

L'Oréal (U.K.) Limited
(Registered Number: 00271555)

Annual Report and Financial Statements
For the Year Ended 31 December 2025

L'Oréal (U.K.) Limited

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L'Oréal (U.K.) Limited

Strategic Report

The directors present their Strategic Report of L'Oréal (U.K.) Limited (the "Company") for the year ended 31 December 2025.

Review of the business

The board of directors monitor the effectiveness of the Company operations by considering various key performance indicators. The main indicators are the evolution in turnover and both operating profit and post-tax profit margins. The Company also closely monitors its market shares in the categories within which it operates as well as various health, safety and environmental indicators.

The Company's principal activities are the sale and distribution, in the UK and Ireland, of beauty products, hair care, make up, fragrances and skincare under a variety of brands owned by the parent company - L'Oréal S.A.

The Company operates through four main divisions – Consumer Products, Dermatological Beauty, Luxe, Professional Products, and our products are distributed through various channels including retailers, department store chains, beauty and hair salons, wholesalers, online retailers, pharmacies and dermatology practitioners.

Turnover has increased from £1,558.8m in 2024 to £1,621.8m in 2025 up by 4% which has been driven by both value and volume related to market performance. The operating profit margin has increased by 6.1% (2024: 13.4%) from an operating profit of £241.4m in 2024 to £256.1m reflecting both turnover growth and improved cost management through operational excellence. The post-tax profit has increased from £185.2m to £194.2m in 2025 up 4.8% (2024: 9.9%).

In 2025, the beauty market grew across all categories. The shift to ecommerce witnessed during the pandemic remains, with market growth in the online business growing 3.5x faster than bricks and mortar in 2025. From a category perspective, Fragrances grew +1.2%, Hair +5.1%, Skincare +6.7% and Makeup +3.6%.

In terms of sell-out, the Company had a good performance in 2025, outperforming the market once again. At category it outperformed the market in Fragrances, Haircare and Make-up but lost share on Skincare.

In 2025 the Company integrated the Aesop UK retail business. The transfer took place on 1 October for a consideration of £34,234,000. This represents a strategic move forward in the Skincare market, within our Luxe division.

Future Developments

Following in the previous year's trend, 2025 remained dynamic and complex, with persistent inflationary pressures impacting consumer spending. We have implemented proactive strategic measures to safeguard our profitability and mitigate these external challenges. We will continue to monitor the global situation and adapt our strategies as needed.

We are confident in the market continued growth despite the macro-economic circumstances, and in our ability to continue to outperform the market.

We expect our profit margins to be maintained at healthy levels and there are no significant risks to the cash position.

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Strategic Report (continued)

Principal Risks and Uncertainties

Market and economic uncertainties - The markets in which L'Oréal (U.K.) Limited trade can be impacted by periods of economic uncertainty over an extended period of time and their impact may be unknown. Factors beyond the Company's control, including epidemic outbreaks and geopolitical issues would impact the Company and, although the Health and Beauty market has always been resilient, a significant deterioration in the general economic climate may adversely affect the Company's performance. L'Oréal manages these risks in numerous ways: policies to manage supply chains; business continuity plans; factors such as its presence in different distribution channels, especially online sales; highly responsive teams; and strong financial position, all contribute to its ability to face economic uncertainties.

Image and reputation – The Company take steps to ensure that all product advertising and claims about the effectiveness of its products, are authenticated by our Scientific Advisory team. Relationships with our customers are maintained through our Customer Services and Consumer Advisory teams. The parent company has an Ethics policy to which all employees in any of its subsidiaries are bound and there is also a dedicated intranet site, training for employees and an e-learning course.

Product quality and safety – Consumer safety is a priority. The Group's Worldwide Safety Evaluation Department evaluates the safety of raw materials and finished products to ensure they are safe for consumer use. Furthermore, once a product is on the market, safety assessments and monitoring allow corrective measures to be taken if necessary. The Group's plants are certified to the highest standards based on both local and international requirements.

Competition – The Company is subject to intense competition within the markets in which it operates. This competitive environment drives continuous innovation, enabling us to sustain and expand our market leadership. The Company expects the highest standards of ethics when dealing in such a competitive market. Each year, the Company's employees undergo training on what constitutes anti-competitive behaviour under current UK and EU legislation.

Information and cybersecurity systems – There is a risk of malfunction or breakdown in our internal systems or systems at third-party providers. Constant development of technologies and the increasing use of virtual and digital tools increases the risk on our business activities. The Company has strict rules with regard to the backups, data protection, access and security of its hardware and software systems. Every year a full disaster recovery testing process is undertaken. The Company is continually adjusting to new cyberthreats with investments in systems to detect and react to cyberattacks. Employees in the UK participate annually in online training which ensures everybody is made aware of best practice in cybersecurity. The appointment of a Data Protection Officer ensures that the data we hold complies with requirements of the UK General Data Protection Regulation and the UK Data Protection Act.

Intellectual property – The Group has a portfolio of registered trademarks. Trademarks and the products themselves may be infringed or counterfeited by others seeking to benefit illegally from their reputation and goodwill. Where the trademarks are held by L'Oréal (U.K.) Limited they are treated as a strategic asset. The Company's legal department is entrusted with the protection of these assets.

Changes in regulations – The regulatory environment in which L'Oréal operates is changing and becoming more extensive and complicated. Non-compliance with local and international regulations could lead to risk of penalty, including financial penalty and reputational damage. Through its operational and support departments, the Company monitors changes to existing regulation and aims to anticipate emerging regulation so that it can identify and plan for any potential impact on the business.

Insurance – The Company insures against all the risks that it perceives could damage its financial position or its reputational risk. This includes public, and employee liability, business interruption as well as damage to its buildings and stocks of products.

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Strategic Report (continued)

Human resources risk – L'Oréal recognises that to be a successful Company it must attract, recruit, develop and retain skilled and motivated employees. The Company works to promote inclusion, equity and ensuring all employees have the opportunity to succeed, regardless of race, ethnicity, gender, sexual orientation, socio-economic status, age, disability, religious beliefs, political beliefs or other ideologies.

The Company acknowledges that the loss of key employees can damage the effectiveness of its operations. It seeks to minimise this by offering competitive rewards and benefits packages to its employees and having strong succession planning processes.

Corporate Social Responsibility (CSR) – This broad area of risk encompasses environment and social risks, risks related to Human Rights and corruption.

Environment risks include the impact of the use of L'Oréal products, and the disposal of these products after use, for example the plastics waste generated. Environment risk will also include risks associated with climate change around the world, for example, indirect impact to the Company through the supply chain (availability of raw material and rise in prices) due to long-term climate damage and extreme weather events.

The Group have identified key Human Rights risks that it is exposed to, the main risks being:

- the Human Rights of L'Oréal employees (discrimination);
- the Human rights of L'Oréal's suppliers' employees (discrimination, forced labour, child labour);
- the Human Rights of consumers (failure in product safety and quality, loss of personal data); and
- the Human Rights of communities (stereotypes in advertising).

The Group is exposed to the risk of corruption due to its activities in many countries throughout the world. L'Oréal takes all necessary steps to ensure that it does not become involved in practices contrary to the Group's ethical principles, whether directly or indirectly, intentionally or unintentionally. Assessment of corruption risk takes place at a Group level as well as by UKI Management. L'Oréal applies a zero-tolerance policy on corruption and its anti-corruption policy applies to all employees and directors worldwide.

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Strategic Report (continued)

Stakeholder Engagement Statement

The Company fosters ongoing understanding, engagement and consideration of its stakeholders as this is essential for its long-term success. Stakeholders are considered by the Board when both making decisions and developing strategy. Engagement takes place at a Board and delegated operational level - the Board considers the latter as all presenters complete a 'Section 172 & Stakeholder dashboard' to inform the Board's understanding of and impact on relevant stakeholders and to bring their views into board meetings.

The Board specifically convened to discuss all its stakeholders to select the below key ones with relevant 2025 engagement examples (see Employee Engagement Statement for a further key stakeholder example).

Local and Wider Communities

Why they matter and how we engage

The Board is mindful of the potential (positive and negative) impact of the Company's operations, the expectations of our stakeholders, including our employees' desire for purpose and fulfilment, and the Company's responsibility to strive towards a positive impact on our local and wider communities. The Board supports the Company's commitment to strengthening community engagement (i) directly with local communities, (ii) with interaction through local councils and (iii) through charity partners with national impact.

In 2025, the Company supported over 15 charitable organisations addressing critical national issues relating to health, vulnerability, equality, diversity and inclusion. The Company engaged with 8 of these charity partners through long-term 'brand cause' partnerships, supporting more than 85,000 beneficiaries across the UK and Ireland.

One example of brand cause engagement impacting national communities is Maybelline Brave Together, a partnership with world leading UK youth charity, Ditch the Label, dedicated to destigmatising anxiety and depression while providing critical support for struggling young people aged 12-25. This partnership reflects Maybelline's belief that everyone deserves confidence in how they look and feel inside. Maybelline Brave Together contributes to improving mental health by: partnering with mental health organisations to provide access to one-on-one support; raising awareness and education levels through digital content and social media campaigns; offering free resources to help identify signs of anxiety and depression and how to seek help, including 'Brave Talk' expert developed free digital training to equip people with skills to recognise when others are struggling and how to start conversations to destigmatise mental health; and investing in research and community based programmes to support mental health professionals.

Understanding and collaborating

An example of working directly in the local community is Citizen Day, our annual solidarity initiative to strengthen our community ties by supporting local environmental and social causes, now in its 17th year, with 855 employees volunteering over 4000 hours to support 30 non-profit organisations and charity partners across London, Manchester, Dublin and Nottingham.

Another example of understanding national community concerns to take collaborative action is La Roche-Posay's partnership with Macmillan Cancer Support, with the objective of raising awareness about the skin side effects of cancer treatment and how to alleviate these with La Roche-Posay's skincare solutions. This impactful collaboration was recently honoured with a prestigious Gold Award at the Corporate Engagement Awards 2025, celebrating a campaign which effectively raised awareness about the skin-side effects of cancer treatment. The programme includes innovative initiatives such as "Gaming for Cause" 24-hour charity livestream on Twitch, conducted in partnership with a UK gamer - this event successfully engaged new and diverse audiences, including Gen Z and men, while raising crucial awareness about melanoma prevention and contributing to Macmillan Cancer Support's helpline.

L'Oréal (U.K.) Limited

Strategic Report (continued)

Our engagement in action

During Citizen Day, employees nationally supported a range of local activities, including providing approximately 100 local young people with skills workshops, preparing meals for vulnerable individuals, restoring communal green spaces and community clean-up projects to help preserve the local environment and redistributing surplus products to prepare essential care and hygiene packages for those in need.

Board members took part in Citizen Day activities, with the Corporate Affairs Director leading its organisation. Positive feedback of the benefits experienced from local partners supported across all sites was shared with employees, to demonstrate the impact of extending their skills and time to causes meaningful to them whilst building ties within local communities.

La Roche-Posay and Macmillan Cancer Support's partnership extensive and highly effective media campaign generated over 60 million impressions across various social platforms (YouTube, Meta and TikTok), significantly amplifying its reach for awareness of 16.4 million people. The campaign also leveraged the influence of two key opinion leaders (an oncologist and a Macmillan cancer survivor) bringing authentic and powerful voices to the cause. As a direct result of these efforts, 1600+ learning completions were recorded on cancer support.co.uk. Moreover, the Company's 2025 donation directly benefitted 5,280 individuals through Macmillan's vital services. This comprehensive approach underscores La Roche-Posay's dedication to finding the right partner to collaborate with to raise awareness and provide concrete support to the cancer community.

Beyond financial contributions, the partnership also facilitated the creation and delivery of more than 400 care packages to various UK hospitals, providing comfort and direct practical support to patients, including delivery by the Company's staff.

Customers

Why they matter and how we engage

Customers are at the heart of our business strategy, both driving our growth and shaping the way we deliver products and services. The Company supplies and distributes its diverse product portfolio through a wide range of customer channels, including grocers, department stores, discounters, spas, beauty and hair salons, wholesalers, online retailers, social media sellers, perfumeries, pharmacies and dermatologists. Our customer base spans from multi-national retailers to local sole traders, reflecting the size and complexity of the markets we serve.

By forging collaborative relationships with our customers, we ensure our offerings are both relevant and responsive to their evolving needs, enabling us to support thousands of small businesses, high streets and communities to thrive across the UK and Ireland. Taking the Company's Professional Products Division as a case study for 2025, we will demonstrate that we recognise how important it is to tailor our continued investment to meet the needs of several thousand hair salons to drive growth across the UK.

Understanding and collaborating

The Company understands that each customer segment has unique requirements and challenges and is committed to advancing the beauty industry through key investments. In understanding hairdressing professionals' need for convenient, local training options given time constraints, our Professional Products Division provides comprehensive training and professional development support to over 20,000 hairdressers annually through not only its bespoke academy in London, but also through a wider network of third-party satellite hubs across the UK.

Our Professional Products Division provides an example where our focus on collaboration means we work closely with customers to identify trends, address concerns and co-create solutions that deliver mutual value and business growth.

Keeping our salon community connected and empowering our professional salon partners, our Professional Products Division hosts an annual series of "Business Connects" events nationally, engaging over 900 salon owners and managers to provide industry insights and foster connections. This division also importantly cultivates artistic communities through various events and competitions, including the iconic L'Oréal Colour Trophy, the longest-running live hairdressing competition, which will host its 70th anniversary in 2026.

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Strategic Report (continued)

Our engagement in action

Our commitment to engaging with customers is demonstrated through this 2025 case study of our Professional Products Division, with its wide range of initiatives designed to drive innovation and sustainable growth. Designed to equip salons to succeed in a fast-changing market, this division continues to develop its L'Oréal Business Academy platform of rich upskilling content of essential business education, best practice guidance, training and support in areas such as digitalisation, sustainability and enhancing both client experience and operational excellence.

This division also pioneers cutting-edge beauty technology, including colour virtual try-on and advanced scalp diagnostic devices, to drive personalisation and inclusivity, ensuring products and services cater to individual consumer needs and preferences.

Additionally, through this division's 'Hairstylists of the Future' programme, with an upskilling reach of over 4000 hair professionals, the Company actively works to reduce salons' environmental impact by focusing on water, waste and carbon footprint reduction.

Further, this division demonstrates its commitment to fuelling the future workforce and skills within the hairdressing industry by engaging directly with colleges. Efforts include providing Government Accredited Colour Keys 1 & 2 - a foundational training programme for hairdressers - teaching the science and art of hair colouring, participating in career fairs, and offering support to students and lecturers.

L'Oréal Professional Products Division also actively and directly supports the industry by collaborating with charities like The Hairdressers Charity, mynewhair and Haircut4Homeless, plus sponsoring industry bodies such as the Fellowship for British Hairdressing.

These activities are part of the Company's ongoing effort to strengthen partnerships, enhance both our customer and their consumers' experiences and contribute to the positive transformation of the beauty industry.

Consumers

Why they matter and how we engage

Our Company's purpose is to create the beauty that moves the world. Our goal is to offer every consumer the best of beauty in terms of quality, efficacy, safety and responsibility as well as to support the diverse beauty requirements of our consumers to enable them to use the right brand/product for their specific needs. To achieve this, it is key to connect with and gain an understanding of our consumers nationally and across communities, their needs and concerns, as this helps the Company provide consumers with the most appropriate products, highlighting consumer unmet beauty needs and do this in the most informative, engaging and transparent way.

Understanding and collaborating

To understand our consumers, the Company carries out several studies such as attitudinal segmentations to understand how different clusters of consumer think, behave and buy differently. Consumers are interviewed on their beauty behaviours and routines, their needs and satisfaction with products; and consumers' shopping behaviours online and offline are explored and their perception of advertising communications. The Company utilises its consumer understanding to deliver beauty for all and in new ways that meet our consumers' expectations and needs.

The Company recognises that understanding and responding to the evolving needs of consumers is fundamental to its purpose and long-term success. In pursuit of this, the Dermatological Beauty Division collaborated closely with a key retail partner, Boots, leveraging shared insights together with other third-party research to deepen its understanding of UK consumer requirements. Notably, research insights identified that 71% of the UK population experiences a skin or scalp concern, and approximately one in four GP consultations relate to skin issues—underscoring the prevalence of dermatological queries in primary care settings.

