L'ORÉAL

Half-year Report at June 30th, 2010

Summary

Half-year Report
at June 30th, 2010

Half-year situation at June 30th, 2010

The following statements have been examined by the Board of Directors
and have been the object of a limited review by the Statutory Auditors.

This is a free translation into English of the L'Oréal 2010 Half Year 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.

Activity Report

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

1. The Group consolidated

Based on reported figures, **the group's sales**, at June 30th, 2010, amounted to 9.67 billion euros, an increase of +10.2%. Like-for-like, i.e. based on a comparable structure and identical exchange rates, the sales growth of the L'Oréal group was +6.3%. The net impact of changes in consolidation was +0.3%. Currency fluctuations had a positive impact of +3.6%. Growth at constant exchange rates was +6.6%.

1.1 Consolidated profit and loss accounts

Gross profit amounted to €6,890m. This represents 71.3% of sales, compared with 70.2% in the first half of 2009, representing an improvement of 110 basis points.

Several factors had a favourable impact, particularly the improvement in manufacturing costs, thanks to productivity gains and gains on purchasing, the reduction of inventory costs and physical distribution costs, and a positive mix effect.

Conversely, the increase in promotional offers to customers and currency fluctuations had an unfavourable impact.

Research and Development expenses increased by +7.6%.

Advertising and promotion expenses came out at €2,950m. They accounted for 30.5% of sales, compared with 30% in the first half of 2009. The group is continuing its policy of significant investments in advertising and promotion expenses.

Selling, general and administrative expenses amounted to €1,963m, falling sharply as a proportion of sales to 20.3%, compared with 21.3 % in the first half of 2009. All divisions contributed to this improvement.

Operating profit, which increased by +21.4%, amounted to €1,669m, representing 17.3% of sales; this is a record half-year figure.

Finance costs, at 18 million euros, have fallen sharply compared with the first half of 2009. This large reduction is the result both of the lower average level of debt, and the continuing fall in interest rates.

The **dividend** received from Sanofi-Aventis for 2009 amounted to €284m, an increase of +9.1%.

Profit before tax excluding non-recurrent items increased to €1,935m, up by +22.3%.

Income tax amounted to €522million.

Net profit excluding non-recurrent items after minority interests amounted to €1,411m, up sharply by +16.5%. EPS amounted to 2.39€, up by +15.3% compared with the first half of 2009.

After allowing for non-recurrent items, **net profit after minority interests** amounted to €1,314m, an increase of +21.3%.

1.2 Cash flow statements/balance sheet

Gross cash flow amounted **to €1,792m**, an increase of +15.4% compared with the first half of 2009.

The change in working capital has increased by 289 million euros.

Total cash flows from operating activities grew strongly to €1,503m, compared with €1,244m at June 30th, 2009, an increase of +20.9%.

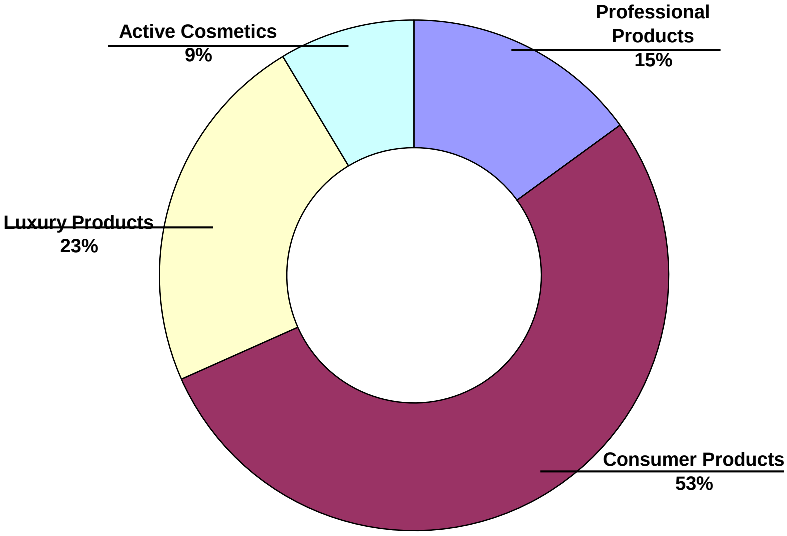
Net debt totalled €1.67 billion at June 30th, 2010, some 300 million euros less than at the end of 2009. Gearing amounted to 11.7% of shareholders' equity.

The balance sheet structure is very robust, with **shareholders' equity** representing 58% of the balance sheet total.

2. Segment information

2.1 By branch

2.1.1 Cosmetics



The **Professional Products Division** recorded first-half sales growth of +5.3% like-for-like and +11.9% based on reported data, after taking into account the impact of currency fluctuations and of changes in consolidation due to the acquisition of distributors in the United States. The division's worldwide leadership is increasing**.**

- The hair colourant category is expanding strongly, driven by the spectacular success of Inoa, currently being rolled out worldwide, and of SoColor Beauty by Matrix with its highly accessible positioning. These technical products are enabling L'Oréal Professionnel and Matrix to win over large numbers of new salons. Haircare is growing with major innovations such as Chronologiste and the men's line Capital Force by Kérastase, Fiberceutic with Intra-Cylane by L'Oréal Professionnel and Time Reset by Redken for mature hair.

- Thanks to its hair colourant successes, the conquest of new salons and a favourable comparison base, the division is returning to growth in Western Europe, despite sluggish markets. In North America, the first half was marked by the new dynamism of Matrix and the breakthrough made by L'Oréal Professionnel, boosted by the Inoa launch.
  New Markets, particularly the BRIC and the Middle East countries, are growing in all categories.

The **Consumer Products Division** achieved sales growth of +5.6% like-for-like at the end of June. All major brands have increased sales, particularly Maybelline. The division is winning market share worldwide**.**

- L'Oréal Paris has successfully launched the Youth Code facial skincare range, Volume Million Lashes mascara and Matte Morphose foundation. In the Men Expert range, the deodorants and Excell 5 hair colourant are off to a good start.

Garnier is strengthening its position in deodorants in Eastern Europe with the launch of Mineral for Men and is establishing its Mineral range in Western Europe; in skincare, Garnier has launched its Exfo-Brusher cleansing gel in the Pure Active range.
Maybelline has achieved very strong growth, thanks in particular to the launch of Volum' Express Falsies mascara and Lasting Drama eyeliner gel, initially created in Japan.

- The 2nd quarter in Western Europe gave mixed results, as the phasing of launches was stronger in the 1st quarter, while markets were sluggish. Market share gains are continuing, particularly in make-up, skincare and haircare.
  The dynamic trend is continuing in North America, particularly in make-up and hair colourants.
  The New Markets remain robust. The growth rate is high in Latin America, thanks to deodorants, haircare products and hair colourants. Eastern Europe is launching the Garnier Ultra Doux shampoo range with core market positioning. Growth is continuing in India.

The first-half sales of the **Luxury Products Division** grew by +9.7% like-for-like and +12.0% based on reported figures. The strategy of concentrating on the division's major brands and iconic products is paying off. The division is achieving good sell-out in stores, particularly in the skincare category, in a selective market showing a clear upturn.

- The Lancôme sales trend was very favourable, thanks to the worldwide success of Génifique skincare, the breakthroughs of UV Expert in Asia, Hypnôse Precious Cells mascara, and its new women's fragrance Trésor in Love.
  Yves Saint Laurent is gaining market share in the United States and Europe, thanks to its men's and women's fragrances. The mascaras and foundations are also contributing to the brand's growth.
  At Giorgio Armani, the launch in June of the fragrance Acqua di Gioia looks promising.
  Kiehl's is continuing to achieve very strong growth in all markets worldwide, and is extending its distribution, particularly in Asia.

