.
- On March 6th, 2015, L'Oréal and CFAO announced the signing of a protocol agreement covering the production and distribution of cosmetic products in Ivory Coast. This new partnership will enable L'Oréal to step up the presence and accelerate the expansion of its brands in Ivory Coast and French-speaking West Africa.
- On March 31st, 2015, L'Oréal finalised the acquisition of Niely Cosméticos in Brazil, announced on September 8th, 2014, for which the regulatory authorities' approval was obtained in January 2015.
- On April 16th, 2015, L'Oréal unveiled the first results of its *Sharing Beauty With All* sustainable development programme.
- At the Annual General Meeting on April 22, 2015, at the Palais des Congrès in Paris, L'Oréal shareholders adopted all the resolutions by a very large majority, including the appointment of Mrs Sophie Bellon as a Director, the renewal of the tenure of Mr Charles-Henri Filippi as a Director and the decision to maintain simple voting rights. At its meeting at the end of the Annual General Meeting, the Board of Directors decided to cancel 2,905,000 shares acquired under the buyback programme approved by the Board on November 29, 2013.
- On June 3, 2015, L'Oréal announced the signing of a license agreement with Proenza Schouler for the creation and development of fine fragrances. A New York-based women's wear brand, Proenza Schouler was founded by designers Jack McCollough and Lazaro Hernandez in 2002, and is considered to be one of today's most exciting American fashion brands.

1.4. RISK FACTORS AND TRANSACTIONS BETWEEN RELATED PARTIES

1.4.1. Risk factors

Risk factors are similar to those presented in the volume 1.8 of the 2014 Registration Document (pages 25 to 33) and did not change significantly during the first half-year of 2015. The amounts relating to market and financial risks at June 30th, 2015 are described in notes 16 and 17 in section "Notes to financial statements" of this Half-year Report.

1.4.2. Transactions between related parties

Transactions between the companies consolidated under the equity method do not represent a significant amount at June 30th, 2015. Furthermore, during the first six months of 2015, there was no significant transaction concluded with a member of the senior management or with a shareholder having a material influence on the Group, with the exception of the transactions carried out in the context of the termination of the Innéov joint-venture implying, in particular, the purchase by Galderma Pharma, a subsidiary of Nestlé Skin Health of part of the assets of Innéov Group on June 30th, 2015.

1.5. PROSPECTS

At the end of June, the Group's reported growth is the strongest recorded for the last twenty years, with a very positive currency effect.

All Divisions are growing. L'Oréal Luxe is significantly outperforming a dynamic worldwide market with a double-digit growth of its brands *Giorgio Armani*, *Yves Saint Laurent* and *Kiehl's*. Professional Products are showing a clear rebound thanks to the performance at *L'Oréal Professionnel* and the success of *Redken*. The Active Cosmetics Division is also greatly strengthening its worldwide position, driven by in particular its *La Roche-Posay* brand, whose success is continuing in all regions. Finally, growth in the Consumer Products Division is improving slightly, due especially to the renewed dynamism of its make-up brand *Maybelline*.

Among the geographic zones, sales are improving in Western Europe and North America. The New Markets are experiencing solid momentum, excluding Brazil where the economic context is very unfavourable.

The strong increase in sales has been achieved alongside good quality first-half results. As announced, operating profit growth is very strong and operating profitability is practically stable at a high level. L'Oréal continues to make significant investments in accelerating the digital transformation and in the development of its brands. In all, the EPS increased +18.9%.

Thanks in particular to a rich innovation portfolio, prospects of rapid e-commerce growth and the continuing roll-out of recently acquired brands, the Group is projecting an acceleration in growth in the second half. L'Oréal is confident in its ability to outperform the beauty market and achieve a year of significant growth in both sales and profits.

1.6. SUBSEQUENT EVENTS

No significant event has occurred between the balance sheet date and the date when the Board of Directors authorized the condensed half-year consolidated financial statements for issue.

2/
2015 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. COMPARED CONSOLIDATED INCOME STATEMENTS

€ millions	Notes	1st half 2015	1st half 2014	2014
Net sales	**4**	**12,818.9**	**11,174.6**	**22,532.0**
Cost of sales		-3,630.3	-3,151.2	-6,500.7
Gross profit		**9,188.6**	**8,023.4**	**16,031.3**
Research and development		-379.7	-367.2	-760.6
Advertising and promotion		-3,753.3	-3,270.9	-6,558.9
Selling, general and administrative expenses		-2,732.6	-2,356.2	-4,821.1
Operating profit	**4**	**2,323.0**	**2,029.0**	**3,890.7**
Other income and expenses	7	-47.9	-48.0	-307.2
Operational profit		**2,275.1**	**1,981.1**	**3,583.5**
Finance costs on gross debt		-13.6	-13.0	-31.4
Finance income on cash and cash equivalents		27.6	23.1	42.3
Finance costs, net		**14.0**	**10.1**	**11.0**
Other financial income (expenses)		-23.8	-18.2	-35.1
Sanofi dividends		336.9	331.0	331.0
Profit before tax and associates		**2,602.2**	**2,304.0**	**3,890.4**
Income tax		-721.7	-607.1	-1,111.0
Share of profit in associates		2.7	-1.5	-13.5
Net profit from continuing operations		**1,883.2**	**1,695.4**	**2,765.9**
Net profit from discontinued operations	**3**	**-**	**41.0**	**2,142.7**
Net profit		**1,883.2**	**1,736.4**	**4,908.6**
Attributable to:				
• owners of the company		1,882.6	1,734.8	4,910.2
• non-controlling interests		0.6	1.6	-1.6
Earnings per share attributable to owners of the company *(euros)*		3.39	2.89	8.51
Diluted earnings per share attributable to owners of the company *(euros)*		3.34	2.85	8.39
Earnings per share of continuing operations attributable to owners of the company *(euros)*	8.2	3.39	2.82	4.79
Diluted earnings per share of continuing operations attributable to owners of the company *(euros)*	8.2	3.34	2.79	4.73
Earnings per share of continuing operations attributable to owners of the company, excluding non-recurring items *(euros)*	8.3	3.52	2.96	5.41
Diluted earnings per share of continuing operations attributable to owners of the company, excluding non-recurring items *(euros)*	8.3	3.47	2.92	5.34

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ millions	Notes	1st half 2015	1st half 2014	2014
Consolidated net profit for the period		**1,883.2**	**1,736.4**	**4,908.6**
Financial assets available-for-sale	11	*1,487.3*	*54.4*	*-172.7*
Cash flow hedges		*-80.0*	*-73.8*	*-17.2*
Cumulative translation adjustments		*507.8*	*69.3*	*584.0*
Income tax on items that may be reclassified to profit or loss (1)		*-35.7*	*18.3*	*7.3*
Items that may be reclassified to profit or loss		1,879.4	68.2	401.4
Actuarial gains and losses	14.4	*345.7*	*-139.8*	*-672.7*
Income tax on items that may not be reclassified to profit or loss (1)		*-119.4*	*49.3*	*225.1*
Items that may not be reclassified to profit or loss		226.3	-90.5	-447.6
Other comprehensive income		**2,105.7**	**-22.3**	**-46.2**
Consolidated comprehensive income		**3,988.9**	**1,714.1**	**4,862.4**
Attributable to:				
• **owners of the company**		**3,988.7**	**1,712.2**	**4,864.3**
• non-controlling interests		0.2	1.9	-1.9

(1) *The tax effect is as follows:*

€ millions	1st half 2015	1st half 2014	2014
Financial assets available-for-sale	*-61.5*	*-2.3*	*7.2*
Cash flow hedges	*25.8*	*20.6*	*0.1*
Items that may be reclassified to profit or loss	-35.7	18.3	7.3
Actuarial gains and losses	*-119.4*	*49.3*	*225.1*
Items that may not be reclassified to profit or loss	-119.4	49.3	225.1
Total	**-155.1**	**67.6**	**232.4**

