

L'ORÉAL  
FINANCE

# *The letter*

TO SHAREHOLDERS

No. 76 - SUMMER / AUTUMN 2020

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*NEWS* /p. 3

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*2020 ANNUAL GENERAL  
MEETING* /p. 4 & 5

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*REPORT:*  
*"L'ORÉAL FOR THE FUTURE"*  
/p. 6 & 7

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*Find out more about the share price p. 8*



L'ORÉAL

# Message from the Chairman

**JEAN-PAUL AGON**

*Chairman and Chief Executive Officer of L'Oréal*



**“The L'Oréal group has shown great resilience during this first half of 2020, marked by the crisis of the Covid-19 pandemic.**

The Group's first priority during this period was to **ensure the health and welfare of its employees** everywhere in the world, to **protect its small clients and suppliers** with credit and payment facilities, and to **be in solidarity with healthcare workers** with the donation of more than 15 million units of hand sanitiser gel and moisturising hand cream.

The consumption of beauty products over the period was strongly impacted by the closure of millions of points of sale (hair salons, perfumeries, department stores, airport stores, etc.) which caused a real crisis of supply, rather than demand, with consumers temporarily unable to purchase products and services.

In these exceptionally difficult circumstances, **each Division of L'Oréal has demonstrated great business resilience.** The Active Cosmetics Division has managed to maintain good growth. The Consumer Products Division limited the impact on sales despite its heavy weight in makeup, which was the category that slowed the most. The L'Oréal Luxe and Professional Products Divisions were remarkably successful at maintaining relatively solid activity, thanks to e-commerce, despite the closure of almost all of their points of sale. As a result, **the Group overall has managed to outperform the beauty market over the period.** It has seen its activity accelerate month after month since April, and is progressively returning to growth.

This business resilience was made possible by several key strengths of the Group.

First of all, **our lead in the field of digital and e-commerce**, which proved to be crucial during the crisis and is now even bigger, with e-commerce growing by +64.6%<sup>(1)</sup> over the first half. **L'Oréal's performance in mainland China was also decisive**, with growth in the second quarter of +30%<sup>(2)</sup>. Finally, **the power of our brands and our major products**, which are a true refuge for consumers in these troubled times.

We must also underline the tremendous mobilisation and remarkable agility of our teams throughout the world.

At the same time, **the Group was able to deliver results that demonstrate solid resistance:** profitability at 18% close to the annual level of 2019, limited decline in earnings per share, and overall a very well preserved profit and loss account, with a high gross margin, lower costs, and investment in research and business drivers maintained in relative value.

**We approach this second half with lucidity, confidence and resolve.** Lucidity because the global health crisis is unfortunately not over. Confidence because consumers' appetite for beauty is intact, access to points of sale should be easier going forward, and e-commerce will continue to get stronger. And finally, resolve because in this second half of the year, we are embarking on an aggressive plan of new product launches and business drivers to stimulate, in partnership with our retail partners, the return of the consumption of beauty products. **We are therefore determined to outperform the market, find again the path to growth if the sanitary conditions allow it, and deliver solid profitability.”**

(1) Sales achieved on our brands' own websites + estimated sales achieved by our brands corresponding to sales through our retailers' e-commerce websites (non-audited data).

(2) Like-for-like: based on a comparable structure and identical exchange rates.

Sales at  
30 June 2020

€13,07  
Bn

-11.7%  
like-for-like<sup>(1)</sup>  
and based  
on reported  
figures

+64.6%  
growth in  
e-commerce<sup>(2)</sup>

+17.5%  
growth  
continues  
in China<sup>(1)</sup>

More information [loreal-finance.com](https://www.loreal-finance.com)

## News

### L'Oréal Signs Agreement to Acquire Thayers Natural Remedies

L'Oréal announced in June the signing of an agreement to acquire Thayers Natural Remedies, a US-based natural skincare brand from Henry Thayer Company. The brand will be integrated into L'Oréal's Consumer Products Division.

Headquartered in Easton Connecticut, Thayers Natural Remedies has a strong skincare heritage and offers a portfolio of high-quality products including toners and astringents. Founded in 1847 by Doctor Henry Thayer, the brand is best known for its iconic Witch Hazel Aloe Vera Formula Facial Toner, a bestselling product popular among a diverse group of consumers.

The brand has expanded its distribution from natural grocery stores to a multichannel strategy, which includes mass and beauty retailers, drugstores and e-commerce.

Thayers Natural Remedies recorded sales of US \$44 million in 2019.