- All zones recorded significant growth up to the end of June. In Western Europe, France, the United Kingdom and Germany are posting good growth rates, thanks in particular to the dynamism of Lancôme. In North America, Yves Saint Laurent, Kiehl's and Viktor & Rolf are winning market share.
  The New Markets zone is growing fast, thanks largely to strong performances in Asia, Latin America and Travel Retail. The Eastern Europe zone is again proving highly dynamic.

The sales of the **Active Cosmetics Division** grew by +4.7% like-for-like in the first half and +7.9% based on reported figures. There was a clear acceleration in the 2nd quarter, particularly in Western Europe. In a worldwide market, which estimates suggest has grown slightly, the division is confirming its number one position.

- Vichy posted slight growth thanks to its major skincare franchises Liftactiv, Neovadiol and Aqualia. Essentielles, the entry-level range, is helping to attract new consumers to the brand.
  La Roche Posay sales are growing strongly, driven by major product successes such as Lipikar Balm, Effaclar and Redermic.
  Finally, Skinceuticals is contributing to the division's expansion as it is rolled out in Europe.

- All zones are recording growth, particularly Latin America and Africa, Middle East.

At end-June, the like-for-like sales of **The Body Shop** increased by +0.2%. Retail sales [1] fell by -2.1%. On a comparable store base[2], the sales trend was -2.4%.

There are sharp contrasts in retail sales trends, with on one hand very dynamic countries such as India, Russia, Indonesia and Saudi Arabia, together with on-line sales which are growing strongly, and on the other a more difficult situation in the United Kingdom, North America and Japan.

Continuing its strategy of militant innovations, The Body Shop created DeoDry™, the first refillable, aluminium salt free deodorant with volcanic minerals. Nutriganics™, the organically certified skincare range was launched in Asia, and its successful roll out is continuing worldwide.

At June 30th, 2010, the total number of stores was 2,562.

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[1] Retail sales: total sales to consumers through all channels, including franchisees.

2 Retail sales with a comparable store base: total sales to consumers by stores which operated continuously from January 1st to June 30th, 2009 and over the same period in 2010, including franchisees.

2.1.2 Dermatology (group share, i.e. 50 %)

Galderma extended its leadership position in dermatology, with like-for-like sales increasing by +14.1%, reflecting balanced growth and market share gains throughout the world.

Galderma's strategic brands delivered strong results, with Epiduo®, a unique drug combination for the treatment of acne, Clobex®, the first corticosteroid-based shampoo for scalp psoriasis which showed excellent results, Oracea®, an innovative anti-inflammatory product for rosacea and a significant contributor to growth, and Azzalure®/Dysport®, a botulinum toxin type A specifically developed for the correction of glabellar lines. In the U.S., Differin® 0.1% Lotion was successfully launched.

2.2 Operating profit by branch and division

	06/30/09 €m	% of sales	12/31/09 €m	% of sales	06/30/10 €m	% of sales
By operational division*						
Professional Products	232.5	19.1%	476.9	20.0%	288.2	21.2%
Consumer Products	911.6	20.7%	1,576.9	18.4%	981.9	20.4%
Luxury Products	224.9	12.0%	612.0	15.1%	377.9	18.0%
Active Cosmetics	195.6	27.3%	255.0	20.0%	208.2	26.9%
Cosmetics divisions total	**1,564.6**	**19.0%**	**2,920.8**	**18.0%**	**1,856.2**	**20.5%**
*Non-allocated***	*-223.9*	*-2.7%*	*-482.0*	*-3.0%*	*-234.7*	*-2.6%*
Cosmetics branch	**1,340.8**	**16.3%**	**2,438.8**	**15.0%**	**1,621.5**	**17.9%**
The Body Shop	**6.3**	**1.9%**	**53.8**	7.4%	**13.6**	4.1%
Dermatology branch***	**26.8**	**11.6%**	**85.0**	17.4%	**33.5**	12.4%
Group	**1,373.9**	**15.7%**	**2,577.6**	**14.8%**	**1,668.6**	**17.3%**

** On January 1st, 2010, the Roger & Gallet activity has been transferred from the Luxury Products Division to the Active Cosmetics Division. The figures for the first-half 2009 and full-year 2009 have been restated to take into account these changes.*
*** Non-allocated = Central group expenses, fundamental research expenses, stock option expenses and miscellaneous items. As % of cosmetics sales.*
**** Group Share: i.e. 50%.*

The profitability of the **Professional Products Division** increased significantly from 19.1% to 21.2%.

The profitability of the **Consumer Products Division** was virtually stable in the first half: 20.4% compared with 20.7%.

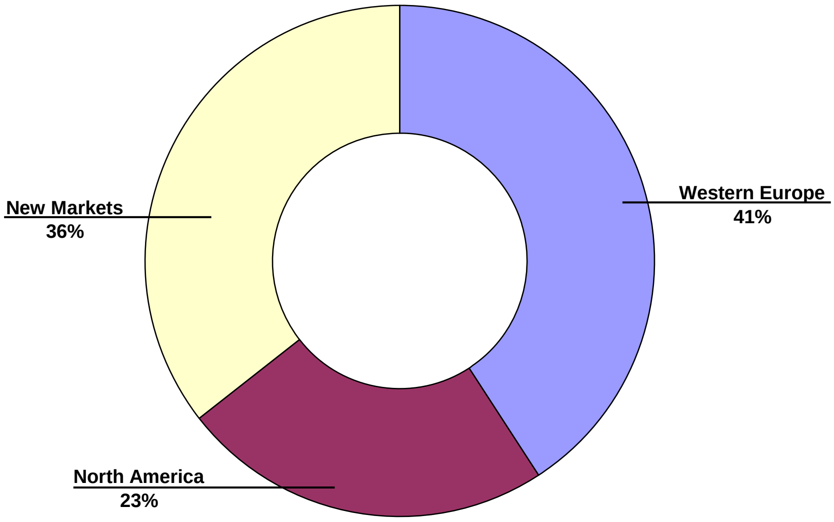
The **Luxury Products Division** achieved a very strong increase in profitability, which rose from 12.0% to 18.0%.

The profitability of **Active Cosmetics** remained almost stable at the extremely high level of 26.9%.

Non-allocated costs declined from 2.7% to 2.6% of sales.

The profitability of **The Body Shop** came out at 4.1%, representing a significant increase compared with the first half of 2009, reflecting the sharp reduction in the fixed costs of The Body Shop over the last year.

2.3 Cosmetics sales by geographic zone



2.3.1 Western Europe

Western Europe recorded growth of +2.0% like-for-like and +2.6% based on reported figures over the first six months, thanks in particular to France, the United Kingdom and Northern Europe.

2.3.2 North America

North America achieved first-half growth of +4.9% like-for-like and +8.8% based on reported figures, in a market whose trend was very slightly positive. All divisions recorded sales growth.

2.3.3 New Markets

- **Asia, Pacific**: The group is continuing to gain market share, and recorded growth of +12.8% like-for-like in the first half. Excluding Japan, the growth rate is +14.9%. Sales in India, South Korea and Indonesia are growing strongly. Growth remains high in China, and the group is continuing to outperform the market in Japan.
- **Eastern Europe**: Sales increased by +11.4% like-for-like, with extremely contrasting situations in the different countries. Russia and Ukraine are still achieving strong growth, and Poland’s growth trend remains favourable. Market share gains are continuing.
- **Latin America**: At the end of June, growth amounted to +19.7% like-for-like, thanks to the sustained dynamism of Brazil, Argentina, Mexico and Colombia. The sales of the Consumer Products Division are increasing substantially.
- **Africa, Middle East**: Sales grew by +3.5% like-for-like, with double-digit growth in North Africa and the Middle East. In Africa, sales are declining, as South Africa is still feeling the impact of the economic crisis.

