Our Sense of Purpose

The desire for beauty has existed since the beginning of humanity, it’s a universal aspiration which crosses time, countries, and cultures.

Beauty is a powerful force that moves us.

We know that beauty is more than just looking good. Beauty gives us confidence in who we are, in who we want to be, and in our relationships with others.

For over a century we have been dedicated to one sole vocation: creating beauty. Remaining true to the pioneering spirit of our founder, with the unwavering support of his family, who always accompanied our development.

Our goal is to offer each and every person around the world the best of beauty in terms of quality, efficacy, safety, sincerity and responsibility to satisfy all beauty needs and desires in their infinite diversity.

Because beauty is a permanent quest, we harness the power of our innovation to continually enhance the performance of our products & services.

Because we value diversity, we leverage each of our brands to celebrate all expressions of beauty.

Because we strive to be exemplary with a long-term vision, we anchor our actions in our strong values and demanding ethical principles.

And because we are the global leader in beauty, we are aware that everything we do can have a meaningful impact. Therefore:

We act to shape the future of beauty by leveraging the best of science and technology, increasingly inspired by nature.

We act to drive social innovation by offering the best working conditions, training, and social protection for our employees.

We act to build a business with inclusivity at its heart by ensuring we are as diverse as the people we serve.

We act to nurture lasting partnerships with our clients and suppliers based on mutual trust and collaboration.

We act to create value for all our shareholders by sustaining a robust business model.

We act to champion the cause of women and to strengthen the communities with which we engage.

We act to protect the beauty of the planet by fighting climate change, respecting biodiversity and preserving natural resources.

At L’Oréal, we share a common purpose to

Create the beauty that moves the world
“Exemplarity and non-financial performance are just as important as financial performance”

Jean-Paul Agon, Chairman and Chief Executive Officer of L’Oréal, interviewed by two Group employees, Jessica Simmonds and Santiago Amaya. They discuss the highlights of 2019 and the Group’s prospects for the future.

— EACH YEAR, THE COSMETICS MARKET IS CONTINUING TO GROW STEADILY. IN YOUR VIEW, WHICH KEY FACTORS MADE THE MARKET DYNAMIC IN 2019?

The cosmetics market was very dynamic in 2019, growing between +5.0% and +5.5%. It was driven firstly by the same fundamental economic, demographic and sociological trends seen over the last few years: globalisation, the rise of the middle and upper income classes, and the emergence of new targets, including seniors and men. More recently, growth has also been fuelled by other factors, and primarily of course by the digital revolution. Because beauty has vast potential in terms of engaging with people on the Internet. Then there is e-commerce, extending the reach of the beauty sector to far greater numbers of consumers all over the world, well beyond the possibilities of traditional retailing. Another factor is the huge appetite of younger generations for beauty products, especially in the new markets. And last but not least, the “premiumisation” of the market. More and more consumers want to trade up to products offering both higher performance and superior quality.

— L’ORÉAL HAS ONCE AGAIN OUTPERFORMED THE MARKET IN 2019, AND IT’S THE CASE YEAR AFTER YEAR. HOW DO YOU EXPLAIN THIS?

We not only outperformed the market, but also posted our best like-for-like sales growth for 12 years! This reflects a winning strategy that is clearly defined: concentrating our resources and our efforts on the fastest-growing segments of the market. And outperforming each one of those segments. L’Oréal Luxe, drawing on its iconic brands, signifiantly outperformed the selective market. The Active Cosmetics Division grew twice as fast as the dermocosmetics market, thanks to the power of its business model based on brands recommended by health professionals. In skincare, the number one category in this market, our R&D, expertise and star innovations enabled us to post growth two and a half times higher than the market. The story is the same in Asia Pacific, now our number one geographic Zone, with a spectacular growth rate. And finally our sales have accelerated strongly in two channels that are booming. In e-commerce, where our growth is twice as fast as the market, and in the Travel Retail channel, where we are the long-established market leader.

(1) Source: L’Oréal estimate of the global cosmetics market in 2019 based on manufacturers’ net prices. Excluding soaps, oral hygiene, razors and blades. Excluding currency effects.

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

(3) Sales achieved on our brands’ own websites + estimated sales achieved by our brands corresponding to sales through our retailers’ e-commerce websites (non-audited data).
Jean-Paul Agon — “Although we are the market leader, we are driven by the spirit of a challenger. Although we are a major company, we are constantly becoming more agile thanks to a startup mindset”

— IN THIS NEW WORLD OF AUGMENTED REALITY AND BEAUTY EXPERIENCES DRIVEN BY DIGITAL, CAN YOU EXPLAIN HOW WE USE TECHNOLOGY TO IMPROVE THE EXPERIENCES OF OUR CONSUMERS?

Today we can deliver quite remarkable services: make a skin “diagnosis” based on a selfie, or use virtual reality to try out a hair colour or makeup... These services, created by our company ModiFace, provide a much richer relationship with the consumer. For a number of years now, L’Oréal has been leading the field when it comes to digital. We are experts in new marketing models, with digital representing about half of our media spending. And we are determined to keep on advancing. We have decided to be the pioneers, the champions and the leaders of Beauty Tech, which is clearly the future of the beauty market. We have everything it takes to be successful. We are the only company that can combine more than 100 years of beauty expertise and knowledge of our consumers with cutting-edge digital excellence.

— L’ORÉAL IS THE UNDISPUTED LEADER OF THE BEAUTY MARKET IN TERMS OF PERFORMANCE. BUT WE ARE ALSO PROUD THAT L’ORÉAL IS JUST AS COMMITTED TO CORPORATE SOCIAL RESPONSIBILITY. WHAT WERE THE MAJOR ADVANCES THIS YEAR? AND HOW WILL WE CONTINUE TO ACT IN THE FACE OF OUR CURRENT CLIMATE EMERGENCY?

For me also, this is my greatest source of pride. In today’s world, financial performance is obviously important, but exemplarity and non-financial performance in social, societal, environmental and ethical responsibility are just as important. Over the last ten years I have guided the Group in this direction. 2019 was another year of outstanding achievements. The vast majority of our new and renovated products have an improved social or environmental profile. And our transition to a low-carbon business model has made great progress. We are continuing to demonstrate that it is possible to uncouple impact and growth. Our efforts have been recognised by independent experts. In the environmental field, L’Oréal is the only company in the world to be awarded three A-ratings from CDP[1] for the fourth year running, for our efforts in combating climate change, managing water sustainably and preventing deforestation. In the field of ethics, L’Oréal is world number one in the Covalence EthicalQuote reputation index.

(1) CDP is an independant global organisation that evaluates companies’ achievements in terms of their environmental performance.
And we are recognised by Equileap as one of the top global companies in terms of gender equality. But faced with the vast scale of climate issues, it is essential to achieve much more. We will shortly be announcing the next chapter of our “Sharing Beauty With All” programme, and setting highly ambitious targets for 2030.

**— COULD YOU SHARE YOUR VISION OF L’ORÉAL’S FUTURE? HOW IS THE GROUP WELL EQUIPPED TO REMAIN THE MARKET LEADER GOING FORWARD?**

L’Oréal has been the market leader for more than 30 years. And the goal shared by each one of us, every day, is to strengthen this leadership. To do so, we can draw on our very solid fundamentals. First of all, we boast the strongest R&D force in the cosmetics industry. And we have always been totally focused on quality, safety and sustainability. This enables us to create major innovations that renew and strengthen the most attractive brand portfolio in the industry. Furthermore, we have put digital at the very heart of our business model. We also have a unique organisational approach: we are strategically centralised but operationally decentralised. And this approach is backed up by L’Oréal’s unique corporate culture. Although we are the market leader, we are driven by the spirit of a challenger. Although we are a major company, we are constantly becoming more agile thanks to a startup mindset. And lastly, I am convinced that we have the best teams in the industry, which you are also part of. For all these reasons, I am extremely confident and optimistic. I am fully convinced that a tremendous new collective adventure lies ahead, and a great success story.
The Board of Directors

STABLE GOVERNANCE IN A SWIFTLY CHANGING COSMETICS MARKET
The composition of the Board reflects L’Oréal’s unique shareholding structure and guarantees the interests of all its shareholders. Alongside the Chairman and Chief Executive Officer, there are three directors who represent the Bettencourt Meyers family, two from the Nestlé company, seven independent directors and two directors representing employees. The diversity and complementarity of the directors’ industrial, financial and entrepreneurial expertise equip them to quickly and thoroughly comprehend the development challenges facing L’Oréal, the leader of a globalised and highly competitive cosmetics market in which the need to innovate and adapt is crucial. Most of the directors have experience managing international groups at the highest level. In 2019, the Board welcomed a new independent director, Fabienne Dulac, Chair and Chief Executive Officer of Orange France and Deputy Chief Executive Officer of the Orange Group. As at 31 December 2019, Board members represented seven different nationalities, with an almost even gender balance (54% women). Three of the four Committees are chaired by independent female directors.

A BOARD OF DIRECTORS THAT FULLY ASSUMES ITS RESPONSIBILITY TO PROVIDE STRATEGIC REFLECTION AND IMPETUS
The Board devotes most of its time to strategic issues, to foster and accelerate the Group’s transformation into a more digital and more sustainable L’Oréal. The Board is kept informed throughout the year about the Group’s activities and results, its positions in relation to its competitors, market trends and the expectations of consumers all over the world. It examines acquisition projects and monitors the integration of recently acquired companies. It is kept up to date with progress on L’Oréal’s corporate social responsibility programme “Sharing Beauty With All”. The Board members regularly meet with the senior executives of the Group. This transparent and constructive dialogue culminates in a shared strategic vision, which gives General Management the confidence necessary for its implementation. A strategy meeting was organised in June 2019, on the topic of Beauty in 2030.

PROACTIVE AND COMMITTED DIRECTORS
The directors are committed and proactive, driven by the conviction that stringent governance creates value for the company. They always keep the Company’s long-term interests first in mind as they voice their opinions. The directors play a tireless and dynamic role in the work of the Board and its Committees to feed into their discussions and inform their decisions. The Board carries out a full review of its modus operandi and organisation every year from a continuous improvement perspective. It determines which topics to prioritise at this annual review, in line with its role of providing the impetus for L’Oréal’s long-term strategy.

ETHICS AT THE HEART OF L’ORÉAL’S GOVERNANCE AND COMMITMENTS
The Board of Directors places great importance on respecting L’Oréal’s ethical principles – Integrity, Respect, Courage and Transparency – and more generally its Code of Ethics. In 2019, the Senior Vice-President and Chief Ethics Officer presented the ethics strategy and the initiatives taken in this field, as well as their results. The Board considers this strategy to be an integral part of L’Oréal’s growth model; it supports its implementation and regularly measures the advances made.
Governance is more essential than ever in an increasingly VUCA world (Volatile, Uncertain, Complex and Ambiguous): it is imperative that we can take advantage of multiple perspectives and different kinds of expertise to decipher and understand it, grasp the opportunities and constantly adapt the business to it.