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Strategic Report (continued)

Our engagement in action

To address these widespread needs and alleviate pressure on national health services, the Dermatological Beauty Division proactively partnered with high street retailers to enhance community access to everyday skin health support. This initiative included the creation and delivery of dermatologist-endorsed training to over 750 pharmacists across more than 600 stores nationwide, empowering pharmacists to provide consistent, clinically aligned advice to facilitate timely support for milder skin concerns. By equipping pharmacists with specialist knowledge, the Company enables consumers to access trusted advice locally, thereby reducing avoidable GP appointments and improving overall access to skin health resources within the community.

This approach exemplifies the Company's commitment to stakeholder engagement, ensuring that consumer needs are not only understood but actively met through innovative partnerships and targeted investment in professional development

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Strategic Report (continued)

Section 172 Statement

How the Board discharges its Section 172 duties

The Directors recognise their fiduciary duty to act in good faith and to advance the Company's long-term success, in line with the considerations set out in Section 172(1)(a) - (f) of the Companies Act 2006 (see below). To ensure a comprehensive and informed approach to strategy, opportunity and risk, the Board receives regular reminders of these obligations: director duties' training is provided; a Section 172 & Stakeholder dashboard is included in every Board pack for relevant items for directors' review; and this dashboard is referenced for relevant items when discussed. The Chair ensures that Board debates and decisions consider key stakeholders and are guided by the Section 172(1) factors:

- a. Likely long-term consequences of any decision;
- b. Company employees' interests;
- c. Fostering the Company's business relationships with suppliers, customers and others;
- d. Community and environmental impact of the Company's operations;
- e. Company maintaining a reputation for high business conduct standards; and
- f. Need to act fairly between the Company's shareholders.

This statement provides examples of three strategic decisions in 2025 illustrating how the Board promoted the Company's success in line with relevant Section 172(1) factors, which we consider to be of interest to our stakeholders.

Securing long-term success and fostering the Company's business relationships with suppliers, customers and consumers

The Board oversees the Company's strategy, values, culture, framework of governance, risk management and internal controls to promote and safeguard its long-term success. The strategic goals and objectives set are to develop the Company's business model taking account of the long-term needs of its stakeholders and financial resilience. The identification, management and maximisation of opportunities for the Company's growth are key to ensuring the delivery of the strategy over the longer term and the consideration of risk as well as key stakeholder interests plays an important part in decision making.

One example of deliberation and decision that includes consideration of long-term consequences is the Board's approval of the integration plan and timeline for the Aesop brand into the Luxe division. In the Q3 Board Meeting, the Board reviewed the critical path presented by the integration project team, noting the strategic opportunity of incorporating Aesop's distinct market position into the Company's luxury portfolio to drive future growth and leadership in the body category.

Whilst securing the long-term commercial success of the division is key, the primary focus of the Board's deliberation was the crucial requirement to harmonise this integration with the Company's "NEO" project. This project is a major strategic transformation project which includes the upgrade of our core business system SAP ECC to SAP4HANA. The Directors ensured that the integration timeline was aligned with the wider corporate transformation milestones to guarantee operational resilience and secure the long-term agility of the business.

In making this decision, the Board carefully considered the impact on suppliers, customers and employees. In particular, the Board's decision-making was heavily influenced by balancing the need to foster business relationships with suppliers and customers with the need to harmonise our processes in the context of the NEO transformation project, a critical interdependency for the Company's future operational structure. The approved roadmap prioritised service continuity to ensure a seamless transition for retail partners and consumers, thereby safeguarding the integration's contribution to the Company's long-term financial success and operational agility without disrupting key stakeholder relationships.

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Strategic Report (continued)

Community and environmental impact of the Company's operations; and securing long-term success

The identification and mitigation of social and environmental risks are key to ensuring the delivery of the strategy over the longer term. In its Q4 Board Meeting, the Board reviewed progress and approved the latest 'L'Oréal for the Future' framework, which included both a retrospective assessment of the Company's performance against 2025 social and environmental targets and the confirmation of priorities for the coming year 2026, with a view on the Company contribution toward the Group's 2030 commitments.

The Board first evaluated the Company's performance against its 2025 targets. The Directors noted that the Company was tracking well against its KPIs, specifically regarding the reduction of finished goods destruction and the lowering of CO2 emissions linked to product transport. The Board also reviewed social impact metrics, confirming that KPIs for inclusive sourcing beneficiaries were being met.

The Board's forward-looking review centred on a refreshed strategy organised around key pillars Climate, Circularity and Communities. In validating the priorities, the Directors considered the impact on the environment and the wider community. The Board assessed progress on decarbonisation efforts across the value chain, particularly regarding product transport and point-of-sale materials, alongside initiatives to drive the circular economy through refill adoption and waste reduction. Furthermore, the Board reviewed the Company's social impact strategies, including the continued support of vulnerable communities through brand causes and charitable partnerships.

In addition to social and environmental targets, the Board acknowledged how the L'Oréal for the Future framework impacts business relationships with suppliers and customers. The Directors discussed the necessity of continuing to integrate environmental targets into joint business plans with key retail partners and the importance of preparing for potential incoming regulatory requirements regarding climate disclosures. To approve the framework, the Board also had to consider its compliance obligations and maintaining its reputation as a responsible business.

Company maintaining a reputation for high business conduct standards; and safeguarding Company employees' interests

The Board is committed to fostering a culture where ethical standards are paramount. In 2025, the Compliance & Ethics Committee presented the Company's global results for L'Oréal Group's Ethics & Human Rights reporting. While the Company achieved a strong rating overall on ethical leadership, ethical climate and human rights, the Board identified an opportunity to improve employee awareness of the Company's ethics programme, Code of Ethics and related policies.

Consequently, the Board approved a robust new communication plan to be executed throughout the year. This decision was driven by the desire to maintain a reputation for high business conduct standards and to protect employee interests by ensuring a safe working environment. The approved plan involved communicating the Code of Ethics and key policies—specifically regarding "Speak Up" channels, anti-retaliation and prevention of moral harassment—to all employees four times during the year. The Board also endorsed the annual Ethics Day, co-hosted by the Company's Managing Director & Chair and Ethics Officer, to facilitate transparent dialogue on integrity, respect, courage and transparency. By prioritising these communications, the Board sought to ensure that all employees understand the zero-tolerance policy towards retaliation and feel empowered to raise concerns, thereby safeguarding the Company's ethical culture.

See also Stakeholder Engagement Statement for further examples of why our consumers and our customers are amongst our key stakeholders and how we engage with them. See also Employee Engagement Statement for further examples of how valuing the interests of our employees translated into relevant strategies.

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Strategic Report (continued)

Employee Engagement Statement

As the L'Oréal Group's fifth largest subsidiary, the Company employs 3,000+ staff across: our London headquarters; offices in Dublin and Cardiff; our distribution centres in Bury, Nottingham and Trafford; our hairdressing academy in London; sales teams in the field; and beauty advisors in UK and Ireland retail stores.

The Board understands that our people are our greatest strength and that appropriate decisions must be taken for the Company to remain a desirable place to work across all its locations and an employer of choice for all. The Board further understands that the long-term success of the Company relies on (i) an engaged, collaborative and diverse workforce bringing a range of talent, skills and experiences and (ii) an effective talent acquisition staff development and retention strategy. The Company seeks to hear and understand all voices and foster a culture in which people of every social background, gender, age, sexual orientation, disability, religion and ethnicity are not just accepted, but welcomed, included and valued.

The Company's HR strategy includes a number of initiatives which support the agenda of Employee Engagement.

Diversity, Equity and Inclusion

There are four areas where the Company has made progress in 2025 on our strategy:

- Collective Responsibility driven and embedded through business and leadership briefings;
- Enhanced Education – with 100% completion of training on inclusion at a senior leadership level and 75% across the rest of the business via our “inclusive culture” learnings. We also have UKI specific mandatory training on Equality in the Workplace which is rolled out to all staff including beauty advisors every two years, refreshed in 2024 to include new scenarios and strengthened focus on sexual harassment and our zero-tolerance approach;
- Fostering Communities through our six Employee Resource Groups (“ERGs”) who work from the grassroots to support the delivery of our strategy. The ERG governance has been further strengthened by Executive Leadership Team and HR Leadership Team sponsorship. We have also relaunched our 2025 Family Day in October 2025 with the support of our GROW ERG.
- Developed Infrastructure to understand the representation of diverse groups in the organisation through Together at L'Oréal, launched in 2024. We reached an engagement rate of 47% in 2025, +7 vs our target of 40% and + 15% vs 2024. It was identified as best practices via GEEIS 2024 renewal.

Informed by employee feedback and under the direction of our Ambassadors, the board reviewed and approved the strategic frame and focus areas for 2026. These included: approval of the refreshed strategy; supporting roadmap; review and approval of the Talent Acquisition and Talent Management strategies checking that they aligned with the strategy and with key objectives (e.g. building future leaders, new skills and capabilities, ensuring team diversity to reflect our communities and enhancing early careers); the continued roll-out of a training plan; continued salary review and increases to ensure we continue to pay the real-living wage for all employees; and a specific strategy to drive gender balance across the organisation, targeting female representation at Board and Executive Leadership level and male representation at entry and mid-level positions.

This year, we received multiple external commendations for our work, including inclusion in the Disability:IN Top Places to Work UK listing and shortlisting for the Black British Business Awards in the Rising Star category. We were shortlisted by the UnderOne Trailblazer ERG and successfully completed a GEEIS audit. L'Oréal Groupe was recognized for its long-term commitment with several top scores in the Disability Equality Index ®.

We are also delighted to announce that we have received the Disability Confident Employer (DCE) certification in 2025. [DCE](#) is a UK Government-backed programme to support employers to recruit, retain and develop employees with disabilities. It provides a clear frame and commitments for companies to meet, a set of standards that holds us to account. These recognitions affirm our commitment to actively removing barriers and empowering individuals with disabilities, from recruitment through to employment. We had to meet five key commitments, from ensuring an inclusive and accessible recruitment process, Communicating & Promoting Vacancies through Diverse Channels; anticipating and providing reasonable adjustments & supporting employees who acquire a disability or long-term health condition.

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Strategic Report (continued)

We have also obtained a Disability Index score of 100/100 from the Disability Index Audit.

Together at L'Oréal

Together at L'Oréal is a campaign which was launched in January 2024 to encourage our employees to anonymously and voluntarily disclose information about their personal background and characteristics. As of December 2025, we have 47% of our employees who have engaged with this campaign and provided their personal information. The dimensions of diversity requested are: 1) Gender Identity, 2) Race & Ethnicity, 3) Physical, Social & Mental Wellbeing, 4) Religion and Belief, 5) Parenting and Caring Responsibilities and 6) Social Mobility. The capture of this data will allow us to understand the demographic make-up of our workforce to help tailor enablement tools for different communities and define our DEI strategies around representation.

Gender Balance

The Company is committed to achieving gender balance at all levels, including senior leadership. Our UK&I workforce has 76% female representation, driven by our Beauty Advisor population which is 90.5% female. For other populations, our proportion of females is 65%. The UK&I has a gender-balanced Executive Leadership Team (56% female) and Board (40% female). We strive to maintain balance across our workforce through our Gender Balance Action plan. Over the course of 2025 we have improved gender balance through balanced recruitment shortlists, hiring manager training and gender-neutral employer brand messaging to promote equal opportunities. We have developed our female leadership through employee training and dedicated initiatives to help develop and nurture female leaders to progress to senior leadership positions. We ensure that we advocate balance across all grades and at all levels for all gender identities.

Skills & New Learning Platform

In June 2024 the Company globally launched a skills approach. This is the new language being used to talk about what our employees need to be able to do their jobs well, and to support Company growth, today and tomorrow. It is a way of equipping our people for the future and show them what skills are emerging and strategic for L'Oréal as well as for their own growth.

In the UKI, all employees attended a mandatory workshop to learn about this new initiative, and how to go about rating their role-specific skills. Moving forward, this data will be used to support succession planning and identifying skills and recruitment needs at a local level.

In September 2024, the Company globally launched a new learning management system which incorporates social learning and a greatly enhanced search functionality. Based on the skill needs that our employees identify, the platform recommends learning interventions to enhance their skills portfolio, enabling our employees to play a more proactive role in their own development plan. A specific Senior Leadership Exchange was dedicated end of 2025 to the skills of tomorrow to match with our strategic frame and growth ambition.

Business Transformations and Organisational Development

During 2025 we undertook several transformation projects to continue to ensure that our business structure adequately responds to the evolving needs of the external market. When we delivered organisational transformations this year, we have intentionally tried to implement organisational designs that reduce complexity, allowing for more meaningful managerial positions and structures which allow for the easy cascade of communications and simplified decision-making.

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Strategic Report (continued)

Enhancements to Reward & Benefits

To support our employees to manage the cost of living, the Company has deployed a combination of levers including salary increase, continuing its commitment to adhere to the Real Living Wage, and worldwide profit sharing (WPS). The Company has continued to prioritise improved transparency, selectivity and benchmarking on employees' total reward.

In 2025, the Company further expanded its employee benefits programme to ensure that it continues to reflect a changing world and gives employees flexibility and freedom to support their total wellbeing – physical, mental and financial. A suite of new voluntary benefits was introduced in the UK, including cancer screening, critical illness insurance, a salary sacrifice home technology scheme and will writing support. In Ireland, the Company introduced access to digital doctors, dental insurance and provided more flexibility with healthcare options with Bupa and Laya healthcare offers. All new and enhanced benefits were communicated to employees through email, monthly newsletters and webinars providing an opportunity interact directly with the providers.

The Company significantly enhanced access to voluntary benefits for retail colleagues since April 2024. In addition to increasing the number of benefits available, for the first time, retail colleagues were given access to the online benefits portal. With significantly enhanced visibility of all options and the ability to self-serve, retail colleagues can now better understand and avail of the support available from the Company. A comprehensive benefit guide and step-by-step instructions were updated and distributed to employees, webinars were arranged and recorded with key providers, and virtual drop-in sessions were hosted.

L'Oréal (UK) Limited has significantly enhanced its family-friendly policies and benefits to provide market-leading support for employees at every stage of parenthood. Key updates include extended paternity leave, inclusive fertility support and phased return to work to ease the transition back from maternity leave. These enhancements, complemented by emergency dependent leave and expert digital resources, underscore the Group's commitment to fostering a modern, inclusive, and supportive environment for all families.

Simplicity 2

The Company continued its Simplicity 2 programme which was launched in 2023, which aims to drive enablement in the organisation by reducing workload through simplifying processes, which are employee needs also identified through the local Pulse Survey. The programme is made of concrete solutions to streamline work processes so that employees can manage their time better and work more efficiently. 2025 saw a continued focus on the 15 streams that were launched in 2023. Two were focused on improving meeting culture and fostering psychological safety. The remaining thirteen concentrated on solving processes related to specific business areas. All designed with four different actions in mind: [1] subtracting unnecessary and time-consuming tasks, steps, and meetings, [2] easing workload with digital and tech, [3] simplifying complex or unclear processes and rules and [4] partnering with service providers to handle time-consuming tasks. The Company's People Development & Learning Team have continued to incorporate several of the Simplicity 2 themes into their ongoing learning interventions. The Executive Leadership Team conducted the Simplicity 2 Prioritization workshop in 2025 that will be cascaded to all UKI Teams in 2026.

In addition to this, below are some examples of how the Board ensures the Company:

1. Systematically provides employees with information on matters concerning them:

i. Employee Updates

In 2025 the Company has reviewed the process for all Company information cascades, to ensure that all employees receive timely information appropriate to their level and role. The updates could include topics such as vision and strategy, business performance, national and regional announcements; relevant industry or market context, HR legal updates or other challenges potentially affecting Company performance; and other matters of interest such as employee initiatives. The structure is as follows:

All employee townhalls: which are hosted live by the Company Managing Director and other members of the Executive Leadership Team, are attended by more than 1,000 employees, and provide an opportunity to gather as one company to gain key Company updates and to engage in Q&A sessions with the Company's Leadership on topics employees wish to raise.