3. COMPARED CONSOLIDATED BALANCE SHEETS

Assets

€ millions	Notes	06.30.2015	06.30.2014 (1)	12.31.2014 (1)
Non-current assets		**25,642.9**	**22,047.0**	**23,284.2**
Goodwill	9	8,180.6	6,941.6	7,525.5
Other intangible assets	9	2,901.9	2,157.5	2,714.6
Property, plant and equipment	10	3,283.8	2,982.6	3,141.1
Non-current financial assets	11	10,535.1	9,262.1	9,069.0
Investments in associates	12	-	0.8	-
Deferred tax assets		741.5	702.4	834.0
Current assets		**9,725.5**	**12,026.7**	**8,774.6**
Current assets excluding assets held for sale		**9,725.5**	***11,593.7***	**8,774.6**
Inventories		2,446.9	2,217.4	2,262.9
Trade accounts receivable		3,980.4	3,576.7	3,297.8
Other current assets		1,410.8	1,615.1	1,199.3
Current tax assets		122.3	41.7	97.6
Cash and cash equivalents	13	1,765.1	4,142.8	1,917.0
Assets held for sale	*3*	**-**	***433.0***	**-**
Total		**35,368.4**	**34,073.7**	**32,058.8**

(1) The balance sheets at June 30th, 2014 and December 31st, 2014 have been restated to reflect the change in accounting policies on recognition of levies resulting from the application of IFRIC 21 (see Note 1).

Equity & liabilities

€ millions	Notes	06.30.2015	06.30.2014 (1)	12.31.2014 (1)
Equity	14	**22,916.1**	**22,921.4**	**20,196.9**
Share capital		112.2	121.7	112.3
Additional paid-in capital		2,496.5	2,222.3	2,316.8
Other reserves		12,789.9	15,739.2	9,773.3
Other comprehensive income		5,343.9	4,278.5	3,745.9
Cumulative translation adjustments		525.9	-497.4	17.8
Treasury stock		-237.1	-685.3	-683.0
Net profit attributable to owners of the company		1,882.6	1,734.8	4,910.2
Equity attributable to owners of the company		**22,913.9**	**22,913.8**	**20,193.3**
Non-controlling interests		2.2	7.6	3.6
Non-current liabilities		**2,366.0**	**2,014.4**	**2,595.6**
Provisions for employee retirement obligations and related benefits		1,106.8	1,019.4	1,479.7
Provisions for liabilities and charges	15	233.5	175.8	193.6
Deferred tax liabilities		954.5	733.9	855.2
Non-current borrowings and debt	16	71.2	85.3	67.1
Current liabilities		**10,086.3**	**9,137.9**	**9,266.3**
Trade accounts payable		3,688.1	3,253.1	3,452.8
Provisions for liabilities and charges	15	737.1	514.7	722.0
Other current liabilities		2,413.1	2,049.0	2,403.2
Income tax		159.8	185.4	167.1
Current borrowings and debt	16	3,088.2	3,135.7	2,521.2
Total		**35,368.4**	**34,073.7**	**32,058.8**

(1) The balance sheets at June 30th, 2014 and December 31st, 2014 have been restated to reflect the change in accounting policies on recognition of levies resulting from the application of IFRIC 21 (see Note 1).

4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

€ millions	Common shares outstanding	Share capital	Additional paid-in capital	Retained earnings and net profit	Other comprehensive income	Treasury stock	Cumulative translation adjustments	Equity attributable to owners of the company	Non-controlling interests	Total equity
At 12.31.2013	**599,794,030**	**121.2**	**2,101.2**	**17,179.0**	**4,370.1**	**-568.1**	**-566.4**	**22,637.0**	**5.8**	**22,642.8**
Changes in accounting policies at 01.01.2014 [1]				8.2				8.2		8.2
At 01.01.2014	**599,794,030**	**121.2**	**2,101.2**	**17,187.2**	**4,370.1**	**-568.1**	**-566.4**	**22,645.2**	**5.8**	**22,651.0**
Consolidated net profit for the period				4,910.2				4,910.2	-1.6	4,908.6
Financial assets available-for-sale					*-165.5*			*-165.5*		*-165.5*
Cash flow hedges					*-17.0*			*-17.0*	*-0.1*	*-17.1*
Cumulative translation adjustments							*584.2*	*584.2*	*-0.2*	*584.0*
Other comprehensive income that may be reclassified to profit and loss					**-182.5**		**584.2**	**401.7**	**-0.3**	**401.4**
Actuarial gains and losses					*-447.6*			*-447.6*		*-447.6*
Other comprehensive income that may not be reclassified to profit and loss					**-447.6**			**-447.6**	**-**	**-447.6**
Consolidated comprehensive income				**4,910.2**	**-630.1**		**584.2**	**4,864.3**	**-1.9**	**4,862.4**
Capital increase	3,828,502	0.8	215.6	-0.1				216.3	2.3	218.6
Cancellation of Treasury stock		-9.7		-6,035.9		6,045.6		-		-
Dividends paid (not paid on Treasury stock)				-1,507.3				-1,507.3	-2.8	-1,510.1
Share-based payment				113.5				113.5		113.5
Net changes in Treasury stock	-49,380,654			0.2		-6,160.5		-6,160.3		-6,160.3
Purchase commitments for minority interests				21.0				21.0	-2.3	18.7
Changes in scope of consolidation								-	2.5	2.5
Other movements				-5.3	5.9			0.6		0.6
At 12.31.2014	**554,241,878**	**112.3**	**2,316.8**	**14,683.5**	**3,745.9**	**-683.0**	**17.8**	**20,193.3**	**3.6**	**20,196.9**
Consolidated net profit for the period				1,882.6				1,882.6	0.6	1,883.2
Financial assets available-for-sale					*1,425.8*			*1,425.8*		*1,425.8*
Cash flow hedges					*-54.1*			*-54.1*	*-0.1*	*-54.2*
Cumulative translation adjustments							*508.1*	*508.1*	*-0.3*	*507.8*
Other comprehensive income that may be reclassified to profit and loss					**1,371.7**		**508.1**	**1,879.8**	**-0.4**	**1,879.4**
Actuarial gains and losses					*226.3*			*226.3*		*226.3*
Other comprehensive income that may not be reclassified to profit and loss					**226.3**			**226.3**	**-**	**226.3**
Consolidated comprehensive income				**1,882.6**	**1,598.0**		**508.1**	**3,988.8**	**0.2**	**3,988.9**
Capital increase	2,533,663	0.5	179.7					180.2		180.2
Cancellation of Treasury stock		-0.6		-362.8		363.4		-		-
Dividends paid (not paid on Treasury stock)				-1,511.4				-1,511.4	-2.7	-1,514.1
Share-based payment				58.5				58.5		58.5
Net changes in Treasury stock	1,021,865			-77.3		82.5		5.2		5.2
Purchase commitments for minority interests				-0.9				-0.9	1.1	0.2
Changes in scope of consolidation								-		-
Other movements				0.3				0.3		0.3
At 06.30.2015	**557,797,406**	**112.2**	**2,496.5**	**14,672.5**	**5,343.9**	**-237.1**	**525.9**	**22,913.9**	**2.2**	**22,916.1**

[1] *Taking into account the change in accounting policies on recognition of levies resulting from the application of IFRIC 21 (see Note 1).*