JEAN-PAUL AGON
Chairman and Chief Executive Officer

THE DIRECTORS
AT 31 DECEMBER 2019

1 – Jean-Paul Agon
CHAIRMAN AND CEO
SINCE 2011 (TERM OF OFFICE RENEWED IN 2018)

2 – Françoise Bettencourt Meyers
(TERM OF OFFICE RENEWED IN 2017)

3 – Paul Bulcke
VICE-CHAIRMAN OF THE BOARD
(SINCE APRIL 2017)

4 – Jean-Pierre Meyers
VICE-CHAIRMAN OF THE BOARD
(TERM OF OFFICE RENEWED IN 2016)

5 – Ana Sofia Amaral
(TERM OF OFFICE RENEWED IN 2018)

6 – Sophie Bellon
(TERM OF OFFICE RENEWED IN 2019)

7 – Patrice Caine
(SINCE APRIL 2018)

8 – Fabienne Dulac
(SINCE APRIL 2019)

9 – Belén Garijo
(TERM OF OFFICE RENEWED IN 2018)

10 – Béatrice Guillaume-Grabisch
(SINCE APRIL 2016)

11 – Bernard Kasriel
(TERM OF OFFICE RENEWED IN 2016)

12 – Georges Liarokapis
(TERM OF OFFICE RENEWED IN 2018)

13 – Jean-Victor Meyers
(TERM OF OFFICE RENEWED IN 2016)

14 – Virginie Morgon
(TERM OF OFFICE RENEWED IN 2017)

15 – Eileen Naughton
(SINCE APRIL 2016)
The Executive Committee, the Group’s management body

The Executive Committee members are in charge of the divisions, functional departments, as well as the geographic zones. They implement the strategic guidelines and direct the activities of L’Oréal all over the world.

1 – Jean-Paul Agon
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

2 – Nicolas Hieronimus
DEPUTY CHIEF EXECUTIVE OFFICER, IN CHARGE OF DIVISIONS

3 – Laurent Attal
EXECUTIVE VICE-PRESIDENT RESEARCH AND INNOVATION

4 – Christophe Babule
EXECUTIVE VICE-PRESIDENT CHIEF FINANCIAL OFFICER

5 – Vincent Boinay
MANAGING DIRECTOR TRAVEL RETAIL

6 – Cyril Chapuy
PRESIDENT L’OREAL LUXE

7 – Vianney Derville
EXECUTIVE VICE-PRESIDENT WESTERN EUROPE ZONE

8 – Lucia Dumas Bezian
EXECUTIVE VICE-PRESIDENT COMMUNICATION AND PUBLIC AFFAIRS

9 – Barbara Lavernos
EXECUTIVE VICE-PRESIDENT CHIEF TECHNOLOGY AND OPERATIONS OFFICER

10 – Jean-Claude Le Grand
EXECUTIVE VICE-PRESIDENT HUMAN RELATIONS

11 – Brigitte Liberman
PRESIDENT ACTIVE COSMETICS

12 – Fabrice Megarbane
PRESIDENT L’OREAL CHINA

13 – Alexandra Palt
EXECUTIVE VICE-PRESIDENT CHIEF CORPORATE RESPONSIBILITY OFFICER AND L'OREAL FOUNDATION

14 – Alexis Perakis-Valat
PRESIDENT CONSUMER PRODUCTS

15 – Alexandre Popoff
EXECUTIVE VICE-PRESIDENT EASTERN EUROPE AND AFRICA, MIDDLE EAST ZONES

16 – Stéphane Rinderknech
PRESIDENT NORTH AMERICA

17 – Lubomira Rochet
EXECUTIVE VICE-PRESIDENT CHIEF DIGITAL OFFICER

18 – Nathalie Roos
PRESIDENT PROFESSIONAL PRODUCTS

19 – Frédéric Rozé
EXECUTIVE VICE-PRESIDENT AMERICAS ZONE

20 – Jochen Zaumseil
EXECUTIVE VICE-PRESIDENT ASIA PACIFIC ZONE
Ethics

L’ORÉAL WAS BUILT ON STRONG ETHICAL PRINCIPLES THAT GUIDE ITS DEVELOPMENT AND CONTRIBUTE TO BUILDING ITS REPUTATION. THESE PRINCIPLES ARE THE FOUNDATION OF THE GROUP’S POLICIES IN TERMS OF COMPLIANCE, RESPONSIBLE INNOVATION, ENVIRONMENTAL STEWARDSHIP, SOCIAL AND SOCIETAL RESPONSIBILITY, DIVERSITY AND PHILANTHROPY.

Ethics Day: an open dialogue

Ethics Day has become the major annual ethics event for L’Oréal employees. They are invited to send in questions on ethics directly to Jean-Paul Agon, Chairman and CEO of L’Oréal, who answers them via a live webchat. The dialogue continues in all Group subsidiaries. The event also includes an online survey. In 2019, participation reached record levels: 70% of employees across the globe took part in the exchanges.

READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT
My role is to ensure that all employees – regardless of their position or level of responsibility – are aware of L’Oréal’s four ethical principles: Integrity, Respect, Courage and Transparency.

NADIA PETROLITO
Ethics Correspondent, L’Oréal Canada

HUMAN RIGHTS: A KEY ISSUE
L’Oréal has set a twofold commitment: to respect Human Rights, and to amplify the positive impacts of the Group’s business in this domain. The Group signed a partnership with the Danish Institute for Human Rights to identify areas for improvement in terms of its Human Rights programme. L’Oréal also works with the NGO Fair Wage Network(1) to implement a living wage strategy, ensuring workers and their dependents have sufficient revenue for food, housing, and other basic needs. On the occasion of the United Nations’ International Human Rights Day, L’Oréal kicked-off the “We Can End It” campaign, which underscores the aspiration and the feasibility of working together to end Human Rights violations.

RECOGNISED COMMITMENTS
L’Oréal’s ethics initiatives were once again recognised in 2019. The Group was named one of the 2019 World’s Most Ethical Companies by Ethisphere, a global leader in defining and advancing the standards of ethical business practices. L’Oréal was also named a Global Compact LEAD for its continuous support of the United Nations’ Global Compact and its Ten Principles for responsible business. LEAD companies are those who have achieved the highest level of commitment with the UN Global Compact.

(1) Switzerland-based NGO, non-governmental organisation, internationally recognised on the subject of living wage.
Responsibility

“L’Oréal has embarked on a fundamental transformation towards a more sustainable model”

In 2013, L’Oréal launched its Sustainable Development Programme “Sharing Beauty With All”, with a series of commitments to be achieved by the end of 2020 and the determination to ensure a profound transformation towards a more sustainable model.

In 2017, L’Oréal made a new set of commitments on combating climate change, including reducing all its greenhouse gas emissions by 25% in absolute terms by 2030. L’Oréal’s ambition in terms of sustainable development is also about protecting the planet’s natural resources. It has implemented numerous initiatives to contribute to a responsible, sustainable business model, including improving the biodegradability of its formulations, sustainable sourcing of raw materials - a “zero deforestation” commitment - eco-design of packaging, waste reduction and more.

L’Oréal has acted in accordance with the 10 Principles of the United Nations Global Compact for the last 20 years and has contributed to the UN’s Sustainable Development Goals since 2015. In 2019, L’Oréal was awarded an “A” score in each of the three rankings produced by the CDP.[1]

Although significant progress has been made, we must reassert our tireless determination to contribute to the collective effort as a matter of urgency. 2020 marks the end of the first series of “Sharing Beauty With All” targets and will also be a turning point, during which we will unveil our new programme and new commitments for 2030.

We all have an obligation to act on climate change.

[1] CDP is an independent global organisation that evaluates companies’ achievements in terms of their environmental performance.
HOW DO WE ACHIEVE CARBON NEUTRALITY?

L’Oréal is pursuing its transition to a low-carbon business model and has committed to achieving carbon neutrality by 2025. The Group uses renewable energies and is improving its energy efficiency to reduce its greenhouse gas emissions. In 2017, the Group made new commitments for 2030. Its efforts have been recognised: L’Oréal was again named a Global Compact LEAD company in 2019.

BRAZIL WELCOMING SUSTAINABLE INITIATIVES

L’Oréal in Brazil has been recognised for the third year running by the Guia Exame de Sustentabilidade, one of the most important markers of sustainable development in Brazil. The company also received the Firjan Environmental Prize including the creation of a filtration garden at its Research & Innovation centre, which collects and processes rainwater and wastewater using a natural process so that it can be reused. In addition, all L’Oréal facilities in Brazil have switched to 100% renewable energy.

Target “zero deforestation”!

L’Oréal published its “zero deforestation” policy in 2014. Its aim is for none of the ingredients and raw materials used by the Group to be linked to deforestation by the end of 2020. L’Oréal has developed an action plan to achieve its objective. In 2019, 100% of the paper used for product instructions, 99.9% of cardboard for product packaging and 94% of the paper and cardboard used in POS materials was certified, as well as 98% of the soya oil used by L’Oréal. The Group has also set a positive example on palm oil consumption. Its efforts have been recognised, since for the fourth consecutive year, L’Oréal achieved an “A”, i.e. the highest level of performance, in the CDPs’ 2019 ranking.

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(1) Point-of-sale advertising. (2) CDP is an independent global organisation that evaluates companies’ achievements in terms of their environmental performance. (3) Highest level of commitment of the United Nations Global Compact. (4) Federação das Indústrias do Estado do Rio de Janeiro, Rio de Janeiro state’s industrial association.
CITIZEN DAY: 10 TANGIBLE IMPACTS FOR THE TENTH EDITION

L’Oréal enabled 27,600 employees to work with various community organisations for the tenth consecutive year, benefiting 55,000 people. The global event was run over 10 days and produced some tangible results that had a real impact. This tenth Citizen Day also saw the launch of the Citizen Skills programme, which gives employees the opportunity to support community organisations during their working hours.

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SUB-SAHARAN AFRICA: SPOTLIGHT ON FEMALE SCIENTISTS

The L’Oréal Corporate Foundation supports female scientists in Africa so that they can contribute fully to developing research-based solutions. Since the creation of the L’Oréal-UNESCO “For Women in Science” Award, 11 scientists and 129 talented women from Africa have been put in the spotlight. In 2019, the foundation sought to provide fairer support for all female researchers, wherever they are on the continent. Two separate programmes have been created: one for South Africa, and the second covering the other 48 countries in sub-Saharan Africa, with the aim of doubling the number of young female scientists recognised. These actions by the foundation are intended to contribute to the development of inclusive research in Africa, for Africa and led by Africans.

READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT
MOROCCO Supporting socially responsible, sustainable argan oil
L’Oréal has purchased 100% of its argan oil from six socially responsible cooperatives since 2008. Working in partnership with its supplier and NGO(1) Yamana, L’Oréal has co-founded a programme to guarantee the cooperatives fair conditions that protect biodiversity and help to maintain their ancestral know-how.