L'Oréal (U.K.) Limited

Strategic Report (continued)

Senior Leadership Exchange (new since 2024): an in-person event, hosted by the Company's Managing Director and Chair, is attended by the top 150 leaders in the organisation. This meeting covers confidential updates e.g. financial information, country employee survey results, as well as a Q&A with the ELT and a senior level learning intervention on a topic of relevance to the leaders in the organisation (e.g. how to drive engagement in their team, overview of change management etc). These events are well attended, and feedback is very positive.

Manager Development Forum (new since 2024): this a virtual live session, hosted by a Director and HR Director together with the HR team, is attended by all people managers in the organisation. The event starts with a manager upskilling session, followed by a series of HR related updates such as policy and HR legal updates, manager responsibility updates and pulse action plan related updates.

In addition to the above, employees are also updated through divisional conferences and updates and internal communications.

ii. Internal Communications

Throughout 2025, over 70 standalone internal communications were issued to all employees to keep them informed on a wide range of topics from articulating the Company's strategic focus areas, sharing key information, initiatives and innovations, through to topics that may impact employees such as worldwide profit sharing (WPS) results, results from our annual employee survey, a reminder of our ethical commitments, important updates to our policies, data protection and more. These communications were supported by two all-employee Townhalls and our annual Ethics Day. The Company also held three in-person Townhalls specifically for senior leaders to inform them of key information they needed to know to cascade strategic updates and develop specific leadership skills.

2. Consults employees regularly to take into account their views on matters that affect their interests:

i. Employee Surveys

The Company's annual Pulse Survey tracks employee satisfaction and provides a good understanding of employee views and concerns. It also identifies the areas where improvements can be made to make the Company an even better place to work. In 2025, the action plan resulting from the Pulse feedback received ensured a continued focus on the global Simplicity 2 action plan which aims to improve workload and work processes. In addition, all divisions put together an action plan to cover specific challenges not covered by the UKI action plan, and all managers were sent an email with information on how to formulate, communicate and activate a relevant action plan, to cover any issues coming up for their specific team.

ii. Employee Resource Groups

At the Company, we have six thriving Employee Resource Groups (ERGs) that focus on topics related to inclusion, encouraging all employees to bring their whole selves to work, and to facilitate employee engagement. The ERGs are Disability and Neurodiversity, Ethnicity & Multiculturalism, Gender Equality Network, GROW (which focuses enablement for Parents & Carers), L'Oréal Proud (which focuses on the LGBTQIA+ agenda) and Mental Health and Wellbeing.

These ERGs represent employees' shared interests, needs and perspectives and bring these to the attention of the organisation to positively influence and stress-test our existing strategy and HR policies. The groups are also a source of employee support. The strengthened ERG organisational structure has dedicated roles which contribute to the running of the group, providing leadership and managerial responsibilities to develop careers. Examples of their impact include animation of Together at L'Oréal, a review of family leave and transitioning and work policies and training on LGBTQIA+ identities to drive inclusion across our corporate, retail and physical distribution sites.

L'Oréal (U.K.) Limited

Strategic Report (continued)

3. Encourages employee involvement in the company's performance

i. Employee Share Scheme, Profit Share Scheme & Bonus Scheme

L'Oréal's ambition is that all its employees should share in the results and success of each of its subsidiaries to increase motivation and strengthen their sense of belonging to the group. Consequently, a World-wide Profit-Sharing programme has been implemented in each country and has been in place at the Company for over twenty years. When annual results achieve a satisfactory level, that consistently contributes to the growing prosperity of the group, a significant sum is paid out to eligible employees. In addition, we offer an annual Employee Share Plan, "Invest for L'Oréal", which offers all employees the possibility to invest in group shares at preferential rates. In addition, for most managerial employees, 30% of the year-end bonus is earned through the collective performance of their business unit, which drives a collective stake in the overarching business performance.

L'Oréal (U.K.) Limited

Strategic Report (continued)

Non-Financial Sustainability Information Statement

In view of the climate emergency, L'Oréal Group is committed to addressing climate change and in the transformation to a low-carbon future. L'Oréal is aligned with Science-Based Targets Initiative (SBTi), including validation of the decarbonisation pathway in accordance with the requirements of the SBTi Net Zero benchmark. L'Oréal is the only company in the world to be awarded "AAA" by the CDP for the 10th consecutive year.

L'Oréal has a sustainable development programme, L'Oréal for the Future (L4TF) which sets out comprehensive and ambitious sustainability goals, including on climate action. 2025 saw a mid-term review to continue to adapt the programme to meet current and future challenges, considering latest achievements, learnings, scientific development and technological challenges. The main commitments are included within the Sustainability Report in L'Oréal's public [Universal Registration Document](#), drawn up in accordance with the Corporate Sustainability Reporting Directive (CSRD).

By integrating climate considerations into its business strategy, L'Oréal Group aims to effectively manage climate-related risks and opportunities. This includes adapting its operations, governance, and decision-making processes to actively contribute to a sustainable future. The Company, following the strategic direction of L'Oréal Group, as well as national legislation, has been taking action to decarbonise its UK activities but also anticipate adverse business effects or opportunities that are linked to climate change.

In the preparation of this section of the annual report, the Company has considered the mandatory climate-related financial disclosure requirements under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 and the Limited Liability Partnerships (Climate-related Financial Disclosure) Regulations 2022.

GOVERNANCE AND RISK MANAGEMENT

The Company previously established a Climate Risks and Opportunities (CRO) Sub-Committee, a subcommittee of the wider Risks Committee, to identify, assess, and manage climate-related risks and opportunities.

The CRO Sub-Committee comprises senior executives and subject matter experts, including the Sustainability Director, Corporate Finance Director, Operations Director and Internal Control Director. The Committee aims to meet bi-annually to oversee the development and implementation of strategies to mitigate climate-related risks and capitalise on emerging opportunities.

While the CRO Sub-Committee's primary accountability is for UK and Ireland operations, the Company aligns with the sustainability policies and initiatives of the L'Oréal Group. Climate risk assessments conducted at the subsidiary level are shared with the wider Group to inform its global risk management strategies.

The CRO Sub-Committee responsibilities include:

- Defining climate-related objectives
- Ensuring the integration of climate considerations across the Company's value chain
- Informing the UK Board annually about the identification, assessment, and management of climate change impacts on the Company's operations and prospects

In 2024, the Company continued to build upon the foundation laid by the Climate Risks and Opportunities (CRO) Sub-Committee in 2023, expanding its focus on climate-related disclosures in the second year of reporting. Consequently, to ensure the effective integration, management, and monitoring of climate risks, the Company developed an internal CRO framework. This framework standardises the approach to CRO materiality scoring, enhancing the robustness of ongoing reviews and controls. It is designed to align seamlessly with the Company's overarching risk management framework, ensuring consistency and transparency.

L'Oréal (U.K.) Limited

Strategic Report (continued)

Additionally in 2024, the CRO Sub-Committee engaged in two collaborative workshops (as part of the agenda of its meetings) to deepen its understanding of the impact of climate-related risks and opportunities on the Company's business. These workshops focused on:

- **Assessing Progress and Prioritisation:** Evaluating the progress made on climate risk and opportunity assessment, reviewing the CRO register, and prioritising the most material CROs relevant to the Company's business model. This included expanding the Company's understanding of physical climate risks, encompassing acute and chronic risks.
- **Quantifying Financial Impacts:** Assessing the potential financial impacts of material CROs under different climate scenarios to inform strategic decision-making.
- **Developing Metrics and Targets:** Establishing key performance indicators and targets for the most material CROs to facilitate progress tracking and enhance accountability.

In 2025, the Climate Risks and Opportunities (CRO) Sub-Committee held a dedicated session to assess whether the climate-related risks and opportunities previously identified remain relevant to the current business model. It was confirmed that no material changes have occurred. Additionally, the Sub-Committee reviewed the regulatory landscape and market expectations, with the aim of defining a roadmap outlining actions for the next two years. This roadmap included: continued review of IFRS S1 and S2 regulations, following developments in their adoption by the UK government; ongoing action to ensure that the governance structure is actively maintained; and continued tracking of CRO-related metrics over the coming years.

Currently, the Company's climate-related risk assessment operates as a distinct process from the existing risk management framework. Efforts are underway to integrate climate-related risk management into the existing risk management approach. These efforts include incorporating identified climate-related risks into the Company's risk register. The Company aims to refresh this risk identification assessment exercise every 3 years, with the next review scheduled as an agenda item for the CRO Sub-Committee session in 2027. This integration was also discussed by the CRO Sub-Committee during the 2025 financial year, with the aim of ensuring that the company continues to build adequate evidence that the governance structure is actively in place and that the climate risks and opportunities continue to be reviewed.

By taking these steps, the Company aims to remain at the forefront of climate-related risk management and sustainability practices.

STRATEGY

In 2023, the Company undertook a comprehensive assessment to identify primary risks and opportunities associated with the physical and transitional aspects of climate change. This initiative aimed to evaluate the resilience of the Company's business model and strategy towards both immediate and long-term climate-related risks and opportunities. An in-depth qualitative analysis was conducted to assess these impacts, focusing on relevant time horizons and their expected financial materiality. It should be noted that the physical risks identified during this assessment were considered at a high level and did not involve an in-depth review.

In 2024-25, significant progress was achieved in several key areas of climate risk assessment and management. The Company expanded its Climate Risks and Opportunities (CRO) Register to encompass all potential physical risks across its entire value chain. This expanded risk register now includes acute and chronic physical risks that could impact operational capabilities and resilience. Further risks identified include flooding, heatwaves, and extreme temperature variations, which pose challenges to the Company's supply chain, logistics, assets, inventory, and employee productivity.

Additionally, an in-depth financial quantification assessment was conducted on three material CROs, from a total of fourteen CROs, that were selected for assessment due to their expected materiality and data availability for more robust quantification. The three CROs selected for quantification were the physical risk from increased flooding, the transition risk related to carbon pricing, and the opportunity for energy efficiency, summarised in the table below along with timeframe, financial impact and mitigations considered to ensure business resilience.

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Strategic Report (continued)

CATEGORY	CRO NAME	IMPACT ANALYSIS DETAILS*	FINANCIAL IMPACT**		ASSUMPTIONS	MITIGATIONS	METRICS AND TARGETS***
			CP	SS			
			Transition Risk	Carbon pricing imposed on suppliers increases transport, logistics and procurement costs. As carbon prices are imposed on suppliers, these costs are passed through to L'Oréal UK&I.			
Physical Risk	Increased flooding frequency and severity increases risk of site flooding resulting in product damage.	Value Chain Impact: Inventory Value Driver Affected: Cost Timeframe: Long-Term	*	*	% affected GDP of a region due to flooding is representative of the % impact on the annual stock value of the L'Oréal UK&I site from flooding. The sites in scope of this assessment include the three Distribution Centres (Bury, Nottingham, Trafford). Stores excluded from the analysis, as their expected impact is assumed to be minimal based on the amount/value of inventory held at stores.	While physical risk is low compared to other climate-related risks, L'Oréal UK&I has implemented flood mitigation measures, such as dispersed inventory, pallet racking above floor level, and loading dock reservoirs, further reducing risk (The reported financial impact does not account for the effects of these mitigation measures in place).	<ul style="list-style-type: none"> % of annual stock value vulnerable to physical risks from flooding not covered by mitigations below.
Opportunity	Increasing energy efficiency initiatives at operated sites lead to lower energy costs. As electricity and gas prices fluctuate and energy efficiency efforts increase over time, L'Oréal UK&I can capitalise on the opportunity of energy cost savings.	Value Chain Impact: Operations Value Driver Affected: Cost Timeframe: Medium-Term	*	**	Natural gas and electricity scenario data from NGFS Climate Impact Explorer. Energy efficiency initiatives are assumed to reduce total electricity and gas consumption as an equal percentage of baseline consumption per energy source.	Continue implementing energy efficiency measures to reduce consumption of energy as this will always result in lower costs. As the price of natural gas is projected to increase over time, as well as having higher emissions, it is recommended to move to 100% electrified operations.	<ul style="list-style-type: none"> Energy use intensity (kWh/m²/year).

*The timeframes assigned above were defined qualitatively. The following timeframe, aligned with the internal Enterprise Risk Management framework for consistency across financial risks, are: Short-term (1–2 years), Medium-term (3–5 years), and Long-term (5–10 years).

** Current Policies vs Stress Scenario

*** Management has developed the metrics above, while associated targets remain under review. Methodology, trends, and will be monitored and reported once targets are finalised.

L'Oréal (U.K.) Limited

Strategic Report (continued)

2023-2050 annual financial impact (GBP)



Transition risk and opportunities used the Network for Greening the Financial System (NGFS) as a source for climate scenario data, comparing a current policy trajectory leading to ~3°C of warming and a stress scenario of an accelerated transition leading to global temperatures being held below 1.5°C.

The physical risk sourced climate scenario data from the World Resources Institute (WRI) making a comparison between a current policy trajectory leading to ~3°C of warming and a stress scenario of policy failure in which global temperatures exceed 4°C.

Key findings:

- **Physical Risk from Flooding:** This risk was determined to be relatively immaterial due to the strategic placement of warehouse locations, effective inventory management practices, and existing mitigation measures implemented by the Company. In 2025, it was discussed that this risk has not undergone any material changes and is expected to remain very low. Nevertheless, it will continue to be monitored in case circumstances change.
- **Transition Risk from Carbon Pricing:** This emerged as the most material risk, driven by the potential for significant increases in carbon pricing under the Low Emissions scenario. Strategies are currently under review to address and mitigate this risk proactively. Management is currently reviewing the potential mitigation strategies summarized in the table above, to proactively address and mitigate this risk as part of its ongoing climate risk management and decarbonisation planning.
- **Energy Efficiency Opportunity:** This presents a moderate opportunity for cost savings over time, contributing to the Company's decarbonisation efforts and advancement toward its Scope 1 & 2 targets. Management continues to assess opportunities to improve energy efficiency as part of its broader sustainability strategy.

Overall, the results of the climate scenario analysis indicate that the Company's business model and strategy remain resilient under the scenarios assessed, with physical risks currently limited and transition risks manageable through planned mitigation actions and continued monitoring. The findings also underscore the importance of continued investment in resilience measures and proactive risk management to address the evolving landscape of climate change impacts.

METRICS AND TARGETS

L'Oréal Group has developed a climate transition plan whose pathway has been validated by SBTi. As part of this plan, the L'Oréal Group, aims to pursue two ambitions:

- by 2030, to reduce Scopes 1 & 2 carbon emissions by 57% and Scope 3 carbon emissions by 28% for goods and services purchased by the Group, business travel, upstream transportation and distribution; and
- by 2050, to reduce global emissions by 90%, with any residual emissions offset to achieve net zero.

In absolute terms, these reductions refer to a 2019 baseline year.

Aligned with the L'Oréal Group's objectives, the Company has also pledged to:

- Maintain 100% renewable energy for Scope 1 and 2 emissions across all operational sites (three distribution centres and one administrative site) and improve energy efficiency.

L'Oréal (U.K.) Limited

Strategic Report (continued)

Progress towards these commitments will be monitored through an annual review of Scope 1 and 2 emissions. Metrics regarding the Scope 1 and 2 emissions are disclosed in the Carbon and Energy Emissions Statement within the Directors Report.

The Company also developed metrics and targets to monitor and manage the three CROs that were quantitatively assessed in the 2024 reporting year. The metrics have been included in the table under the Strategy section. These are still under development and actual targets and key performance indicators are being reviewed and set up.

Approved by the Board of Directors and signed on its behalf by



E Schaffner
Director

2 April 2026

L'Oréal (U.K.) Limited

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2025.

Directors

The directors during the financial year and up to the date of this report were:

T Cheval (Chair)
E Chiverton (resigned 1 September 2025)
M Haden
O Hubin
A Philippon (appointed 1 September 2025)
E Schaffner

Directors' Indemnities

The Company has not made any qualifying third-party indemnity provision for the benefit of its directors during the year. No qualifying third-party indemnity provision exists at the date of this report.