Changes in first-half 2014

€ millions	Common shares outstanding	Share capital	Additional paid-in capital	Retained earnings and net profit	Other comprehensive income	Treasury stock	Cumulative translation adjustments	Equity attributable to owners of the company	Non-controlling interests	Total equity
At 12.31.2013	**599,794,030**	**121.2**	**2,101.2**	**17,179.0**	**4,370.1**	**-568.1**	**-566.4**	**22,637.0**	**5.8**	**22,642.8**
Changes in accounting policies at 01.01.2014 [(1)]				8.2				8.2		8.2
At 01.01.2014	**599,794,030**	**121.2**	**2,101.2**	**17,187.2**	**4,370.1**	**-568.1**	**-566.4**	**22,645.2**	**5.8**	**22,651.0**
Consolidated net profit for the period				1,734.8				1,734.8	1.6	1,736.4
Financial assets available-for-sale					*52.1*			*52.1*		*52.1*
Cash flow hedges					*-53.2*			*-53.2*		*-53.2*
Cumulative translation adjustments							*69.0*	*69.0*	*0.3*	*69.3*
Other comprehensive income that may be reclassified to profit and loss					**-1.1**		**69.0**	**67.9**	**0.3**	**68.2**
Actuarial gains and losses					*-90.5*			*-90.5*		*-90.5*
Other comprehensive income that may not be reclassified to profit and loss					**-90.5**			**-90.5**		**-90.5**
Consolidated comprehensive income				**1,734.8**	**-91.6**		**69.0**	**1,712.2**	**1.9**	**1,714.1**
Capital increase	2,397,512	0.5	121.1					121.6	2.3	123.9
Cancellation of Treasury stock								-		-
Dividends paid (not paid on Treasury stock)				-1,507.3				-1,507.3	-2.9	-1,510.2
Share-based payment				54.5				54.5		54.5
Net changes in Treasury stock	-921,177					-117.2		-117.2		-117.2
Purchase commitments for minority interests				4.7				4.7	0.8	5.5
Changes in scope of consolidation								-	-0.3	-0.3
Other movements				0.1				0.1		0.1
At 06.30.2014	**601,270,365**	**121.7**	**2,222.3**	**17,474.0**	**4,278.5**	**-685.3**	**-497.4**	**22,913.8**	**7.6**	**22,921.4**

[(1)] *Taking into account the change in accounting policies on recognition of levies resulting from the application of IFRIC 21 (see Note 1).*

5. COMPARED CONSOLIDATED STATEMENTS OF CASH FLOWS

€ millions	Notes	1st half 2015	1st half 2014	2014
Cash flows from operating activities				
Net profit attributable to owners of the company		1,882.6	1,734.8	4,910.2
Non-controlling interests		0.6	1.6	-1.6
Elimination of expenses and income with no impact on cash flows:				
• depreciation, amortisation and provisions		410.2	334.4	856.2
• changes in deferred taxes		20.6	22.6	60.0
• share-based payment (including free shares)		58.5	54.5	113.5
• capital gains and losses on disposals of assets		0.2	-0.2	-0.9
Net profit from discontinued operations		-	-41.0	-2,142.7
Share of profit in associates net of dividends received		-2.7	1.5	13.5
Gross cash flow		**2,370.0**	**2,108.2**	**3,808.2**
Changes in working capital		-815.9	-598.0	55.9
Net cash provided by operating activities (A)		**1,554.1**	**1,510.2**	**3,864.1**
Cash flows from investing activities				
Purchases of property, plant and equipment and intangible assets		-512.0	-484.8	-1,008.2
Disposals of property, plant and equipment and intangible assets		5.7	13.1	18.7
Changes in other financial assets (including investments in non-consolidated companies)		13.2	-143.2	403.4
Dividends received from discontinued operations		-	41.7	41.7
Effect of changes in the scope of consolidation		-412.8	-750.4	1,194.0
Net cash (used in) from investing activities (B)		**-905.9**	**-1,323.6**	**649.6**
Cash flows from financing activities				
Dividends paid		-1,535.0	-1,539.8	-1,589.3
Capital increase of the parent company		180.2	121.5	216.4
Capital increase of subsidiaries		-	2.3	2.3
Disposal (acquisition) of Treasury stock		5.2	-117.2	-6,160.3
Issuance (repayment) of short-term loans		553.7	2,856.0	2,225.0
Issuance of long-term borrowings		-	0.2	0.2
Repayment of long-term borrowings		-5.9	-10.0	-13.0
Net cash (used in) from financing activities (C)		**-801.8**	**1,313.0**	**-5,318.7**
Net cash (used in) from discontinued operations (D)	*3.2*	-	-	-
Net effect of changes in exchange rates and fair value (E)		1.7	-16.1	62.7
Change in cash and cash equivalents (A+B+C+D+E)		**-151.9**	**1,483.5**	**-742.3**
Cash and cash equivalents at beginning of the year (F)		**1,917.0**	**2,659.3**	**2,659.3**
Change in cash and cash equivalents of discontinued operations (G)		-	-	-
Cash and cash equivalents at the end of the period (A+B+C+D+E+F+G)	13	**1,765.1**	**4,142.8**	**1,917.0**

Income taxes paid amount to €693.6 million, €502.0 million and €1,060.3 million respectively for first-half 2015 and 2014 and year 2014.

Interests paid amount to €13.8 million, €13.0 million and €31.2 million respectively for first-half 2015 and 2014 and year 2014.

Dividends received excluding dividends received from discontinued operations amount to €336.9 million, €331.1 million and €331.0 million respectively for first-half 2015 and 2014 and year 2014, and are included within gross cash flow.

6. NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 Accounting principles

The condensed half-year consolidated financial statements of L'Oréal and its subsidiaries ("the Group") have been prepared in accordance with the international accounting standard IAS 34.
As condensed financial statements, they do not include all the information required by IFRS for the preparation of the annual financial statements and must therefore be read in conjunction with the Group consolidated financial statements prepared in accordance with IFRS as adopted in the European Union for the year ending at December 31st, 2014.

The Board of Directors reviewed the condensed half-year consolidated financial statements as at June 30th, 2015, on July 30th, 2015.

The accounting methods applied are identical to those applied when preparing the consolidated financial statements for the year ended December 31st, 2014, except as regards income tax and the change in accounting policy further to the application of interpretation IFRIC 21, "Levies".

The tax charge (current and deferred) is calculated for the half-year financial statements by applying to the profit for the period the estimated annual tax rate for the current tax year for each entity or tax group.
As of January 1st, 2015, the withholding tax on royalties paid by the subsidiaries to the parent company was reclassified from "*Cost of sales*" to "*Income tax*" in an amount of €17.9 million for first-half 2015, €13.4 million for first-half 2014, and €26.7 million for full-year 2014.
The impact on income for comparative periods is not deemed material. Accordingly, the comparative periods have not been restated.

The Group did not early adopt any standards or interpretations not mandatorily applicable in 2015.

Change in accounting policies applicable as from January 1st, 2014: IFRIC 21 "Levies"

This interpretation provides guidance on when to recognise a liability for a levy imposed by a government.
Only the accounting treatment of the Social Solidarity Contribution in France (*Contribution Sociale de Solidarité*) has been modified to take into account this new interpretation. This sales-based tax, previously provisioned in the year in which the sales were generated, is now booked as an expense on January 1st, of the following year, the date of the "obligating event".
The impact of this new accounting policy on income for comparative periods is not deemed material. Accordingly, the comparative periods have not been restated.
The change in accounting policy led to an increase of €8.2 million in opening equity at January 1st, 2015 and January 1st, 2014. The offsetting entry for the increase in opening equity was a decrease of €12.4 million in *Current liabilities* and a decrease of €4.2 million in *Deferred tax assets*.

NOTE 2 Changes in the scope of consolidation

2.1. First-half 2015

A) ACQUISITIONS

On September 8th, 2014, L'Oréal announced that it has signed an agreement to acquire NIELY COSMETICOS. Founded in 1981 by Daniel Fonseca de Jesus, Niely Cosmeticos is the largest independent hair coloration and hair care company in Brazil, one of the world's largest hair color and hair care markets.
With a net revenue of 406 million Brazilian Reals (€130 million) in 2014, the Niely Cosmeticos group has two main brands: Cor & Ton for hair coloration and Niely Gold for shampoos and care. Furthermore, Niely Cosmeticos has industrial and logistical facilities in Nova Iguaçu, in the State of Rio.
The approval granted by the local regulatory authorities was confirmed in early January 2015.
On March 31st, 2015, L'Oréal finalised the acquisition of Niely Cosmeticos.
This acquisition has been fully consolidated since April 1st, 2015.

On February 3rd, 2015, The Body Shop announced the completion of the deal to acquire the assets of Adidem Pty Limited, the company operating The Body Shop Australia since 1983. This acquisition will move the fifth biggest The Body Shop market's retail sales from a Franchise operation to a Company-Owned market.
This acquisition has been fully consolidated since February 2nd, 2015.