3. Important events during the period

- On April 21st, 2010, L’Oréal USA, a subsidiary of L'Oréal SA, signed an agreement to acquire Essie Cosmetics, the ultimate nail color authority in the US, founded by Essie Weingarten, and mainly sold in American salons and spas. Essie’s net sales through the last 12-month period were $28 million. This acquisition became effective on June 25th, 2010.

- The Annual General Meeting held on April 27th, 2010 approved in particular the parent-company financial statements and the consolidated financial statements for 2009, decided on the payment of a dividend of €1.50 per share, payable from May 5th, and renewed the tenure as directors of Sir Lindsay Owen-Jones, Jean-Paul Agon, Francisco Castañer-Basco, Charles-Henri Filippi, Xavier Fontanet and Marc Ladreit de Lacharrière. The Board of Directors’ meeting, held at the end of the Annual

General Meeting, decided, as previously announced on February 15th, to continue with the separation of the roles of the Chairman and the Chief Executive Officer, and to renew the duties of Sir Lindsay Owen-Jones as Chairman of the Board, and of Mr Jean-Paul Agon as Chief Executive Officer of L'Oréal.

- On June 1st, 2010, L'Oréal USA, a subsidiary of L'Oréal SA, acquired, for its SalonCentric division, 100% of the capital of C.B. Sullivan, a company which supplies hair salons in 6 states across the North East of the United States. The company's net sales for the fiscal year 2009 were approximately $50 million. With this acquisition, the SalonCentric division of L'Oréal USA is extending its US hair salon distribution network.

4. Risk factors and transactions between related parties

4.1 Risk factors

Market risks and the way they are managed are described in note 15 in the section "Notes to financial statements" of this half-year report.
Other risk factors are similar to those presented in the volume 2 of the 2009 Annual Report (pages 72 to 77) and did not change significantly during the first half-year of 2010.

4.2 Transactions between related parties

Transactions between the companies consolidated on a proportional basis or under the equity method don't represent a significant amount at June 30th, 2010. Furthermore, during the first half-year of 2010, there was no significant transaction concluded with a member of the senior management or with a shareholder having a material influence on the Group..

5. Prospects

The strong organic growth of our four divisions, all geographic zones and all categories, is bearing out our major strategic choices: concentrating on high value-added innovations at accessible prices, opening up new product categories, accelerating international expansion and determined investment in advertising & promotion and in R&D.

The results have also increased strongly, although once again it is important to emphasise that half-year figures are not particularly representative. Operating profit has grown twice as fast as sales, enabling margin to reach a record level. The significant improvement in gross profit and the very strict control of selling, general and administrative expenses reflect the efforts made over the last two years to achieve a thorough transformation, and have enabled increased investments in R&D and in the advertising & promotion business drivers which are paving the way for the future.

The results underpin the group's "virtuous circle" of growth and confirm the vitality of L'Oréal's business model.

We are tackling the second half with confidence, and intend over the full year to keep on strengthening our worldwide positions and the profitability of our businesses.

6. 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.

Condensed consolidated financial statements

Compared consolidated profit and loss accounts

€ millions	Notes	1st half 2010	1st half 2009	2009
Net sales	3	**9,666.8**	**8,769.4**	**17,472.6**
Cost of sales		-2,776.3	-2,610.1	-5,161.6
Gross profit		**6,890.4**	**6,159.3**	**12,311.0**
Research and development		-308.7	-286.9	-609.2
Advertising and promotion		-2,950.4	-2,634.5	-5,388.7
Selling, general and administrative expenses		-1,962.8	-1,864.1	-3,735.5
Operating profit	3	**1,668.6**	**1,373.9**	**2,577.6**
Other income and expenses	6	-107.0	-168.7	-277.6
Operational profit		**1,561.5**	**1,205.2**	**2,299.9**
Finance costs on gross debt		-23.5	-61.0	-92.0
Finance income on cash and cash equivalents		9.2	11.3	16.0
Finance costs		**-14.3**	**-49.7**	**-76.0**
Other financial income (expenses)		-3.5	-2.8	-13.0
Sanofi-Aventis dividends		283.8	260.1	260.1
Profit before tax and non-controlling interests		**1,827.5**	**1,412.8**	**2,471.0**
Income tax		-511.5	-327.2	-676.1
Net profit		**1,316.0**	**1,085.6**	**1,794.9**
attributable to:				
- group share		1,314.3	1,083.5	1,792.2
- non-controlling interests		1.7	2.1	2.7
Net profit attributable to the Group per share (euros)	7	2.24	1.86	3.07
Diluted net profit attributable to the Group per share (euros)	7	2.23	1.86	3.07
Net profit excluding non-recurrent items attributable to the Group per share (euros)	7	2.41	2.08	3.42
Diluted net profit excluding non-recurrent items attributable to the Group per share (euros)	**7**	**2.39**	**2.08**	**3.42**

Consolidated statements of net profit and gains and losses directly recognised in equity

€ millions	1st half 2010	1st half 2009	2009
Consolidated net profit of the period	**1,316.0**	**1,085.6**	**1,794.9**
Financial assets available for sale	*-653.8*	*-417.0*	*1,142.5*
Cash flow hedge	*-81.0*	*-89.9*	*-154.3*
Actuarial gains and losses	*-0.4*	*-6.0*	*-142.9*
Tax effect on items directly recognised in equity (1)	*32.8*	*33.1*	*61.4*
Cumulative translation adjustments	*798.4*	*55.5*	*6.5*
Changes in gains and losses directly recognised in equity	**96.0**	**-424.3**	**913.2**
Total of net profit and gains and losses directly recognised in equity	**1,412.0**	**661.3**	**2,708.1**
Attributable to:			
- group share	**1,410.3**	**659.2**	**2,705.4**
- non-controlling interests	1.7	2.1	2.7

(1) The tax effect is as follows:

€ millions	1st half 2010	1st half 2009	2009
Financial assets available for sale	11.3	7.1	-19.8
Cash flow hedge	21.3	24.6	39.6
Actuarial gains and losses	0.2	1.4	41.6
Total	**32.8**	**33.1**	**61.4**

Compared consolidated balance sheets

Assets

€ millions	Notes	06.30.2010	06.30.2009	12.31.2009
Non-current assets		**17,605.6**	**15,836.8**	**17,350.4**
Goodwill	8	5,894.9	5,493.7	5,466.0
Other intangible assets	8	2,297.0	2,054.7	2,042.4
Tangible assets	9	2,780.0	2,691.4	2,599.0
Non-current financial assets	10	6,043.9	5,109.4	6,672.2
Deferred tax assets		589.8	487.6	570.8
Current assets		**7,160.0**	**6,139.7**	**5,941.1**
Inventories		1,766.6	1,534.4	1,476.7
Trade accounts receivable		3,077.5	2,842.7	2,443.3
Other current assets		833.8	878.7	732.8
Current tax assets		48.1	120.1	115.2
Cash and cash equivalents	11	1,434.0	763.8	1,173.1
Total		**24,765.6**	**21,976.5**	**23,291.5**

Liabilities & Equity

€ millions	Notes	06.30.2010	06.30.2009	12.31.2009
Shareholders' equity	**12**	**14,254.3**	**11,420.7**	**13,598.3**
Share capital		119.9	119.7	119.8
Additional paid-in capital		1,053.9	965.5	996.5
Other reserves		11,052.9	10,107.6	10,141.3
Items directly recognised in equity		1,467.6	783.4	2,169.9
Cumulative translation adjustments		245.4	-503.9	-552.9
Treasury stock		-1,002.5	-1,138.3	-1,071.6
Net profit attributable to the Group		1,314.3	1,083.5	1,792.2
Shareholders' equity excluding non-controlling interests		**14,251.5**	**11,417.5**	**13,595.2**
Non-controlling interests		2.8	3.1	3.1
Non-current liabilities		**2,593.5**	**3,897.7**	**4,306.6**
Provisions for employee retirement obligations and related benefits		1,006.4	912.7	1,021.4
Provisions for liabilities and charges	13	163.2	99.0	125.6
Deferred tax liabilities		429.4	381.6	418.0
Non-current borrowings and debts	14	994.5	2,504.4	2,741.6
Current liabilities		**7,917.8**	**6,658.1**	**5,386.5**
Trade accounts payable		2,950.1	2,362.8	2,603.1
Provisions for liabilities and charges	13	602.8	485.4	510.0
Other current liabilities		2,039.2	1,682.4	1,750.5
Income tax		213.4	209.8	133.2
Current borrowings and debts	14	2,112.3	1,917.7	389.7
Total		**24,765.6**	**21,976.5**	**23,291.5**

