

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.

Measurement of goodwill and indefinite-life brands

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

Risk identified	Our response
<p>As at December 31, 2022, the net carrying amount of goodwill and indefinite-life brands amounted respectively to M€ 11,718 and M€ 2,186 (representing a total of 30% of the assets) as disclosed in Note 7 to the consolidated financial statements.</p> <p>These assets are subject to an impairment test whenever an adverse event occurs, and at least once a year in order to verify that the carrying amount does not exceed their recoverable value.</p> <p>The recoverable amounts of each cash-generating unit (CGU) are determined based on discounted projections of future operating cash flows over a ten-year period (the necessary period for the strategic positioning of an acquisition) and a terminal value. The assumptions taken into account in the valuation of the recoverable value are described in Note 7.3 and mainly relate to:</p> <ul style="list-style-type: none"> the increase in revenue and margin rates; an infinite growth rate for calculating the terminal value, and discount rates based on the weighted average cost of capital, including a country risk premium if necessary. <p>The impairment tests carried out in 2022 led to an impairment of M€ 53.6 on goodwill and an impairment of M€ 53.5 on brands.</p> <p>We considered that the valuation of these assets was a key audit matter because of their proportion in the consolidated financial statements and because the determination of their recoverable value requires significant judgment from Management in determining future cash flow projections and the key assumptions used.</p>	<p>We took note of Management's methodology for conducting impairment tests and sensitivity analyses.</p> <p>We evaluated these, especially by linking them to our own sensitivity analyses, in order to define the nature and scope of our work.</p> <p>We appreciated the quality of the budgeting and forecasting process.</p> <p>For the impairment tests of the assets considered the most sensitive, our work included assessing the reasonableness of the main estimates, and more specifically:</p> <ul style="list-style-type: none"> Assessing the consistency of revenue and margin rate projections in relation to your Group's past performances and the economic and financial context in which your Group operates; Corroborating the future growth rates used with the performance analyses of the global cosmetics market, taking into account the specificities of the local markets and distribution channels in which your Group operates; Analyzing discount rates applied to future cash flows by comparing the parameters used with external benchmarks, long-term growth rates and royalty rates by including valuation experts in our team; Reviewing sensitivity analyses against Management's key assumptions and against our own analyses. <p>We assessed the appropriateness of the information given in the notes to the consolidated financial statements.</p>

Revenue recognition: estimate of items deducted from revenue

See Note 3 "Accounting principles – Revenue" to the consolidated financial statements

Risk identified	Our response
<p>Your Group's revenue is presented net of product returns and discounts, rebates and other benefits granted to distributors or consumers (such as commercial cooperation) as described in Note 3 to the consolidated financial statements.</p> <p>These various deductions from the revenue are recorded simultaneously upon the recognition of sales on the basis, in particular, of contractual conditions and statistical data from past experience.</p> <p>Thus, the valuation of revenue includes, at the end of the financial year, estimates related to the amounts deducted, which we considered to be (i) complex, due to the diversity of contractual agreements and commercial conditions existing in the different markets of your Group, (ii) sensitive, revenue being a key indicator in the evaluation of your Group's performance and its management, and (iii) material in relation to their impact in the financial statements.</p> <p>The evaluation of product returns, discounts, rebates and other benefits granted to customers constitutes a key audit matter.</p>	<p>We assessed the appropriateness of your Group's accounting principles relating to the recognition of product returns, discounts, rebates and other benefits granted to customers, in accordance with IFRS.</p> <p>We took note of the internal control system put in place in the commercial entities of your Group, allowing to evaluate and record the items deducted from the revenue, especially at closing, and we tested, by sampling, the main controls of this system.</p> <p>Substantial tests were also carried out to assess the reasonableness of the product returns and customer benefits estimate.</p> <p>These tests specifically included:</p> <ul style="list-style-type: none"> Analyzing the valuation methods used, in particular, by critically examining the assumptions used, checking the permanence of the methods and analyzing the anteriority and unwinding of the previous financial year provisions; Reconciling the statistical data from the past experience and contractual conditions with data contained in the information systems dedicated to the management of commercial conditions; Verifying the arithmetic accuracy of the calculation of the corresponding entries (including the residual commitment at closing), their recording in the accounts and their presentation in the consolidated financial statements.