Dividend

A dividend of 45.59p (2024: 41.49p) per ordinary share amounting to £185,167,000 (2024: £168,486,000) was paid during the year. A dividend of 47.81p per share has been proposed for the year ended 31 December 2025, amounting to £194,169,000.

Political Donations

No political donations were made (2024: Nil).

Financial Risk Management Objectives and Policies

The Company's activities expose it to a number of financial risks including liquidity risks and credit risks. The use of financial derivatives is governed by the board of directors. The Company does not use financial derivative instruments for speculative purposes. See note 25 for more information on financial risk management and financial instruments.

Liquidity/Cashflow risk – Liquidity risk is the risk that the Company may not be able to meet its financial obligations as they fall due. The L'Oréal S.A. Group's Treasury & Financing Department manage the liquidity risk worldwide through its short-term marketable instruments programme and confirmed credit lines. The Group's Treasury & Financing Department ensure that the Company is efficiently funded to meet its short, medium and long-term liquidity requirements. As the Company does not have any external loans nor long term debt, it considers its exposure to cashflow risk to be limited.

Currency risk – The Company has significant currency risks mainly due to its purchasing contracts with L'Oréal factories in Europe and throughout the world. It also has a sales exposure where the bulk of sales to Irish customers are collected in Euros. The Company seeks to minimise its risk to fluctuations in foreign currencies through the use of hedging instruments (forward exchange contracts and options). The Company hedges its entire budget risk. No instruments are purchased for speculative purposes. The effectiveness of our hedging contracts is monitored continuously.

Credit Risks – There is always a risk of non-collection of cash receivables due to cash problems encountered by our customers. The Company seeks to alleviate this risk by taking out insurance policies to cover the majority of the potential loss, whilst also closely monitoring debt levels with customers that are uninsured.

L'Oréal (U.K.) Limited

Directors' Report (continued)

Future Developments

An indication of likely future developments has been included in the Strategic Report.

Post Balance Sheet Events

There were no notable post balance sheet date events.

Branches Outside the UK

The Company has one branch operating outside of the UK. This branch supplies the Irish market, with the head office located in Dublin.

Employee Engagement and Disabled Employees

Information concerning how the Company and directors provide information to, consults and encourages involvement from its employees is available in the Employee Engagement Statement in the Strategic Report.

The Company has a policy of ensuring equality of employment opportunity regardless of sex, age, marital status, sexual orientation, disability, colour, nationality or race. The aim of this policy is to ensure that all employees can develop as fully as possible in accordance with their individual abilities and the needs of the Company.

The Company is committed to creating an inclusive environment which starts with recruiting diverse talent. Through the 'Disability & Neurodiversity' Employee Resource Group (ERG), the Company drives the L'Oréal mission of fair treatment, access, advancement and opportunity for all.

In the event of a member of staff becoming disabled every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company to offer the same opportunity to disabled people as to all others in matters of recruitment and career advancement, provided they can perform the tasks required with or without training.

Suppliers and Customers

The Company is committed to building lasting partnerships with its suppliers. It selects its suppliers according to a purchasing policy which has been established with quality, service level, innovation, sustainability and competitiveness at its core. The Company strives to select suppliers that can demonstrate compliance with applicable regulations which include laws concerning forced and slave labour, human rights and health and safety. Where appropriate, based on risk, social audits are undertaken at supplier sites to ensure the highest legal and ethical standards.

Maintaining good relationships with its suppliers ensures that the Company can continue to service its consumers and customers effectively and efficiently over the long term.

Information on how the Company engages with its customers and other key stakeholders is outlined in the Stakeholder Engagement Statement in the Strategic Report.

L'Oréal (U.K.) Limited

Directors' Report (continued)

Statement of Corporate Governance Arrangements

The Board strives to uphold a robust corporate culture and to consider all relevant stakeholder interests in strategy and decision-making. Board deliberations are conducted in the spirit of encouraging independent thought and challenge, aiming to balance risks and opportunities. Governance policies and processes are kept under review by our Board Advisor together with our Chair to ensure evolution in line with regulatory requirements and wider expectations of private limited companies.

Four Board Meetings were held in March, June, September and December 2025. The agenda was considered ahead and finalised in advance of each meeting by the Company's Managing Director & Chair together with the Board Advisor. Additionally, decisions were made during the year by written resolutions as necessary and ad hoc meetings were convened with senior leadership team members to discuss topics as required, for example, to discuss the 2025 Strategic Frame, Simplicity 2.0 or other transformation initiatives.

During 2025, the Board applied the Wates Principles as set out below – this is principles based framework developed by the Financial Reporting Council for large UK private companies to strengthen corporate governance, support long-term sustainability and build stakeholder trust, by meeting legal reporting requirements using an "apply and explain" approach:

Principle 1: Purpose & Leadership

In January, the Board inputted into and approved the proposal and communication plan for the cascade of our strategic frame. The 'Frame' is an important tool to outline and align on shared ambitions and strategic priorities for growth based on five key pillars (people and teams; responsible purpose; innovative data and digital; best go-to-market brands; and future-fit transformation). The Frame also captured the Company's ambition to 'lead the way' in shaping the future of beauty across the UK and Ireland, by cementing the Company as market leader, pioneering innovation to the UK. Input into and having this guiding Frame enabled the Board's awareness for consideration of topics and decisions throughout the year. Two board members participated in Company-wide discovery sessions to share more information about the five key pillars and answer questions from staff.

In January and July, to continue to enhance the culture of the Company, Board members inputted into and approved the proposed communication and action plans for both Simplicity 2.0 transformation and Pulse employee survey, created based on employee feedback, comprising pledged solutions to real issues (such as work priorities, streamlining process, behaviours and values). The Board considered these items again in its Q4 board meeting as part of its 'Stakeholder Engagement Review'.

Simplicity and the Frame were both presented in a Q1 Townhall by the Company's Managing Director & Chair and HR Director & board member. Then further cemented into the culture throughout the year through ongoing engagement, internal communications videos and individual team building strategy days.

Principle 2: Board Composition

In 2025, Board composition shifted slightly to 60% male:40% female, due to the relocation and resignation of one of its female directors and the appointment of their successor being male. The following comprise the five members: Company's Chief Executive Officer and Managing Director of the UK and Ireland business (Chair); Finance Director of the L'Oréal Group Europe Zone (Director); Company Corporate Affairs & Engagement Director (Director); Company Chief Financial Officer (Director); and Company Human Resources Director (Director). The directors collectively possess a balance of skills, experience and knowledge and individually have the aptitude to make a valuable contribution. The Company Secretary who was male resigned due to retirement and was replaced with a female successor. The Company strives to promote gender balance at all levels, with its Executive Leadership Team being gender-balanced and our Board now 40% (formerly 60%) female.

Principle 3: Director Responsibilities

The Chair brings relevant aspects of the Company's adopted corporate governance code, the Wates Principles, and associated policies and guidance to the Board where appropriate, to ensure a clear understanding of duties, accountability and how to apply the principles.

L'Oréal (U.K.) Limited

Directors' Report (continued)

The Board's professional development is kept under review, with special purpose trainings conducted from time to time to ensure effective governance and independent challenge, and to clarify roles and responsibilities. A director's duties training session was conducted for the benefit of the new Director and new Company Secretary.

The Board Advisor supports the Chair and Company Secretary to ensure good governance, keeping governance processes such as the established Section 172 & Stakeholder dashboard under review and proposing new initiatives to bolster better governance. The Board Advisor assists the Board to maintain robust internal processes to ensure the quality of information presented enables effective oversight, challenge and decision-making. A rolling agenda, planned in advance with ad hoc changes in response to changes across the year, ensures relevant issues are elevated to the Board for information, review, input and/or decision making at a suitable cadence, and a comprehensive Board pack is available for review at least one week in advance of meetings.

Principle 4: Opportunity and Risk

Examples of decisions taken by the Board during 2025 to promote the long-term sustainable success of the Company are set out above in the Strategic Report and Section 172 Statement.

The Company's Head of Internal Control, together with relevant senior executives, maintains a risk register for the Board to identify financial, non-financial and reputational risks faced by the Company. In the September 2025 Board meeting, the risk register was tabled for Board oversight, with a particular focus on new risks and the evolution of the top ten risks over the last five years, with necessary adjustments made as agreed to risk classification, prioritisation and mitigation. See our Strategic Report for more information on the market the Company operates in and assessment of opportunity and risk.

In the December 2025 Board meeting, the Board determined it would broaden the scope of its existing climate-related risks and opportunities sub-committee to rename it a 'climate sub-committee' to anticipate future reporting disclosure requirements extension). Additionally, in Q4 the Board determined it would re-examine the implementation of the new structure of board committees and sub-committees established in 2024, as well as undertake a broader governance review, both planned for 2026.

Principle 5: Remuneration

L'Oréal S.A. sets the remuneration level of Board members within structures aligned to the long-term sustainable success of the Company and the Group. More information is available in the Directors' emoluments section.

Principle 6: Stakeholder Relationships and Engagement

The Board is responsible for nurturing and upholding the culture, values, standards, ethics and reputation of the Company to ensure that obligations to shareholders and stakeholders are met. The Board considers each matter before it in the context of potentially affected stakeholders and our Chair manages meaningful Board engagement and that stakeholder interests are carefully considered as part of the decision-making process. The Board takes account of the broader socio-economic and environmental context within which the business operates and, during interactions with stakeholders, Board members take care to foster those relationships and gain insights that may assist in the exercise of their duties.

In the Q4 Board Meeting, for the second time, a 360-employee engagement stakeholder review was presented for input by the Board. This is in addition to employee considerations being tabled throughout the year for input by the Board, alongside consideration of regular employee related matters. For example, in the Q3 Board Meeting a full compensation and benefits review to ensure delivery of a rewards (both core and flexible opt-in) offering to attract, retain, motivate and engage our employees. Additionally, in the Q4 Board Meeting, a diversity, equity and inclusion review and priorities plan was tabled for review and input.

The Company's key stakeholders and further examples of how this Principle has been applied are included in our Stakeholder Engagement Statement and Section 172 Statement.

L'Oréal (U.K.) Limited

Directors' Report (continued)

Carbon and Energy Emissions Statement

The Company is committed to minimising the environmental impacts of our business activities by complying with accepted environmental practices, including the commitment to meet, or where possible, exceed the requirements of relevant environmental legislation. In the current year, the Company has continued its efforts to increase monitoring and evaluation of energy usage, enabling Streamlined Energy and Carbon Reporting disclosures to be made in line with the Greenhouse Gas Protocol.

We have reported on all sources of carbon emissions and energy usage required under The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended.

In 2025, L'Oréal worked with Carbone 4 (external partner specialized in CO2 accounting) to improve and validate its methodology of calculation for car fleet CO2 emissions. Following this study several methodological changes have been made to improve the accuracy of the calculation; main changes concern: a corrected WLTP value for PHEV & impact of battery manufacturing on scope 3. These methodological changes have been implemented in reporting year 2025 and 2024.

TOTAL UK & IRELAND 2025 & 2024 EMISSIONS (Scope 1 & 2)

2025 REPORTING				2024 REPORTING			
Approach	Scope	Site Type	Emissions (tCO2e)	Approach	Scope	Site Type	Emissions (tCO2e)
NA	Scope 1	All	1,199.17	NA	Scope 1	All	1212.32
Location-Based	Scope 2	All	672.87	Location-Based	Scope 2	All	822.78
Market-Based	Scope 2	All	78.17	Market-Based	Scope 2	All	129.22
Location-Based	NA	All	1,872.04	Location-Based	NA	All	2035.10
Market-Based	NA	All	1,277.34	Market-Based	NA	All	1341.53

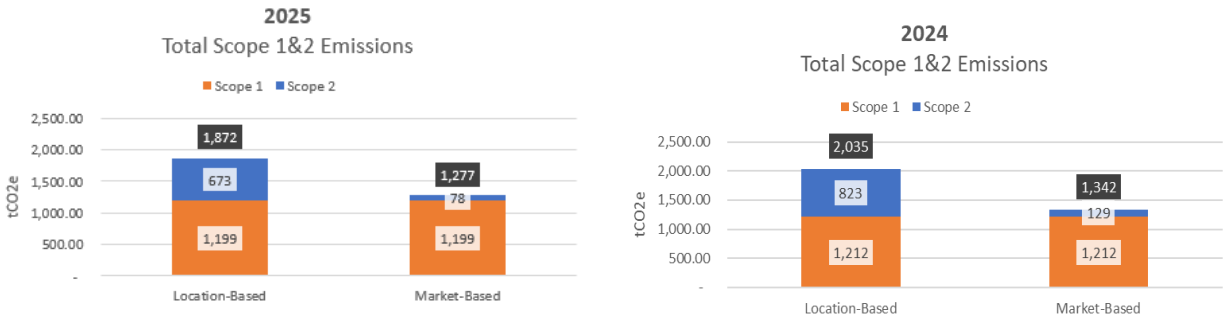


Figure 1. Total Scope 1 & 2 emissions Location and Market Based, 2025/2024

Emission Source	Unit	2025 Consumption	2024 Consumption
Stationary Fuel	(kg)	0.00	800
Natural Gas	(kWh HHV)	3,904,727.00	4,113,338
Fleet Fuel	(km)*	n/a	n/a
Refrigerants	(kg)	0.00	2.5
Electricity	(kWh)	3,348,452.12	3,058,266.30

(*) Fleet fuel has been included in the footprint as a tCO2e value. No km has been provided for 2025 or 2024.

1. Organisational and Inventory Boundaries

- The reporting boundary used for collation of the above data is aligned with the boundaries of the financial statements.
- The 'control approach: operational' has been adopted to account for 100% of the Greenhouse Gas Emissions from operations over which L'Oréal (UK) Limited have control.
- No site has been excluded from the Organisational Boundary.
- Scope 2 emissions have been calculated following both location-based and market-based approaches.

L'Oréal (U.K.) Limited

Directors' Report (continued)

2. Reporting Period: January to December (calendar year) 2025

3. Ratio Performance Indicators: Number of Finished Goods units for Operations

	2025	2024
FG units sent (millions)	350.58	383.57
Intensity Ratio (Location-based)	5.34	5.31
Intensity Ratio (Market-based)	3.64	3.50

4. Scopes & Emission Sources

Scope 1	All direct emissions released within the organisational boundaries
	Combustion of fuels in boilers, heaters
	Combustion of fuels in company-controlled haulage and car fleet
	Fugitive emissions - F-gas emissions
Scope 2	Indirect emissions from imported energy (electricity, heat, steam)
	Electricity
	Electricity from the car fleet has been included
Note	No emission source has been excluded

5. Emission Factor Sources

- BEIS (The Department of Business, Energy, and Industrial Strategy)
- IEA (The International Energy Agency) – Location Based Approach
- SEAI (Sustainable Energy Authority or Ireland) - Location Based Approach
- AIB (Association of Issuing Bodies) – Market Based Approach

6. Annual UK & Ireland Emissions

Scope 1 - Direct GHG emissions

(Includes emissions from activities owned or controlled by the Company that release omissions into the atmosphere. Examples include emissions from Fuels combustion, owned transport, fugitive emissions, and process emissions)

Scope 1 emissions distribution, per emission source

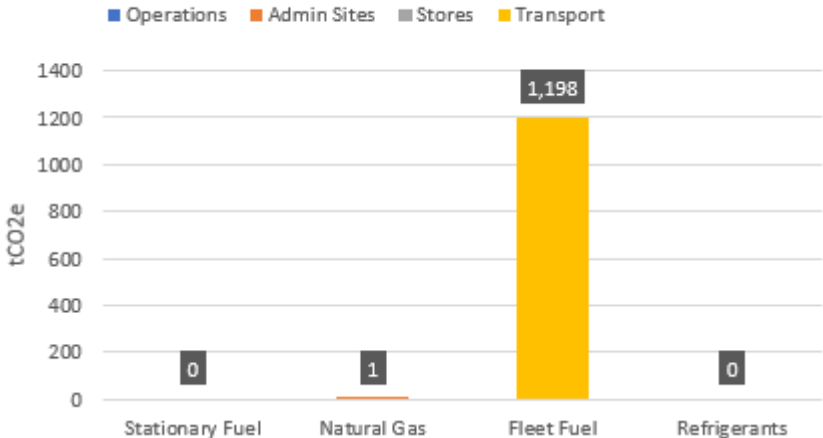


Figure 2. Scope 1 emissions distribution per emission source, 2025

L'Oréal (U.K.) Limited

Directors' Report (continued)

6. Annual UK & Ireland Emissions

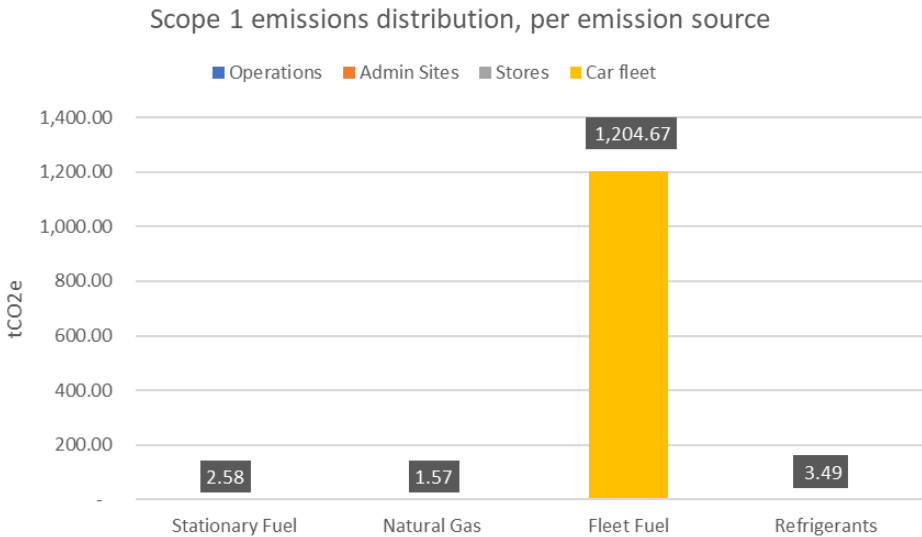


Figure 3, Scope 1 emissions distribution, per emission source, 2024

Scope 2 – Energy indirect emissions

(Includes emissions from own consumption of purchased electricity, heat, steam, and cooling. These are a consequence of the Company's activities but are from sources not owned/controlled).

