

L'ORÉAL
FINANCE

The letter

TO SHAREHOLDERS

NO.77-AUTUMN/WINTER 2020

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L'ORÉAL

Message from the Chairman

“ THE GROUP WAS ABLE TO RETURN TO GROWTH AS SOON AS THIS THIRD QUARTER THANKS TO THE DETERMINATION AND THE RELEVANCE OF ITS STRATEGIC CHOICES. ”

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



“In the context of the ongoing epidemic crisis, L'Oréal's absolute priority continues to be to protect the health of all its employees worldwide.

The Group was able to return to growth as soon as this third quarter thanks to the determination and the relevance of the strategic choices taken in all Divisions and geographic Zones.

After a first half marked by a crisis of supply, linked to the closure of points of sale around the world, **L'Oréal put everything in place, as early as June, to stimulate demand for its brands and products and to re-engage all its business drivers.** All of the launches initially planned went ahead, business drivers and media investments were strengthened, and “Back to Beauty” plans were deployed with our distribution partners everywhere, in brick-and-mortar and

e-commerce, to stimulate the return to consumption. This return to growth is evidence of consumers' robust appetite for beauty products and our innovations. It is also the fruit of the remarkable commitment of all the teams, who were mobilised in all areas of the Group and in all countries.

All these initiatives enabled us to significantly outperform a beauty market which is still on the road to recovery.

The Professional Products Division posted its best quarter in many years, thanks to the reopening of salons and the acceleration of e-commerce. Despite its extensive exposure to the makeup category, the Consumer Products Division returned to growth thanks to a number of commercial operations. L'Oréal Luxe significantly outperformed its market thanks to a very strong launch plan and its unique

portfolio of complementary brands. Finally, the Active Cosmetics Division achieved a record quarterly growth, driven by the remarkable success of all its brands. All Divisions were able to seize market opportunities, particularly in the skincare category, where our brands are on the offensive. The teams also harnessed the power of e-commerce⁽¹⁾, which grew at a rate of +61.6%⁽²⁾.

In geographic terms, North America and all of the new markets returned to growth in this quarter, with remarkable performances in certain countries, such as China and Brazil.

As a result, in a sanitary environment which remains difficult and uncertain, **our performance in the third quarter strengthens our ambition to achieve like-for-like growth for the second half, and to deliver solid profitability.”**

Sales at 30 September 2020

€ **20.11**
Bn

-7.4%
like-for-like⁽²⁾

-8.6%
based on reported figures

+61.6%
growth in e-commerce⁽¹⁾

More information on loreal-finance.com

(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.



Barbara LAVERNOS, Chief Research, Innovation and Technologies Officer
Antoine VANLAEYS, Chief Operations Officer

L'Oréal Executive Committee Nominations

Barbara Lavernos, currently EVP, Chief Technologies & Operations Officer, will lead a new Department including Research, Innovation and Technologies, as of 1 February 2021. She will be succeeded in her current role by **Antoine Vanlaeys**. This appointment results from the wish expressed by **Laurent Attal**, EVP Research & Innovation, to retire at the beginning of February 2021, following a very rich career of over 34 years with the Group. To succeed him, Jean-Paul Agon has decided to appoint Barbara Lavernos, who will continue leading Information Technologies (IT) and the major Beauty Tech transformation project. Antoine Vanlaeys, current Operations Director for the Asia Pacific Zone, will succeed Barbara Lavernos as Chief Operations Officer. As such, he will join the Group's Executive Committee.