The cost of these new acquisitions represents €392.1 million. The total amount of goodwill and other intangible assets resulting from these acquisitions has been provisionally estimated respectively at €362.7 and €3.1 million. The allocation of the purchase price to the identifiable intangible assets of these acquisitions had not been finalised at June 30th, 2015. Regarding Niely, the amount of the difference between the purchase price and the net assets acquired is provisionally shown in Goodwill. These acquisitions represent around €43.6 million in half-year net sales and -€4.2 million in half-year operating profit.

B) OTHER OPERATIONS

In late November 2014, L'Oréal and Nestlé announced their intention to end the operations of their joint venture Innéov.
On April 24th, 2015, Nestlé Skin Health announced that Galderma, its company focused on medical solutions, would acquire certain assets of Innéov Group to serve as the foundation for its entry into the nutraceutical market. This operation was finalised on June 30th, 2015.

2.2. Year 2014

A) ACQUISITIONS

On April 30th, 2014, L'Oréal finalised the acquisition of Decléor and Carita. Decléor/Carita achieved a turnover of approximately €80 million in 2013. Founded in 1974, Decléor is the world's leading brand in aromatherapy. Created in 1945 by Maria & Rosy Carita, known as hairdressers for stars, Carita incarnates the art of prestigious French pampering.
This acquisition has been fully consolidated since May 1st, 2014.

On August 15th, 2013, L'Oréal and Magic Holdings International Limited have announced L'Oréal's proposal to acquire all of the shares of Magic Holdings International Limited, a company listed in the Hong Kong Stock Exchange. The proposed price is HK $6.30 per share.
The transaction has been approved by the Ministry Commerce of the People's Republic of China (MOFCOM) in early January 2014.
A specialist in cosmetic facial masks, Magic's turnover in 2013 was approximately €166 million. Facial masks are one of China's beauty market's fastest growing areas with very promising development prospects. Magic's MG brand is one of China's leading brands in this category.
This acquisition was finalised on April 8th, 2014, following the approval of the Shareholders' Meeting of Magic Holdings International Limited.
This acquisition has been fully consolidated since April 1st, 2014.

On July 30th, 2014, L'Oréal finalised the acquisition of NYX Cosmetics, a mass market brand rooted in professional make-up artistry with its headquarters in Los Angeles.
In 2013, NYX reported net sales of US $72 million, a growth of +46% *vs* 2012.
This acquisition has been fully consolidated since August 1st, 2014.

On October 20th, 2014, L'Oréal USA announced the acquisition of Carol's Daughter. Headquartered in New York City, Carol's Daughter is a premier American multi-cultural beauty brand with a pioneering heritage in the natural beauty movement.
Following a multi-channel distribution model, Carol's Daughter offers a comprehensive range of products that are available at specialty beauty stores, mass retailers, on HSN, through e-commerce and at Carol's Daughter branded stores in New York City. For the 12 months ending September 30th, 2014, Carol's Daughter had net sales of US $27 million.
This acquisition has been fully consolidated since November 18th, 2014.

On December 17th, 2014, L'Oréal announced the acquisition of Coloright, a start-up company that develops hair fibre optical reader technology for a long-term Research program. Through this acquisition, L'Oréal reinforces its historic leadership in hair research.
This acquisition has been fully consolidated since December 17th, 2014.

The cost of these new acquisitions amounts to €1,382.2 million. The total amount of goodwill and other intangible assets resulting from the acquisitions was provisionally estimated at €921.4 million and €422.4 million, respectively.
These acquisitions represent around €366.2 million in full-year net sales and €29.9 million in full-year operating profit.

B) OTHER OPERATIONS

On July 8th, 2014, L'Oréal announced that it had finalised:

- the acquisition of 48,500,000 L'Oréal shares (8% of its share capital) owned by Nestlé; and
- the disposal of its 50% ownership in Galderma to Nestlé (note 3).

The L'Oréal shares acquired have been immediately cancelled.
The sale of Galderma led to a pre-tax capital gain of €2.2 billion and a post-tax capital gain of €2.1 billion.

NOTE 3 Discontinued operations and assets held for sale

Nestlé and L'Oréal announced that their respective Boards of Directors, in meetings held on February 10th, 2014, have approved by unanimous decision of their voting members a strategic transaction for both companies under which L'Oréal will buy 48.5 million of its own shares (8% of its share capital) from Nestlé. This buyback will be financed:

- partially through the disposal by L'Oréal to Nestlé of its 50% stake in Swiss dermatology pharmaceuticals company Galderma (a 50/50 joint venture between L'Oréal and Nestlé) for an enterprise value of €3.1 billion (€2.6 billion of equity value), paid by Nestlé in L'Oréal shares (21.2 million shares). This transaction is expected to result in a pre-tax capital gain of around €2.2 billion for accounting purposes;
- for the remainder, corresponding to 27.3 million L'Oréal shares held by Nestlé, in cash for an amount of €3.4 billion.

The price per L'Oréal share retained for this transaction is the average of its closing prices between Monday November 11th, 2013 and Monday February 10th, 2014: €124.48.
All the shares bought back by L'Oréal have been cancelled.

The transaction was subject to customary conditions, including the prior consultation of Galderma's and L'Oréal's works councils. Clearance of relevant antitrust authorities has been obtained.

This operation was completed on July 8th, 2014 (note 2.2).

For simplicity, Galderma has been classified within *Assets held for sale* for accounting purposes since January 1st, 2014.

Consequently, Galderma is shown within *Discontinued operations* in the consolidated income statements and consolidated statements of cash flows for all periods presented. Galderma's consolidated net assets at June 30th, 2014 are classified within Assets held for sale in the consolidated balance sheet.

3.1. Income statements of discontinued operations

€ millions	1st half 2015	1st half 2014	2014
Net sales	-	-	-
Operating profit	-	-	-
Net profit of discontinued operations (1)	-	41.0	2,142.7

(1) *Includes for first-half 2014 and year 2014, €41.7 million of Galderma dividends.*

3.2. Statements of cash flows of discontinued operations

€ millions	1st half 2015	1st half 2014	2014
Net cash provided by operating activities	-	-	-
Net cash (used in) from investing activities	-	-	-
Net cash (used in) from financing activities	-	-	-
Net cash (used in) from discontinued operations	**-**	**-**	**-**

NOTE 4 Segment information

4.1. Segment information

The **Cosmetics** Divisions are organised into four sectors, each operating with specific distribution channels:

- **Professional Products** Division: products used and sold in hair salons and beauty institutes;
- **Consumer Products** Division: products sold in mass-market retail channels;
- **L'Oréal Luxe** Division: products sold in selective retail outlets, *i.e.* department stores, perfumeries, travel retail, the Group's own boutiques and certain online sites;
- **Active Cosmetics** Division: dermocosmetics products sold through all health channels such as pharmacies, parapharmacies, drugstores and medispas.

The *non-allocated* item includes expenses incurred by the Functional Divisions, fundamental research and the costs of stock options not allocated to the Cosmetics Divisions. It also includes activities that are auxiliary to the Group's core businesses, such as insurance, reinsurance and banking.

"The Body Shop" offers a wide range of naturally inspired cosmetics and toiletry products. The brand, originally created in the United Kingdom, distributes its products and expresses its values through a large multi-channel network of exclusive retail shops (in more than 60 countries), as well as through home and online sales. The Body Shop net sales and operating profit are characterised by strong seasonal fluctuations due to a high level of activity during the last few months of the year.

Data by operational division are prepared using the same accounting principles as those used for the preparation of the consolidated financial statements.
The performance of each operational Division is measured on the basis of "operating profit".