2025 REPORTING				2024 REPORTING			
Approach	Scope	Site Type	Emissions (tCO ₂ e)	Approach	Scope	Site Type	Emissions (tCO ₂ e)
Location-Based	Scope 2	All	672.87	Location-Based	Scope 2	All	822.78
Market-Based	Scope 2	All	78.17	Market-Based	Scope 2	All	129.22

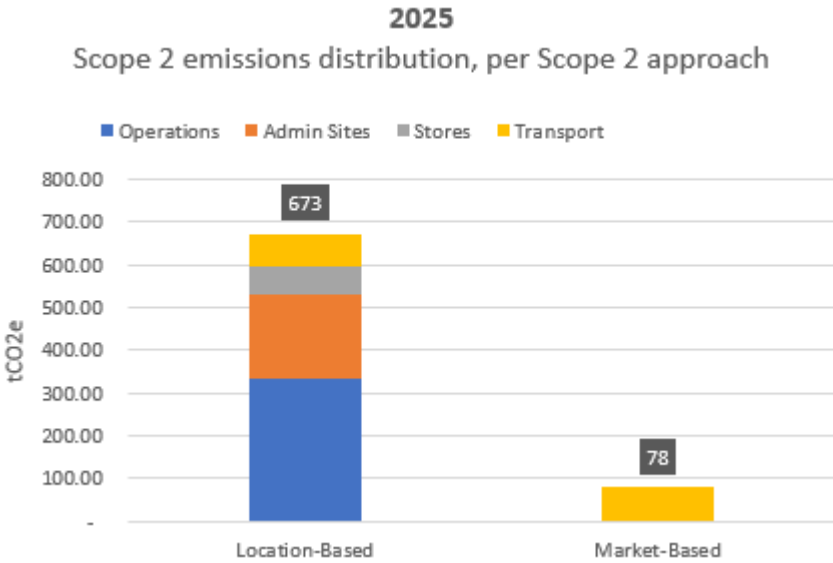


Figure 4. Scope 2 emissions distribution, per Scope 2 approach, 2024

L'Oréal (U.K.) Limited

Directors' Report (continued)

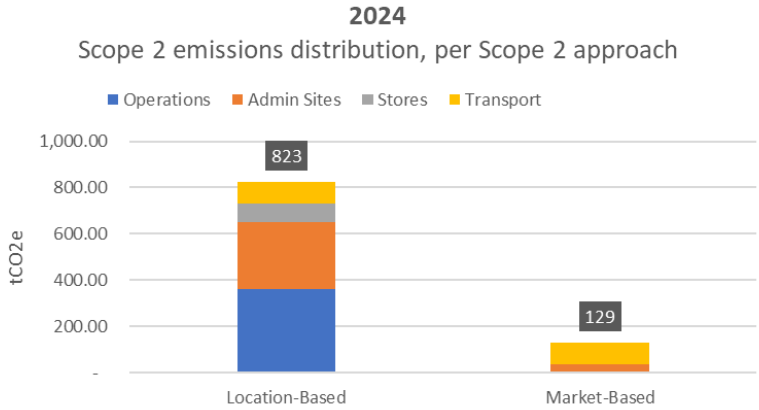


Figure 5. Scope 2 emissions distribution, per Scope 2 approach, 2024

7. Scope 1 & 2 Emission Reduction Initiatives

Both Total Scope 1 and Scope 2 emissions have reduced FY 2025 vs FY 2024.

The Company achieved a year-on-year reduction in gas and electricity consumption at Gateway Central Headquarters. Gas consumption has also reduced on the same basis for all Distribution Centres.

There has been a decrease in emissions relating to car fleet due to a reduction in the fleet size.

The number of finished goods units shipped has seen a reduction due to phasing impacts related to the implementation of major transformation projects across the UK network.

The introduction of new and more energy efficient boiler technology has been piloted at one of the Distribution Centres with planning under consideration for further deployment.

L'Oréal (U.K.) Limited

Directors' Report (continued)

Statement of Directors' responsibilities

The directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 '*Reduced Disclosure Framework*'. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to the auditor

Each director who held office at the date of approval of this report confirms that:

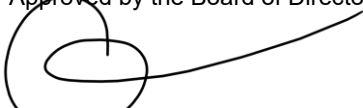
- so far as the director is aware, there is no relevant audit information of which the company's auditors is unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent Auditor

A resolution to reappoint Deloitte LLP as auditor will be put to the members at the Annual General Meeting.

Approved by the Board of Directors and signed on its behalf by



E Schaffner
Director

2 April 2026

L'Oréal (U.K.) Limited

Independent auditor's report to the members of L'Oréal (U.K.) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of L'Oréal (U.K.) Limited (the 'Company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 28

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

L'Oréal (U.K.) Limited

Independent auditor's report to the members of L'Oréal (U.K.) Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of its policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- did not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included UK Cosmetics Regulation, competition law, environmental regulations, GDPR and labour and employment laws.

We discussed among the audit engagement team, including relevant internal specialists such as tax, valuations, pensions, and IT, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our procedures performed to address this are described below:

Year-end and promotional customer rebates:

We assessed that the year-end and promotional customer rebates balance presents the greatest potential for fraud. This is based on the balance requiring significant judgement and estimation in assessing estimated amounts payable based on the promotion redemption rate and the number of units purchased by the end customer. The procedures we performed were as follows:

- assessed appropriateness of the valuation method of year-end and promotional rebates, and the consistency of the accounting methods compared to the prior year;
- tested appropriateness and accuracy of the rebates recorded in the year, and the rebate provision calculations at year-end by tracing to terms of agreements and other supporting documents. Ensured conditions are met to recognise the rebates by obtaining sufficient external documentation, paying specific attention to the cut-off;

L'Oréal (U.K.) Limited

Independent auditor's report to the members of L'Oréal (U.K.) Limited (continued)

- performed control testing of management's internal controls over year-end and promotional rebates;
- for a sample selected in accordance with firm methodology, performed substantive testing on the accuracy and appropriateness of rebates recorded over the period and rebate provision calculations at year-end by agreeing to terms of agreements and other supporting documents;
- ensured that for the main commercial agreements, all material rebates have been provided for at year end;
- performed a review of year-end rebate provisions and rebate cost in the year, by comparison to prior year and our expectations; and
- performed a retrospective review of past estimation accuracy by comparing the level of reversals without costs year on year for evidence of estimation basis.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

L'Oréal (U.K.) Limited

Independent Auditor's Report to the Members of L'Oréal (U.K.) Limited (continued)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



James A Boyle CA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
2 April 2026

L'Oréal (U.K.) Limited

Income Statement

For the year ended 31 December 2025

	Note	2025 £million	2024 £million
Turnover	3	1,621.8	1,558.8
Cost of sales		(582.1)	(555.9)
Gross profit		1,039.7	1,002.9
Advertising and promotion expenses		(511.9)	(496.8)
Selling, general and administrative expenses		(271.7)	(264.7)
Operating profit	4	256.1	241.4
Finance costs	5	(3.0)	(2.6)
Finance income	6	7.8	9.5
Finance income - net		4.8	6.9
Profit before taxation		260.9	248.3
Tax on profit	8	(66.7)	(63.1)
Profit for the financial year		194.2	185.2

All amounts relate to continuing operations and are attributable to the equity shareholders of the Company.

L'Oréal (U.K.) Limited

Statement of Comprehensive Income

For the year ended 31 December 2025

	Note	2025 £million	2024 £million
Profit for the financial year		194.2	185.2
Other comprehensive income/(expense):			
Items that may not be reclassified to profit or loss			
Actuarial loss on defined benefit obligations	20	(4.6)	(6.9)
Taxation on defined benefit obligations	8	1.2	1.7
Items that may be reclassified to profit or loss			
Gain/(loss) on cash flow hedges	25	12.8	(8.4)
Deferred taxation on cash flow hedges	22	(3.2)	2.1
Total other comprehensive income/(expense) for the year, net of tax		6.2	(11.5)
Total comprehensive income for the year		200.4	173.7

L'Oréal (U.K.) Limited

Statement of Financial Position

As at 31 December 2025

	Note	2025 £million	2024 £million
ASSETS			
Non-current assets			
Goodwill	10	2.8	2.8
Other intangible assets	10	7.7	4.1
Tangible assets	11	61.3	57.0
Right of use assets	12	100.6	96.7
Investments	13	0.5	0.4
Employee retirement surplus and related benefits	20	57.4	58.1
Current assets			
Inventories	14	115.7	93.3
Trade and other receivables	15	358.6	338.8
Other current assets	16	29.2	21.0
Derivative financial instruments	25	4.7	8.9
Current tax		0.0	3.3
Cash and cash equivalents		160.3	185.5
TOTAL		898.8	869.9
EQUITY AND LIABILITIES			
Capital and reserves			
Issued share capital	17	101.5	101.5
Share premium account	17	0.3	0.3
Other reserves	18	(92.3)	(76.5)
Retained earnings		200.1	194.5
Non-current liabilities			
Provisions for liabilities	21	11.0	10.6
Deferred tax	22	20.2	17.7
Lease liabilities	12	105.2	95.5
Current liabilities			
Trade and other payables	23	313.1	288.6
Provisions for liabilities	21	8.9	9.4
Other current liabilities	24	215.0	197.5
Lease liabilities	12	11.1	7.4
Derivative financial instruments	25	4.7	23.4
TOTAL		898.8	869.9

The notes on pages 38 to 65 form an integral part of these financial statements.

The financial statements on pages 34 to 65 were approved by the board of directors and signed 2 April 2026 on its behalf by:



E Schaffner
Director

L'Oréal (U.K.) Limited
00271555

L'Oréal (U.K.) Limited

Statement of Changes in Equity

For the year ended 31 December 2025

	Share capital £million	Share premium account £ million	Other reserves £million	Retained earnings £million	Total Equity £million
Balance at 1 January 2024	101.5	0.3	(72.6)	183.0	212.2
Profit for the financial year	-	-	-	185.2	185.2
Other comprehensive expense for the year:	-	-	(6.3)	(5.2)	(11.5)
Total comprehensive income for the year	-	-	(6.3)	180.0	173.7
Dividend paid	-	-	-	(168.5)	(168.5)
Equity settled share-based payment expense	-	-	2.4	-	2.4
Balance at 31 December 2024	101.5	0.3	(76.5)	194.5	219.8
Profit for the financial year	-	-	-	194.2	194.2
Other comprehensive income for the year:	-	-	9.6	(3.4)	6.2
Total comprehensive income for the year	-	-	9.6	190.8	200.4
Dividend paid	-	-	-	(185.2)	(185.2)
Arising on group reorganisation – Aesop UK Limited	-	-	(29.1)	-	(29.1)
Equity settled share-based payment expense	-	-	3.7	-	3.7
Balance at 31 December 2025	101.5	0.3	(92.3)	200.1	209.6

L'Oréal (U.K.) Limited

Notes to the Financial Statements

1. General information

L'Oréal (U.K.) Limited is a private company limited by shares incorporated and domiciled in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is Gateway Central, 187 Wood Lane, London, W12 7SA.

The Company's principal activities are the sale and distribution, in the UK and Ireland, of beauty products, hair care, make up, fragrances and skincare under a variety of brands owned by the parent company.

The Company operates through four main divisions and our products are distributed through various channels including retailers, department store chains, beauty and hair salons, wholesalers, online retailers, pharmacies and dermatology practitioners.

These financial statements are presented in pounds Sterling which is the functional currency of the Company. Foreign operations are included in accordance with the policies set out below.

Foreign currency transactions are translated at the rate effective at the transaction date. Monetary assets and liabilities denominated in foreign currencies have been translated using exchange rates effective at the end of the reporting period. Gains and losses from foreign currency transactions are included in the Income Statement.

2. Material accounting policies

Basis of accounting

These financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101, *FRS 101 Reduced Disclosure Framework*. These financial statements have been prepared under the historical cost convention with the exception of financial instruments which are recognised at fair value at the end of the reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods or services. Material accounting policies have been included in the relevant notes to which the policies relate.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- 1) Paragraphs 45b and 46 to 52 of *IFRS 2 Share-based payment* (details of the number and weighted average exercise prices of share options, and how the fair value of goods and services received was determined).
- 2) *IFRS 7 Financial Instruments: Disclosures*.
- 3) Paragraphs 91 to 99 of *IFRS 13 Fair value measurement* (disclosure of the valuation techniques and inputs used for fair value measurement of assets and liabilities).
- 4) The requirements of the second sentence of paragraph 110 and paragraph 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of *IFRS 15 Revenue from contracts with customers*.
- 5) Paragraph 38 of *IAS 1 Presentation of financial statements*, comparative information requirements in respect of:
 - o paragraph 79 (a) (iv) of *IAS 1 Presentation of financial statements*
 - o paragraph 73 (e) of *IAS 16 Property, plant and equipment*
 - o paragraph 118 (e) of *IAS 38 Intangible assets* (reconciliation between the carrying amount at the beginning and end of the period).
- 6) The following paragraphs of *IAS 1 Presentation of financial statements*:
 - o 10 (d) (statement of cash flows)
 - o 10 (f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or make a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements)
 - o 16 (statement of compliance with all IFRS)
 - o 38A (requirement for a minimum of two primary statements, including cash flow statement)
 - o 38B-D (additional comparative information)

L'Oréal (U.K.) Limited

Notes to the Financial Statements

2. Material accounting policies (continued)

- 40A-D (change in accounting policy, retrospective of reclassification)
 - 111 (cash flow statement information)
 - 134 to 136 (capital management disclosures).
- 7) *IAS 7 Statement of cash flows.*
 - 8) Paragraph 30 and 31 of *IAS 8 Accounting policies, changes in accounting estimates and errors* (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
 - 9) Paragraph 17 and 18A *IAS 24 Related party disclosures* (key management compensation).
 - 10) The requirements in *IAS 24 Related party disclosures* to disclose related party transactions entered into between two or more members of the group.
 - 11) Paragraphs 134 (d) to 134 (f) and 135 (c) to 135 (e) of *IAS 36 Impairment of assets* (assumptions involved in estimating recoverable amounts of cash generating units containing goodwill or intangible assets with indefinite useful lives and management's approach to determining these amounts).