### L'Oréal launches a second employee share ownership plan

In 2018, for the first time in its history, L'Oréal offered its employees to buy Group shares on preferential terms. Following the success of the first plan and to reaffirm its confidence in the future, the Group wishes to once again offer this opportunity to its employees in 2020. With this new plan, L'Oréal is demonstrating a twofold ambition: uniting and federating around its values, objectives and strategy, and involving employees in the Group's development.

(1) Like-for-like: based on a comparable structure and identical exchange rates.

(2) Sales achieved on our brands' own websites + estimated sales achieved by our brands corresponding to sales through our retailers' e-commerce websites (non-audited data).

# Annual General Meeting

“THE SINGLE MOST SIGNIFICANT ASPECT OF YOUR GROUP’S PERFORMANCE IN 2019 WAS THAT IT MADE US STRONG AND FULLY EMPOWERED AS WE ENTERED THIS CRISIS.”

**JEAN-PAUL AGON**  
*Chairman and Chief Executive Officer  
of L’Oréal*



Watch the video highlights on  
[loreal-finance.com](http://loreal-finance.com)



*Given the exceptional context related to the Covid-19 pandemic, the Annual General Meeting of L’Oréal shareholders was held on Tuesday 30 June 2020 behind closed doors at the Group’s head office in Clichy, and broadcast live on the [www.loreal-finance.com](http://www.loreal-finance.com) website.*

**“In 2019, L’Oréal experienced its highest growth in twelve years and outperformed a particularly dynamic market.** Historically, our growth is the result of a winning strategy of concentrating our resources and our energy on the six growth drivers that are the most powerful in the market: Asia, luxury, dermocosmetics, skincare, e-commerce and Travel Retail. Although some of these drivers have been momentarily affected by the Covid-19 crisis, we are convinced they will return to growth, because they are driven by underlying trends.

The single most significant aspect of your Group’s performance in 2019 was that it made us strong and fully empowered as we entered this crisis. Right from day one, **protection and solidarity** have been the two watchwords guiding all our actions. Our absolute priority has been to take all the necessary measures to protect the health of our employees in each country in which we operate, and to ensure their economic security. Our second watchword has been solidarity. Solidarity with the healthcare workers to whom we owe so much, with our customers who we have supported, with those of our suppliers who are most fragile, and with the people who are most vulnerable.

I have been impressed by the extraordinary mobilisation of our teams in standing together with those who need it most, and thus making a tremendous contribution to the collective effort. It is also thanks to their commitment and resilience that we have successfully maintained our activity over the last few months. **Despite the crisis, we are ready and able to maximise all growth opportunities,** wherever they are, and to continue to win market share. This spirit of ambition and resolve is the key to everything we do. It enables us to continue to outperform the market in troubled times.

**Everywhere we look, there are signs of an upturn in cosmetics consumption.** In China, the first country to emerge from the crisis, the market is growing again, and I have no doubt that this trend will take hold worldwide. In 42 years at L’Oréal I have experienced and managed numerous crises; I know that the beauty market is highly resilient and will return to growth. The appetite for beauty products remains intact.

If we are traversing this crisis with a degree of serenity, that’s because L’Oréal was fully prepared to tackle it. Well prepared because your Group has **strong and widely recognised brands** that are reassuring for consumers.

And also well prepared because your Group is a **leader in both digital and e-commerce,** which is clearly the distribution channel of the 21<sup>st</sup> century. We were also well prepared to cope with this kind of challenge because your Group has a **healthy and solid financial situation.** And lastly, we were well prepared because we are **strategically concentrated and operationally decentralised.** This is a huge advantage when taking measures tailored to the specifics of each country. It has enabled us to be quick and agile in making the most of all opportunities.

That is why **I am resolutely confident in the future of your company** and, despite the uncertainties the world is currently facing, I am absolutely convinced that the new decade will be exciting, inspiring and full of opportunities for L’Oréal. I am confident about the future of your company because our corporate mission statement is clear. Our sense of purpose, our values and our commitments have never been as relevant as they are today. They also provide a strong mainstay in the current unpredictable and changing environment.”