4.1.1. SALES OF OPERATIONAL DIVISIONS

€ millions	1st half 2015	1st half 2014	2014
Professional Products	1,740.3	1,505.1	3,032.4
Consumer Products	6,161.4	5,481.5	10,767.5
L'Oréal Luxe	3,486.7	2,903.3	6,197.9
Active Cosmetics	1,018.6	920.9	1,660.4
Cosmetics Total	**12,407.0**	**10,810.8**	**21,658.2**
The Body Shop	**411.9**	**363.8**	**873.8**
Group	**12,818.9**	**11,174.6**	**22,532.0**

4.1.2. OPERATING PROFIT OF OPERATIONAL DIVISIONS

€ millions	1st half 2015	1st half 2014	2014
Professional Products	332.0	294.7	608.8
Consumer Products	1,313.1	1,157.2	2,186.2
L'Oréal Luxe	716.0	590.6	1,269.2
Active Cosmetics	280.2	259.5	376.4
Cosmetics Divisions Total	**2,641.3**	**2,302.0**	**4,440.6**
Non-allocated	-311.1	-275.7	-615.2
The Body Shop	**-7.2**	**2.7**	**65.3**
Group	**2,323.0**	**2,029.0**	**3,890.7**

4.2. *Information by geographic zone*

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

4.2.1. CONSOLIDATED NET SALES BY GEOGRAPHIC ZONE

	1st half 2015		Growth *(%)*		1st half 2014		2014	
	€ millions	% of total	Published data	Excluding exchange effect	€ millions	% of total	€ millions	% of total
Western Europe	4,425.4	34.5%	4.7%	2.4%	4,226.0	37.8%	8,274.2	36.7%
of which France	1,414.6	11.0%	3.4%	3.4%	1,368.7	12.2%	2,607.5	11.6%
North America	3,408.4	26.6%	26.5%	4.3%	2,694.7	24.1%	5,577.5	24.8%
New Markets	4,985.1	38.9%	17.2%	8.0%	4,253.8	38.1%	8,680.3	38.5%
Group	**12,818.9**	**100.0%**	**14.7%**	**5.0%**	**11,174.6**	**100.0%**	**22,532.0**	**100.0%**

4.2.2. COSMETICS NET SALES BY GEOGRAPHIC ZONE

	1st half 2015		Growth *(%)*		1st half 2014		2014	
	€ millions	% of total	Published data	Excluding exchange effect	€ millions	% of total	€ millions	% of total
Western Europe	4,160.9	33.5%	4.5%	2.6%	3,980.9	36.8%	7,697.7	35.5%
of which France	1,401.9	11.3%	3.4%	3.4%	1,356.4	12.5%	2,579.5	11.9%
North America	3,326.3	26.8%	26.8%	4.5%	2,622.3	24.3%	5,389.4	24.9%
New Markets	4,919.9	39.7%	16.9%	7.8%	4,207.6	38.9%	8,571.1	39.6%
Asia, Pacific	2,787.9	22.5%	25.5%	6.2%	2,221.9	20.6%	4,563.6	21.1%
Latin America	950.1	7.7%	8.3%	9.3%	876.9	8.1%	1,853.7	8.6%
Eastern Europe	803.2	6.5%	-2.6%	9.7%	824.3	7.6%	1,585.4	7.3%
Africa, Middle East	378.8	3.1%	33.1%	12.9%	284.5	2.6%	568.4	2.6%
Cosmetics Zones Total	**12,407.0**	**100.0%**	**14.8%**	**5.1%**	**10,810.8**	**100.0%**	**21,658.2**	**100.0%**

NOTE 5 Depreciation and amortisation expense

Depreciation and amortisation of property, plant and equipment and intangible assets included in operating expenses amount to €458.7 million, €412.0 million and €871.2 million respectively for first-half 2015 and first-half 2014 and year 2014.

NOTE 6 Foreign exchange gains and losses

Foreign exchange gains and losses break down as follows:

€ millions	1st half 2015	1st half 2014	2014
Time value	-13.4	0.4	-15.8
Other foreign exchange gains and losses	-10.8	33.2	50.7
Total	**-24.2**	**33.6**	**34.9**

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 time value;
- changes in market value linked to variations in the spot rate between the inception of the hedge and the date on which 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 a negative €2.4 million for the first-half 2015, a positive €0.8 million for the first-half 2014 and a positive €0.4 million for year 2014.

These amounts are allocated to the appropriate operating expense items as follows:

€ millions	1st half 2015	1st half 2014	2014
Cost of sales	-33.8	30.7	32.6
Research and development	17.7	-4.7	-5.7
Advertising and promotion	-5.0	4.7	4.7
Selling, general and administrative expenses	-3.2	3.0	3.2
Foreign exchange gains and losses	**-24.2**	**33.6**	**34.9**

NOTE 7 Other operational income and expenses

This item breaks down as follows:

€ millions	1st half 2015	1st half 2014	2014
Capital gains and losses on disposals of property, plant and equipment and intangible assets	-0.2	0.2	1.0
Impairment of property, plant and equipment and intangible assets	-	-1.6	-
Restructuring costs (1)	-50.0	-29.3	-77.9
Other (2)	2.3	-17.3	-230.3
Total	**-47.9**	**-48.0**	**-307.2**

(1) *Including:*

- *in first-half 2015, the reorganisation of the logistics activity in Belgium and the Netherlands (€5.8 million), the reorganisation of the Scandinavian entities around Denmark (€4.5 million), the finalisation of the reorganisation of the logistics activity in Spain henceforth including the Professional Products division (€9.6 million), the reduction in headcount in Argentina in response to a tough local economic climate (€10.6 million), the write-down of the research facility in Chicago in the United States (€2.7 million) and the ongoing reorganisation of distribution for Decléor and Carita (€15.8 million);*
- *in first-half 2014, €40.0 million as a result of the termination of the distribution of the Garnier brand in China offset by decreasing adjustments of expenses relating to the cessation of the Club des Créateurs de Beauté activity for €4.3 million and the industrial reorganisation in the United States for €5.2 million;*
- *in 2014, the termination of the distribution of the Garnier brand in China (€35.0 million), the industrial reorganisation in the United States (€7.9 million), the realignment of L'Oréal teams in Italy (€16.0 million), the first phase in the reorganisation of distribution for Decléor & Carita (€9.1 million) and the restructuring of The Body Shop distribution network in the United States (€21.8 million), leading to the closure of a large number of stores as well as the Wake Forest distribution centre, offset by downward adjustments in expenses relating to the discontinuance of the Club des Créateurs de Beauté activity (€4.1 million).*

(2)

- *in first-half 2015, the reversal of the provision for liabilities in an amount of €9.2 million following the settlement agreement with the Belgian Competition Authority in June 2015, the additional €1 million following the termination of proceedings with the German Competition Authority (Note 18.2 A), costs relating to acquisitions (€4.6 million) and an upwards adjustment of the 2014 exceptional "solidarity" tax on high salaries (€1.2 million);*
- *in first-half 2014, the exceptional "solidarity" tax on high salaries for €8.1 million as well as costs relating to acquisitions for €9.3 million;*
- *in 2014, the exceptional "solidarity" tax on high salaries for €17.4 million, costs relating to acquisitions for €20.4 million, and the fine levied by the competition authority against L'Oréal S.A. for €189.5 million (see note 18.2 B).*

NOTE 8 Net profit of continuing operations attributable to owners of the company excluding non-recurring items – Earnings per share

8.1. Reconciliation with net profit from continuing operations

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

€ millions	1st half 2015	1st half 2014	2014
Net profit of continuing operations attributable to owners of the company	**1,882.6**	**1,693.8**	**2,767.6**
Capital gains and losses on property, plant and equipment and intangible assets	0.2	-0.2	-1.0
Impairment of property, plant and equipment and intangible assets	-	1.6	-
Restructuring costs	50.0	29.3	77.9
Other (1)	-2.3	17.3	230.3
Tax effect on non-recurring items	-16.6	-13.5	-23.2
Non-controlling interests on non-recurring items	-0.1	-	-1.6
Tax effect on the acquisition of Nyx Cosmetics	-	-	21.1
3% additional levy on paid dividends (2)	45.3	45.2	45.2
Costs net of tax of the discontinuation of the Innéov operation by L'Oréal and disposal of a part of its assets (note 2.1.B)	-1.8	-	9.0
Net profit of continuing operations attributable to owners of the company excluding non-recurring items	**1,957.3**	**1,773.5**	**3,125.3**