The Company is exempt from the requirements of *IFRS 8 Operating Segments* on the grounds that its shares are not traded on the stock exchange. Segmental data is included in the consolidated financial statements of the parent company, L'Oréal S.A., and these can be obtained as set out in note 28.

Going concern

The directors have assessed the relevant business risks and believe that the Company is well placed to manage these risks successfully. The Company is operationally and financially strong.

We have considered various impacts including geopolitics, consumer purchasing power, and Budget implications in the UK and their impacts on the economy and consumers.

Based on these factors we have looked at our business and its forecasted evolution, our beauty market by category, developments in our brands and our programme for new launches.

We have considered revenues, profits and cash flows.

In the remainder of 2026 and beyond we continue our usual aggressive plan of new product launches and business drivers to stimulate, in partnership with our retail partners, the continued consumption of beauty products. We remain determined to outperform the market, continue the path to growth, and deliver solid profitability. We are satisfied that our profit levels will be maintained at healthy levels, our credit levels are well controlled, and there are no significant risks to the cash position. L'Oréal UK, as part of the larger L'Oréal Group, has access to significant liquidity.

We are part of the L'Oréal group cash-pooling regime which means that our access to credit is not an issue and falls within the Group's financial resources. We have no external debt, we do not foresee the need for any long term facilities and any short term requirements are simply managed centrally at a group level.

In our opinion we are satisfied that the business is a going concern, we have a very strong position in our markets which we intend to strengthen further with our marketing programme and plans for the coming year.

The directors have, at the time of approving the financial statements, an expectation that the Company, being part of the L'Oréal worldwide banking arrangement, has adequate resources to continue in operational existence for at least 12 months from the signing of these financial statements. For this reason, we continue to adopt the going concern basis of accounting in preparing the financial statements.

L'Oréal (U.K.) Limited

Notes to the Financial Statements

2. Material accounting policies (continued)

Consolidated financial statements

The Company is a wholly-owned subsidiary of L'Oréal S.A. and is included in the consolidated financial statements of L'Oréal S.A. which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

New standards, amendments, IFRIC interpretations and new relevant disclosure requirements

There are no amendments to accounting standards, nor IFRIC interpretations that are effective for the year ended 31 December 2025 that have a material impact on the company's financial statements.

True and fair override not to amortise goodwill

The Company Statement of Financial Position shows acquired goodwill at a value of £2,765,000 relating to the professional haircare brand, Matrix. The Matrix brand continues to grow thanks to the success of innovative hair products especially made for hairdressers and salons; therefore, the directors consider it appropriate to assign an indefinite life to the goodwill. Goodwill is tested for impairment annually and again whenever indicators of impairment are detected and is carried at cost less any provision for impairment.

Paragraph 28 of schedule 9 to the Companies Act 2006 requires that goodwill carried on the Statement of Financial Position should be amortised. The directors consider that it is appropriate to depart from this requirement in order to comply with the overriding requirement for the financial statements to show a true and fair view. If this goodwill was amortised over a period of 20 years, it would have a zero net book value at the end of the reporting period date.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

There are no critical accounting judgements to be disclosed. The below constitute key sources of estimation uncertainty.

Year end and promotional rebates

The Company accrues for year-end rebates payable to customers. The rebate is usually agreed annually and will be conditional based on the customer meeting some targeted objectives. Promotional allowances are used by the Company to drive sales by incentivising a customer to sell promotional units during a limited time period. The Company can have multiple promotional arrangements in place with its customers. The value of the promotional allowance payable is subject to the number of units sold. An accrual is created based on management's best estimate of the level of success of the promotional activity and the accrual is reviewed and revised regularly. The total accrual recognised at 31 December 2025 is £136.2m (2024: £123.4m) and is included in note 24.

Defined benefit scheme

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Actuaries estimate these factors in determining the net pension obligation in the Statement of Financial Position. The assumptions reflect historical experience and current trends. An asset of £57.4m has been recognised at 31 December 2025 (2024: asset of £58.1m) the details of which are set out in note 20.

L'Oréal (U.K.) Limited

Notes to the Financial Statements

3. Turnover

Accounting policy

IFRS 15 Revenue from contracts with customers defines a five-step model which should be applied to contracts with customers in order to determine when revenue should be recognised and at what amount. Revenue from the sale of goods to wholesalers is recognised once control of the goods is transferred to the customer and the customer has control, which is the date of dispatch from the distribution centre. Products are not sold on a 'sale and return' basis; however, a refund liability is recognised where the Company may accept a return of unsold or outdated products. This refund liability is presented within provisions for liabilities.

For the sale of goods online, revenue is recognised at the point of dispatch.

For sales of goods to consumers in our stores, revenue is recognised when the customer obtains control of the goods, which is when the transaction is completed in store.

Turnover comprises the amounts receivable for goods provided outside the L'Oréal S.A. group in the normal course of business, net of value added tax, customer allowances and returns. Incentives granted to distributors or consumers resulting in a cash outflow, such as commercial cooperation, coupons, discounts and loyalty programmes are also deducted from sales.

Turnover originates from the United Kingdom. The geographical destination of turnover is the United Kingdom and Ireland.

Customer allowances

The Company grants a number of price concessions to its customers which are recognised within turnover. These concessions can take various forms such as quantitative rebates, promotional allowances and consumer coupons and are recorded simultaneously to the recognition of the sales if they can be estimated in a reasonably reliable manner. Amounts accrued for customer allowances require a degree of estimation which will be based on the terms as indicated in the contract, sales volume, anticipated redemption rate based on experience and statistics. The actual amounts paid may be different from the estimate. Accruals are monitored regularly and adjusted by the end of the year where necessary, but an adjustment may be required to be recorded in the following year.

Accruals for expected payments are included in other current liabilities.

4. Operating profit

	2025	2024
	£million	£million
Operating profit is stated after charging/(crediting):		
Wages and salaries	170.7	176.0
Social security costs	27.6	22.4
Defined contribution pension	18.0	16.5
Defined benefit pension	1.9	2.1
Equity settled share-based payments	3.6	3.0
Staff costs	221.8	220.0
Cost of inventories recognised as an expense	437.7	422.9
Write downs of inventories recognised as an expense	1.3	(1.9)
Impairment charge/(credit) recognised on trade receivables	0.4	(0.9)
Loss on foreign exchange	4.0	7.6
Costs of hedging transactions	6.7	7.1
Audit fees payable to the company auditor	0.6	0.5

L'Oréal (U.K.) Limited

Notes to the Financial Statements

5. Finance costs

	2025 £million	2024 £million
Lease liabilities	3.0	2.3
Other interest costs	-	0.3
	3.0	2.6

6. Finance income

	2025 £million	2024 £million
Bank interest	4.6	6.7
Net interest income on defined benefit pension plan	3.2	2.8
	7.8	9.5

7. Employees and directors

The average monthly number of persons employed by the Company during the year, including directors, was:

	2025 Number	2024 Number
Selling and distribution	2,756	2,767
Administration	721	684
	3,477	3,451

Directors' emoluments:

	2025 £million	2024 £million
Aggregate emoluments	2.1	1.9
Aggregate gains on exercise of share incentives	0.8	0.7
Aggregate emoluments	2.9	2.6

Highest paid director:

	2025 £million	2024 £million
Aggregate emoluments (excluding pension costs)	0.8	0.8
Aggregate gains on exercise of share incentives	0.5	0.6
Aggregate emoluments	1.3	1.4

Four directors exercised share options in the year (2024: three).

Contributions of £15,000 (2024: £14,000) were paid by the Company into the defined contribution pension scheme for one (2024: one) director during the year.

L'Oréal (U.K.) Limited

Notes to the Financial Statements

8. Tax on profit

	2025 £million	2024 £million
Current tax:		
United Kingdom corporation tax on profits for the year	65.7	59.4
Adjustment in respect of prior years	1.4	1.2
	67.1	60.6
Deferred tax:		
Origination and reversal of temporary differences in the current year	0.3	3.2
Adjustment in respect of prior years	(0.7)	(0.7)
	(0.4)	2.5
Tax expense for the year in income statement	66.7	63.1

In addition to the amount charged to the Income Statement, the following amounts relating to tax have been recognised directly in equity:

	2025 £million	2024 £million
Deferred tax on actuarial loss on defined benefit obligations	(0.2)	(0.9)
Current tax credit relating to pension deduction	(1.0)	(0.8)
Deferred tax on cash flow hedges	3.2	(2.1)
Deferred tax on equity settled share-based payment	(0.1)	0.6
Tax recognised directly in equity	1.9	(3.2)

The tax assessed for the year is higher (2024: higher) than the standard rate applied in the UK: 25% (2024: 25%). The differences are explained below:

	2025 £million	2024 £million
Profit before taxation	260.9	248.3
Tax at the UK corporation tax rate of 25% (2024: 25%)	65.2	62.1
Effects of expenses that are not deductible for tax purposes	0.8	0.6
Origination and reversal of temporary differences	(0.0)	(0.1)
Adjustment in respect of prior years	0.7	0.5
Tax expense for the year in income statement	66.7	63.1

The Company's profits for the accounting period to 31 December 2025 were taxed at an effective rate of 25.16% (2024: 25.41%). The main rate of UK corporation tax is 25% (2024: 25%).

On June 20 2023, the UK's Finance (No 2) Bill 2023 was substantively enacted introducing legislation for UK Pillar II. Pillar II is the name of the model given to the Organisation for Economic Co-operation and Development (OECD) global minimum tax rules to ensure that large multinational enterprises pay tax of at least 15% on the income arising in each jurisdiction in which they operate.

Whilst the Company falls within the scope of Pillar II, it is not exposed to any top-up taxes for period ending 31 December 2025 and does not expect to have any material exposure in future periods. The Company has applied the temporary exemption to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as issued by the IASB in May 2023.

L'Oréal (U.K.) Limited

Notes to the Financial Statements

9. Dividends

	2025	2024
	£million	£million
Equity dividend paid: 45.59p (2024: 41.49p) per share	185.2	168.5

The directors propose a final dividend for the year ended 31 December 2025 of £194.2 million (2024: £185.2 million) which equates to 47.81p (2024: 45.59p) per share. The payment of this dividend will not have any tax consequences for the Company. The proposed final dividend is subject to approval by the Board of Directors and has not been included as a liability in these financial statements.

L'Oréal (U.K.) Limited

Notes to the Financial Statements

10. Intangible assets

Accounting policy

Goodwill

Goodwill represents the excess of the fair value of the acquired assets and liabilities over the fair value of the identified assets and liabilities. Goodwill is allocated to the Cash Generating Units (CGU) expected to benefit from the acquisition. Goodwill is considered to have an indefinite useful life. Goodwill is tested for impairment annually and again whenever indicators of impairment are detected and is carried at cost less any provision for impairment. See note 2 for information on departure from relevant Companies Act 2006 requirements.

The goodwill balance below is allocated to one cash-generating unit. The value of goodwill was tested for impairment during the current year by means of comparing the recoverable amount of the CGU with the carrying value of its goodwill.

The recoverable amount is its value in use. Recoverable values are determined on the basis of discounted operating cash flow forecasts covering a period of 5 years and a terminal value. The discount rate used for these calculations is based on the weighted average cost of capital and has been determined by L'Oréal S.A. to be 8.3% in 2025 (2024: 7.9%). The assumptions adopted in terms of growth (2%) and terminal values are reasonable and consistent with the available market data. No impairment loss was identified in 2025 nor 2024. There is sufficient headroom such that a reasonably possible change in the key assumptions used would not result in an impairment of the goodwill.

Other intangible assets

Trademarks are measured at purchase cost and are amortised on a straight line basis over five or eight years. Software acquired for internal use is recorded at purchase cost less any subsequent accumulated amortisation. Costs are classed as under construction and are not amortised until such a time that the main functions of the software application become operational. Completed software is amortised on a straight line basis over its probable service life, with a maximum of eight years. Amortisation is charged to selling, general and administrative expenses.

	Goodwill £million	Trademarks £million	Software £million	Software under construction £million	Total £million
Cost					
At 1 January 2025	2.8	0.7	13.8	0.5	17.8
Additions	-	-	(0.1)	4.7	4.6
Disposals	-	-	(0.6)	-	(0.6)
At 31 December 2025	2.8	0.7	13.1	5.2	21.8
Accumulated amortisation					
At 1 January 2025	-	0.7	10.2	-	10.9
Disposals	-	-	(0.6)	-	(0.6)
Charge for the year	-	-	1.0	-	1.0
At 31 December 2025	-	0.7	10.6	-	11.3
Net book value					
At 31 December 2025	2.8	-	2.5	5.2	10.5
At 31 December 2024	2.8	-	3.6	0.5	6.9

Commitments

	2025 £million	2024 £million
Contracts for future capital expenditure not provided for in the financial statements	0.1	-

L'Oréal (U.K.) Limited

Notes to the Financial Statements

11. Tangible assets

Accounting policy

Tangible assets are recorded at purchase cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Assets in the course of construction are carried at purchase cost and are not depreciated until ready for their intended use. Depreciation is provided on all fixed assets using the straight line method, except assets in the course of construction, at the following rates:

Point of sale advertising, stands and displays	- 3 or 5 years charged to advertising and promotion expense
Other tangible assets	- 2 to 15 years charged to cost of sale and selling, general and administrative expenses

The Company reviews the carrying amounts of its property, plant and equipment to determine whether there has been an indication of impairment loss. If an indication exists then the recoverable amount of the asset, being its value in use, is estimated to determine the extent of the impairment loss. Where the asset does not generate cash flows independently from other assets, the asset is allocated to a Cash Generating Unit (CGU) to which the asset belongs.

	Point of sale advertising, stands and displays £million	Other tangible assets £million	Assets under construction £million	Total £million
Cost				
At 1 January 2025	36.9	48.2	11.5	96.6
Transfers in - Aesop retail (note 18)	0.6	13.5	-	14.1
Additions	6.9	2.7	4.9	14.5
Disposals	(6.4)	(6.6)	-	(13.0)
Transfers between asset classes	6.2	2.1	(8.5)	(0.2)
At 31 December 2025	44.2	59.9	7.9	112.0
Accumulated depreciation				
At 1 January 2025	18.7	20.9	-	39.6
Transfers in - Aesop retail (note 18)	0.3	6.7	-	7.0
Charge for the year	11.8	4.8	-	16.6
Disposals	(6.4)	(6.6)	-	(13.0)
Impairment charge	-	0.5	-	0.5
At 31 December 2025	24.4	26.3	-	50.7
Net book value				
At 31 December 2025	19.8	33.6	7.9	61.3
At 31 December 2024	18.2	27.3	11.5	57.0

Commitments	2025 £million	2024 £million
Contracts for future capital expenditure not provided for in the financial statements	3.4	3.1

L'Oréal (U.K.) Limited

Notes to the Financial Statements

12. Leases

Accounting policy

At inception of a contract the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company leases buildings for offices, distribution centres, hair academies and retail stores. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. Leases are typically made for a fixed period of 10 – 15 years and may include extension options which provide operational flexibility. The Company also leases vehicles and equipment for use in the business. Lease terms on these are generally 3 – 7 years.

Right of use (ROU) assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to restore the underlying asset or site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of; the end of the useful life of the right of use asset or the end of the lease term.

Under IFRS 16, right of use assets are tested for impairment in accordance with *IAS 36 Impairment of Assets*.

The lease liability at commencement date is measured as the present value of future lease payments, discounted by the interest rate implicit in the lease, or where this is not readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise of:

- (a) fixed lease payments (including in substance fixed payments), less any lease incentives
- (b) variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- (c) the exercise price of purchase options, if the lessee is reasonably certain to exercise the options, and
- (d) payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right of use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included as operating expenses in the Income Statement.

The lease liability is subsequently measured at amortised cost, increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. The liability is re-measured when there is a change in future lease payments due to a change in assessment of exercising a purchase, extension or termination option.

Right of use assets

The balance sheet shows the following amounts relating to leases:

	2025 £million	2024 £million
Short leasehold buildings	76.3	85.1
Short leasehold retail buildings	15.4	3.1
Equipment and vehicles	8.9	8.5
	100.6	96.7

Additions to right of use assets during the financial year were £658,000 (2024: £4,438,000).