Consolidated statements of changes in shareholders' equity

€ millions	Common shares outstanding	Share capital	Additional paid-in capital	Retained earnings and net income	Items directly recognised in equity	Treasury stock	Cumulative translation adjustments	Share holders' equity excluding non-controlling interests	Non-controlling interests	Share holders' equity
At 12.31.2008	**583,140,468**	**120.5**	**965.5**	**11,180.4**	**1,263.2**	**-1,410.6**	**-559.4**	**11,559.6**	**2.8**	**11,562.5**
Consolidated net profit of the period				1,792.2				1,792.2	2.7	1,794.9
Financial assets available for sale					*1,122.7*			*1,122.7*		*1,122.7*
Cash flow hedge					*-114.7*			*-114.7*		*-114.7*
Actuarial gains and losses					*-101.3*			*-101.3*		*-101.3*
Cumulative translation adjustments							*6.5*	*6.5*		*6.5*
Change in gains and losses directly recognised in equity					906.7		6.5	913.2		913.2
Total of net profit and gains and losses directly recognised in equity				**1,792.2**	**906.7**		**6.5**	**2,705.4**	**2.7**	**2,708.1**
Capital increase	527,200	0.1	31.0					31.1		31.1
Cancellation of treasury stock		-0.8		-271.5		272.3		-		
Dividends paid (not paid on treasury stock)				-839.7				-839.7	-2.4	-842.1
Share-based payment				76.7				76.7		76.7
Net changes in treasury stock	1,067,992			-1.7		66.7		65.0		65.0
Other movements				-2.9				-2.9		-2.9
At 12.31.2009	**584,735,660**	**119.8**	**996.5**	**11,933.5**	**2,169.9**	**-1,071.6**	**-552.9**	**13,595.2**	**3.1**	**13,598.3**
Consolidated net profit of the period				1,314.3				1,314.3	1.7	1,316.0
Financial assets available for sale					*-642.5*			*-642.5*		*-642.5*
Cash flow hedge					*-59.6*			*-59.6*	*-0.1*	*-59.7*
Actuarial gains and losses					*-0.2*			*-0.2*		*-0.2*
Cumulative translation adjustments							*798.3*	*798.3*	*0.1*	*798.4*
Change in gains and losses directly recognised in equity					-702.3		798.3	96.0	-	96.0
Total of net profit and gains and losses directly recognised in equity				**1,314.3**	**-702.3**		**798.3**	**1,410.3**	**1.7**	**1,412.0**
Capital increase	959,950	0.2	57.4					57.6		57.6
Cancellation of treasury stock		-0.1		-37.8		37.9		-		
Dividends paid (not paid on treasury stock)				-878.8				-878.8	-2.0	-880.8
Share-based payment				38.7				38.7		38.7
Net changes in treasury stock	460,700			0.4		31.2		31.6		31.6
Non-controlling interests buy-back				-3.1				-3.1		-3.1
Other movements										
At 06.30.2010	**586,156,310**	**119.9**	**1,053.9**	**12,367.2**	**1,467.6**	**-1,002.5**	**245.4**	**14,251.5**	**2.8**	**14,254.3**

Changes in first half 2009

€ millions	Common shares outstanding	Share capital	Additional paid-in capital	Retained earnings and net income	Items directly recognised in equity	Treasury stock	Cumulative translation adjustments	Share holders' equity excluding non-controlling interests	Non-controlling interests	Share holders' equity
At 12.31.2008	**583,140,468**	**120.5**	**965.5**	**11,180.4**	**1,263.2**	**-1,410.6**	**-559.4**	**11,559.6**	**2.8**	**11,562.5**
Consolidated net profit of the period				1,083.5				1,083.5	2.1	1,085.6
Financial assets available for sale					*-409.9*			*-409.9*		*-409.9*
Cash flow hedge					*-65.2*			*-65.2*		*-65.2*
Actuarial gains and losses					*-4.6*			*-4.6*		*-4.6*
Cumulative translation adjustments							*55.5*	*55.5*		*55.5*
Change in gains and losses directly recognised in equity					-479.8		55.5	-424.3		-424.3
Total of net profit and gains and losses directly recognised in equity				**1,083.5**	**-479.8**		**55.5**	**659.2**	**2.1**	**661.3**
Capital increase										
Cancellation of treasury stock		-0.8		-271.5		272.3		-		
Dividends paid (not paid on treasury stock)				-839.7				-839.7	-2.3	-842.0
Share-based payment				37.6				37.6		37.6
Net changes in treasury stock										
Other movements				0.7				0.7	0.5	1.2
At 06.30.2009	**583,140,468**	**119.7**	**965.5**	**11,191.1**	**783.4**	**-1,138.3**	**-503.9**	**11,417.5**	**3.1**	**11,420.7**

Compared consolidated statements of cash flows

€ millions	1st half 2010	1st half 2009	2009
Cash flows from operating activities			
Net profit attributable to the Group	1,314.3	1,083.5	1,792.2
Non-controlling interests	1.7	2.1	2.7
Elimination of expenses and income with no impact on cash flows:			
• depreciation, amortisation and provisions	398.6	398.3	834.0
• changes in deferred taxes	39.4	32.5	51.7
• share-based payment	38.7	37.6	76.7
• capital gains and losses on sale of assets	-0.4	-0.6	0.9
Gross cash flow	**1,792.3**	**1,553.4**	**2,758.2**
Changes in working capital	-289.2	-309.9	466.3
Net cash provided by operating activities (A)	**1,503.1**	**1,243.5**	**3,224.5**
Cash flows from investing activities			
Investments in tangible and intangible assets	-320.9	-303.4	-628.0
Disposal of tangible and intangible assets	6.0	3.7	27.5
Changes in other financial assets (including investments in non-consolidated companies)	11.7	30.0	36.7
Effect of changes in the scope of consolidation	-124.3	-83.3	-160.2
Net cash (used in) from investing activities (B)	**-427.5**	**-353.0**	**-723.9**
Cash flows from financing activities			
Dividends paid	-896.4	-849.4	-851.5
Capital increase of the parent company	57.6	-	31.1
Disposal (acquisition) of treasury stock	31.6	-	65.0
Non-controlling interests buy-back	-8.4	-	-
Issuance (repayment) of short-term loans	-9.6	-317.9	-1,886.0
Issuance of long-term borrowings	-	0.4	350.3
Repayment of long-term borrowings	-101.6	-15.5	-98.4
Net cash (used in) from financing activities (C)	**-926.8**	**-1,182.4**	**-2,389.4**
Net effect of exchange rate changes and fair value changes (D)	112.1	-21.4	-15.3
Change in cash and cash equivalents (A+B+C+D)	**260.9**	**-313.3**	**96.0**
Cash and cash equivalents at beginning of the year (E)	**1,173.1**	**1,077.1**	**1,077.1**
Cash and cash equivalents at end of the year (A+B+C+D+E)	**1,434.0**	**763.8**	**1,173.1**

Income taxes paid amount to €305.1 million, €238.9 million and €613.9 million respectively for first half 2010 and 2009 and year 2009.
Interest paid amounts to €25.2 million, €72.8 million and €105.0 million respectively for first half 2010 and 2009 and year 2009.
Dividends received amount to €283.8 million, €260.1 million and €260.1 million respectively for first half 2010 and 2009 and year 2009. They are included within the gross cash flow.