L'Oréal announces new organisation of geographic Zones

L'Oréal has decided to change the geographical scope of some of its Zones following the departure of **Jochen Zaumseil**, President of the Asia Pacific Zone, who has expressed the wish to retire on 1 January 2021. In order to give greater coherence to each Zone, the following decisions have been taken: the North Asia Zone will regroup Mainland China, Hong Kong, Taiwan, Japan and South Korea. The Zone will be led by **Fabrice Megarbane**, in addition to his current duties as CEO of L'Oréal China and member of the Executive Committee. South Asia and the Middle East/North Africa Zone will be joined to create the SAPMENA Zone (South Asia Pacific – Middle East – North Africa). This important new Zone will be entrusted to **Vismay Sharma**, who will join L'Oréal's Executive Committee. An Indian national, Vismay joined the Group in India in 1994, where he has led both the Consumer

Products and Professional Products Divisions. In 2012 he was appointed CEO for L'Oréal Indonesia. Since 2016 he has been CEO for L'Oréal in the UK and Ireland. A new Sub-Saharan Africa Zone will be entrusted to **Burkhard Pieroth**. Of German nationality, Burkhard joined L'Oréal in 2017 after a previous experience with Procter & Gamble. Since 2018 he has been General Manager for Emerging Markets, also for the Consumer Products Division. In addition, in order to animate this new organisation, enable transversal synergies and strategise global growth, the Group has decided to create the role of Chief Global Growth Officer, to which all Zone Presidents as well as the Travel Retail business will report. This position will be entrusted to **Frédéric Rozé**, currently President of the Americas Zone and member of the Executive Committee.

L'Oréal Among Top 10 in Refinitiv 2020 Diversity & Inclusion Index Top 100 Ranking

L'Oréal has been named one of the world's top 10 companies by the 2020 Refinitiv Diversity & Inclusion Index that ranks the top 100 organisations globally on a wideranging set of Diversity & Inclusion metrics among the over 9,000 international organisations it assesses. At number 6 on the list, this is the Group's highest-ever ranking for Diversity & Inclusion, after placing 12th in 2019 and 8th in 2018.



The companies in the ranking are evaluated on an extensive array of criteria. Refinitiv bases its scores on 24 Diversity & Inclusion indicators that make up four key pillars: Diversity, Inclusion, People Development and News & Controversies.



L'ORÉAL ANNOUNCES THE SUCCESSION OF JEAN-PAUL AGON AS CHIEF EXECUTIVE OFFICER FROM 1 MAY 2021

L'Oréal's Board of Directors met in October 2020 under the chairmanship of Jean-Paul Agon. Following the recommendations of the Appointments and Governance Committee, the Board decided on new governance and a succession plan at the head of the Group. As the Company's articles of association do not provide for any exception to the legal retirement age of 65 years, Jean-Paul Agon must hand over his duties as Chief Executive Officer before July 2021.

In this context, the Board of Directors announced its intention to dissociate the functions of Chairman and Chief Executive Officer. **The Board announced its intention to renew Jean-Paul Agon's mandate as Chairman**, a position he has held since 2011, **and to appoint Nicolas Hieronimus as Chief Executive Officer.**

Nicolas Hieronimus joined L'Oréal 33 years ago and has spent all his career with the Group, in many countries and Divisions. He has been Deputy CEO in charge of Divisions since 2017.

Sophie Bellon, Chairwoman of the Appointments and Governance Committee and independent director commented: *"Our Committee has been working for more than eighteen months on the future governance of L'Oréal and the succession plan of Jean-Paul Agon as CEO, in an approach that we wanted to be forward-looking, objective and demanding. After studying the Group's major challenges for the coming years, the Committee selected several candidates, both men and women, with the skills and personal qualities to meet these challenges successfully. The Committee then interviewed them. Nicolas Hieronimus emerged as the*

most legitimate candidate to succeed Jean-Paul Agon as Chief Executive Officer. His appointment was therefore recommended to the Board, with the full agreement of Jean-Paul Agon."

The Board of Directors is delighted to be able to count on Jean-Paul Agon as Chairman and is keen to pay tribute to him when the time comes. The Board would like to thank him warmly for his 15 years as the Group's CEO. Jean-Paul Agon imagined the future of beauty and fundamentally transformed the company to adapt it to the challenges of its time, while remaining faithful to L'Oréal's core fundamentals.