L'Oréal (U.K.) Limited

Notes to the Financial Statements

12. Leases (continued)

On the 1 October 2025, the Company purchased the retail business of a fellow Group subsidiary, Aesop UK Ltd. This purchase included short leasehold retail buildings with a net book value of £15,958,000.

Lease liabilities

The maturity analysis of lease liabilities is as follows:

	2025	2024
	£million	£million
Due within one year	11.1	7.4
Due between one and five years	53.3	31.0
Due after five years	51.9	64.5
	116.3	102.9

Changes in lease liabilities in the year include a total cash outflow of £6,146,000 (2024: £5,070,000). New borrowings raised in the year amounted to £658,000 (2024: £15,980,000).

The income statement shows the following amounts relating to leases:

	2025	2024
	£million	£million
Depreciation charge of right of use assets		
Buildings	9.0	9.2
Retail buildings	1.8	0.9
Equipment and vehicles	0.5	0.9
	11.3	11.0
Impairment expense	1.6	2.0
Expense relating to leases of low-value assets (included in administrative expenses)	0.8	0.8
Expenses relating to variable lease payments (included in administrative expenses)	0.9	0.4

An impairment loss on retail right of use assets of £1,607,000 (2024: £1,968,000) was charged to the Income Statement in the year. The discount rate used within the impairment calculation was 8.3% (2024: 7.9%).

The future commitments on short term and low value assets are £690,000 (2024: 638,000) due in less than 1 year and £1,151,000 (2024: £441,000) due between 2 and 5 years.

The effects of excluding future cash outflows arising from variable lease payments, termination options and residual value guarantees from lease liabilities was not material.

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Notes to the Financial Statements

12. Leases (continued)

Leases not yet commenced

The future aggregate minimum lease payments on leases committed to with a future commencement date are as follows:

	As at December 2025 £million	As at December 2024 £million
Due within one year	-	0.0
Due between one and five years	-	0.1
	-	0.1

13. Investments

Investments are recognised at amortised cost less any provision considered necessary for impairment.

	2025 £million Investment in subsidiaries	£million Other	2024 £million Investment in subsidiaries	£million Other
At 1 January	0.0	0.4	0.0	0.6
Addition	-	0.3	-	-
Amortisation	-	(0.2)	-	(0.2)
At 31 December	0.0	0.5	0.0	0.4

Investments in subsidiaries

At 31 December 2025, the Company held ordinary shares in the following subsidiary undertakings:

Subsidiary undertaking	Country of incorporation	Registered office	Percentage holding of ordinary share capital	Nature of business
Two Five Five Limited	England and Wales	Gateway Central, 187 Wood Lane, London, W12 7SA	100%	Not trading

Other investments

During the year ended 31 December 2018, 2020, 2022, and 2024, employees of the Company were invited to join a Share Incentive Plan and purchase shares in L'Oréal S.A. Participants were awarded 'Matching (bonus) shares'. The Company funded the purchase of these bonus shares and is amortising the value of the loan over the five-year vesting period of the Plan.

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Notes to the Financial Statements

14. Inventories

Accounting policy

Stocks are valued at the lower of cost and estimated net realisable value. Cost is calculated using the weighted average cost method. Net realisable value is based on estimated selling price in the ordinary course of business, less applicable variable selling expenses. The difference between the balance sheet value of inventories and the replacement value is not material.

	2025	2024
	£million	£million
Finished products	124.1	99.0
Less: provision for obsolete inventories	(8.4)	(5.7)
Net inventories	115.7	93.3

15. Trade and other receivables

Accounting policy

In line with the requirement of *IFRS 9 Financial instruments*, trade receivables are recorded net of an allowance for expected credit loss. The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective trade receivable.

The Company always recognises lifetime expected credit losses for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Movement in the expected credit loss is shown within selling, general and administrative expenses in the Income Statement.

Trade receivables are due within one year.

	2025	2024
	£million	£million
Trade receivables	272.0	261.6
Amounts owed by immediate parent company	0.3	0.3
Amounts owed by group undertakings	87.0	77.5
Less: expected credit losses on trade receivables	(0.7)	(0.6)
Net trade and other receivables	358.6	338.8

Amounts owed by parent company and group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Group undertakings refers to other companies in the L'Oréal S.A group.

The allowance for credit loss does not include any amount related to intercompany receivables because there are no historic write offs of such amounts, and hence any expected credit loss calculation would result in a nil allowance.

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Notes to the Financial Statements

16. Other current assets

Accounting policy

Loans and other receivables are recorded at amortised cost. Loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as other current assets.

	2025	2024
	£million	£million
Tax and employee related receivables (excluding current tax)	14.9	10.9
Prepaid expenses	11.7	7.6
Other	2.6	2.5
	29.2	21.0

There are no amounts due after more than one year (2024: nil).

Other also includes an amount of £nil (2024: £18,000) which is fully impaired and is carried at a nominal value of £nil (2024: nil). Movements in the provision for impaired other current assets is shown within selling, general and administrative costs in the Income Statement.

17. Called up share capital and share premium account

Ordinary shares issued are classified as equity.

	2025	2024	2025	2024
	Number	Number	£million	£million
Authorised share capital				
Issued and fully paid ordinary shares (par value £0.25)	406,132,842	406,132,842	101.5	101.5
Share premium account				
Share premium			0.3	0.3

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Notes to the Financial Statements

18. Other reserves

	Merger reserve £million	Hedging reserve £million	Cost of hedging reserve £million	Share - based payment reserve £million	Total other reserves £million
Balance at 1 January 2024	(93.0)	-	(2.8)	23.2	(72.6)
Effective portion of gains and losses on cash flow hedges (net of tax)	-	(8.1)	1.8	-	(6.3)
Credit to equity for equity settled share-based payments (net of tax)	-	-	-	2.4	2.4
Balance at 31 December 2024	(93.0)	(8.1)	(1.0)	25.6	(76.5)
Effective portion of gains and losses on cash flow hedges (net of tax)	-	12.2	(2.6)	-	9.6
Credit to equity for equity settled share-based payments (net of tax)	-	-	-	3.7	3.7
Arising on group reorganisation – Aesop UK Limited	(29.1)	-	-	-	(29.1)
Balance at 31 December 2025	(122.1)	4.1	(3.6)	29.3	(92.3)

The merger reserve was created on 1 July 2009 following the transfer in of the assets and liabilities of YSL Beauté Limited. It has later been adjusted by transfers of the assets and liabilities IT Cosmetics Limited on 1 July 2018 and 8 January 2019, and Azzaro Mugler Beauté Limited on 1 January 2021.

Aesop UK Limited sold its retail business to L'Oréal (UK) Limited on 1 October 2025.

The price of the acquisition was £34,234,000 and was paid to Aesop UK Limited on 21 November 2025.

The Company acquired trade and net assets with a book value of £5,096,000, and the difference between the consideration paid and the book value of the net assets of £29,138,000 was recognised in the merger reserve.

The hedging reserve represents the cumulative effective fair value gains and losses on cash flow hedges. These gains and losses are reclassified to the Income Statement in the period when the hedged item affects the profit or loss.

The cost of hedging represents the fair value changes of the time value of options and are reclassified to the Income Statement in the same period during which the hedged cashflows affect profit or loss.

The share-based payment reserve represents the fair value gains and losses on equity-settled share-based payment transactions.

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Notes to the Financial Statements

19. Share-based payments

Accounting policy

The financial statements are prepared in accordance with the requirements of standard IFRS 2 Share-based Payment in respect of options granted to employees to purchase or subscribe for shares in its parent Company. The fair value of equity-settled share-based payments is determined at the date of grant and is expensed to the income statement on a straight-line basis over the vesting period, which is five years for purchase options and four years for free shares.

As the share options are equity-settled the corresponding entry is recognised in equity.

The fair value of stock options is determined using the Black Scholes model. This model allows for the characteristics of the plan such as exercise price and exercise period, market data at the grant date such as the risk-free rate, share price, volatility, expected dividends and behavioural factors of the beneficiaries. The fair value of free shares corresponds to the value of the share at the grant date, less dividends expected to be paid during the vesting period.

ACAS shares

These are 'free shares' given to senior employees of the global Company on an annual basis. The scheme has been in place since 2009. For the UK, approximately 50 employees participate each year. The grant date is usually October of each year, and the plans have a four-year vesting period. The plans are subject to performance criteria as follow for the 2015 - 2025 plans:

- For one half, L'Oréal growth when compared to cosmetic sales of a panel of competitors; and
- For one half, the growth in consolidated operating profit of the L'Oréal Group. In addition, the participants must remain employed by the Company throughout the vesting period.

The table below summarises data related to the free share plan vesting after 1 January 2018:

Share Subscription plans	Vesting date	Number of shares granted	Share price (Euros)	Fair Value (Euros)
17.04.2014	18.04.2018	13,850	€121.35	€109.99
22.04.2015	23.04.2019	12,875	€177.10	€164.50
20.04.2016	21.04.2020	15,325	€168.10	€154.32
20.04.2017	21.04.2021	14,275	€181.75	€166.90
17.04.2018	18.04.2022	16,300	€191.85	€176.17
18.04.2019	19.04.2023	13,900	€243.80	€226.25
14.10.2020	15.10.2024	12,250	€288.00	€269.37
07.10.2021	08.10.2025	8,575	€360.00	€339.34
13.10.2022	14.10.2026	10,470	€327.80	€303.33
12.10.2023	13.10.2027	10,975	€399.90	€371.96
10.10.2024	11.10.2028	14,209	€388.70	€358.49
10.10.2025	11.10.2029	13,402	€378.85	€348.48

The fair value corresponds to the value of the share at the grant date, less dividends expected to be paid during the vesting period.

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Notes to the Financial Statements

19. Share-based payments (continued)

L'Oréal Employee Share Plan (ESOP) and Share Incentive Plan (SIP)

As part of the Group's global all-employee share plan, employees were given the opportunity to subscribe to a L'Oréal Employee Share Plan in which free shares were offered. The number of free shares offered was dependent on the contribution made to the plan with a maximum of four shares offered for every ten shares subscribed. The shares vest over a five year period. Should the employee leave before the end of the vesting period, the free shares would be lost.

Since 2018, four employee shareholding plans have been offered – 2018, 2020, 2022 and 2024.

For employees in the Republic of Ireland who subscribe to the Employee Share Option Plan (ESOP) the subscription price set is 80% of the average opening share price set between two dates being the subscription period.

For employees in the United Kingdom, they became involved in the L'Oréal Share Incentive Plan (SIP). For 2018, 2020 and 2022 plans the subscription price set represented the lower of the share price at the start of the accumulation period or the purchase price. Shares, including the matching shares, in the L'Oréal SIP are held in an employee share trust.

Plan 2024

For employees in the Republic of Ireland, the subscription price set was €358.71 representing 80% of the average opening share price in the stock market between 5 June 2024 and 19 June 2024. The number of shares in which employees subscribed was 164 and that amounted to 74 free shares.

For employees in the United Kingdom, the subscription price set was €344.72 representing the lower of a) the average share price over the first week of July 2024 being the start of the accumulation period and b) being the average opening price for the preceding 5 days prior to the acquisition date (23rd April 2025). The number of shares in which employees subscribed was 2,378 and that amounted to 963 free shares.

Plan 2025

For employees in the Republic of Ireland, the subscription price set was €301.66 representing 80% of the average opening share price in the stock market between 11 June 2025 and 25 June 2025. The number of shares in which employees subscribed was 82 and that amounted to 58 free shares.

For employees in the United Kingdom, they became involved in the L'Oréal Share Incentive Plan (SIP). The subscription price has yet to be set as it will represent the lower of a) the average share price over the first week of July 2025 being the start of the accumulation period and b) the average share price over the first week of April 2026 being the date of purchase of the shares. The number of shares to which employees subscribed is still to be determined and will depend on the lower share price as described above. Shares, including the matching shares, in the L'Oréal SIP are held in an employee share trust.

The total amount of expense recorded in 2025 for all share-based payment was £3,616,000 (2024: £3,024,000).

The carrying amount at the year-end of liabilities arising from social security costs on share-based payment transactions amounted to £1,216,000 (2024: £1,196,000).

L'Oréal (U.K.) Limited

Notes to the Financial Statements

20. Retirement benefit schemes

Accounting policy

The Company operates a defined benefit scheme, The L'Oréal (U.K.) Limited Retirement Benefit Plan. Pension benefits are provided through a trustee administered scheme which is entirely separate from the Company's finances.

The defined benefit pension cost and the present value of the defined benefit obligations are calculated at the reporting date by the schemes' actuaries using the Project Unit Credit Method. The net charge to the Income Statement comprises the current service cost, plus the interest cost (the unwinding of the discount rate on plan liabilities), less the expected return on plan assets. Past service costs are charged immediately to the Income Statement to the extent that the benefits have vested, and are otherwise recognised on a straight-line basis over the average period until the benefits vest.

The case of Virgin Media Ltd v NTL Pension Trustees II Ltd (and the subsequent appeal) considered the requirement for salary related contracted-out schemes to obtain written confirmation from the scheme actuary ("Section 37 Confirmation") when making amendments in relation to any salary related contracted-out rights earned between 6 April 1997 and 5 April 2016 ("Section 9(2B) rights") and concluded that such a confirmation was required. Broadly, this means that some amendments to schemes may not be valid if a Section 37 Confirmation was not provided. The liabilities disclosed do not make any allowance for any additional liabilities that may arise due to this ruling. Refer to note 27 of these Financial Statements for further information.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actual occurred), as well as the effects of changes in actuarial assumptions. Actuarial gains and losses are recognised in other comprehensive income in the period in which they arise.

The defined benefit asset recognised represents the present value of defined benefit obligations adjusted for unrecognised past service costs and reduced by the fair value of plan assets. A net pension asset is only recognised to the extent that it is expected to be recoverable in the future through a cash refund or a reduction in future payments.

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The discount rate has been determined by considering yields available on high quality corporate bonds of an appropriate duration.

The Company also operates a defined contribution pension scheme. Contributions to this scheme are charged to the Income Statement as they fall due. Any contributions unpaid at the end of the reporting period are included as an accrual at that date.

L'Oréal (U.K.) Limited

Notes to the Financial Statements

20. Retirement benefit schemes (continued)

Defined benefit scheme principal risks

Through its defined benefit pension plan, the Company is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The Plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If Plan assets underperform this yield, this will create a deterioration in the balance sheet position (all else being equal). This volatility has been partly mitigated by the pensioner buy-in and asset de-risking.

Inflation risk

The majority of benefits are linked to inflation and so increases in inflation will lead to higher liabilities (although in most cases there are caps in place which protect against extreme inflation). This risk has been partly mitigated by the pensioner buy-in and asset de-risking.

Longevity

Increases in life expectancy in excess of the increases allowed for in the assumptions will increase non-insured Plan liabilities. Longevity risk has been partly mitigated by the pensioner buy-in which reduced the non-insured Plan liabilities.

Changes in bond yields

A decrease in corporate bond yields will increase the value placed on the Plan liabilities, although this will be partially offset by an increase of the Plan's insured annuities, bonds and LDI holdings.

L'Oréal (U.K.) Limited Retirement Benefits Plan

The Plan operates in respect of some of its employees (and former employees) in the UK. The plan is a funded defined benefit arrangement and is a Registered Pension Scheme under the Finance Act 2004. Funding valuations for the plan are carried out under the requirements of the Pensions Act 2004. The plan provides benefits based on length of service and final salary at retirement or earlier date of leaving. The Plan is open to future accrual but closed to new entrants.

Trustees have the primary responsibility for governance of the Plan. Benefit payments are from Trustee-administered funds and Plan assets are held in trust which is governed by UK regulation. Part of the responsibility for governance of the Plan, including setting contribution rates, lies jointly with the Company and the Trustees as required by the Plan's Trust Deeds and Rules and overriding legislation. However, investment decisions are the responsibility of the Trustees only, although they must consult the Company. The Trustees are comprised of nominations from the Company and members in accordance with the Trust Deed and Rules.