Recognition for actions on climate, forests and water
L’Oréal has been recognised as a global leader in sustainable development by the international organisation CDP(2) in three areas: combating climate change, sustainable management of water and protecting forests, for the fourth year running. The CDP’s recognition is a tribute to L’Oréal’s commitment through its “Sharing Beauty With All”(3) programme.

THE L’ORÉAL CORPORATE FOUNDATION
The L’Oréal Corporate Foundation’s “Beauty for a Better Life” programme provides access to beauty and wellness treatments for women who are ill or in vulnerable situations, through partnerships with hospitals and community organisations. In 2019, the foundation supported over 15,000 people in France by providing over 65,000 beauty and wellness treatments.

Launched in 1998 in partnership with UNESCO, the “For Women in Science” programme works for better representation of women in scientific research. Over 250 young female doctoral researchers are supported every year, and five female scientists are recognised for the excellence of their research. Since 1998, over 3,400 female scientists have been put in the spotlight worldwide.

READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT

LEARN MORE ONLINE
lorealannualreport2019.com

✓ Including people with disabilities, supporting women who are ill, solidarity is in action at L’Oréal in Germany

(1) Non-governmental organisation UK EN. (2) CDP is an independent global organisation that evaluates companies’ achievements in terms of their environmental performance. (3) The L’Oréal corporate social responsibility programme.
Human Relations

“L’Oréal’s agility depends on the quality and diversity of our employees”

Human Relations at L’Oréal is first and foremost about our steadfast conviction that our employees have always made, and will continue to make, the difference. Maintaining a relationship based on trust and respect, and encouraging a management style that leaves room for initiative, cooperation and personal development; these are the cornerstones of successful human relations.

L’Oréal acts in line with its conviction that a policy that promotes diversity and inclusion enables everyone to give their best within the company. L’Oréal’s diversity and inclusion policy is a key performance and innovation driver that plays a crucial role in maintaining sustainable growth.

Innovating to develop in a collaborative way the future of Human Relations is a project to which L’Oréal is particularly committed. The Group has created the online consultation “People Vision” and is rolling out a new HR IT(1) system, which is key to optimising the user experience and meeting expectations in terms of compatibility for payroll, employee evaluations and in-house surveys.

L’Oréal is also committed to changing management styles and ways of working. The Simplicity programme(2), launched in 2016, has moved into a new phase, with specific team management goals that target the highest levels of the company.

Innovation, cooperation, diversity and inclusion allow Human Relations to pursue its strategic mission to support L’Oréal’s extra-financial and responsible performance.

54% of key positions held by women(3)

No.4 on Universum’s new Global Diversity & Inclusion Index(4)

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(1) Information Technology. (2) Group transformation programme to achieve more collaborative management and teamwork. (3) Strategic positions and key positions monitored at the Group level (about 1,300 positions). (4) Categories: business students and IT/Engineers.
Diversity and inclusion: key values at L’Oréal

For L’Oréal, the promotion and inclusion of people with disabilities is vitally important. Since 2015, L’Oréal has been an active member of the International Labour Organization’s Global Business and Disability Network. L’Oréal has also made gender equality in the workplace a priority. In 2019, L’Oréal made the Top 5 in the Equileap Ranking and Bloomberg Gender Equality Index, which both recognise the most advanced companies in terms of gender equality.

— READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT

CHILE BOOSTING EMPLOYMENT AMONG YOUNG PEOPLE

In Chile, over 18% of people between the ages of 15 and 29 are neither studying, nor working, nor receiving any training. Armed with the conviction that companies have a role to play in enhancing the employability of these populations, L’Oréal partnered with two universities to launch the “Programa Avanza” initiative, which gives young people from underprivileged communities easier access to employment.

— WATCH THE INTERVIEW WITH JEAN-MARIE GOURMELEN, DIRECTOR OF HUMAN RELATIONS, L’ORÉAL CHILE, IN THE DIGITAL ANNUAL REPORT

ENDING GENDER-BASED VIOLENCE IN THE WORKPLACE AND PROMOTING WOMEN ENTREPRENEURS

L’Oréal stands out thanks to its strong commitments and concrete initiatives designed to address the challenges women face in the workplace. Under the leadership of NGO (1) Care France and L’Oréal, BNP Paribas, Kering, Sodexo and BBDO France have joined our cause to ratify a convention to serve as the leading legal protection for workers worldwide when it comes to gender-based violence and sexual harassment. L’Oréal is a member of WEConnect International in a partnership that aims to empower and connect women entrepreneurs.

— READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT

LEARN MORE ONLINE
lorealannualreport2019.com

> 2030: L’Oréal’s new vision for Human Relations – a closer look at the Group’s transformation project
> Human Relations UK fights hiring stereotypes
> Brandstorm: digital acceleration, a look back at the 2019 edition of the student competition
> An employee-endorsed company: L’Oréal receives Korn Ferry Employee Engagement Award

(1) Non-governmental organisation.
IN A BEAUTY MARKET THAT REMAINS VERY DYNAMIC, L'ORÉAL CLOSED THE DECADE WITH ITS BEST YEAR FOR SALES GROWTH SINCE 2007
The world of beauty in 2019

L’ORÉAL CONFIRMED ITS POSITION AS THE GLOBAL BEAUTY LEADER ONCE AGAIN THIS YEAR(1).

+5.0%/+5.5% growth in 2019(2)

€220 Bn (2)
Estimated sales of the market

The global cosmetics market is a powerful and dynamic market driven by strong consumption growth potential. This potential is underpinned, most notably, by the rise of the middle and upper income classes, as well as by the growing numbers of senior citizens on the lookout for products that meet their diverse aspirations and their infinite quest for beauty.

GROWTH OF THE WORLDWIDE COSMETICS MARKET OVER 10 YEARS(2) (in %)

ONLINE SALES

~+27% growth in worldwide online cosmetics sales (2)

~14% share of e-commerce in the beauty market (2)

MAIN WORLDWIDE PLAYERS IN SALES(4)

(in billions of USD)

(1) Source: WWD. Beauty’s Top 100, May 2019, based on 2018 sales and according to 2019 publications. (2) Source: L’Oréal estimate of the global cosmetics market in 2019 based on manufacturers’ net prices. Excluding soap, oral hygiene, razors and blades. Excluding currency effects. (3) Excluding Argentina. (4) Estimated cosmetics sales according to WWD.
Focus on the skincare market

40% of the beauty market(1)

Nearly 60% of worldwide cosmetics market growth(1)

SKINCARE CATEGORIES

FACIAL SKINCARE

FACIAL CLEANSERS

BODY CARE

SUN PROTECTION

GROWTH OF THE SKINCARE MARKET COMPARED WITH THE GLOBAL BEAUTY MARKET(2)

<table>
<thead>
<tr>
<th>Year</th>
<th>Skincare market</th>
<th>Global cosmetics market</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>2%</td>
<td>+9.0%</td>
</tr>
<tr>
<td>2016</td>
<td>4%</td>
<td>+6.0%</td>
</tr>
<tr>
<td>2017</td>
<td>6%</td>
<td>+6.0%</td>
</tr>
<tr>
<td>2018</td>
<td>8%</td>
<td>+5.5%</td>
</tr>
<tr>
<td>2019</td>
<td>10%</td>
<td>+4.0%</td>
</tr>
</tbody>
</table>

Skincare market

Global cosmetics market

BREAKDOWN OF THE SKINCARE MARKET(3)

BY GEOGRAPHIC ZONE

- Asia Pacific: 67%
- North America: 20%
- Western Europe: 14%
- Latin America: 4%
- Eastern Europe: 4%
- Africa, Middle East: 2%

L'ORÉAL BENEFITS FROM THE STRENGTH AND BALANCE OF ITS BRAND PORTFOLIO, WHICH COVERS THE ENTIRE SKINCARE MARKET

LUXURY SKINCARE, iconic brands with a comprehensive skincare offering: Lancôme, Kiehl’s, Biotherm and Helena Rubinstein

DERMOCOSMETICS, brands that partner with dermatologists: La Roche-Posay, Vichy, CeraVe and SkinCeuticals

AFFORDABLE SKINCARE, affordable brands with scientific and natural formulas: L’Oréal Paris, Garnier, Mixa and Sante Naturkosmetik

(1) Source: L’Oréal estimate of the global cosmetics market in 2019 based on manufacturers’ net prices. Excluding soap, oral hygiene, razors and blades. Excluding currency effects.

(2) Excluding Argentina.

(3) Source: L’Oréal estimate of the worldwide skincare market based on manufacturers' net prices. Excluding soap, oral hygiene, razors and blades. Excluding currency effects.
Focus on the luxury cosmetics market

1/4 of the beauty market (1)  
≈ 1/2 of worldwide cosmetics market growth (1)

THE FASTEST GROWING LUXURY COSMETICS CATEGORIES

SKINCARE  
≈ 40% of the luxury market in 2019 (1)

MAKEUP  
≈ 30% of the luxury market in 2019 (1)

GROWTH OF THE LUXURY COSMETICS MARKET COMPARED WITH THE GLOBAL BEAUTY MARKET (1)

2015 2016 2017 2018 2019

Luxury cosmetics market
Global beauty market

+10.0% +5.5% +11.0% +5.7% +5.5%
+9.2% +4.9% +6.7% +4.0%
+6.7% +3.9% +5.7% +2%

BY GEOGRAPHIC ZONE

Asia Pacific 43%  
North America 30%  
Western Europe 21%  
Eastern Europe 3%  
Africa, Middle East 2%  
Latin America (2) 1%

L’ORÉAL LUXE BENEFITS FROM THE STRENGTH AND BALANCE OF ITS BRAND PORTFOLIO IN SKINCARE AND MAKEUP

(1) Source: L’Oréal estimate of the global cosmetics market in 2019 based on manufacturers’ net prices. Excluding soap, oral hygiene, razors and blades. Excluding currency effects. (2) Excluding Argentina.
L’Oréal in figures

THE GROUP CLOSED THE DECADE WITH ITS BEST YEAR OF LIKE-FOR-LIKE SALES GROWTH SINCE 2007. ITS OPERATING MARGIN REACHED A RECORD HIGH. THE STRENGTH OF L’ORÉAL’S WELL-BALANCED BUSINESS MODEL ENABLED THE GROUP TO KEEP ON ACHIEVING PROFITABLE AND SUSTAINABLE GROWTH, WHILE AGAIN STRENGTHENING ITS POSITION AS THE BEAUTY MARKET LEADER.