The Board of Directors is convinced that the proposed organisation will guarantee the sustainability of the performance, values and commitments of the Group, as well as the quality of its governance. The Board of Directors and Nicolas Hieronimus will benefit from Jean-Paul Agon's successful and recognised experience in both positions. The Board of Directors will be able to count on his expertise in matters of governance to meet the growing expectations of the Group's stakeholders. Nicolas Hieronimus will be able to count on the advice of

Jean-Paul Agon, in the framework of rich exchanges based on the relationship of trust established between them over many years.

Furthermore, in his exchanges with the Appointments and Governance Committee, **Jean-Paul Agon, with the agreement of the Board of Directors and the full support of Nicolas Hieronimus, wished to maintain the role of Deputy CEO**, a position held by Nicolas Hieronimus at his side since 2017. **Barbara Lavernos, who will lead Research, Innovation and Technologies from February 2021, will be appointed Deputy CEO on 1 May 2021.**

Commenting on these decisions, Jean-Paul Agon said: *"At my request, the Appointments and Governance Committee started working very early, on an in-depth process to select the new Chief Executive Officer, which it conducted in an exemplary manner.*

Nicolas Hieronimus is an inspiring leader who has all the qualities required to be the CEO of L'Oréal. *His great sensitivity to the needs and expectations of consumers, his perfect understanding of the spirit of the times, his marketing experience of beauty in all channels, countries and categories, his intimate knowledge*

of the Group's brands and his ability to unite and engage teams make him the best candidate to lead L'Oréal. Nicolas Hieronimus is also perfectly prepared for the role, given an exemplary career of more than 30 years within the Group with major successes, most notably at the helm of the L'Oréal Luxe Division. For the last 3 years, he has played a key role by my side as Deputy CEO, to animate our operational Divisions, especially in the period of crisis that we have been traversing for several months. He has the Board of Directors' full confidence, and as well as my own. **Given her background, skills and personal**

qualities, Barbara Lavernos is perfectly equipped to take on the strategic role of Deputy CEO. With her appointment, Research is placed at the highest level of the Group, confirming its critical role for L'Oréal. The new Direction, combining R&I and Technologies will be the cradle of the Group's great inventions for the future. These changes reflect a spirit of great continuity, to which L'Oréal has always been attached. **I am convinced that Nicolas Hieronimus will lead our Group to new successes, with the full support of the 88,000 employees of L'Oréal.**

As Chairman, I will be delighted to continue to serve the future of L'Oréal and to pursue our ambition of economic and financial performance, and environmental, social and ethical exemplarity."

These changes will take effect on 1 May 2021 by decision of the Board of Directors at the meeting to be held following the company's Annual General Meeting on 20 April 2021, a General Meeting that will notably be called upon to appoint Nicolas Hieronimus as director and to approve the remuneration policy corresponding to the new organisation.

“ I AM CONVINCED THAT NICOLAS HIERONIMUS WILL LEAD OUR GROUP TO NEW SUCCESSES, WITH THE FULL SUPPORT OF THE 88,000 EMPLOYEES OF L'ORÉAL. ”



NICOLAS HIERONIMUS

A graduate from ESSEC, in 1985, Nicolas Hieronimus joined L'Oréal in 1987 as Product Manager. He became marketing Director for the Laboratoires Garnier in 1993. In 1998, he became General Manager of the Garnier Maybelline Division in the UK. In 2000, he was named General Manager, L'Oréal Paris France, and then International General Manager for L'Oréal Paris. In 2005, he became General Manager of L'Oréal Mexico. In 2008, Jean-Paul Agon appointed him as General Manager of the L'Oréal Professional Products Division. In January 2011, he was appointed President L'Oréal Luxe, a role that he held until the end of 2018. In 2013, he took up the position of President Selective Divisions (Luxury, Active Cosmetics, Professional Products). He was named Deputy CEO in charge of Divisions in May 2017.