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, 2009.
The Board of Directors closed the condensed half-year consolidated financial statements as at June 30th, 2010 on August 25th, 2010.
The accounting policies applied are identical to those applied in the annual financial statements at December 31st, 2009, except for those relating to income tax.
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.
The Group has not applied any standards or interpretations whose application is not yet compulsory in 2010.
Revised IFRS 3 and IAS 27 are applied to business combinations, for which the acquisition date is on or after January 1st, 2010.
The main changes with regard to previously applicable accounting principles are set out below.

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

The acquisitions carried out in the first half of 2010 did not have a material impact on the financial statements, since all involved acquisitions of 100% interests.
Other standards or amendments of published standards effective January 1st, 2010 do not have any impact for the Group.

Note 2. Changes in the scope of consolidation

2.1. First half 2010

On April 21st, 2010, L'Oréal USA signed an agreement to acquire Essie Cosmetics, the ultimate nail colour authority in the US, sold mainly in American salons and spas.
The acquisition was finalised on June 25th, 2010 and the company has been fully consolidated since June 30th, 2010.
Essie's net sales in 2009 were $25 million.

On June 1st, 2010, L'Oréal USA acquired 100% of the capital of C.B. Sullivan, a New Hampshire-based company.
C.B. Sullivan supplies hair salons in six states across the north-eastern United States (Vermont, New Hampshire, Maine, Connecticut, Rhode Island and Massachusetts), with a network of representatives and professional-only outlets.
The company's net sales in fiscal year 2009 were approximately $50 million. This would have represented additional net sales of $35.5 million for the Group in 2009.

The acquisition was fully consolidated as of June 1st, 2010.

The cost of these acquisitions amounts to approximately €151.9 million. The total amount of goodwill and other intangible assets resulting from the acquisitions was provisionally estimated at €96.2 and €49.2 million. The transactions do not have a significant impact on net income due to the dates as from which the acquired entities were consolidated.

2.2. Year 2009

On April 9th , 2009, L'Oréal USA signed an agreement for the acquisition of Idaho Barber and Beauty Supply (IBB), a distributor of professional products to hair salons in several states in the North West of the United States, particularly Idaho, Montana and Washington. Idaho Barber and Beauty Supply are fully consolidated from June 1st, 2009.

On December 31st, 2009, L'Oréal USA acquired Maly's Midwest and Marshall Salon Services, distributors of professional products to hair salons across 8 states in the US Midwest region. Maly's Midwest and Marshall Salon Services have been fully consolidated since December 31st, 2009.

These acquisitions represent around $150 million in full-year sales and $8 million in full-year operating profit for 2009. They would have contributed $93.5 million in additional net sales for the Group over the 12 months of 2009.

The cost of these new acquisitions amounts to approximately €59.9 million. The total amount of goodwill and other intangible assets resulting from these acquisitions has been estimated respectively at €25.9 and €20.4 million.

Note 3. Segment information

3.1. Segment information

The **Cosmetics** branch is organised into four sectors, each one operating with specific distribution channels:

- **Professional Products Division**: products used and sold in hair salons;
- **Consumer Products Division**: products sold in mass-market retail channels;
- **Luxury Products Division**: products sold in selective retail outlets, i.e. department stores, perfumeries, travel retail and the Group's own boutiques;
- **Active Cosmetics Division**: dermocosmetic skincare products sold in pharmacies and specialist sections of drugstores.

The non-allocated item contains the expenses of 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 "**The Body Shop**" branch: 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 50 countries), at home, and on-line sales. The Body Shop net sales and operating profit are characterised by a strong seasonality due to a high level of activity during the last months of the year.

The **Dermatology** branch, consisting of Galderma, a joint venture between L'Oréal and Nestlé, meets the needs of dermatologists and their patients.
The data by branch and by Division are established using the same accounting principles as those used for the preparation of the consolidated financial statements.
The performance of each branch and Division is measured by the operating profit.

As of January 1st, 2010, divisions and geographic areas have been reclassified as follows:

- The Roger & Gallet activity has been transferred from the Luxury Products Division to the Active Cosmetics Division ;
- The Travel Retail business of YSL Beauté, which was previously recorded 100% under Western Europe, has now been broken down between the Western Europe, North America and New Markets zones.

The Rest of the World zone has become the New Markets zone with the following changes:

- Australia, India and New Zealand, which were previously in the Africa, Orient, Pacific zone have been included in the Asia zone which has become Asia, Pacific zone.
- The Africa, Orient, Pacific zone has become the Africa, Middle East zone.

First half 2009 and year 2009 have been restated consequently.

3.1.1. Sales of Branches and Divisions

€ millions	1st half 2010	1st half 2009	2009
Professional Products	1,362.6	1,217.7	2,388.5
Consumer Products	4,822.3	4,402.6	8,555.2
Luxury Products	2,104.0	1,878.6	4,041.4
Active Cosmetics	773.1	716.8	1,272.0
Cosmetics branch	**9,062.0**	**8,215.7**	**16,257.2**
The Body Shop branch	**334.3**	**323.3**	**726.3**
Dermatology branch	**270.5**	**230.4**	**489.1**
Group	**9,666.8**	**8,769.4**	**17,472.6**

3.1.2. Operating profit of Branches and Divisions

€ millions	1st half 2010	1st half 2009	2009
Professional Products	288.2	232.5	476.9
Consumer Products	981.9	911.6	1,576.9
Luxury Products	377.9	224.9	612.0
Active Cosmetics	208.2	195.6	255.0
Cosmetics Divisions total	**1,856.2**	**1,564.6**	**2,920.8**
Non-allocated	-234.7	-223.9	-482.0
Cosmetics branch	**1,621.5**	**1,340.8**	**2,438.8**
The Body Shop branch	**13.6**	**6.3**	**53.8**
Dermatology branch	**33.5**	**26.8**	**85.0**
Group	**1,668.6**	**1,373.9**	**2,577.6**

3.2. Information by geographic zone - Group

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

3.2.1. Group consolidated net sales

	1st half 2010		Growth (%)		1st half 2009		2009	
	€ millions	% of total	Published data	Excluding exchange effect	€ millions	% of total	€ millions	% of total
Western Europe	3,995.2	41.3%	2.9%	2.1%	3,881.0	44.3%	7,582.7	43.4%
attributable to France	1,177.8	12.2%	1.3%	1.3%	1,162.6	13.3%	2,238.2	12.8%
North America	2,350.0	24.3%	8.6%	6.1%	2,164.6	24.7%	4,274.4	24.5%
New markets	3,321.6	34.4%	22.0%	13.0%	2,723.7	31.1%	5,615.5	32.1%
Asia, Pacific	1,595.8	16.5%	19.7%	12.5%	1,332.9	15.2%	2,704.5	15.5%
Eastern Europe	709.0	7.3%	19.5%	11.4%	593.1	6.8%	1,216.5	7.0%
Latin America	735.1	7.6%	35.2%	19.8%	543.7	6.2%	1,201.4	6.9%
Africa, Middle East	281.7	2.9%	10.9%	3.5%	254.1	2.9%	493.1	2.8%
Group	**9,666.8**	**100.0%**	**10.2%**	**6.6%**	**8,769.4**	**100.0%**	**17,472.6**	**100.0%**