Valuation of provisions for tax risks and uncertain tax positions

See Note 6 "Income Taxes" and Note 12 "Provisions for liabilities and charges – Contingent liabilities and significant outstanding litigation" to the consolidated financial statements

Risk identified	Our response
<p>Your Group is exposed to various business risks, including tax risks.</p> <p>When the amount or maturity can be estimated with sufficient reliability, a tax liability is recognized for these risks. Otherwise, your Group discloses information on contingent liabilities in the notes to the consolidated financial statements.</p> <p>Note 12.2.1 "Tax disputes" sets out, in particular, the current tax disputes in Brazil and India, for which the administration's claims amount to M€ 631 and M€ 204 respectively.</p> <p>The uncertain tax positions are classified in the balance sheet on the non-current tax liabilities line for M€ 276 as at December 31, 2022.</p>	<p>In order to identify and obtain an understanding of all uncertain tax positions, existing liabilities and related judgments, we discussed with tax departments at different levels of the structure, in France and abroad.</p> <p>We were aware of the internal control framework put in place to identify and assess these risks. We corroborated the list of identified tax disputes with the information provided by the tax departments and the main tax advisors of your Group.</p> <p>For the main uncertain tax positions and tax risks for which a liability is made, we assessed the quality of Management's estimates by considering the data and assumptions used, as well as the calculations made.</p>

Risk identified	Our response
<p>The identification and assessment of these items are a key audit matter given that:</p> <ul style="list-style-type: none"> the high level of Management's judgment required to determine the risks to be provisioned and to assess with sufficient reliability the amounts to be provisioned; the potential significant impact of these provisions in your Group's income. 	<p>We also conducted a retrospective analysis by comparing the amounts paid over the last few years with the amounts previously provisioned.</p> <p>We carried out, where necessary by integrating tax experts into our team, the following procedures:</p> <ul style="list-style-type: none"> We examined procedural matters and/or tax or technical opinions issued by external advisors selected by Management, in order to assess the appropriateness of a liability; We carried out, on the basis of the items submitted to us, a critical review of the risk estimates and verified that the assessments used by Management are within these acceptable ranges; When relevant, we verified the permanence of the methods used for these evaluations. <p>With regard to contingent liabilities, we examined, where appropriate by integrating tax experts, the procedural elements and/or the tax or technical opinions issued by external advisors chosen by Management in order to assess the appropriateness of a lack of provision.</p> <p>We assessed the appropriateness of the information given in the notes to the consolidated financial statements.</p>

Specific Verifications

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

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

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

Report on Other Legal and Regulatory Requirements

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

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by statutory auditor regarding the annual and consolidated financial statements prepared in the European single electronic format, that the preparation of the consolidated financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, 1 of the French Monetary and Financial Code (*Code monétaire et financier*), prepared under the Chief Executive Officer's responsibility, complies with the single electronic format defined in Commission Delegated Regulation (EU) No. 2019/815 of 17 December 2018. Regarding consolidated financial statements, our work includes verifying that the tagging thereof complies with the format defined in the above-mentioned regulation.

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

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

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

Appointment of the Statutory Auditors

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

As at December 31, 2022, DELOITTE & ASSOCIES was in the nineteenth year of total uninterrupted engagement and ERNST & YOUNG Audit in the first year.

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

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

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

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

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

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

ϕ Objectives and audit approach

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

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

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

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the consolidated financial statements.
- Assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

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

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

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France as set out in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*). Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, February 17, 2023

The Statutory Auditors
French original signed by

DELOITTE & ASSOCIES
David DUPONT-NOEL

ERNST & YOUNG Audit
Céline EYDIEU-BOUTTÉ