## ALL RESOLUTIONS VOTED UPON WERE ACCEPTED BY LARGE MAJORITIES

### ORDINARY RESOLUTIONS

- Approval of the 2019 parent company financial statements **99.99%**
- Approval of the 2019 consolidated financial statements **99.99%**
- Allocation of the Company's net income for 2019 and setting of the dividend **99.95%**
- Appointment of Mr Nicolas Meyers as a Director **98.85%**
- Appointment of Ms Ilham Kadri as a Director **94.50%**
- Renewal of Ms Béatrice Guillaume-Grabisch's term of office as a Director **94.99%**
- Renewal of Mr Jean-Victor Meyers' term of office as a Director **94.88%**
- Approval of the information on the remuneration of each of the corporate officers required by Article L. 225-37-3 I of the French Commercial Code **95.86%**
- Approval of the fixed and variable components of the total remuneration and benefits of any kind paid during the 2019 financial year or allocated for that year to the Chairman and Chief Executive Officer, Mr Jean-Paul Agon **94.41%**
- Approval of remuneration policy for corporate officers **97.45%**
- Authorisation for the Company to buy back its own shares **99.46%**

### EXTRAORDINARY RESOLUTIONS

- Authorisation given to the Board of Directors to reduce the share capital by cancelling the shares acquired by the Company under article L.225-209 of the French Commercial Code **99.82%**
- Authorisation granted to the Board of Directors to carry out free grants of existing shares and/or shares to be issued with cancellation of shareholders' preferential subscription rights to employees and executive officers **97.46%**
- Delegation of authority to the Board of Directors for the purpose of carrying out a capital increase reserved for employees with cancellation of shareholders' preferential subscription rights **98.89%**
- Delegation of authority granted to the Board of Directors for the purpose of carrying out a capital increase reserved for categories of beneficiaries consisting of employees of foreign subsidiaries, with cancellation of preferential subscription rights, within the framework of an employee share ownership plan **98.88%**
- Amendment to Article 8 of the Articles of Association on the number of Directors representing the employees **100%**
- Powers for formalities **100%**

## APPOINTMENT OF TWO NEW DIRECTORS



**Nicolas Meyers**, son of Françoise Bettencourt Meyers and Jean-Pierre Meyers. His appointment recognises the family's unstinting loyalty to L'Oréal. Nicolas brings to the Board of Directors not only his knowledge and deep attachment to the company, but also his keen interest in new technology and his international openness.



**Ilham Kadri**, Chairwoman of the Executive Committee and CEO of Solvay. A committed scientist with an international career in industry stretching back more than twenty years, Ms Kadri brings to the L'Oréal Board her knowledge of the manufacturing sector, her varied experience acquired in the USA, Europe, the Middle East, Africa and Asia, as well as her strategic, innovation-centric vision.

# €3.85

Dividend per share  
maintained, i.e. €4.23  
for registered shares<sup>(1)</sup>

<sup>(1)</sup> For shares held continuously in  
registered form for at least two years.

# Highlights

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The Annual General Meeting of 30 June 2020, was an opportunity to present the results of the first generation of sustainable development goals for L'Oréal as well as the Group's vision of the future. Discover an overview of L'Oréal's new ambition for 2030 in terms of sustainable transformation, "L'Oréal for the Future".

***"Since 2013, when we launched our first sustainable development programme, the world has changed. The scale of the challenges we are facing is unprecedented. Our ambitions must be in line with these challenges. We must not do better, we must do what is needed."***



**ALEXANDRA PALT**  
*Chief Corporate Responsibility Officer  
and Executive Vice-President of the Fondation L'Oréal*

## L'ORÉAL FOR THE FUTURE

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**Global warming and environmental changes will lead to potentially permanent degradation of human and natural habitats. Sea levels, melting glaciers, ocean warming and acidification as well as extreme weather events are on the rise. With higher stakes must come stronger commitments.**