(1) *Including €189.5 million relating to the fine handed levied against L'Oréal S.A. by the competition authority as at December 31st, 2014.*

(2) *The 3% additional levy on the amount of dividends paid by L'Oréal represents an additional tax payment on past profit distributions and depending on decisions made at the Annual General Meeting. So as not to distort the presentation of the Group's operational performance in the period, this surtax is recognised on the "income tax" line of the income statement as a non-recurring item.*

8.2. Earnings per share of continuing operations

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

1st half 2015	Net profit attributable to owners of the company *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company *(€)*
Earnings per share	1,882.6	555,961,408	3.39
Stock options	-	5,104,297	-
Free shares	-	3,028,983	-
Diluted earnings per share	**1,882.6**	**564,094,688**	**3.34**

1st half 2014	Net profit attributable to owners of the company *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company *(€)*
Earnings per share	1,693.8	599,767,760	2.82
Stock options	-	5,452,751	-
Free shares	-	2,446,996	-
Diluted earnings per share	**1,693.8**	**607,667,507**	**2.79**

2014	Net profit attributable to owners of the company *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company *(€)*
Earnings per share	2,767.6	577,258,167	4.79
Stock options	-	5,206,652	-
Free shares	-	2,773,855	-
Diluted earnings per share	**2,767.6**	**585,238,674**	**4.73**

8.3. Earnings per share of continuing operations excluding non-recurring items

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

1st half 2015	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	1,957.3	555,961,408	3.52
Stock options	-	5,104,297	-
Free shares	-	3,028,983	-
Diluted earnings per share excluding non-recurring items	**1,957.3**	**564,094,688**	**3.47**

1st half 2014	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	1,773.5	599,767,760	2.96
Stock options	-	5,452,751	-
Free shares	-	2,446,996	-
Diluted earnings per share excluding non-recurring items	**1,773.5**	**607,667,507**	**2.92**

2014	Net profit attributable to owners of the company excluding non-recurring items *(€ millions)*	Number of shares	Earnings per share attributable to owners of the company excluding non-recurring items *(€)*
Earnings per share excluding non-recurring items	3,125.3	577,258,167	5.41
Stock options	-	5,206,652	-
Free shares	-	2,773,855	-
Diluted earnings per share excluding non-recurring items	**3,125.3**	**585,238,674**	**5.34**

8.4. 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.

NOTE 9 Goodwill and other intangible assets

Since no events of an adverse nature occurred in the period, no impairment tests were carried out at June 30th, 2015.

No impairment was recognized against goodwill or other intangible assets in first-half 2015.

The €655.2 million increase in "Goodwill" results chiefly reflects changes in the scope of consolidation and acquisitions carried out in the period for €362.7 million, along with the positive impact of exchange rate fluctuations amounting to €307.8 million.

The €187.3 million increase in "Other intangible assets" essentially reflects the acquisitions for the half year for €85.1 million, the positive impact of exchange rate fluctuations amounting to €163.9 million and changes in the opening balance sheet for €17.0 million following the final allocation of the purchase price of Coloright partly offset by €83.1 million in depreciation and amortization expense in the period.

NOTE 10 Property, plant and equipment

Investments for the first-half of 2015 amount to €404.1 million compared with €413.4 million and €848.0 million respectively for the first-half 2014 and year 2014.

The depreciation and provisions for the first-half of 2015 amount to €375.6 million compared with €343.0 million and €713.8 million respectively for the first-half 2014 and year 2014.

NOTE 11 Non-current financial assets

	06.30.2015		06.30.2014		12.31.2014	
€ millions	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost
Financial assets available-for-sale						
• Sanofi [(1)]	10,432.4	4,033.6	9,172.1	4,033.5	8,945.1	4,033.5
• Unlisted securities [(2)]	4.3	4.8	4.8	5.4	5.1	5.6
Financial assets at amortised cost						
• Non-current loans and receivables	98.5	102.9	85.3	89.8	118.9	123.2
Total	**10,535.1**	**4,141.2**	**9,262.1**	**4,128.6**	**9,069.0**	**4,162.3**

(1) *L'Oréal's stake in Sanofi was 9.02 % at June 30th, 2015. The carrying amount at June 30th, 2015, June 30th, 2014 and December 31st, 2014 (€10,432.4 million, €9,172.1 million and €8,945.1 million respectively) corresponds to the market value of the shares based on the closing price at each of these dates (€88.24, €77.58 and €75.66 respectively). The acquisition cost of €4,033.5 million corresponds to an entry cost of €34.12.*

(2) *As the fair value of unlisted securities cannot be reliably determined, they are stated at cost less any impairment losses.*

NOTE 12 Investments in associates

€ millions	06.30.2015	06.30.2014	12.31.2014
Investments in associates			
• GALDERMA [1]	-	-	-
• INNÉOV [2]	-	0.8	-
Total	**-**	**0.8**	**-**

(1) *Classified within assets held for sale since January 1st, 2014 (note 3).*

(2) *Classified in provisions for liabilities and charges at June 30th, 2015 (€6.9 million) as at December 31st, 2014 (€10.8 million), since the Group's share in net assets is negative (see note 15). In late November 2014, L'Oréal and Nestlé announced their intention to end the operations of their joint venture Innéov in the first quarter of 2015. As a result, a provision was booked in 2014 for the costs relating to this discontinued operation by L'Oréal in an amount of €10.6 million before the tax effect (see note 8.1). At June 30th, 2015, a part of the assets of Innéov was sold to Nestlé Skin Health subsidiary, Galderma.*

NOTE 13 Cash and cash equivalents

	06.30.2015		06.30.2014		12.31.2014	
€ millions	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost	Carrying amount	Acquisition cost
Marketable securities	443.9	443.8	2,601.5	2,599.9	666.5	666.4
Bank accounts and other cash and cash equivalents	1,321.2	1,321.2	1,541.3	1,541.3	1,250.5	1,250.5
Total	**1,765.1**	**1,765.1**	**4,142.8**	**4,141.2**	**1,917.0**	**1,917.0**

Marketable securities consist mainly of SICAV money-market funds and unit trusts (on which the return is based on EONIA). Marketable securities are considered as Financial assets available-for-sale.

Unrealised gains amount to €0.1 million at June 30th, 2015.
Term accounts with a maturity of less than 3 months at inception are shown on the "Bank accounts and other cash and cash equivalents" line.

NOTE 14 Equity

14.1. Share capital and additional paid in capital

Share capital consists of 560,859,052 shares with a par value of €0.20 at June 30th, 2015, compared with 608,299,399 shares at June 30th, 2014 and 561,230,389 shares at December 31st, 2014.

A) 1ST HALF 2015

The change in the number of shares for the first-half 2015 is as follows:

In shares	Share capital	Treasury stock	Common shares outstanding
At 01.01.2015	**561,230,389**	**-6,988,511**	**554,241,878**
Shares cancelled	-2,905,000	2,905,000	-
Options and free shares exercised	2,533,663	1,021,865	3,555,528
Treasury stock purchased	-	-	-
At 06.30.2015	**560,859,052**	**-3,061,646**	**557,797,406**

14.2. Treasury stock

Shares acquired under the shareholder-approved L'Oréal share buyback programme are deducted from consolidated equity. Capital gains or losses relating to these shares are also recorded in equity net of tax.