OUR PERFORMANCE

€29.87 Bn sales in 2019
+8.0% like-for-like sales growth\(^{(1)}\)

WEIGHT OF DIGITAL IN SALES\(^{(2)}\)

€4.6 Bn of sales in e-commerce
15.6% of consolidated sales in e-commerce
+52.4% like-for-like growth in e-commerce sales in 2019\(^{(1)}\)

BREAKDOWN OF 2019 SALES (as %)

BY DIVISION
- Consumer Products 42.7%
- L’Oréal Luxe 36.9%
- Professional Products 11.5%
- Active Cosmetics 8.9%

BY GEOGRAPHIC ZONE
- Western Europe 27.7%
- North America 25.3%
- New Markets 47.0%
- Asia Pacific 32.3%
- Eastern Europe 6.4%
- Latin America 6.0%
- Africa, Middle East 2.3%

BY BUSINESS SEGMENT
- Skincare and sun protection 35.0%
- Makeup 26.3%
- Haircare 14.9%
- Hair colouring 10.1%
- Fragrances 9.3%
- Other\(^{(3)}\) 4.4%

\(^{(1)}\) Based on a comparable structure and identical exchange rates. \(^{(2)}\) Sales on our brands’ own websites + estimated sales by our brands via retailer websites (non-audited data); like-for-like. \(^{(3)}\) “Other” includes hygiene products as well as sales by American professional distributors with non-Group brands.
## CONSOLIDATED SALES\(^{(1)}\)
(in million of euros)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>29,873</td>
</tr>
<tr>
<td>2018</td>
<td>26,937</td>
</tr>
<tr>
<td>2017</td>
<td>26,024</td>
</tr>
<tr>
<td>2016</td>
<td>25,837</td>
</tr>
<tr>
<td>2015</td>
<td>25,257</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Based on a comparable structure and identical exchange rates.

## OPERATING PROFIT
(in million of euros)

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>5,547</td>
</tr>
<tr>
<td>2018</td>
<td>4,922</td>
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<tr>
<td>2017</td>
<td>4,676</td>
</tr>
<tr>
<td>2016</td>
<td>4,540</td>
</tr>
<tr>
<td>2015</td>
<td>4,388</td>
</tr>
</tbody>
</table>

**+12.7%** growth in operating profit

## OPERATING MARGIN
(in % of sales)

<table>
<thead>
<tr>
<th>Year</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>18.6%</td>
</tr>
<tr>
<td>2018</td>
<td>18.3%</td>
</tr>
<tr>
<td>2017</td>
<td>18.0%</td>
</tr>
<tr>
<td>2016</td>
<td>17.6%</td>
</tr>
<tr>
<td>2015</td>
<td>17.4%</td>
</tr>
</tbody>
</table>

**18.6%** Record operating margin

## NET PROFIT EXCLUDING NON-RECURRING ITEMS AFTER NON-CONTROLLING INTERESTS\(^{(2)}\)
(in million of euros)

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>4,356</td>
</tr>
<tr>
<td>2018</td>
<td>3,988</td>
</tr>
<tr>
<td>2017</td>
<td>3,749</td>
</tr>
<tr>
<td>2016</td>
<td>3,647</td>
</tr>
<tr>
<td>2015</td>
<td>3,490</td>
</tr>
</tbody>
</table>

**+9.3%** Growth in net profit excluding non-recurring items after non-controlling interests

\(^{(2)}\) Non-recurring items include impairment of assets, net income from discontinued operations, restructuring costs and tax effects of non-recurring items.

---

(1) Based on a comparable structure and identical exchange rates. (2) Non-recurring items include impairment of assets, net income from discontinued operations, restructuring costs and tax effects of non-recurring items.
**CAPITAL EXPENDITURE**

4.1% of sales

**BALANCED OPERATING PROFITABILITY**

<table>
<thead>
<tr>
<th>Division</th>
<th>Profitability (as % of Division sales)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Products</td>
<td>20.1%</td>
</tr>
<tr>
<td>Consumer Products</td>
<td>20.2%</td>
</tr>
<tr>
<td>L’Oreal Luxe</td>
<td>22.6%</td>
</tr>
<tr>
<td>Active Cosmetics</td>
<td>23.3%</td>
</tr>
</tbody>
</table>

**Total Divisions’ profitability**(1)

21.4%

**A SOLID FINANCIAL SITUATION**

at 31 December 2019

**SHORT-TERM RATINGS**

<table>
<thead>
<tr>
<th>Rating</th>
<th>Agency</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1 +</td>
<td>Standard &amp; Poor’s</td>
<td>SEPTEMBER 2019</td>
</tr>
<tr>
<td>PRIME 1</td>
<td>Moody’s</td>
<td>SEPTEMBER 2019</td>
</tr>
<tr>
<td>F1 +</td>
<td>Fitch Ratings</td>
<td>MARCH 2019</td>
</tr>
</tbody>
</table>

€2,399 M Net cash surplus

(1) Before non-allocated: before central Group expenses, fundamental research expenses, free grants of share expenses, and miscellaneous items. As a percentage of sales.
A DYNAMIC SHAREHOLDER RETURN POLICY

**DIVIDEND PER SHARE**
(In euros)

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividend per share (in euros)</th>
<th>Preferential dividend</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>3.10</td>
<td>3.41</td>
</tr>
<tr>
<td>2016</td>
<td>3.30</td>
<td>3.63</td>
</tr>
<tr>
<td>2017</td>
<td>3.55</td>
<td>3.90</td>
</tr>
<tr>
<td>2018</td>
<td>3.85</td>
<td>4.23</td>
</tr>
<tr>
<td>2019</td>
<td>4.25</td>
<td>4.67</td>
</tr>
</tbody>
</table>

€4.67 = Preferential dividend of +10% for shareholders holding registered shares

**PAY-OUT RATIO**
(as % of profit)

<table>
<thead>
<tr>
<th>Year</th>
<th>Pay-out ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>52.0%</td>
</tr>
<tr>
<td>2016</td>
<td>54.0%</td>
</tr>
<tr>
<td>2017</td>
<td>56.0%</td>
</tr>
<tr>
<td>2018</td>
<td>58.0%</td>
</tr>
<tr>
<td>2019</td>
<td>60.0%</td>
</tr>
</tbody>
</table>

**EARNINGS PER SHARE**
(In euros)

<table>
<thead>
<tr>
<th>Year</th>
<th>Earnings per share (in euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>6.18</td>
</tr>
<tr>
<td>2016</td>
<td>6.46</td>
</tr>
<tr>
<td>2017</td>
<td>6.65</td>
</tr>
<tr>
<td>2018</td>
<td>7.08</td>
</tr>
<tr>
<td>2019</td>
<td>7.74</td>
</tr>
</tbody>
</table>

+9.3% = Increase from 2018 to 2019

(1) Based on the €4.25 dividend proposed at the Annual General Meeting on 21 April 2020. (2) Preferential dividend of +10% for shareholders who continuously held their shares in registered form for a minimum of two full calendar years, up to a maximum of 0.5% of the capital for the same shareholder. (3) Pay-out ratio based on diluted earnings per share, excluding non-recurring items, after non-controlling interests. (4) On the number of shares at 31 December 2019, i.e. 558,117,205 shares. (5) Non-recurring items include impairment of assets, net income from discontinued operations, restructuring costs and tax effects of non-recurring items.
Our “Sharing Beauty With All” (1) indicators

**THE AIM OF THE SUSTAINABLE TRANSFORMATION PROGRAMME “SHARING BEAUTY WITH ALL”, LAUNCHED IN 2013, IS TO MAKE L’ORÉAL A MODEL COMPANY IN TERMS OF SUSTAINABLE INNOVATION, PRODUCTION, CONSUMPTION, AND IN SHARING ITS GROWTH WITH ALL GROUP STAKEHOLDERS.**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>85% of new or received products launched in 2019 have an improved social or environmental profile (1)</td>
<td></td>
</tr>
<tr>
<td>-35% reduction of waste generated in plants and distribution centres since 2005</td>
<td></td>
</tr>
<tr>
<td>90,635 people from socially or economically disadvantaged communities gained access to employment</td>
<td></td>
</tr>
<tr>
<td>-78% reduction in CO₂ emissions in absolute terms in plants and distribution centres since 2005</td>
<td></td>
</tr>
<tr>
<td>3A ratings from CDP (2) for reducing carbon emissions, managing water sustainably and protecting forests in the supply chain</td>
<td></td>
</tr>
<tr>
<td>87% of the Group’s strategic suppliers (3) have been assessed and selected on the basis of their environmental and social performance</td>
<td></td>
</tr>
<tr>
<td>-51% reduction in water consumption in plants and distribution centres since 2005</td>
<td></td>
</tr>
<tr>
<td>89% of brands have assessed their environmental and social impact</td>
<td></td>
</tr>
<tr>
<td>-78% reduction in CO₂ emissions in absolute terms in plants and distribution centres since 2005</td>
<td></td>
</tr>
<tr>
<td>94% of the Group’s permanent employees benefit from health cover that reflects best practices in their country of residence (4)</td>
<td></td>
</tr>
<tr>
<td>-51% reduction in water consumption in plants and distribution centres since 2005</td>
<td></td>
</tr>
</tbody>
</table>

(1) In 2017, SPOT replaced previously used social and environmental performance evaluations for formulas and packaging. SPOT takes more criteria into consideration and ensures a more comprehensive and strict analysis. Different impacts are weighted based on their contribution to the product’s overall impact (excluding acquisitions and subcontractors). (2) CDP is an independent international organisation which assesses companies’ environmental performance. (3) Strategic suppliers are suppliers whose added value is significant for the Group by contributing sustainably to L’Oréal’s strategy by their weight, their innovations, their strategic alignment and their geographical deployment. (4) This corresponds to 100% of employees covered by the L’Oréal Share & Care programme (permanent Group employees, excluding part-time contracts of less than 21 hours/week, beauty advisors and store employees in some countries given that the integration of recent acquisitions and new subsidiaries is a gradual process).
L’Oréal worldwide

In a beauty market that remains very dynamic in 2019, L’Oréal confirmed its position as the worldwide leader in beauty(1) with a strong presence in its three main geographic zones: Western Europe, North America and the new markets (Asia Pacific, Latin America, Eastern Europe, Africa Middle East).

Like-for-like growth in Western Europe(2)

L’Oréal Luxe outperformed its market thanks to the successful launch of the fragrances Libre by Yves Saint Laurent and Idôle by Lancôme, the dynamism of the Giorgio Armani and Kiehl’s brands, and the good start made by IT Cosmetics in several countries. Lancôme has become the number one brand in the women’s selective market(3). The Active Cosmetics Division also confirmed its vitality, with high growth from La Roche-Posay and SkinCeuticals, and the development of CeraVe. In a sluggish market, the Consumer Products Division won market share in several key countries, especially in Germany, the United Kingdom, Spain and the Netherlands, and maintained its very strong position in France. The Division also outperformed the makeup and facial skincare markets. The transformation of the Professional Products Division continued, which should pay off from 2020.