3.2.2. Cosmetics net sales

	1st half 2010		Growth (%)		1st half 2009		2009	
	€ millions	% of total	Published data	Excluding exchange effect	€ millions	% of total	€ millions	% of total
Western Europe	3,712.3	41.0%	2.6%	1.8%	3,619.2	44.1%	6,998.1	43.0%
attributable to France	1,147.7	12.7%	1.4%	1.4%	1,131.7	13.8%	2,174.6	13.4%
North America	2,118.8	23.4%	8.8%	6.3%	1,947.8	23.7%	3,813.3	23.5%
New markets including:	3,230.9	35.7%	22.0%	13.0%	2,648.7	32.2%	5,445.8	33.5%
Asia, Pacific	1,540.2	17.0%	20.0%	12.7%	1,283.6	15.6%	2,597.9	16.0%
Eastern Europe	706.7	7.8%	19.5%	11.4%	591.2	7.2%	1,212.8	7.5%
Latin America	704.2	7.8%	35.1%	19.6%	521.3	6.3%	1,144.8	7.0%
Africa, Middle East	279.8	3.1%	10.7%	3.5%	252.7	3.1%	490.2	3.0%
Cosmetics branch	**9,062.0**	**100.0%**	**10.3%**	**6.6%**	**8,215.7**	**100.0%**	**16,257.2**	**100.0%**

Note 4. Depreciation and amortisation expense

Depreciation and amortisation of tangible and intangible assets included in operating expenses amount to €365.3 million, €373.5 million and €780.8 million respectively for the first half 2010 and 2009 and year 2009.

Note 5. Foreign exchange gains and losses

Foreign exchange gains and losses may be split as follows:

€ millions	**1st half 2010**	**1st half 2009**	**2009**
Change in time value	-4.6	-12.8	-17.8
Other foreign exchange gains and losses	-27.2	50.3	105.9
Total	**-31.8**	**37.5**	**88.1**

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

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

- The variation of the market value linked to variations in the time value (forward points and premiums paid for options);
- The variation of 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;
- The remaining ineffectiveness linked to overhedges is recognised directly to the profit and loss account under other foreign exchange gains and losses for respectively €0.2 , -€6.1 and -€1.3 million for the first half 2010 and the first half 2009 and year 2009.

These amounts are allocated to the various operating expense items to which they relate and break down as follows:

€ millions	**1st half 2010**	**1st half 2009**	**2009**
Cost of sales	-31.4	27.3	70.8
Research and development	5.5	3.9	2.7
Advertising and promotion	-3.9	3.1	5.0
Selling, general and administrative expenses	-2.0	3.2	9.6
Foreign exchange gains and losses	**-31.8**	**37.5**	**88.1**

Note 6. Other income and expenses

This item may be split as follows:

€ millions	**1st half 2010**	**1st half 2009**	**2009**
Capital gains or losses on disposals of tangible and intangible assets	0.4	0.6	-0.9
Impairment of tangible and intangible assets (1)	-22.1	-41.9	-53.8
Restructuring costs (2)	-18.7	-127.4	-222.9
Other (3)	-66.6	-	-
Total	**-107.0**	**-168.7**	**-277.6**

(1) *These impairment charges mainly relate to:*

- *for first half 2010, Sanoflore goodwill for €12.1 million and Softsheen Carson goodwill for € 10.0 million.*
- *in 2009, the Biomedic brand for €2.7 million, the Yue Sai brand for €7.6 million, as well as Yue Sai goodwill for €13.9 million, Sanoflore goodwill for €10.0 million and Softsheen Carson goodwill for €19.6 million.*

(2) *including:*

- *for first half 2010, €8.5 million relates to the discontinuation of Shu Uemura in the United States, €5.8 million relates to the discontinuation of Helena Rubinstein in France*
- *in 2009, the next phase of the industrial and logistics reorganisation in Europe resulting in the closure of the Albesa factory (Spain), logistics reorganisation measures in the Iberian peninsula, industrial and logistics reorganisation measures in France and additional charges for the closure of the Biotherm factory in Monaco for €116 million, the link-up between YSL Beauté and the Luxury Products Division in various countries for €45 million, the next phase of the reorganisation of the L'Oréal USA subsidiary for €42 million, and the reorganisation and streamlining of central and regional structures of The Body Shop for €18 million.*

(3) *for first half 2010, risks relating to investigations carried out by competition authorities (see note 13.1.).*

Note 7. Net profit excluding non-recurrent items attributable to the Group - Net profit per share

7.1. Reconciliation with net profit

Net profit excluding non-recurrent items attributable to the Group is reconciled as follows with the net profit attributable to the Group:

€ millions	1st half 2010	1st half 2009	2009
Net profit attributable to the Group	**1,314.3**	**1,083.5**	**1,792.2**
Capital gains and losses on tangible and intangible asset disposals	-0.4	-0.6	0.9
Tangible and intangible assets impairment	22.1	41.9	53.8
Restructuring cost	18.7	127.4	222.9
Other	66.6	-	-
Tax effect on non-recurrent items	-10.0	-41.2	-73.1
Net profit excluding non-recurrent items attributable to the Group	**1,411.3**	**1,211.0**	**1,996.7**

7.2. Net profit per share

The tables below set out the net profit attributable to the Group per share:

1st half 2010	**Net profit attributable to the Group *(€ millions)***	**Number of shares**	**Net profit attributable to the Group per share *(€)***
Net profit per share	1,314.3	585,481,056	2.24
Stock options - Free shares	-	4,068,633	
Diluted net profit per share	**1,314.3**	**589,549,689**	**2.23**

1st half 2009	**Net profit attributable to the Group *(€ millions)***	**Number of shares**	**Net profit attributable to the Group per share *(€)***
Net profit per share	1,083.5	583,140,468	1.86
Stock options - Free shares	-		
Diluted net profit per share	**1,083.5**	**583,140,468**	**1.86**

2009	**Net profit attributable to the Group *(€ millions)***	**Number of shares**	**Net profit attributable to the Group per share *(€)***
Net profit per share	1,792.2	583,388,024	3.07
Stock options - Free shares	-	409,542	
Diluted net profit per share	**1,792.2**	**583,797,566**	**3.07**

7.3. Net profit excluding non-recurrent items per share

The tables below set out in detail the net earnings excluding non-recurrent items attributable to the Group per share:

1st half 2010	Net profit excluding non-recurrent items attributable to the Group (€ millions)	Number of shares	Net profit excluding non-recurrent items attributable to the Group per share (€)
Net profit excluding non-recurrent items per share	1,411.3	585,481,056	2.41
Stock options - Free shares	-	4,068,633	
Diluted net profit excluding non-recurrent items per share	**1,411.3**	**589,549,689**	**2.39**

1st half 2009	Net profit excluding non-recurrent items attributable to the Group (€ millions)	Number of shares	Net profit excluding non-recurrent items attributable to the Group per share (€)
Net profit excluding non-recurrent items per share	1,211.0	583,140,468	2.08
Stock options - Free shares			
Diluted net profit excluding non-recurrent items per share	**1,211.0**	**583,140,468**	**2.08**

2009	Net profit excluding non-recurrent items attributable to the Group (€ millions)	Number of shares	Net profit excluding non-recurrent items attributable to the Group per share (€)
Net profit excluding non-recurrent items per share	1,996.7	583,388,024	3.42
Stock options - Free shares	-	409,542	
Diluted net profit excluding non-recurrent items per share	**1,996.7**	**583,797,566**	**3.42**

Note 8. Goodwill and other intangible assets

Impairment tests have been performed at June 30th, 2010 on the most sensitive Cash Generating Units. On this occasion, discount rates and cash flow forecasts were reviewed. The Sanoflore and Softsheen Carson Cash Generating Units led to recognition of the impairment loss indicated hereafter.

The €428.9 million increase in the “Goodwill” item results mainly from the positive variation in exchange rates for €362.3 million, acquisitions and changes in the scope of consolidation for €98.1 million, partially offset by impairment losses on Sanoflore for €12.1 million and Softsheen Carson for €10.0 million.