The change in Treasury stock for the first-half 2015 is as follows:

In shares	Buyback programme	Allocated to stock options / free shares plans	Total	*€ millions*
At 01.01.2015	**2,905,000**	**4,083,511**	**6,988,511**	**683.0**
Shares cancelled	-2,905,000		-2,905,000	-363.4
Options and free shares exercised		-1,021,865	-1,021,865	-82.5
Treasury stock purchased	-			-
At 06.30.2015	**-**	**3,061,646**	**3,061,646**	**237.1**
€ millions	-	237.1	237.1	

B) YEAR 2014

The change in the number of shares in 2014 was as follows:

In shares	Share capital	Treasury stock	Common shares outstanding
At 01.01.2014	**605,901,887**	**-6,107,857**	**599,794,030**
Shares cancelled	-48,500,000	48,500,000	-
Options and free shares exercised	3,828,502	69,346	3,897,848
Treasury stock purchased (1)		-49,450,000	-49,450,000
At 12.31.2014	**561,230,389**	**-6,988,511**	**554,241,878**

(1) *The strategic transaction with Nestlé led to the cancellation of 48,500,000 shares at July 8th, 2014 (note 3).*

The change in Treasury stock in 2014 was as follows:

In shares	Buyback programme	Allocated to stock options / free shares plans	Total	*€ millions*
At 01.01.2014	**1,955,000**	**4,152,857**	**6,107,857**	**568.1**
Shares cancelled	-48,500,000		-48,500,000	-6,045.6
Options and free shares exercised		-69,346	-69,346	-4.0
Treasury stock purchased	49,450,000		49,450,000	6,164.5
At 12.31.2014	**2,905,000**	**4,083,511**	**6,988,511**	**683.0**
€ millions	363.4	319.6	683.0	-

14.3. Free shares

On April 22nd, 2015, the Board of Directors decided to conditionally grant 860,150 free shares.

Vesting conditions

For the conditional grant of shares, the plan provides for a 4-year vesting period after which vesting is effective and final, subject to meeting the conditions of the plan. After this vesting period, a 2-year mandatory holding period applies for French residents, during which the shares cannot be sold.

The performance conditions concern:

- for 50% of shares granted, the increase in comparable Cosmetic revenues for the 2016, 2017 and 2018 fiscal years in relation to the growth in revenues for a panel of competitors;
- for 50% of shares granted, the increase over the same period in Group consolidated operating profit.

The calculation will be based on the arithmetic average of the performance in the 2016, 2017 and 2018 fiscal years and will use a predefined allocation scale based on the performance percentage achieved. No performance condition applies below a block of 200 shares.

A total of 237,800 shares, 389,300 shares and 937,500 shares were definitively granted, respectively, on March 26th, 2013 under the March 25th, 2009 plan, on April 28th, 2014 under the April 27th, 2010 plan and on April 23rd, 2015 under the April 22nd, 2011 plan.

Fair value of free shares granted

The fair value corresponds to the value of the share at the grant date, less dividends expected to be paid during the vesting period. The cost of the additional 2-year holding period applicable to French residents is determined based on the interest rate granted to the employee, considered equivalent to the rate which would be granted by a bank to a private individual customer with an average financial profile. The cost of the holding period amounts to 1.70 % of the share value at the grant date.

On the basis of these assumptions, the fair values amount to €161.49 for French residents and to €164.50 for non-residents, compared to a share price of €177.10.

14.4. Actuarial gains and losses

At June 30th, 2015

The rise of around 25 basis points since December 31st, 2014 in the benchmark EUR interest rates used to determine the present value of the Group's pension obligations led to a decrease in the provision for employee retirement obligations together with an increase in the value of plan assets. The net impact on the pension provision is a decrease of €164.7 million.
The rise of around 25 basis points since December 31st, 2014 in the benchmark USD interest rates is not deemed to have a significant impact on the provision for employee retirement obligations (€35 million before the tax effect) and accordingly, was not accounted for at June 30th, 2015.
The adoption of a more restrictive definition of a senior manager led to a change in the assumptions used to calculate the obligations relating to the defined benefit pension scheme "Retirement Income Guarantee for former Senior Managers" at January 1st, 2015, resulting in a decrease of €180.9 million in the provision for employee retirement obligations.
After recognition of a deferred tax asset for €119.0 million, the net effect after tax on actuarial gains and losses is €226.6 million.

At June 30th, 2014

The fall of around 50 basis points since December 31st, 2013 in the benchmark EUR and USD interest rates used to determine the present value of the Group's pension obligations led to an increase in the provision for employee retirement obligations, partially offset by the increase in the value of plan assets. The net impact on the pension provision is a rise of €144.5 million. After the recognition of an associated deferred tax asset for €50.4 million, the net effect after tax on actuarial gains and losses is €94.1 million.

NOTE 15 Provisions for liabilities and charges

15.1. Closing balances

€ millions	06.30.2015	06.30.2014	12.31.2014
Non-current provisions for liabilities and charges	**233.5**	**175.8**	**193.6**
Other non-current provisions [1]	233.5	175.8	193.6
Current provisions for liabilities and charges	**737.1**	**514.7**	**722.0**
Provisions for restructuring	71.7	58.8	65.5
Provisions for product returns	286.9	262.1	244.4
Other current provisions [1]	378.5	193.8	412.1
Total	**970.6**	**690.5**	**915.6**

(1) *These items include provisions for tax risks and litigation, industrial, environmental and commercial risks relating to operations (breach of contract), personnel-related costs and risks relating to investigations carried out by competition authorities.*
The provisions relating to investigations carried out by competition authorities amount to €220.6 million at June 30th, 2015 compared with €42.6 million at June 30th, 2014 and €239.4 million at December 31st, 2014 (see note 18.2.).
This caption also includes investments in associates when the Group's share in net assets is negative (see note 12).

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

€ millions	06.30.2014	12.31.2014	Charges [2]	Reversals (used) [2]	Reversals (not used) [2]	Other [1]	06.30.2015
Provisions for restructuring	58.8	65.5	37.2	-21.3	-14.1	4.4	71.7
Provisions for product returns	262.1	244.4	146.2	-92.4	-28.1	16.8	286.9
Other provisions for liabilities and charges	369.6	605.7	76.9	-79.6	-26.2	35.2	612.0
Total	**690.5**	**915.6**	**260.3**	**-193.3**	**-68.4**	**56.4**	**970.6**

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

€ millions	Charges	Reversals (used)	Reversals (not used)
• Other income and expenses	37.2	-31.1	-23.2
• Operating profit	205.1	-159.6	-40.3
• Financial (income)/expense	-	-	-
• Income tax	18.0	-2.6	-4.9

NOTE 16 Borrowings and debt

The Group uses bank loans for its medium-term financing needs and commercial paper issues in France and in the United States for its short-term financing needs. None of these loans contain an early repayment clause linked to financial ratios (covenants).

16.1. Debt by type

	06.30.2015		06.30.2014		12.31.2014	
€ millions	Non-current	Current	Non-current	Current	Non-current	Current
Short-term paper	-	2,772.3	-	2,832.7	-	2,294.8
MLT bank loans	1.4	0.1	0.2	0.1	0.1	0.2
Debt on capital lease contracts	25.4	5.6	25.8	5.3	25.4	5.3
Overdrafts	-	49.1	-	51.7	-	48.4
Other borrowings and debt	44.4	261.1	59.3	245.9	41.6	172.6
Total	**71.2**	**3,088.2**	**85.3**	**3,135.7**	**67.1**	**2,521.2**

16.2. Debt by maturity date

€ millions	06.30.2015	06.30.2014	12.31.2014
Under 1 year [(1)]	3,088.2	3,135.7	2,521.2
1 to 5 years	54.7	70.3	51.2
Over 5 years	16.5	15.0	15.9
Total	**3,159.4**	**3,221.0**	**2,588.3**

(1) At June 30th, 2015, the Group had confirmed undrawn credit lines for €3,523.4 million compared with €3,400.0 million at June 30th, 2014 and €3,300.0 million at December 31st, 2014. These lines were not subject to any covenants.

16.3. Debt by currency

€ millions	06.30.2015	06.30.2014	12.31.2014
Euro (EUR)	2,526.4	2,524.3	1,850.6
US Dollar (USD)	282.1	340.0	479.0
Brazilian Real (BRL) [(1)]	113.4	107.2	83.6
Canadian Dollar (CAD)	72.7	91.0	20.4
Chinese Yuan Renminbi (CNY)	46.1	38.3	43.4
Indonesian Rupiah (IDR)	23.1	19.4	19.9
British Pound (GBP)	22.3	20.4	18.5
Egyptian Pound (EGP)	21.8	11.7	18.6
South African Rand (ZAR)	9.1	-	-
Other	42.4	68.8	54.3
Total	**3,159.4**	**3,221.0**	**2,588.3**

(1) Including €31.4 million, €52.6 million and €32.6 million in amounts due to non-controlling interests respectively at June 30th, 2015, June 30th, 2014 and December 31st, 2014 in respect of the Emporio Body Store acquisition.