Like-for-like growth in Africa, Middle East(2)

The Zone was affected by a sharp fourth-quarter deceleration in the countries of the Levant, and Lebanon in particular. Over the year, Pakistan, Egypt, Saudi Arabia and Morocco recorded double-digit growth. The Active Cosmetics Division has driven growth, with market share gains in the Maghreb-Middle East and in sub-Saharan Africa.

Like-for-like growth in North America(2)

The Zone reflects contrasting levels of performance across Divisions. The persistent difficulties of the makeup market held back the Consumer Products Division and L’Oréal Luxe. These Divisions are however benefiting from the dynamism of skincare, where they are winning market share with the ranges Revitalift Derm Intensives by L’Oréal Paris, Ultra Facial by Kiehl’s and Confidence by IT Cosmetics. L’Oréal Luxe also outperformed in the fragrances segment, thanks in particular to the very good results of Idôle by Lancôme and Libre by Yves Saint Laurent. The Active Cosmetics Division continues to make inroads into the North American market with double-digit growth, thanks to all its brands and especially CeraVe, La Roche-Posay and SkinCeuticals, all of which achieved double-digit increases. The Professional Products Division also performed very well, driven by hair colour with Shades EQ by Redken and haircare.

Like-for-like growth in Latin America(2)

The year was marked by the sharp contrast between Divisions. On the one hand, the L’Oréal Luxe and Active Cosmetics Divisions recorded good growth, with Active Cosmetics winning market share, while the Consumer Products and Professional Products Divisions found it hard to progress. The skincare category, which is benefiting from a dynamic market, has become the main growth driver for the Zone. In Brazil, the contrast between Divisions is particularly pronounced, with strong growth for the L’Oréal Luxe and Active Cosmetics Divisions. Mexico and Chile contributed to the growth of the Zone.
The performance of the Zone was boosted by Russia, Turkey, Ukraine and Romania. The Consumer Products, L’Oréal Luxe and Active Cosmetics Divisions won market share, with, at the Group level, gains in makeup, skincare and hair. E-commerce continued to grow strongly, and now represents 10% of sales in this Zone.

The Divisions double-digit growth. Fourth-quarter growth was driven in particular by the exceptional performance of Singles’ Day (11/11) in China, where sales grew throughout the year, and the Group is making significant market share gains. Sales in Hong Kong were strongly affected by the social context, particularly in the fourth quarter. Growth in the Zone is also being driven by the countries of South-East Asia, especially India, Indonesia and Malaysia, and by the luxury brands Lancôme, Kiehl’s, Yves Saint Laurent and Giorgio Armani. The Consumer Products Division benefited from a good year at L’Oréal Paris, the success of the Korean brand 3CE Stylenanda as well as the good performance of Garnier in many Asian countries. As for the Professional Products Division, growth was driven in particular by the Kérastase brand and hair colour. The Active Cosmetics Division continued to post good growth across all markets, thanks in particular to the success of La Roche-Posay and SkinCeuticals.

In line with the Group’s “Sharing Beauty With All”(3) sustainable development commitments, Travel Retail takes a responsible approach by reducing packaging and greenhouse gas emissions.

**LEARN MORE ONLINE**

lorealannualreport2019.com

- Discover more country stories in each geographic Zone in the digital Annual Report

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(1) Source: WWD, Beauty’s Top 100, May 2019, based of 2018 sales and according to 2019 publications. (2) Like-for-like sales growth: based on a comparable structure and identical exchange rates. (3) Source: NPD Europe 5 2019, makeup, women’s skincare and perfume.
Bra
A DIVERSE AND COMPLEMENTARY BRAND PORTFOLIO IN RESPONSE TO THE INFINITE DIVERSITY OF CONSUMERS’ ASPIRATIONS
Divisions Overview

“Our four Divisions play a major strategic role as they enable L’Oréal to cover all aspects of beauty”

NICOLAS HIERONIMUS,
Deputy Chief Executive Officer, in charge of Divisions, answers questions from our journalist about the performance of L’Oréal’s four Divisions in 2019.

— WHAT ARE THE RECIPES FOR SUCCESS IN L’ORÉAL’S DIVISIONS?

In 2019, the four Divisions contributed to the Group’s excellent year, at +8.0%, like-for-like(1). Three out of four Divisions outperformed their market, and the Consumer Products Division continued its progressive acceleration. Our four Divisions play a major strategic role as they enable L’Oréal to cover all aspects of beauty. Each of them has its own portfolio with big historic brands and is also working to develop growth relays for the future. What unites our Divisions and our brands is a common passion for beauty and the fact that they all benefit from L’Oréal’s powerful research, which ensures a steady flow of innovations. Our Divisions have also demonstrated their tremendous ability to adapt to a rapidly changing world. Three examples stand out: the rise of digital technologies, shifts in distribution channels, and growing numbers of socially conscious consumers, who want more environmental commitments, more generosity, more inclusion and more transparency. In distribution, e-commerce grew 52.4%(2) in 2019 and now accounts for 16% of Group sales.

(1) Based on comparable structure and identical exchange rates. (2) Sales on our brands’ own websites + estimated sales by our brands via retailer websites (non-audited data) like-for-like.
— WHAT WERE THE BIG TRENDS IN THE BEAUTY MARKET IN 2019?

There were three key trends in the beauty market. First, changes in categories, with skincare pursuing strong growth at +8%. Secondly, the importance of tech – which provides more options for consumers thanks to apps and services such as online diagnoses and virtual try-ons for personalised products – continued to grow. Lastly, new consumer expectations emerged. People want greater transparency in terms of ingredients as well as more environmentally friendly products and brands that behave as “world citizens”.

— HOW DID THE GROUP RESPOND?

Faced with these trends, we responded by focusing on the Group’s historic strengths, particularly innovation, and its tremendous adaptability. We very clearly outperformed the skincare market, with a spectacular +20% increase! This is a field where we benefit from the innovative power of L’Oréal’s research and the diversity of our brand portfolio. Our specialist brands, such as SkinCeuticals, CeraVe, La Roche-Posay, Helena Rubinstein and Kiehl’s, accelerated, as did our multicategory brands like Lancôme and L’Oréal Paris.

In terms of technology, the Group has invested in the Beauty Tech transformation. Here too we are innovating with increasingly personalised products and services. Last but not least, our brands are taking new consumer expectations on board, committing to increasingly sustainable beauty. They have made significant shifts with their formulas, packaging and production, moving towards: a more positive social impact thanks to active involvement in major causes such as domestic violence, women’s illiteracy and sexual harassment in the streets; more transparency, with the gradual roll-out of “Inside Our Products”, an online platform that sets out in detail and explains the Group’s policy on ingredients; and more safe beauty, to deliver the best possible performance and maximum innocuousness.

— HOW DO YOU EXPLAIN THE SUCCESS OF THE GROUP’S BIG BRANDS?

In a competitive environment that keeps on getting tougher and more fragmented, many observers had been predicting the end of the big brands. But that just hasn’t happened. Far from it. Our big brands have come out of it stronger! Our billionaire brands have grown +9.1% above the Group’s average. La Roche-Posay has joined this private club to become our ninth billionaire brand.

L’Oréal Paris is more than ever the number one beauty brand in the world, and Lancôme the number one luxury beauty brand in the world! These brands combine the agility they have adopted from indie brands and the power of their scale and hero products or mega franchises reaching impressive growth. The Group is also building the future with new seeds such as StyleNanda, Valentino, from 2020 Mugler, Azzaro and from 2021 Prada.

Acquisitions

Since it was founded over a century ago, L’Oréal has built a palette of iconic and complementary brands through targeted acquisitions. This portfolio of global brands – the richest and most diverse in the beauty industry – drives the group’s long-term growth.

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (€ Bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>29.87</td>
</tr>
<tr>
<td>2018</td>
<td>26.94</td>
</tr>
<tr>
<td>2017</td>
<td>26.02</td>
</tr>
<tr>
<td>2016</td>
<td>25.84</td>
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<td>2015</td>
<td>25.26</td>
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<td>2014</td>
<td>22.53</td>
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<td>1980</td>
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</tr>
<tr>
<td>1971</td>
<td>0.27</td>
</tr>
<tr>
<td>1967</td>
<td>0.14</td>
</tr>
</tbody>
</table>

(1) Acquisition of the thermal spa La Société des Thermes de La Roche-Posay. (2) Licence renewal. (3) The brand The Body Shop was sold in 2017.
Brands Overview

L’ORÉAL’S BRANDS ARE ORGANISED BY DIVISION, EACH DEVELOPING A SPECIFIC VISION OF BEAUTY BY CONSUMPTION UNIVERSE AND DISTRIBUTION CHANNELS.
Consumer Products
2019 WAS THE YEAR OF FACE CARE AND IT ALSO CONFIRMED THE POWER OF OUR BRANDS. L’Oréal Paris achieved its best year since 2007 thanks to several successful launches – Rouge Signature, Dream Lengths and Revitalift Filler. The strength of L’Oréal Paris also lies in its unique affordable luxury positioning and its mission to empower women. Asia grew strongly, particularly in China where our brands posted exceptional results on 11/11 (1), but also in Southern Asia, with good performances in India and Indonesia. 2019 was also a strong year in Eastern Europe, driven by our performances in Russia and Turkey.

MEETING CONSUMERS’ NEEDS AND DESIRES

The Division responds to the major emerging trends in beauty, such as the move towards more natural products. We aimed to make Garnier a champion of this trend and also launched La Provençale Bio. Another example is the appeal of Korean-style beauty, which explains the huge success of our recent acquisition, 3CE Stylenanda. When our consumers are buying beauty products, they are also looking for a better retail experience. That is why we are partnering with our distributors to reinvent the traditional beauty aisle. Digital technologies are also transforming the relationship between our brands and consumers. Women can now watch an advertisement for lipstick on a social network, and try on live the product thanks to our ModiFace technology.

E-COMMERCE: ONE OF THE SECRETS BEHIND THE DIVISION’S SUCCESS

E-commerce is a unique opportunity to make more women and men discover our brands and our products. In China and emerging economies, online is the favourite channel of choice for beauty browsing and shopping. But the dedication, talent and contagious passion of our teams across the world are what really turn our assets into success.

“Our major brands – more aspirational and committed than ever before – are the cornerstones of our growth”
The Consumer Products Division strengthened its leadership position in the skincare segment by offering innovative products that meet the infinite variety of needs and aspirations found throughout the globe.

Ampoules and Tissue Masks: Concentrated Performance

The Division takes inspiration from major beauty trends, then makes them available to all through wide distribution. The success of our ampoules — a sealed single-dose format that preserves the freshness of ingredients — is a perfect example of this strategy. Very popular in Asia, the format has quickly won over growing numbers of consumers in the United States and Europe. Tissue masks have also been a major success this year thanks to their rapid results and simple, enjoyable application. Tissue masks have also reinvented retail space with mask bars, where consumers can easily and quickly choose the most appropriate product.