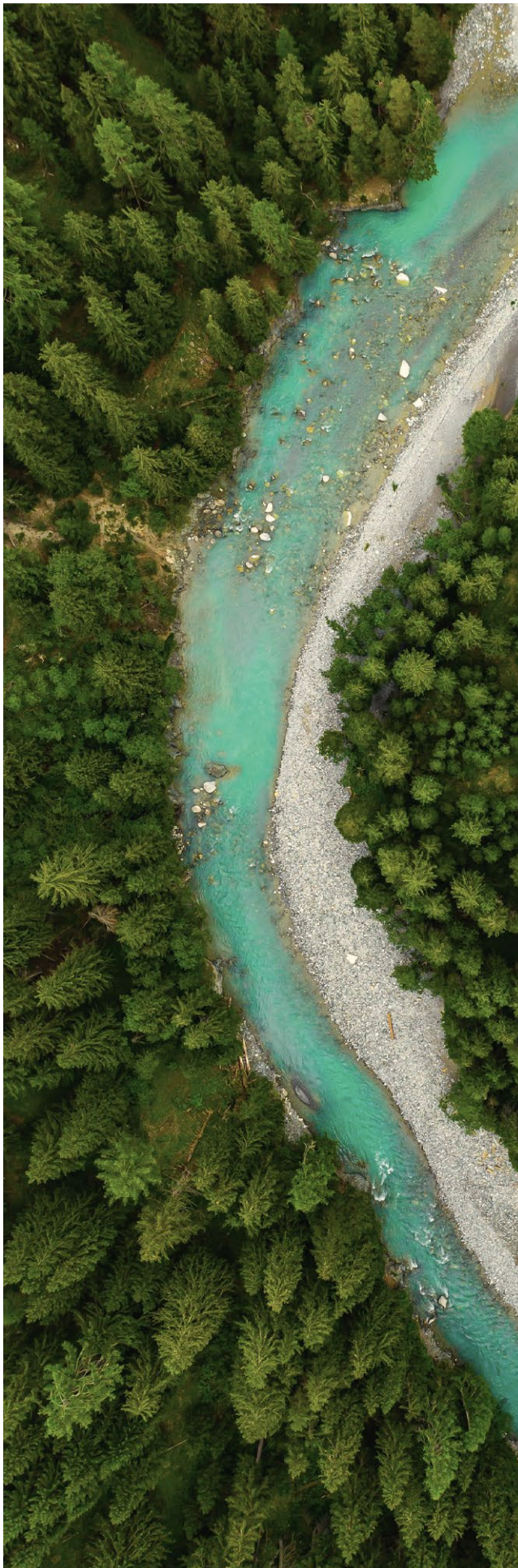
**The "L'Oréal for the Future" programme embodies the two complementary dimensions of what corporate responsibility means to us: transforming our company towards an increasingly sustainable business model, and contributing to solving the challenges facing the world.**

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### **Transforming our activities to respect the planet's limits**

It is no longer enough for companies to reduce their environmental impact with objectives that are "self-set". At L'Oréal, **our commitment is to ensure that our activities are respectful of the so-called "Planetary Boundaries"**, meaning what the planet can withstand, as defined by environmental science. In order to reconcile our needs with the preservation of a resource-limited planet, we are raising the bar and implementing a new internal transformation programme. Unlike the first programme, our new commitments will not just focus on our direct impact. They will also tackle our indirect, extended impact, related, for example, to the activity of our suppliers and the use of our products by consumers.

**All of the Group's new targets for 2030 were set in accordance with the Science-Based Targets rationale**, which encourages companies to commit to a voluntary transition towards a low carbon economy and to establish targets that are in line with what climate science says is necessary to follow the 1.5°C trajectory. This methodology was developed to set common international standards for climate-related issues. At L'Oréal, we decided to adopt a similar approach in defining our water, biodiversity and natural resources targets: they have all been set in accordance with what scientific experts demand and what our planet needs.



## Contributing to solving the challenges of the world

Over the past years, expectations as to what the role of companies should be have changed dramatically. At L'Oréal, we want to take on greater responsibility, go beyond the mere transformation of our business model. With our new sustainability programme, we want to demonstrate that companies can be part of the solution to some of today's most pressing environmental and social challenges. For this reason, we are allocating **100 million euros** to impact investing dedicated to the **regeneration of ecosystems and the development of the circular economy**, and **50 million euros** to a charitable endowment fund **to support highly vulnerable women**. If we are to build a sustainable and inclusive world, we must support those who are struggling socially or economically, but also focus on preventing climate change and the erosion of biodiversity, which threaten to even more profoundly shake our lives, our societies and our economies, once again with women as the first victims.

### A strategy built on three pillars

To define and refine L'Oréal's next steps in sustainability, seven internal expert panels have been working since April 2019, coordinating independent studies and working with outside partners and civil society. The outcome is **a strategy with measurable, time-bound impact reduction targets<sup>(1)</sup>** that will guide our internal transformation, that of our stakeholders and our contribution to urgent social and environmental needs.

## 1 TRANSFORMING OURSELVES AND RESPECTING PLANETARY BOUNDARIES

- Fighting climate change
- Managing water sustainably
- Respecting biodiversity
- Preserving natural resources

## 2 EMPOWERING OUR BUSINESS ECOSYSTEM HELPING IT TRANSITION TO A MORE SUSTAINABLE WORLD

- Building a more inclusive society
- Informing consumers so they can take action

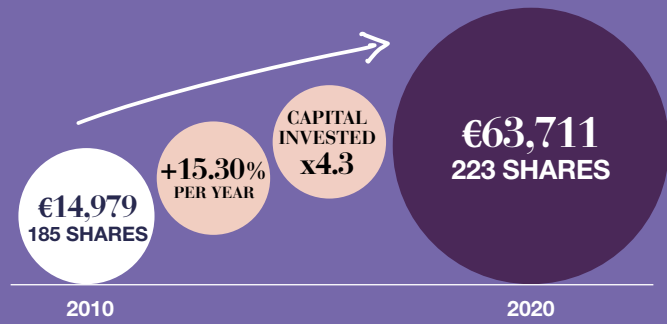
## 3 CONTRIBUTING TO SOLVING THE CHALLENGES OF THE WORLD BY SUPPORTING URGENT SOCIAL AND ENVIRONMENTAL NEEDS