The most recent formal funding review valuation had an effective date of 5 April 2023 and was completed by the scheme actuary, Gallagher Limited in December 2023. Under an agreed contingency funding plan, the funding of the plan is assessed on a quarterly basis and the deficit contributions made by the Company will depend on those assessments, varying between nil and £1,250,000 per month. The Company has not made additional funding contributions during 2025 and does not expect to make additional funding contributions during 2026.

The Company's best estimate of contributions to be paid in 2026 are £2,606,000. The Company also contributes towards the expenses of operating the Plan (including the Pension protection levy and life assurance premiums). Additional contributions may be made in respect of the expenses associated with special projects related to the Plan.

The next formal funding review valuation will commence on 5 April 2026.

L'Oréal (U.K.) Limited

Notes to the Financial Statements

20. Retirement benefit schemes (continued)

The duration of the plan liabilities is around 14 years. The following table provides information on the timing of the benefit payments (amount undiscounted):

	£million
Year ending 31 December 2026	15.3
Year ending 31 December 2027	15.4
Year ending 31 December 2028	15.3
Year ending 31 December 2029	17.1
Year ending 31 December 2030	19.2
Five years ending 31 December 2035	106.9

The major assumptions used by the actuaries were as follows:

	2025	2024
Salary increases	3.60%	3.85%
Rate of increase of LPI pensions in payment – L'Oréal plan	2.95%	3.15%
Discount rate	5.50%	5.50%
Inflation (Retail Prices) assumption	3.00%	3.25%
Inflation (Consumer Prices) assumption	2.60%	2.85%

The base mortality assumptions are based on the SAPS S3 tables (2024: SAPS S3 tables), with adjustments to reflect the Scheme's population. Future mortality improvements are CMI 2024 (2024: CMI 2023) projections with a long-term rate of improvement of 1.5% per annum for males and 1.25% per annum for females (2024: 1.5% per annum for males and 1.25% per annum for females).

Based on the assumptions set out above, the impact on the present value of the defined benefit obligations of changing the following individual assumptions (with all other assumptions remaining unchanged) is set out below:

	2025
	£million
Value of obligations at the end of the year if:	
Assumptions as set out above	344.3
Discount rate reduced by 0.5% p.a.	368.6
Discount rate increased by 0.5% p.a.	322.4
Inflation increased by 0.25%* p.a.	352.8
Inflation decreased by 0.25%* p.a.	336.0

*This sensitivity allows for the impact on all inflation related assumptions (salary increases, deferred revaluation and pension increases (subject to the relevant caps and floors)).

L'Oréal (U.K.) Limited

Notes to the Financial Statements

20. Retirement benefit schemes (continued)

The reconciliation of Plan assets and liabilities is as follows:

	Assets	Liabilities	Carrying amount
	£million	£million	£million
At 1 January 2025	403.3	(345.2)	58.1
Benefit paid	(15.8)	15.8	-
Employer contributions	2.6	-	2.6
Employee contributions	0.0	0.0	0.0
Current service cost	-	(1.9)	(1.9)
Interest income/(expense)	21.8	(18.6)	3.2
Actuarial (losses)/gains recognised in the Statement of Comprehensive Income	(10.2)	5.6	(4.6)
At 31 December 2025	401.7	(344.3)	57.4

Amounts recognised in the Statement of Comprehensive Income are:

	2025	2024
	£million	£million
Return on plan assets excluding interest income	(10.2)	(59.3)
Experience (loss)/gain arising on the plan liabilities	(1.3)	2.8
Actuarial gains arising from change in financial assumptions	8.5	49.0
Actuarial (losses)/gains arising from change in demographic assumptions	(1.6)	0.6
Actuarial loss recognised in the Statement of Comprehensive Income	(4.6)	(6.9)

The amounts recognised in the Income Statement are as follows:

	2025	2024
	£million	£million
Current service cost	(1.9)	(2.1)
Net interest income	3.2	2.8
Total included in the Income Statement	1.3	0.7

The current service cost has been included in the Income Statement as 'Selling, general and administrative expenses'. The net interest income has been included within 'Finance income'.

The Trustees of the Plan undertake asset-liability matching studies on a regular basis and consult with the Company regarding any changes to the Plan's investment strategy. The matching assets to the pension obligations are considered to be long-term fixed interest/inflation-linked securities.

The majority of the Plan's assets are held in matching assets, and it would be expected that this proportion would increase over time, as the Plan matures. The balance of the Plans' assets is invested in a diversified portfolio of growth-oriented assets with the aim of achieving higher levels of return at an acceptable level of risk.

L'Oréal (U.K.) Limited

Notes to the Financial Statements

20. Retirement benefit schemes (continued)

The breakdown of plan assets, by asset class, is as follows:

	2025	2024
	%	%
Equities	-	5
Bonds	65	61
Insured annuity	25	26
Property	4	7
Cash and cash equivalents	1	1
Asset backed securities	5	-
	100	100

21. Provisions for liabilities

Accounting policy

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The provision for product returns represents the refund liability for the expected refunds to customers. It is estimated using historical return rates which have demonstrated to have been reliable in the past and is expected to be utilised or reversed within one year.

Leasehold improvement provisions have been created because the Company leases premises which contain lease rectification clauses that impose certain requirements on the Company to return the properties to their original state. Dilapidation provisions are recognised where the Company expect to have to repair a leased property before returning it to the landlord. The provision will be utilised on exit of the properties which will happen at varying times over the next 15 years.

A restructuring provision is recognised when the Company has developed a detailed plan for the restructuring and has a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of the restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Other includes a provision for social security contributions payable on exercise of share-based payments and litigation, which is expected to be utilised within one year. Other also includes a provision for long term employee benefits. Participants of the Plan who have met the conditions of the plan will be entitled to receive an award automatically after three years.

L'Oréal (U.K.) Limited

Notes to the Financial Statements

21. Provisions for liabilities (continued)

	2025 £million	2024 £million
Product returns	6.3	6.7
Leasehold improvement/dilapidations	9.6	9.9
Restructuring	0.5	1.0
Other	3.5	2.4
	19.9	20.0
Current	8.9	9.4
Non-current	11.0	10.6
	19.9	20.0

	Product returns £million	Leasehold improvement/ dilapidations £million	Restructuring £million	Other £million	Total £million
At 1 January 2025	6.7	9.9	1.0	2.4	20.0
New provisions during the year	5.0	0.1	-	8.4	13.5
Used during the year	(0.3)	(0.3)	(0.5)	(6.3)	(7.5)
Unused amounts reversed	(5.1)	(0.1)	-	(1.0)	(6.1)
At 31 December 2025	6.3	9.6	0.5	3.5	19.9

22. Deferred tax liability

Accounting policy

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits and is accounted for using the balance sheet liability method.

Deferred tax is measured using the tax rate enacted at the closing date.

Deferred tax assets are only recognised to the extent it is probable that sufficient future taxable profits will be available against which they can be utilised.

Deferred tax assets and liabilities are offset as the Company has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

L'Oréal (U.K.) Limited

Notes to the Financial Statements

22. Deferred tax liability (continued)

The following are the major deferred tax assets and liabilities recognised and movements during the current and prior years.

	Accelerated tax depreciation £million	Share- based payments £million	Retirement benefit obligations £million	Foreign exchange derivatives £million	Other £million	Total £million
At 1 January 2024	(5.3)	1.9	(15.4)	0.9	0.3	(17.6)
(Charge)/credit to income statement	(2.4)	0.0	-	-	(0.1)	(2.5)
(Charge)/credit to equity or other comprehensive income	-	(0.6)	0.9	2.1	-	2.4
At 31 December 2024	(7.7)	1.3	(14.5)	3.0	0.2	(17.7)
(Charge)/credit to income statement	(0.6)	0.2	-	-	0.8	0.4
(Charge)/credit to equity or other comprehensive income	-	0.1	0.2	(3.2)	-	(2.9)
At 31 December 2025	(8.3)	1.6	(14.3)	(0.2)	1.0	(20.2)

Deferred tax is measured at 25% (2024: 25%).

There is an unrecognised deferred tax asset in respect of trading losses carried forward of £4,000 (2024: £4,000) relating to an ancillary trade carried on by the Company. These losses may only be offset against future profits arising from that trade. In the view of the directors of the Company it is not considered that, in the foreseeable future, sufficient suitable profits will arise against which the losses may be offset and, therefore, no deferred tax asset is recognised in respect of these losses.

23. Trade and other payables

Trade and other payables and other current liabilities are recognised at amortised cost.

	2025 £million	2024 £million
Trade creditors	176.7	158.9
Accruals	75.5	78.4
Amounts owed to immediate parent company	14.7	12.5
Amounts owed to group undertakings	46.2	38.8
	313.1	288.6

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

Amounts owed to parent and group undertakings are unsecured, have no fixed repayment period but are repayable on demand, and are non-interest bearing in both years. Group undertakings refer to other companies in the L'Oréal S.A group.

L'Oréal (U.K.) Limited

Notes to the Financial Statements

24. Other current liabilities

	2025 £million	2024 £million
Personnel and social security	35.3	35.3
Other taxation (excluding current tax)	30.6	27.2
Year end and promotional rebates	136.2	123.4
Deferred income	0.2	0.2
Fixed asset payables	8.4	7.1
Accrued interest on lease liability	4.3	4.2
Other current liabilities	0.0	0.1
	215.0	197.5

25. Financial risk management and derivative financial instruments

Accounting policy

Financial instruments

Forward foreign exchange contracts and options are put in place to hedge cash flows. They are recorded in the Statement of Financial Position as fair value hedges of cash flows on future commercial transactions whose completion is highly probable.

All hedging instruments are recorded at their market value, including those which relate to purchases and sales in the next accounting year. If the future cash flow hedging relationship is duly documented and the effectiveness of the hedges demonstrated, the variation in the fair value of these hedging instruments is recorded directly in equity and impacts the Income Statement on the date on which the transactions hedged are completed. Any ineffective part is charged directly to the Income Statement within selling, general and administrative expenses.

In application of hedge accounting, unrealised exchange gains and losses relating to unsold inventories are deferred in the inventories item in the Statement of Financial Position.

The management of the business and the execution of the Company's strategy are subject to several risks: market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market price.

The Company's operations expose it to foreign currency exchange risk due to exchange rate movements, which will affect the Company's transaction costs and the translation of net assets of its branch in the Republic of Ireland.

The Company manages its exposure to currency rate risks arising through its normal course of business using derivatives.

It is the policy of the Company to enter forward foreign exchange contracts and options to cover foreign currency payments and receipts. Using detailed forecasts, the Company will use forward foreign exchange contracts to reduce its exposure so that, at the end of the year, 80% to 100% of any currency risk identified has been hedged.

All foreign exchange hedging is carried out by the L'Oréal S.A. Group Treasury Department who do not enter or trade financial instruments for speculative purposes.

L'Oréal (U.K.) Limited

Notes to the Financial Statements

25. Financial risk management and derivative financial instruments (continued)

The fair value of the Company's foreign currency denominated monetary assets and liabilities are as follows:

	2025		2024	
	Assets £million	Liabilities £million	Assets £million	Liabilities £million
Forward foreign exchange contracts – cash flow hedge	4.7	4.7	8.9	23.4
	4.7	4.7	8.9	23.4

The fair value of the hedging derivatives is classified as a current asset or liability in the Statement of Financial Position as the maturity of the hedged items are less than 12 months. Gains and losses recognised in the hedging reserve in equity on foreign exchange contracts are recognised in the Income Statement in the years during which the hedged forecast transaction affects the Income Statement.

Set out below is the analysis of the impact on other comprehensive income:

	2025 £million	2024 £million
Change in fair value	0.4	(12.4)
Reclassified to profit and loss as hedged item effects profit and loss	12.4	4.0
	12.8	(8.4)

The total nominal amount of outstanding foreign exchange contracts as at year end:

	2025 £million	2024 £million
Buy:		
CAD	0.1	-
PLN	22.8	22.2
EURO	700.3	677.8
USD	14.2	16.0
	737.4	716.0
Sell:		
CAD	1.4	0.3
EURO	311.0	250.8
USD	28.9	26.3
	341.3	277.4

The Company has neither short nor long term borrowings and, therefore, considers its exposure to interest rate risk to be not significant.

L'Oréal (U.K.) Limited

Notes to the Financial Statements

25. Financial risk management and derivative financial instruments (continued)

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is particularly exposed to credit risk through its transactions with wholesale and hairdressing salon customers.

The Company has policies in place that require appropriate credit checks on customers, both new and existing, which are reviewed on a regular basis. Credit limits are set for each customer based on the independent rating of that customer or, if no independent rating is available, based on an assessment of the financial position of the customer.

Trade receivables are recorded net of an allowance for doubtful debts. The allowance is calculated using the expected credit loss model. The calculation is based using historic actual loss statistics. If further evidence exists of a customer in significant financial difficulty or continuous default in payment, then a specific provision is made against that customer.

Credit insurance cover has been purchased by the Company to protect the trade and other receivables from financial loss.

Other activities to mitigate credit risk include guarantees received and not releasing goods until payment received.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its obligations associated with financial liabilities that are settled in cash. The Company manages liquidity in conjunction with the L'Oréal S.A. Group's Financial Services Department. The Company has substantial short term credit facilities through its Group cash pooling arrangements and has no long-term external debt.

26. Related Party Transactions

The Company has no related party transactions which need to be disclosed in these financial statements.

The Company has taken advantage under *FRS 101 Reduced Disclosure Framework* not to disclose information about transactions between its parent and fellow subsidiaries.

27. Contingent Liabilities

The Company has guaranteed loans made between Barclays Bank Plc and certain customers. In the event that a customer should default on its loan payments, Barclays Bank Plc would recover the cost of these loan payments from the Company.

	2025	2024
	£million	£million
Guarantees given	0.8	0.9

The Virgin Media Ltd v NTL Pension Trustees II decision (known as "the Virgin Media Case"), handed down by the High Court on 16 June 2023, considered the implication of section 37 of the Pension Schemes Act 1993. The Court of Appeal subsequently dismissed Virgin Media's appeal against the High Court's judgment. This decision has potentially far-reaching consequences for employers of defined benefit pension schemes.

The issues in the case dealt with contracted-out pension scheme benefits and the statutory requirements for making changes to those benefits.

L'Oréal (U.K.) Limited

Notes to the Financial Statements

27. Contingent liabilities (continued)

Contracting out of the State Second Pension required schemes to provide its members with benefits that were broadly equivalent to, or better than the pension benefits under the State Pension. These were known as 'section 9(2B) rights' which is the section of the legislation that set out the requirements for contracting out and covers the period from April 1997 to April 2016.

Section 37 of the Pension Schemes Act 1993 relates to a scheme's ability to change the section 9(2B) benefits and states that the rules of a contracted-out scheme cannot be altered unless the alteration is of a prescribed description. One of these conditions included obtaining actuarial advice confirming that the proposed alteration to the scheme rules that would alter section 9(2B) rights meet the statutory standard.

The High Court decision in the Virgin Media Case made clear that, by law, amendments that altered section 9(2B) rights were void if an actuarial confirmation (Section 37 Confirmation) was not obtained, regardless of whether those alterations had an adverse or positive effect on member benefits.

The Trustees of The L'Oréal (U.K.) Limited Retirement Benefit Plan are aware of the ruling and have worked with its legal advisors to identify past amendments in the period between 6 April 1997 and 5 April 2016 which may impact on section 9(2B) rights. It has been determined that the potential impact to the scheme is limited.

In June 2025, the UK Government issued a statement in acknowledgment of the uncertainty on schemes and sponsoring employers from this ruling. It has announced that it will introduce new regulations to allow schemes impacted by the decision to validate scheme amendments retrospectively. This would mean that those amendments deemed void under the ruling due to lack of a Section 37 Confirmation would remain valid. It is expected that this legislation will come into force in 2026.

28. Ultimate Parent Undertaking

The immediate parent undertaking is L'Oréal S.A.

The ultimate parent undertaking and controlling party is L'Oréal S.A., a Company incorporated in France.

L'Oréal S.A. is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2025. The consolidated financial statements of L'Oréal S.A. can be obtained from its registered office: 31 Rue Martre, 92117 Clichy, France.