BARBARA LAVERNOS

Engineer by training, Barbara Lavernos is a graduate of l'École des Hautes Études d'Ingénieur (HEI France). Barbara Lavernos joined L'Oréal 29 years ago as a purchaser in the Aulnay plant and then became head of procurement of the Ormes makeup and fragrance factory and Plant Director of the Rambouillet factory in France. In 2004, Barbara Lavernos became Global Chief Procurement Officer for the L'Oréal Group. In 2012, she was named Managing Director of the Travel Retail business worldwide. In 2014, Jean-Paul Agon appointed her Chief Operations Officer, and member of the Executive Committee. She manages the whole value chain from packaging design, sourcing, manufacturing to the worldwide supply chain. Barbara also leads the Group's Global Information Technology (IT) strategy and heads for the global IT teams as part of the Beauty Tech transformation project. She will become President of Research, Innovation and Technologies from February 2021.



The second Investir Day embraced innovation with a 100% digital format: three live broadcasts gave participants the chance to get information on the financial markets, exchange views with the directors of listed companies and find out more about their growth strategies and prospects. The 2020 event was dedicated to companies focused on protecting the environment and the climate, or working to have a social impact – all topics of increasing importance to shareholders, savers and the general public. As one of the event’s partners, L’Oréal was represented by three of its Executive Committee Members, who joined the line-up of speakers.



CHRISTOPHE BABULE

**Executive Vice-President,
Chief Financial Officer
L’Oréal: Sustainable Finance**

“A few months ago, L’Oréal announced new sustainable development targets for 2030. We believe that value creation must exist for all our stakeholders and must combine economic and non-financial performance. **Investing in non-financial aspects is about investing for the future and giving ourselves a long-term competitive advantage.**

Investing in areas such as the circular economy or plastics recycling forces us to innovate. The Group has, for example, invested in companies such as Carbios, which is developing new processes to speed up plastics recycling. **It is our ambition to ensure that L’Oréal is not only the beauty leader but also a leader in terms of sustainable development.**

Moreover, we have recently created the position of Director of Sustainable Finance to coordinate all our financial activities, from expertise in impact investing to incorporating carbon costs into the economic equation, and enable all our managers to take informed decisions. It’s therefore a matter of coordinating everyone’s efforts so that we achieve the sustainable development targets we have set for 2030.

Getting results in this area is a source of pride for all Group employees, and a key motivating factor on a day-to-day basis.”



ALEXANDRA PALT

**Executive Vice-President,
Chief Corporate Responsibility
Officer and L'Oréal Foundation
L'Oréal's commitment to Sustainable
Development**

"In 2013, L'Oréal launched its first sustainable development programme, which meant committing to a fundamental transformation in the business. **Jean-Paul Agon was quick to drive things forward and the Group has made considerable progress over the last eight years.**

Today, with 'L'Oréal for the Future', which sets out our sustainable development commitments for 2030, we have relied on the findings of environmental science on the state of the planet and what we need to do in response to the most urgent challenges. As a result, **our new targets are aligned with scientific knowledge.** It means, for example, that all our sites will be carbon neutral by 2025, 100% of our plastics will come from recycled or biosourced materials and 95% of our ingredients will be plant-based or produced using biotechnologies or green chemistry by 2030.

In terms of packaging, we will continue to produce lighter packs and reduce the amount of plastic we consume. At the same time, **we need to respond to this type of issue through innovation.** Shampoo bars, for example, produce a significantly smaller environmental footprint both in terms of packaging, which is made from cardboard only, and water consumption. **The next step is to tackle the carbon emissions produced by consumers,** since the biggest impact generated by using shampoo or shower gel is the energy needed to heat the water."



LUBOMIRA ROCHET

**Chief Digital Officer
Digital: the fuel for growth**

"Digital and e-commerce in particular have grown steadily over the last few years because as early as 2014 we began investing in technologies, hiring digital teams, and training our sales teams. As a result, we are now enjoying a comfortable boost from e-commerce, which is especially welcome in the context of the Covid-19 pandemic. We recorded remarkable growth rates in Spain, Brazil, Japan, the United States and Europe. **We believe e-commerce will continue to be a significant source of growth in the years to come.**

Thanks to technology developed by ModiFace, the global leader in augmented reality as applied to beauty, which we acquired in 2018, consumers can now virtually try on makeup and hair colour shades with realistic results. The technology is available on all our websites, via our distributors and in brick-and-mortar stores.