- Supporting highly vulnerable women
- Contributing to the regeneration of nature
- Taking our commitment to promote a circular economy to a new level

(1) More detail on our measurable targets for 2030 in terms of water, climate, biodiversity and resources on [www.loreal.com](http://www.loreal.com), Commitments & Responsibilities / For the Planet section

## TOTAL SHAREHOLDER RETURN<sup>(1)</sup>

Amongst the various economic and financial measures of value creation, L'Oréal prefers Total Shareholder Return (TSR). This indicator is based on a range of criteria, including the share price and revenue received in the form of dividends (excluding taxes on capital gains and dividends, based on the closing share price on 30 June 2020).



### HYPOTHESIS

Total Shareholder Return over 10 years, for €15,000 invested in L'Oréal shares, including reinvestment of dividends, excluding bank charges and tax.

### TOTAL ANNUAL RETURN

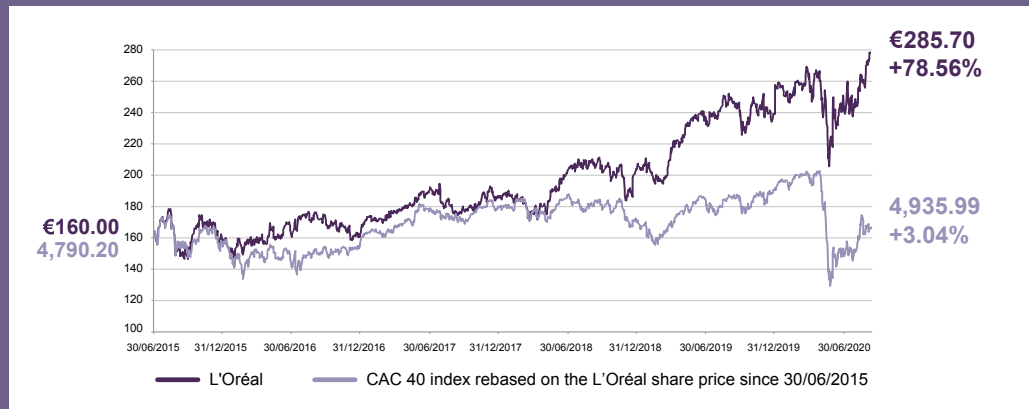
Based on the share price on 30 June 2020

<b>+13.9%</b> over 5 years	<b>+15.3%</b> over 10 years	<b>+7.6%</b> over 20 years
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<sup>(1)</sup> Total Shareholder Return of the investment, assuming that the shares are sold at the closing price on 30 June 2020.

## OVER 5 YEARS, THE L'ORÉAL SHARE HAS OUTPERFORMED THE CAC 40 INDEX

L'Oréal vs CAC 40 from 30 June 2015 to 30 June 2020<sup>(1)</sup>



**+78.56%**  
Change in the L'Oréal share price from 30 June 2015 to 30 June 2020

**+3.04%**  
Change in the CAC 40 index from 30 June 2015 to 30 June 2020

<sup>(1)</sup> CAC40 index rebased on the L'Oréal share price since 30/06/2015 // Source: Thomson Reuters Eikon, share price on 30/06/2020.

## A TEAM THAT IS ATTENTIVE TO SHAREHOLDERS' VIEWS

### CHRISTIAN MUNICH

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### ANGÉLIQUE FRUCHTENREICH

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## KEY DATE

**22 October 2020:** sales at 30 September 2020

For other key dates, please visit our website : [loreal-finance.com](http://loreal-finance.com)

## INDIVIDUAL SHAREHOLDER CONSULTATION COMMITTEE

Each year, one-third of the members of the Individual Shareholder Consultation Committee is renewed.

**If you would like to join the committee,** please apply on our website: [loreal-finance.com/eng/consultation-committee](http://loreal-finance.com/eng/consultation-committee)

## THE CONNECTED SHAREHOLDER

Download the L'Oréal Finance app<sup>(1)</sup> and keep up to date with live news about your company.



To receive the Letter to Shareholders by e-mail, fill in your e-mail address at: [loreal-finance.com/eng/keep-informed](http://loreal-finance.com/eng/keep-informed)

<sup>(1)</sup> Available for free on the App Store and Google Play.