The Natural Trend

Since 2015, Garnier has been working to complete a major transition: from a brand with products made from natural ingredients, to a natural brand. With its new tagline “By Garnier, Naturally!”, the brand embodies its commitments: the expert in natural ingredients offers quality products while ensuring sustainable sourcing, reducing its environmental impact and supporting future generations.

Successful collaboration with all types of online players, helps us to reach 100% of Russian women across the entire country even in the furthermost towns, in five days maximum.

Svetlana Obruchkova
General Manager Consumer Products Division, L’Oréal Russia

(1) Source: Euromonitor 2018, mass market scope.
ORGANIC BEAUTY FOR ALL

To meet rising demand for organic beauty products, L’Oréal has differentiated its offering by segment. Garnier Organic boasts a range of effective products that are gentle on the skin and the environment, and affordable for all. La Provençale, whose star ingredient is olive oil from Provence, offers all the same advantages. The Group also expanded its organic offering with the acquisition of Logocos Naturkosmetik AG, which markets organic vegan products.

L’ORÉAL PARIS: SOCIALLY CONSCIOUS FASHION ICON

L’Oréal Paris organised a new fashion and makeup brand collaboration in memory of Karl Lagerfeld. The third annual edition of the L’Oréal Paris fashion show strengthened the brand’s ties with promising young designers and renowned international labels. The 32 spokeswomen of all ages represented all different types of beauty as they gathered on the catwalk for the event, sending a strong message of women empowerment and inclusion.

(1) Source: Nielsen panel and in-house estimates.
L’Oréal Luxe
L’Oreal Luxe posted yet another solid performance in 2019. The Division outperformed the market for the ninth consecutive year and surpassed the symbolic milestones of 10 and 11 billion euros in sales. In Asia, we strengthened our leadership position. In Europe, the Division grew much more rapidly than the market. Our four major billionaire brands – Lancôme, Yves Saint Laurent, Giorgio Armani and Kiehl’s – recorded double-digit growth.

L’Oréal Luxe outperformed the market in all three luxury beauty categories. In skincare, the most dynamic category, the Division posted double-digit growth thanks to strong performances by Helena Rubinstein, Kiehl’s and Lancôme. In fragrances, the year’s highlights included the success of three major launches: Idôle by Lancôme, Libre by Yves Saint Laurent and Born in Roma Donna by Valentino. The Division expanded its portfolio with the announcement of a long-term beauty licence with Prada and the signature of the contract to acquire the prestigious Mugler and Azzaro brands.

SUCCESS IN ALL CATEGORIES

To attract consumers, we have further enhanced the luxury experience we offer. The opening of the new Lancôme flagship store on the Champs-Elysées is a fine example. The brands continue to reinvent themselves, like Shu Uemura, which attracts consumers not only with the quality of its formulas, like Rouge Unlimited, but also thanks to its collaborations.

ADAPTING TO MEET NEW CONSUMER EXPECTATIONS

The Division embodies the Group’s values of diversity, inclusion and sustainable development. L’Oréal Luxe is intently focused on sustainable development in all its departments, working tirelessly to create better, more eco-friendly formulas, minimise packaging, offer refillable packaging solutions and reduce overall advertising at points of sale.

A COMMITTED DIVISION

“The ingredients for an excellent year: four major brands, skincare and fragrances”
A big year for fragrances

AS THE GLOBAL MARKET GREW(1), the Division’s brands performed very well, securing several major successes, and strengthened their appeal for consumers of all generations.

STAND-OUT NEW PRODUCTS...

With the launch of three new fragrances, L’Oréal Luxe is present on all fronts. Idôle by Lancôme – a delicate blend of rose, jasmine and chypre with a delicate and refillable bottle – is the 7th most sold fragrance in Europe(2). Libre by Yves Saint Laurent – a sensual perfume featuring lavender, fougère and orange blossom – was also met with great enthusiasm and is already No. 6 in Europe(2). Just one year after its acquisition by L’Oréal, Valentino has taken its first steps with the launch of a fragrance duo: Born in Roma Donna and the men’s version, Uomo.

...AND CONTINUED SUCCESSES

L’Oréal Luxe also confirmed the success of its longstanding pillars. In women’s fragrances, the success of the extraordinary trio – La Vie est Belle by Lancôme, Si by Giorgio Armani and Black Opium by Yves Saint Laurent – is as robust as ever. In men’s fragrances, the Division maintained the position of its pillars Acqua di Giò and Code by Giorgio Armani, and Y by Yves Saint Laurent.

In the exceptional fragrance segment, Atelier Cologne, which specialises in Cologne Absolue (pure perfume), has begun its international expansion, generating a buzz in Asia.

READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT

BIOTHERM COMMITS TO OCEAN PROTECTION

By launching its Water Lovers initiative to raise awareness about preserving water resources and minimising the impact of its products on aquatic ecosystems, and by partnering with NGOs Mission Blue and Tara Ocean Foundation, Biotherm has continuously proven its commitment to protecting the planet’s oceans. Its products, such as the 95% biodegradable Waterlover sunscreen, also embody its commitments.

ASIA MAKEUP GETS A FACELIFT

Tokyo-based professional makeup brand Shu Uemura has reinvented itself to reach Gen Z(1) and Millennials(2). It is winning over younger generations thanks to its products, like Rouge Unlimited lipstick; its collaborations with inspiring personalities like comedian Naomi Watanabe; and its limited editions featuring childhood heroes such as Pikachu.

THE DIRECT-TO-CONSUMER(4) CHANNEL: ENHANCING THE LUXURY EXPERIENCE

The direct-to-consumer channel provides a unique experience online and in stores. In addition to quality services, e-commerce enables the brand to reach consumers in areas where physical points of sale are few and far between. The retail experience has become even more exceptional with the opening of the new Lancôme flagship store – an immersive 300-square metre space.

LEARN MORE ABOUT THE LANÇÔME EXPERIENCE AS DESCRIBED BY LANÇÔME’S GLOBAL PRESIDENT FRANÇOISE LEHMANN AND THE BRAND’S GLOBAL DEPUTY GENERAL MANAGER JAMES RICKARDS IN THE DIGITAL ANNUAL REPORT

LEARN MORE ONLINE lorealannualreport2019.com

- A closer look at global enthusiasm for skincare, the most dynamic category at L’Oréal Luxe
- Yves Saint Laurent: remarkable success in the United Kingdom
- Giorgio Armani: global acceleration

In 2019, the Division’s growth was above the market and continued to improve over the second half. It also strengthened its global leadership. These performances illustrate the effectiveness of our transformation strategy. This is particularly the case in the United States, where the Division achieved impressive growth, both for our brands and for our SalonCentric distribution network, and in the Asia Pacific Zone, where India and China recorded remarkable growth figures. As for our brands, Kérastase continued its spectacular success story, Redken reinforced its leadership position in the United States, and L’Oréal Professionnel celebrated its 110th anniversary in style, as well as the 10th anniversary of its iconic Inoa franchise.

Major Changes to the Profession

To be successful today, hairdressers must adopt new technologies and constantly seek new approaches to the profession. They have to offer customers a unique experience that can make all the difference. Hairdressers need new skills to ensure their businesses reach their full potential. It is a real challenge for the industry, and to rise to it we must adopt a whole new perspective on hairdressing. That is why we opened our “Real Campus by L’Oréal” school and created the first ever bachelor’s degree in hairdressing and entrepreneurship. This major initiative reflects L’Oréal’s commitment to supporting the development of hairdressing professions and enhancing their appeal.

Hairdressing in an Increasingly Connected World

Digital technology has reshaped our industry by putting consumers in direct contact with stylists. Now more than ever, our aim is to support the development of our clients by developing a digital ecosystem that will foster a direct relationship with all hairdressers and provide them with access to our brands and educational courses.

“Combining pioneering initiatives with the effectiveness of our products to transform the industry”

L’Oreal Professionnel – Redken – Kérastase – Matrix – Biolage
Pureology – Shu Uemura Art of Hair – Pulp Riot – Mizani

(1) Based on comparable structure and identical exchange rates. (2) Sales on our brands’ own websites + estimated sales by our brands via retailer websites (non-audited data).
Hairdressing: the dawn of a new era

_The Professional Products Division sees education as an integral part of its DNA. For all brands together, it boasts 3,800 trainers, 90 academies and 250 training studios worldwide. The long-term goal is to reach 100% of the Division’s partners, including mobile hairdressers, to ensure they have access to all the services and information they need to grow their businesses. This goal can only be reached by creating digital tools like the Access platform, which offers training on a wide variety of topics._

_L’Oréal founds its own hairdressing school_  

The hairdressing industry currently lacks qualified candidates. To boost the sector’s appeal and improve employability, L’Oréal has opened its own hairdressing school in Paris and created the first ever bachelor’s degree in Hairdressing and Entrepreneurship. The aim is to train 10,000 hairdressers in 10 years.

_Top Stylist: Supporting the best hairdresser startups!_  

How do you select the most promising new hairdressers and help them open their own salons? The L’Oréal solution is Top Stylist, an innovative competition that offers a chance to be a part of the first hairdressing business incubator at Station F, and to eventually open a salon. The programme goes all out to support the hairdressing talents of tomorrow.

**Kérastase’s success comes from our capacity to reinvent our distribution model by reaching consumers outside of salons with a true luxury omnichannel approach.**

*Rosa Carrico*  
Kérastase Global Brand President
TOP STYLIST: AN ALL-NEW COMPETITION TO SUPPORT THE HAIRDRESSERS OF TOMORROW

L’Oréal has created an innovative competition to select the most promising new hairdressers and help them open their own salons. Forty candidates were evaluated by a jury of hairdressing stars and industry experts on their professional expertise and then on their salon concept. The ten winners were awarded six months of coaching at the Station F startup incubator and a personalised business plan.

INDIA HAIR SALONS AND ENTREPRENEURSHIP: A DYNAMIC DUO IN INDIA

L’Oréal actively contributes to the dynamic Indian hairdressing sector. The country stands out in terms of education and entrepreneurship: L’Oréal has trained over a million hairdressers over the last 10 years, and 45,000 salons have opened thanks to partnerships with the L’Oréal Professionnel, Kérastase and Matrix brands.

LEARN MORE ABOUT L’ORÉAL’S GLOBAL INITIATIVES IN THE DIGITAL ANNUAL REPORT

BLONDE IS BACK

Blonde shades made a triumphant return to top hair colour trends this year, underpinned by excellent products from the L’Oréal Professional Products Division. Kérastase’s Blonde Absolu range, which was launched in 2019 and targets all types of blonde hair, was an instant success thanks to its excellent formulas. Total Blonding by Redken offers a unique three-step approach featuring Blonde Idol products. Matrix is onto the trend as well with the launch of the Total Results Brass Off range.

READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT

LEARN MORE ONLINE
lorealannualreport2019.com

- Digital and “phygital”: a winning combination for the changing professional hairdressing market
- SalonCentric: a comprehensive ecosystem dedicated to hairdressers in the United States
- Professional Products innovates sustainably: a closer look at the Division’s commitments
Active Cosmetics
THE DERMOCOSMETICS MARKET HAS BEEN ACCELERATING OVER THE LAST FEW YEARS. An increasing number of consumers are looking for solutions that are not only effective and tolerant but are also recommended by healthcare professionals. Outperforming a very dynamic market, the Active Cosmetics Division achieved historic growth in 2019 at +15.5% on a like-for-like basis\(^1\) and confirmed its global leadership in this market.

MEETING HEALTH AND BEAUTY NEEDS AND ASPIRATIONS

The Division benefits from a very complementary portfolio of brands, which covers all of consumers’ needs in terms of health and beauty. Our brands can rely on strong innovations made possible by scientific advances in areas such as the microbiome, on services based on the Group’s expertise in BeautyTech\(^2\), and by reinforced partnerships with healthcare professionals. These solid drivers have enabled the Division to achieve strong and sustainable growth this year. All of our major skincare brands, all of our geographical Zones, and all our health distribution channels grew.

CREATING A NEW CONSUMER EXPERIENCE

By using digital technologies, the brands are helping to personalise the consumer experience. Artificial intelligence enables the Group to offer digital applications like SkinConsult\(^3\) by Vichy and Effaclar Spotscan by La Roche-Posay which can assess the skin’s condition and recommend skincare routines.

BUILDING STRONG PARTNERSHIPS

We are in contact with more than 160,000 doctors worldwide. This vast network allows us to develop and test our products. Our partners, convinced that our products are effective, well-tolerated and safe, are our natural prescribers and ambassadors for them. As part of these partnerships, we also support dermatological research, scientific training, and social initiatives run by healthcare professionals themselves. We aim to continue to develop our relationship of trust with the world of healthcare.

“Best sales growth in 20 years”

\(^1\) Like-for-like: based on comparable structure and identical exchange rates. \(^2\) New technologies for the beauty industry. \(^3\) Sales on our brands’ own websites + estimated sales by our brands via retailer websites (non-audited data); like-for-like.
La Roche-Posay: scientific expertise and social commitment

La Roche-Posay is the number one growth driver for the L'ORÉAL ACTIVE COSMETICS DIVISION, but the sensitive skincare expert also stands out thanks to the strong commitments of its Foundation.

40 YEARS OF EXPERTISE IN SENSITIVE SKIN

La Roche-Posay has always aimed to improve the lives of people with sensitive skin by creating formulas that provide a perfect balance between efficacy and tolerance. With its iconic innovations, La Roche-Posay is the number one dermatologist recommended skincare brand worldwide(1). Hyalu B5 Serum is an innovative anti-ageing formula that takes its inspiration from aesthetic dermatology procedures. Effaclar provides a solution for oily and/or acne-prone skin. The Toleriane range includes high-tolerance formulas to limit the risk of allergic reactions. La Roche-Posay is also recognised for its commitment to helping prevent skin cancer. The brand organises screening campaigns and helps educate consumers.

A FOUNDATION COMMITTED TO SCIENCE AND SOLIDARITY

The La Roche-Posay Foundation, created in 1995, partnered with Childhood Cancer International in 2019 to launch an international programme to support children with cancer and improve their quality of life.

Winning this award means that we can continue our work and develop our team in order to offer something special to children suffering from dermatological problems.

KATHRIN GIEHL
Senior physician at the LMU dermatology clinic in Munich, Germany, winner of a 2019 L'Oréal International Award for Social Responsibility in Dermatology

(1) The most frequently mentioned brand among the top 3 dermocosmetic brands recommended by dermatologists. Source: survey on the dermocosmetics market carried out by IQVIA and other partners (Ipsos, TNS) between September 2017 and August 2018 among dermatologists in 59 countries representing more than 80% of the world’s GDP.
SCIENCE AND TECHNOLOGY
THE ALLIES OF DERMOCOSMETICS

BETTER SKIN THANKS TO ARTIFICIAL INTELLIGENCE

L’Oréal’s Active Cosmetics brands have chosen to be scientific pioneers in order to provide consumers with the best possible dermocosmetics solutions. La Roche-Posay is making the most of the latest Beauty Tech innovations. With Effaclar Spotscan, the brand uses artificial intelligence to create an instant assessment of the severity of the user’s skin imperfections. Based on an algorithm and a collection of over 6,000 photos, the application recommends an Effaclar routine that suits the user’s profile along with customised skincare advice. It also gives them a glimpse of what their skin could look like after using the product.

CHINA SKINCEUTICALS: A WINNING DISTRIBUTION STRATEGY

Consumer enthusiasm for SkinCeuticals, the brand prescribed alongside aesthetic procedures, has skyrocketed in China, landing the brand among the Active Cosmetics Division’s leaders in the country. Its success is due to the innovations SkinCeuticals offers, the high level of personalisation it provides, and its distribution strategy, with sales in doctors’ surgeries, on e-commerce platforms and in stores.

SANOFLORE: THE POWER OF PLANTS IN CERTIFIED ORGANIC SKINCARE

Sanoflore has been turning the power of plants from the Vercors region in France into certified organic sensory skincare products since 1986, scientifically proving the power of natural skincare. The brand actively contributes to achieving L’Oréal’s environmental commitments. It supports local farmers in the Vercors region by committing to buy their harvests at a fair price and innovates to reduce the amount of plastic packaging it uses.

FRANCE

A strong partnership with healthcare professionals:
a closer look at one of the cornerstones of the Group’s dermocosmetics strategy

Interview with Dr Kathrin Ghiel, dermatologist and winner of an International Award for Social Responsibility in Dermatology, supported by L’Oréal

Dermocosmetics brands are winning over Brazilians, thanks to the star product in the country: sunscreen

READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT

(1) New technologies for the beauty industry.

LEARN MORE ONLINE
lorealannualreport2019.com
FIVE DOMAINS OF EXPERTISE BOOSTING THE GROUP’S FINANCIAL, ENVIRONMENTAL AND SOCIAL PERFORMANCE
Administration and Finance

“Administration and Finance is a strategic driver for L’Oréal”

The Administration and Finance teams foster a solid relationship of trust with all stakeholders. Professionalism, attentiveness, sincerity and transparency are at the heart of their profession, which the teams associate with expertise, service, monitoring and sharing best practices throughout the Group.

The role of Administration and Finance within the Group is evolving rapidly. Much more than a simple support function, it has become an important strategic driver for the Group by proactively supporting its transformation. As an important business partner, the department must anticipate changes to continue to ensure sustainable growth at L’Oréal.

Given this context, the finance professions are adapting as new fields are explored, such as new technologies and social and environmental responsibility, and are supported in their development.

The Administration and Finance teams are fully engaged with these new topics and have become major players in the acceleration of L’Oréal’s development. These examples are proof of our ability to prepare for the future in a constantly changing world.

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CHRISTOPHE BABULE
Executive Vice-President
Chief Financial Officer

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(1) Source: Google Analytics, at 31/12/2019. (2) Source: YouTube, at 31/12/2019.
L’ORÉAL IS INVESTING IN INNOVATIVE AND SUSTAINABLE INDUSTRIES

At the end of 2018, L’Oréal created its capital investment fund, BOLD (Business Opportunities for L’Oréal Development), which aims to acquire minority shares in innovative companies and brands with high-growth potential and to invest in new business models that combine innovation and sustainable development. The fund boosts L’Oréal’s open innovation strategy, which aims to build strong ties between the Group and a global ecosystem of agile and innovative startups. It is also a testament to L’Oréal’s commitment to providing concrete support for new technologies in the field of sustainable development.

FINANCE PLAYS A CENTRAL ROLE IN A CHANGING MARKET

As digitalisation transforms ways of life and purchasing behaviours, economic analysis of our performance must adapt to measure the consequences of consumer behaviours and changing distribution channels in order to identify new economic models. These transformations are opportunities for the Finance teams to capitalise on their expertise and play an active role in the changes. In a dynamic beauty market, possible scenarios based on data and results summaries are important tools in the Group’s strategic decision-making process.

LEARN MORE ONLINE loreannualreport2019.com

› Data privacy is not optional at L’Oréal
› A closer look at finance jobs around the world through interviews with some of our international experts
› Digital technologies and transparency: financial communication makes the most of its assets and earns awards

FINANCIAL COMMUNICATION: BUILDING CLOSE RELATIONSHIPS WITH AUDIENCES

Always aiming to maintain close relationships with its stakeholders, L’Oréal’s Financial Communication department adopts various approaches, including its presence at Investir Day and the publication of the Annual Report, the Group’s financial communications showcase, which had attracted more than three million visits by the end of 2019.

What I like most about Finance jobs at L’Oréal is the entrepreneurial spirit, seizing new opportunities.

AURÉLIE MORIN
Chief Financial Officer of L’Oréal Nordics (Denmark, Norway, Sweden and Finland)

READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT
“Safe formulas that respect the environment without compromising on performance”

RESEARCH & INNOVATION IS A MAJOR STRATEGIC ASSET FOR L’ORÉAL, which aims to set the standard in the areas of social and environmental responsibility and transparency. Thanks to a dedicated programme, Research & Innovation goes beyond consumer expectations to develop products made from natural and organic ingredients that respect the environment without compromising on performance. To achieve this two-fold aim, L’Oréal relies on technologies that combine naturalness and performance, and invests in scientific and technological disruptions – the skin’s microbiome, smart materials and mini sensors, for example – which help to personalise products and services.

To ensure transparency for consumers, the Group has adopted a proactive and educational communications approach regarding ingredients and product safety with a dedicated new online platform available to all: “Inside our Products”. Research & Innovation at L’Oréal also continues to transform its methods by digitalising its laboratories. With the utmost respect for privacy, the Group collects and processes data using algorithms and artificial intelligence. These technologies enable Research & Innovation to develop even more personalised solutions for brands and their consumers. L’Oréal is accelerating its transformation by taking advantage of innovative, natural, efficient and responsible technologies, fully in line with its “Sharing Beauty With All” programme.(1)

LAURENT ATTAL
Executive Vice-President
Research & Innovation

985
million euros (3.3% of sales) invested in Research & Innovation

21
research centres organised into 6 regional hubs, with 3 global centres in Europe

(1) The L’Oréal corporate social responsibility programme.
RESEARCH TO SUPPORT THE BEAUTY OF DIVERSITY

At L'Oréal, Research & Innovation is making the most of digital technologies to develop more inclusive and relevant product ranges for consumers in multicultural zones. Research & Innovation has implemented a scientific method to optimise makeup shades by combining international studies with the use of an algorithm and an analysis of makeup habits. To support the return of the curls trend and consumers’ diverse needs in the haircare category, L’Oréal Research & Innovation has developed specific formulas for the Group’s expert brands.

READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT

The microbiome is a new area of research in cosmetics, opening the way to new, more efficient and effective treatments towards the health and beauty of consumers.