The increase in the "Other intangible assets" item for €254.6 million results from the changes in the scope of consolidation for €49.2 million, acquisition of the period for €32.1 million as well as the positive variation of exchange rates amounting to €216.0 million offset by the depreciation expense of the period.

Note 9. Tangible assets

Investments for the first half of 2010 amount to €281.2 million compared to €249.2 million and €517.4 million respectively for the first half of 2009 and year 2009.

The depreciation and provisions for the first half of 2010 amount to €311.5 million compared to €318.9 million and €666.4 million respectively for the first half of 2009 and year 2009.

Note 10. Non-current financial assets

€ millions	06.30.2010		06.30.2009		12.31.2009	
	Balance sheet value	Acquisition cost	Balance sheet value	Acquisition cost	Balance sheet value	Acquisition cost
Financial assets available for sale						
• Sanofi-Aventis (1)	5,855.8	4,033.5	4,950.2	4,033.5	6,509.6	4,033.5
• Unlisted securities (2)	4.2	5.0	4.0	4.8	4.1	4.9
Financial assets at amortised cost						
Non-current loans and receivables	183.9	194.9	155.2	164.9	158.5	168.9
Total	**6,043.9**	**4,233.4**	**5,109.4**	**4,203.2**	**6,672.2**	**4,207.3**

(1) L'Oréal's stake in Sanofi-Aventis was 9.02% at June 30th, 2010. The balance sheet value at June 30th, 2010, June 30th, 2009 and December 31st, 2009 (€5,855.8 million, €4,950.2 million and €6,509.6 million, respectively) corresponds to the market value of the shares based on the closing price at June 30th, 2010, June 30th, 2009 and December 31st, 2009 (€49.53, €41.87 and €55.06, respectively). The acquisition cost of €4,033.5 million corresponds to an entry cost of €34.12.

(2) As their fair value cannot be reliably determined, they are stated at cost net of any impairment losses.

Note 11. Cash and cash equivalents

€ millions	06.30.2009		06.30.2009		12.31.2009	
	Balance sheet value	Acquisition cost	Balance sheet value	Acquisition cost	Balance sheet value	Acquisition cost
Marketable securities	483.6	483.1	83.4	83.0	83.3	82.9
Bank accounts and other cash and cash equivalents	950.4	950.4	680.4	680.4	1,089.8	1,089.8
Total	**1,434.0**	**1,433.5**	**763.8**	**763.4**	**1,173.1**	**1,172.7**

The marketable securities consist mainly of money-market SICAV investment funds and unit trusts (on which the return is based on EONIA) and short-term investments. They are considered as Financial assets available for sale. At June 30th, 2010 as was the case at December 31st, 2009, they are exclusively comprised of investments invested in government bonds of the Euro-zone through mutual funds.

Unrealised gains recorded at period-end amount to €0.5 million compared with €0.4 million at June 30th and December 31st, 2009 and are recorded directly through shareholders' equity.

Note 12. Shareholders' equity

12.1. Share capital and additional paid-in capital

The share capital consists of 599,432,360 shares with a par value of €0.20 at June 30th, 2010 compared with 598,445,210 shares at June 30th, 2009 and 598,972,410 shares at December 31st, 2009.

12.2. Treasury stock

The shares bought under the L'Oréal share buyback programme authorised by the Annual General Meeting of Shareholders are deducted from consolidated shareholders' equity. Capital gains or losses relating to these shares net of tax are also recorded in shareholders' equity.

a) 1st half 2010

The change in the number of shares is as follows for the first half 2010:

In shares	Share capital	Treasury stock	Common shares outstanding
At 01.01.2010	**598,972,410**	**-14,236,750**	**584,735,660**
Cancelled shares	-500,000	500,000	-
Exercised options	959,950	460,700	1,420,650
Treasury stock purchased			
At 06.30.2010	**599,432,360**	**-13,276,050**	**586,156,310**

The change in the treasury stock is as follows for the first half 2010:

In shares	Buyback programme	Allocated to the SO plan	Total	*€ millions*
At 01.01.2010		**14,236,750**	**14,236,750**	**1,071.6**
Cancelled shares		-500,000	-500,000	-37.9
Exercised options		-460,700	-460,700	-31.2
Treasury stock purchased				
At 06.30.2010		**13,276,050**	**13,276,050**	**1,002.5**
€ millions		**1,002.5**	**1,002.5**	

b) Year 2009

The change in the number of shares is as follows for the year 2009:

In shares	Share capital	Treasury stock	Common shares outstanding
At 01.01.2009	**602,415,810**	**-19,275,342**	**583,140,468**
Cancelled shares	-3,970,600	3,970,600	
Exercised options	527,200	1,064,242	1,591,442
Treasury stock purchased		3,750	3,750
At 12.31.2009	**598,972,410**	**-14,236,750**	**584,735,660**

The change in the treasury stock is as follows for the year 2009:

In shares	Buyback programme	Allocated to the SO plan	Total	*€ millions*
At 01.01.2009	**3,808,000**	**15,467,342**	**19,275,342**	**1,410.6**
Cancelled shares	-3,808,000	-162,600	-3,970,600	-272.3
Exercised options		-1,064,242	-1,064,242	-66.5
Treasury stock purchased	-	-3,750	-3,750	-0.3
At 12.31.2009		**14,236,750**	**14,236,750**	**1,071.6**
€ millions		**1,071.6**	**1,071.6**	

12.3. Share subscription or purchase options - Free shares

On April 27th, 2010, the Board of Directors decided:

- the grant of share subscription options allowing the subscription of 4,200,000 shares
- the conditional allocation of 450,000 free shares to employees.

1) Share subscription or purchase options

The 4,200,000 share option plan has a 5-year exercise period and no performance related conditions, except for the members of the Management Committee. For these managers, the performance conditions associated with this plan concern:

- for 50% of granted shares, the increase in comparable Cosmetic revenues for the 2011, 2012 and 2013 fiscal years in relation with the growth of the cosmetics market;

- for 50% of granted shares, the percentage reached, over the same period, of the ratio between the contribution before advertising and promotion expenses, i.e. sum of the operating profit and advertising and promotion expenses, and published Cosmetic revenues.

The calculation will be based on the arithmetic average of the performance in the 2011, 2012 and 2013 fiscal years and will use a predefined allocation scale based on the performance percentage reached.

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

Risk-free rate of return	2.83%
Expected life span	7 years
Expected volatility	23.53%
Expected dividends	1.86%
Share price	€80.50
Exercise price	€80.03
Fair value	€17.17

Expected volatility corresponds to the average between the implied volatility at the grant date and the historic volatility over the expected life span of the option. The expected life span has been adjusted to take account of behavioural assumptions relating to the beneficiaries.

2) Free shares

On April 27th, 2010, the Board of Directors decided to grant 450,000 free shares to employees subject to a number of conditions.

Conditions of vesting of the rights

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

The performance conditions concern:

- for 25% of granted shares, the increase in comparable Cosmetic revenues for the 2011, 2012 and 2013 fiscal years in relation with the growth of the cosmetics market;
- for 75% of granted shares, the percentage reached, over the same period, of the ratio between operating profit and published Cosmetic revenues.

The calculation will be based on the arithmetic average of the performance in the 2011, 2012 and 2013 fiscal years and will use a predefined allocation scale based on the performance percentage reached.

Fair value of the conditionally granted shares

The fair value corresponds to the value of the share at the grant date after deduction of the expected dividend payment during the vesting period. For French residents, the additional 2-year holding period has led to the valuation of an illiquidity cost on the basis of a lending rate granted to the employee equivalent to the rate which would be granted by a bank to a private individual with an average financial profile. The illiquidity discount amounts to 8.64% of the share value at the grant date.

On the basis of these assumptions, the fair values amount to €66.78 for French residents and €73.73 for non-residents compared to a share price of €80.50.