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

€ millions	06.30.2015	06.30.2014	12.31.2014
Floating rate	3,125.5	3,188.7	2,555.4
Fixed rate	33.9	32.3	32.9
Total	**3,159.4**	**3,221.0**	**2,588.3**

16.5. Effective interest rates

Effective interest rates on Group debt after allowing for hedging instruments were 0.01 % at June 30th, 2015, 0.09 % at June 30th, 2014 and 0.30 % at December 31st, 2014 for short-term paper.

The Group did not hold bank loans at either June 30th, 2015 or June 30th, 2014 and December 31st, 2014.

16.6. Average debt interest rates

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

	06.30.2015	06.30.2014	12.31.2014
Euro (EUR) [(1)]	0.11%	0.42%	0.37%
US Dollar (USD)	0.15%	0.09%	0.07%

(1) The decrease in the euro rate reflects the decrease in extended average maturity of the Group's drawdowns on commercial paper together with the decrease in EURO short-term rates.

16.7. Fair value of borrowings and debt

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

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

The fair value of borrowings and debt amounted to €3,160.1 million at June 30th, 2015, compared with €3,221.9 million at June 30th, 2014 and €2,589.2 million at December 31st, 2014

NOTE 17 Derivatives and exposure to market risks

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

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

17.1. 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.

Based on information supplied by the subsidiaries, future operating transactions are covered by exchange rate hedges, either by options, or by purchases or sales of forward contracts.

At June 30th, 2015, the change in the mark to market value of the hedging instruments allocated to future transactions and deferred through equity amounts to +€8.8 million compared with +€34.8 million and +€88.8 million respectively at June 30th, 2014 and December 31st, 2014.

17.2. Hedging of interest rate risk

The Group did not have any interest rate hedging instruments at June 30th, 2015, June 30th, 2014 and December 31st, 2014.

17.3. 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 June 30th, 2015, marketable securities consist mainly of unit trusts (note 13).

At June 30th, 2015, the Group holds 118,227,307 Sanofi shares for an amount of €10,432.4 million (note 11). A change of plus or minus 10% in the market price of these shares relative to the market price of €88.24 on June 30th, 2015 would have an impact of plus or minus €1,043.2 million before tax on Group equity.

If the share price were to fall significantly below €34.12 (the initial cost of the Sanofi shares), or fall below that price for a prolonged length of time, L'Oréal may have to recognise an impairment loss on its asset through profit or loss.

17.4. Fair value hierarchy

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

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

The following table provides an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

€ millions June 30th, 2015	level 1	level 2	level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives		245.6		**245.6**
Sanofi shares	10,432.4			**10,432.4**
Marketable securities	443.9			**443.9**
Total assets at fair value	**10,876.3**	**245.6**	**-**	**11,121.9**
Liabilities at fair value				
Foreign exchange derivatives		299.6		**299.6**
Total liabilities at fair value	**-**	**299.6**	**-**	**299.6**

€ millions June 30th, 2014	level 1	level 2	level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives		95.3		**95.3**
Sanofi shares	9,172.1			**9,172.1**
Marketable securities	2,601.5			**2,601.5**
Total assets at fair value	**11,773.6**	**95.3**	**-**	**11,868.9**
Liabilities at fair value				
Foreign exchange derivatives		87.1		**87.1**
Total liabilities at fair value	**-**	**87.1**	**-**	**87.1**

€ millions December 31st, 2014	level 1	level 2	level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives		262.4		**262.4**
Sanofi shares	8,945.1			**8,945.1**
Marketable securities	666.5			**666.5**
Total assets at fair value	**9,611.6**	**262.4**	**-**	**9,874.0**
Liabilities at fair value				
Foreign exchange derivatives		215.8		**215.8**
Total liabilities at fair value	**-**	**215.8**	**-**	**215.8**

NOTE 18 Contingent liabilities and material ongoing disputes

Besides certain disputes arising in the ordinary course of its operations and for which the provisions set aside are considered to be appropriate by the Group (see note 15), L'Oréal is party to several material disputes, described below:

18.1. Tax dispute in Brazil

In terms of taxation, in early January 2013, L'Oréal Brasil received a tax reassessment notice regarding the indirect IPI tax for fiscal year 2008. The reassessment concerned an amount of BRL 368.3 million including BRL 215.7 million in interest and penalties (€106.1 million). The Brazilian tax authorities questioned the price used to calculate the IPI tax base. After consulting its tax advisors, L'Oréal Brasil considers that the Brazilian tax authorities' position is unfounded and has challenged this notice. L'Oréal Brasil is awaiting a decision from the Administrative Court of Appeal. Consequently, no provision has been recorded.

18.2. 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)

The proceedings are at different stages:

- in Spain, the decision in first instance was contested through an appeal and the matter referred to the Supreme Court. The amount of the fine initially levied remains fully provisioned by the Group;
- in Italy, the case was heard in the lower courts and the fine was paid in order to avoid incurring late-payment penalties. The fine was reduced by 35% following the April 2012 appeal court ruling and the referral of the case to the Italian supreme administrative court. This case has been closed since second-half 2014;
- in Belgium, the proceedings launched in 2006 by the Belgian Competition Authority led to a settlement in June 2015 and the case is now closed. The related fine amounts to €8.0 million;
- in Germany, the case launched in 2008 regarding the household and hygiene sector is now closed following our decision to withdraw the appeal filed against the first instance decision handed down in 2013. The fine has therefore been paid.

A provision of €31.1 million had been set aside for all disputes in progress at June 30th, 2015 (€42.6 million at June 30th, 2014 and €49.9 million at December 31st, 2014).

B) FRANCE

On December 18th, 2014, the French Competition Authority issued a decision in first instance on the household and hygiene sector concerning events that took place in the early 2000's, and fined L'Oréal S.A. an amount of €189.5. L'Oréal refutes 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 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 degree of innovation and number of launches. L'Oréal is extremely surprised by this decision and by the amount of the fine, which it considers totally out of proportion. L'Oréal has filed an appeal against this decision and pleadings before the Paris Court of Appeal will be heard in 2016. As the appeal has no power to stay the ruling, the fine provisioned at end-2014 was paid on April 28th, 2015.
At June 30th, 2015, the provision was maintained in liabilities and the payment booked in *Other current assets*.

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

NOTE 19 Subsequent events

No significant events occurred between the balance sheet date and the date when the Board of Directors authorised the condensed half-year consolidated financial statements for issue.

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STATUTORY AUDITORS' REVIEW REPORT ON THE 2015 HALF-YEAR FINANCIAL INFORMATION

(Six months ended June 30, 2015)

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

In compliance with the assignment entrusted to us by your Shareholders' Annual General Meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code ("Code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of L'Oréal, for the six months ended June 30, 2015;
- the verification of the information contained in the half-year management report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I. CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our review in accordance with professional standards applicable in France. A review of half-year financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

II. SPECIFIC VERIFICATION

We have also verified the information given in the half-year management report on the condensed half-year consolidated financial statements subject to our review.

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

Neuilly-sur-Seine, July 31st, 2015
The Statutory Auditors
French original signed by

PricewaterhouseCoopers Audit
Gérard Morin

Deloitte & Associés
Frédéric Moulin

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DECLARATION BY THE PERSON RESPONSIBLE FOR THE 2015 HALF-YEAR FINANCIAL REPORT

I declare that, to the best of my knowledge, the summary consolidated financial statements for the ending semester have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and profit and loss of the Company and all the other companies included in the scope of consolidation, and that this Half-year Activity Report includes a fair review of the important events which occurred during the first six months of the year, their impact on the half-year financial statements and the main transactions between related parties, together with a description of the principal risks and uncertainties that they face in the remaining six months of the year.

Clichy, July 31st, 2015

On the authority of the Chairman and Executive Officer

Christian Mulliez

Executive Vice-President, Administration and Finance

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L'ORÉAL

Incorporated in France as a "Société Anonyme"
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