At the end of September 2020, e-commerce accounted for nearly 24% ⁽¹⁾ of Group sales— a significant jump of over 60% ⁽²⁾.

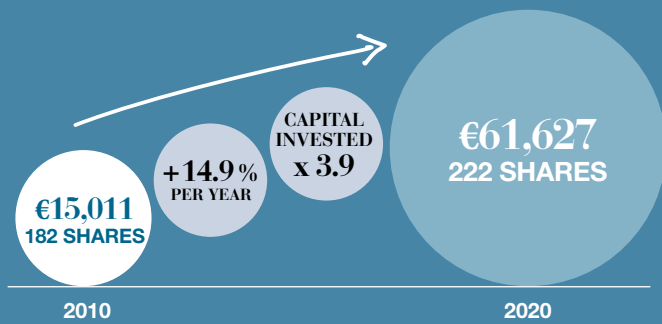
New forms of e-commerce have taken hold, such as social commerce, a very interactive, real-time online sales approach featuring influencers or consumers filming live product reviews, which incite viewers to buy. Social commerce is growing outside of China on Instagram, Facebook, YouTube and Snapchat and it coincides nicely with our product categories."

(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.

TOTAL SHAREHOLDER RETURN ⁽¹⁾

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 September 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

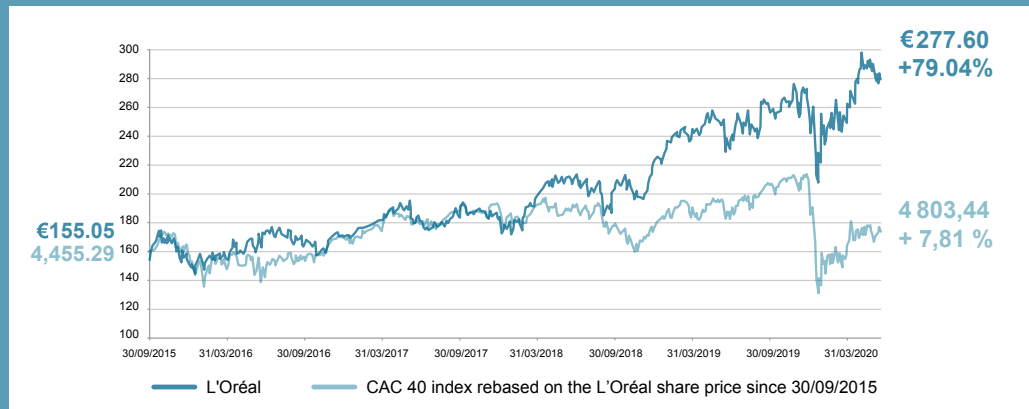
Based on the share price on 30 September 2020



⁽¹⁾ Total Shareholder Return of the investment, assuming that the shares are sold at the closing price on 30 September 2020.

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

L'Oréal vs CAC 40 from 30 September 2015 to 30 September 2020 ⁽¹⁾



+79.04%
Change in the L'Oréal share price from 30 September 2015 to 30 September 2020

+7.81%
Change in the CAC 40 index from 30 September 2015 to 30 September 2020

⁽¹⁾ CAC40 index rebased on the L'Oréal share price since 30/09/2015 // Source: Refinitiv, share price on 30/09/2020.

A TEAM THAT IS ATTENTIVE TO SHAREHOLDERS' VIEWS

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AGENDA

11 February 2021: 2020 Annual Results

For other key dates, please visit our website: 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

THE CONNECTED SHAREHOLDER

Download the L'Oréal Finance app ⁽¹⁾ 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

⁽¹⁾ Available for free on the App Store and Google Play.