LUC AGUILAR
Biologist, Director of Biological and Clinical Research, L’Oréal

TRANSPARENT SUSTAINABLE INNOVATION

Thanks to Research & Innovation, all L’Oréal brands have access to safe raw ingredients and formulas. This ensures they develop products that are increasingly environmentally friendly, without compromising performance. Research & Innovation assesses all of a product’s different impacts via SPOT(1), an all-new evaluation tool. To ensure the Group’s processes and choices are transparent for consumers, L’Oréal created the “Inside Our Products” website, which answers their questions about Group products and their ingredients.

inside-our-products.loreal.com

LEARN MORE ONLINE
lorealannualreport2019.com

• Skin still has many secrets: a look at the success of the skincare category in 2019 and the scientific advances made in the field
• Do sunscreen products impact coral reefs? The CSM and L’Oréal Research & Innovation have the answer
• Ammonia-free hair colour: 10 years on the market, thanks to the expertise of the L’Oréal Applied Research teams

(1) Sustainable Product Optimisation Tool.
Operations

“Leveraging expertise, agile solutions and new technologies to better serve our clients and consumers”

THANKS TO THEIR INTEGRATED VALUE CHAIN – from packaging design to product development and from supply to industrial manufacturing and product distribution – Operations is key to L’Oréal’s performance. As it explores increasingly effective, innovative and sustainable solutions to meet the wide range of consumer aspirations, Operations relies on the expertise and know-how of its integrated teams as well as on new Beauty Tech technologies, which provide new opportunities at all stages of the value chain and are an important part of the Operations 4.0 transformation. All of our action and progress plans aim to link economic performance and environmental and social performance. We encourage supplier participation via our selection criteria, as well as by financing certain projects and sharing our solutions and partner networks.

AGILITY AND OPERATIONAL EXCELLENCE

This dual performance – both economic and environmental – is made possible by the agility of Operations. L’Oréal’s powerful physical and e-commerce distribution networks enable the Group to react quickly to increases in demand. Similarly, to meet growing consumer expectations in terms of innovation, transparency and personalisation, L’Oréal Operations rely on a unique and global operations excellence system, based on best practices in the fields of safety, quality, hygiene and product traceability.

BARBARA LAVERNOS
Executive Vice-President, Chief Technology and Operations Officer

- 78% reduction in CO₂ (absolute value) in plants and distribution centres since 2005

39 plants and 150 distribution centres
The Group complies with the strictest production standards in the areas of safety, quality, hygiene and product traceability. 95% of L’Oréal’s plants are ISO 9001 certified (quality management) and 100% are ISO 22716 certified (good manufacturing practices for cosmetics). Uncompromising in terms of quality for its products, L’Oréal is also adamant about its employees’ safety.

USING TECH TO ACCELERATE PERFORMANCE

L’Oréal Operations deploy new technological solutions to reduce delivery times, lower costs and meet growing demand for personalised products. As part of its technological and digital transformation, Operations identify the relevance of new solutions for each profession and train all their teams. To encourage more Operations employees to play an active role in innovation, L’Oréal also launched Make Your Technology (MYT) in 2019, the first-ever in-house technology 4.0 incubator devoted to industrial challenges and logistics.

ENVIROMENTAL PERFORMANCE: GROUP-WIDE ENGAGEMENT

As part of its “Sharing Beauty With All” programme, L’Oréal has committed to improving its environmental impact. The Group’s plants stand out thanks to the way they have completely invented their processes to reduce water use and carbon emissions. Beginning in 2007, L’Oréal launched a responsible packaging policy that includes the eco-design 3R concept: Respect the consumer and the environment, Reduce packaging volume and weight, Replace materials with recycled or renewable options. L’Oréal encourages its suppliers to be a part of its approach. The Buy & Care programme helps to share best practices, solutions and company norms.

LEARN MORE ONLINE
lorealannualreport2019.com

- Enhanced agility in logistics: a closer look at the transformation of the logistics and distribution network to meet new consumer expectations
- Travelling the New Eurasian Land Bridge, a new more environmentally friendly transport solution prioritised by L’Oréal
- Specialised in makeup manufacturing (powder, lipstick and gloss) for the L’Oréal Luxe Division, the Lassigny plant combines expertise and innovation

58 — 59
“L’Oréal, inventing the future of beauty”

DIGITAL TRANSFORMATION, THE MAINSTAY OF THE GROUP’S STRATEGY, CONTINUED TO GATHER MOMENTUM IN 2019. E-commerce now accounts for 15.6% of sales, an increase of 52.4%, reaching 4.6 billion euros. Digital accounts for half the company’s media spend. Our brands are genuine digital powerhouses attracting 1.3 billion visitors to our sites, generating 7.4 billion views on YouTube, working with 80,000 influencers and sparking off 12 million online conversations with our consumers.

As we enter an age when we will have to win the trust and attention of our consumers, online and offline services and experiences will be the mainstays of our Beauty Tech strategy. Through their roll out, these services are already enabling us to forge lasting relationships with our consumers, as well as increase brand engagement.

Convinced that new technologies are rewriting the codes of the beauty experience, we have developed more than 20 services, rolled out by 20 brands, in 71 countries. Concepts such as virtual makeup and hair colour try-out, skin “diagnosis”, personalised product recommendations, etc. are enhancing and personalising our consumers’ experience.

The digitalisation process will continue in 2020 and beyond, when our mission will be to help invent the beauty of the future, continuing to forge lasting relationships with our consumers and support the company’s long-term growth through e-commerce.

15.6% share of e-commerce in consolidated sales

1.3 billion visits to our websites

(1) Sales on our brands’ own websites + estimated sales achieved by our brands via retailers’ websites (non-audited data), like-for-like. (2) Google Analytics data - L’Oréal accounts.
TECH TRANSFORMS THE BEAUTY MARKET

With new technologies, the beauty market is witnessing a true revolution. Following the acquisition of ModiFace in 2018, L’Oréal is pursuing initiatives to strengthen its innovation strategy, identifying new startups with a view to creating the next generation of beauty products and innovative services. The partnerships formed with distributors also play a significant role in transforming the customer experience.

BRANDS AND CONSUMERS INCREASINGLY CONNECTED

Digital technologies enable consumers, whether fans, ambassadors or influencers, to receive rich content from their favourite brands and become ambassadors for those brands. L’Oréal has developed digital factories(1) with advanced audiovisual capabilities to create highly personalised, consumer-oriented social content. At the heart of consumer engagement is the community manager, who manages and mediates discussions on social media and builds a close relationship between the brand and its consumers. Their role is crucial to audience development and brand visibility.

WHEN ARTIFICIAL INTELLIGENCE TEAMS UP WITH E-COMMERCE

As e-commerce platforms become more diverse, L’Oréal products are becoming increasingly personalised, winning over consumers particularly in emerging markets, and in areas with few retail outlets. What sets these platforms apart is the services provided, enhanced by artificial intelligence. They allow consumers to try out products and obtain personalised advice before buying. The Group offers more than 20 services via mobile apps, websites, social media and tablets in-store.

With L’Oréal we’ve developed a virtual mirror app that uses augmented reality technology to try out makeup shades virtually.

MALINA NGAI
Group Chief Operating Officer of A.S. Watson (Asia & Europe)

LEARN MORE ONLINE
lorealannualreport2019.com

› Decoding the partnership to reinvent beauty between L’Oréal and A.S. Watson Group
› L’Oréal in Italy has everything to gain with precision advertising to win over consumers
› Station F hosts Sillages, the startup supported by L’Oréal’s venture capital fund

(1) Departments producing online content.
“IT at the heart of intelligent solutions to better meet the needs of each individual”

ARTIFICIAL INTELLIGENCE, VIRTUAL REALITY, CONNECTED OBJECTS, THE INTERNET OF THINGS, CLOUD COMPUTING(2), DATA SCIENCE... With tech more than ever at the heart of the company’s business, L’Oréal aspires to become the champion of Beauty Tech(3). Our Digital and IT teams are supporting the Group’s transformation by providing innovations for our consumers and smart solutions for our employees.

The Group’s IT transformation relies on a “symmetry of attention” approach, i.e. the attention paid to our employees with the digitalisation of their tools and new and more agile, ergonomic solutions tailored to their new requirements. It also relies on the attention paid to L’Oréal’s customers, using the necessary IT expertise to develop solutions and services that give consumers a unique product experience.

To support us through this transformation, we have formed strategic partnerships with leading global technology companies, enabling us to build infrastructures, structure platforms and industrialise our algorithms across the Group, and also with startups and more specialised innovation partners, to collaborate on the latest technological advances such as blockchain(4), machine learning(5) and serialisation(6).

L’Oréal uses the technologies of the future to create the beauty and business of the future.

1,800 gigabytes of data monitored by the IT security teams daily

hubs with “Beauty Tech Accelerators” installed

BARRBARA LAVERNOS
Chief Technology and Operations Officer

(1) Information Technology. (2) Cloud computing is a technology whereby data or software normally stored on a user’s computer or on the company’s servers is stored on remote servers. (3) New technologies for the beauty industry. (4) Technology for storing and sending information transparently and securely with no possibility of it being changed and with no central control element. (5) Technology using artificial intelligence whereby machines learn based solely on information supplied. (6) Technology for tracking information at the individual unit level, e.g. at the single product level.
My mission is to improve the end-user experience, every day, in every country, globally.

MANISH SINHA
Corporate Chief Technology Officer, France

AGILE TRANSFORMATION MANAGEMENT

To meet the challenges of the tech revolution, which affects consumer habits and working methods, L’Oréal is constantly adapting and transforming itself. The IT teams closely support L’Oréal personnel through the transformation process, using the Agile methodology to develop new solutions that cut production time and precisely meet users’ needs. To be able to support this transformation, the teams received training and new multidisciplinary project platform concepts were implemented.

A COMPLETE TECH ECOSYSTEM

Thanks to new models of open collaboration with strategic partners, including innovative startups, L’Oréal is transforming itself, supported by a complete tech ecosystem. Always on the lookout for technologies that facilitate interaction between teams and stimulate collective intelligence and innovation, the Group has chosen Microsoft Teams as its global collaboration platform.

MEXICO: THE CLOUD STRATEGY

How do you centralise more than 700 servers in the Americas Zone with no downtime? This is the challenge taken up by the IT teams as they migrate all our data centre applications to the cloud. The end result will be improved reliability and upgradability, lower costs and a reduced carbon footprint.

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- New information technologies to support researchers, helping them augment their abilities
- A data lake to optimise customer experience, a major project in China
- L’Oréal strengthens cybersecurity to address the growing number of threats

(1) Cloud computing is a technology whereby data or software normally stored on a user’s computer or on the company’s servers is stored on remote servers.
Consult all the 2019 publications

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Annuel Report
Overview of L’Oréal in 2019, its Divisions, brands and countries, driven by its financial and non-financial performance.

Universal Registration Document
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