Note 13. Provisions for liabilities and charges

13.1. Balances at closing date

€ millions	06.30.2010	06.30.2009	12.31.2009
Non-current provisions for liabilities and charges	**163.2**	**99.0**	**125.6**
Provisions for restructuring	0.3	0.6	0.4
Other non-current provisions (1)	162.9	98.4	125.2
Current provisions for liabilities and charges	**602.8**	**485.4**	**510.0**
Provisions for restructuring	160.5	173.0	179.8
Provisions for product returns	227.5	175.9	174.6
Other current provisions (1) (2)	214.8	136.5	155.6
Total	**766.0**	**584.4**	**635.6**

(1) *This item includes provisions for tax risks and litigation, industrial and commercial risks relating to operations (breach of contract) and personnel costs along with risks relating to investigations carried out by competition authorities.*

(2) *National competition authorities from several European countries have launched investigations focusing on the cosmetics industry. In the first half of 2010, notifications of complaints were sent to the Group's subsidiaries in Germany, Italy, the Netherlands, Spain and Switzerland. The cases are currently being examined and the subsidiaries will be putting forward appropriate arguments to defend their position. At June 30th, 2010, the Group had set aside provisions for €66.6 million in respect of potential fines resulting from the investigations, based on a preliminary analysis. Taking into account the provisions already recognised (mainly in France), total provisions amounted to €78.8 million at June 30th, 2010.*
Other requests for information have also been sent and investigations launched in other European countries. However, no notifications of complaints had been received in these countries at June 30th, 2010.

13.2. Variations in provisions for liabilities and charges during the period

€ millions	06.30.2009	12.31.2009	Charges (2)	Reversals (used) (2)	Reversals (not used) (2)	Impact of change in scope / Exchange rate/ Other(1)	06.30.2010
Provisions for restructuring	173.6	180.2	23.3	-46.4	-4.6	8.3	160.8
Provisions for product returns	175.9	174.6	177.3	-151.6	-7.0	34.2	227.5
Other provisions for liabilities and charges	234.9	280.8	138.4	-45.3	-7.2	11.0	377.7
Total	**584.4**	**635.6**	**339.0**	**-243.3**	**-18.8**	**53.5**	**766.0**

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

€ millions	Charges	Reversals (used)	Reversals (not used)
• Other income and expenses	*85.6*	*-46.4*	*-4.6*
• Operating profit	*213.3*	*-196.2*	*-12.9*
• Financial (income) / expense	*0.2*	*-0.1*	*-*
• Income tax	*39.9*	*-0.6*	*-1.3*

Note 14. Borrowings and debts

The Group finances itself through medium-term bank loans, and by the issue of short-term paper in France and the issue of short-term commercial paper in the United States. None of the Group's loan agreements contain any early repayment clauses linked to financial ratio triggers.

14.1. Debt by type

€ millions	06.30.2010		06.30.2009		12.31.2009	
	Non-current	Current	Non-current	Current	Non-current	Current
Short-term paper	-	160.1	-	1,642.5	-	115.5
MLT bank loans	914.7	1,750.0	2,414.8	63.5	2,664.4	100.0
Debts on capital lease contracts	62.8	10.1	68.3	10.5	57.4	11.1
Overdrafts	-	57.6	-	36.7	-	36.0
Other borrowings and debts	17.0	134.5	21.4	164.5	19.8	127.1
Total	**994.5**	**2,112.3**	**2,504.5**	**1,917.7**	**2,741.6**	**389.7**

14.2. Debt by maturity date

€ millions	06.30.2010	06.30.2009	12.31.2009
Under 1 year	2,112.3	1,917.7	389.7
1 to 5 years	961.6	2,464.9	2,709.3
Over 5 years	32.9	39.6	32.3
Total	**3,106.8**	**4,422.2**	**3,131.3**

14.3. Debt by currency (after allowing for currency hedging instruments)

€ millions	06.30.2010	06.30.2009	12.31.2009
Euro (EUR)	2,235.5	3,443.3	2,579.0
US dollar (USD)	283.0	441.4	158.5
Swiss Franc (CHF)	130.9	-	61.9
Yen (JPY)	89.5	101.4	71.5
Mexican Peso (MXN)	70.9	76.2	35.4
Canadian dollar (CAD)	55.6	118.4	56.0
Others	241.4	241.5	169.0
Total	**3,106.8**	**4,422.2**	**3,131.3**

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

€ millions	06.30.2010	06.30.2009	12.31.2009
Floating rate	3,028.0	4,341.2	3,052.2
Fixed rate	78.8	81.0	79.1
Total	**3,106.8**	**4,422.2**	**3,131.3**

14.5. Effective interest rates

The effective debt interest rates, after allowing for hedging instruments, were respectively 0.24% and 0.68% for first half 2010 and 2009 and 0.21% in 2009 for short-term paper, and respectively 0.93% and 1.45% for first half 2010 and 2009 and 1.02% in 2009 for bank loans.

14.6. Average debt interest rates

The average debt interest rates, after allowing for hedging instruments, were respectively 0.96% and 2.08% for first half 2010 and 2009 and 1.63% in 2009 for the euro and respectively 0.30% and 0.64% for first half 2010 and 2009 and 0.53% in 2009 for the US dollar.

14.7. Fair value of borrowings and debts

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

The net book value of outstanding bank loans and other floating rate loans is a reasonable approximation of their fair value.
At June 30th, 2010, the fair value of the debt amounts to €3,107.3 million compared with €4,422.5 million and €3,131.7 million respectively at June 30th, 2009 and December 31st, 2009.

Note 15. 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 organisations with the best credit ratings.
In accordance with the Group's rules, the currency and interest rate derivatives are set up exclusively for hedging purposes.

15.1. Hedging of currency risk

The Group is exposed to currency risk from commercial transactions recorded on the balance sheet and from future transactions considered to be highly probable.
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, 2010, the change in the intrinsic value of the hedging instruments allocated to future transactions and deferred through shareholders' equity amounts to -€72.1 million compared with €72.4 million and €8.1 million respectively at June 30th, 2009 and December 31st, 2009.

15.2. Hedging of interest rate risk

As in the case of currency risk, the group's policy is not to take a speculative position.
The group therefore mainly refinances at floating rates.
Furthermore, the financial derivative instruments which are negotiated in this connection are for hedging purposes.
At June 30th, 2010, the market value of the interest rate hedging instruments deferred through shareholders' equity is -€2.3 million compared with -€1.5 million and -€1.6 million respectively at June 30th, 2009 and December 31st, 2009.

15.3. Shareholding risk

No cash has been invested in shares.
The available cash is invested, with top financial institutions, in the form of non-speculative instruments which can be drawn in very short periods. At June 30th, 2010, it is exclusively invested in government bonds of the Euro-zone through mutual funds.
At June 30th, 2010, the Group holds 118,227,307 Sanofi-Aventis shares for an amount of €5,855.8 million (note 10). For these shares, a change in the market price of plus or minus 10% relative to the market price of €49.53 on June 30th, 2010 would have an impact on the Group shareholders' equity of plus or minus €585.6 million before tax.
A significant or prolonged passage of the share price below €34.12, being the cost of the Sanofi-Aventis shares, would potentially expose L'Oréal to an impairment loss on its asset to be recorded through the profit and loss account.

Note 16. 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.

Statutory Auditors' review Report on the 2010 half-year financial information

(Six months ended June 30, 2010)

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, 2010 ;
- 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, August 25, 2010
The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit	Deloitte & Associés
Etienne Boris	David Dupont-Noel

Declaration by the person responsible for the half-year financial Report

I declare that, to the best of my knowledge, the summary 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 or loss of the company and all the other companies included in the scope of consolidation, and that the 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, August 25th, 2010
On the authority of the Chief Executive Officer,

Christian Mulliez
Executive Vice-President, Administration and Finance

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