

L'ORÉAL  
FINANCE

# *The letter*

TO SHAREHOLDERS

NO.78-SPRING 2021

**SPECIAL EDITION  
2021 ANNUAL GENERAL MEETING**

***PERFORMANCE  
AND NEWS/p. 2&3***

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***2021 ANNUAL  
GENERAL MEETING/p. 4 to 7***

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



# L'ORÉAL

# L'ORÉAL

# Message from the Chairman



“ WE ARE CONFIDENT  
IN OUR ABILITY TO OUTPERFORM  
THE MARKET AND ACHIEVE  
A YEAR OF GROWTH IN BOTH  
SALES AND PROFITS. ”

**JEAN-PAUL AGON**  
*Chairman of L'Oréal<sup>(1)</sup>*

“In spite of the health crisis and the ongoing associated measures in some countries, particularly in Western Europe, the beauty market continues to recover. Against this backdrop, **L'Oréal has started the year with very strong growth at +10.2% like-for-like<sup>(2)</sup> in the first quarter, significantly outperforming the market.** The Group is therefore continuing its acceleration, initiated in the third quarter of 2020, and is increasing by +5.0% like-for-like compared to the first quarter of 2019.

The performance of the Professional Products, L'Oréal Luxe and Active Cosmetics Divisions is remarkable, all showing double-digit growth. The Professional Products Division is posting significant growth all over the world. The growth of L'Oréal Luxe is driven by the success of its skincare brands, particularly Lancôme, Kiehl's and Helena Rubinstein. Active Cosmetics continues to build on the strong momentum

already seen in 2020. The Consumer Products Division is stable, still held back by its high exposure to the makeup category which remains lacklustre.

All geographic Zones are growing, with the exception of Western Europe still impacted by the measures associated with the health crisis. North America is performing well both online and offline. All Zones in the New Markets are growing above 10%<sup>(2)</sup>, especially the Asia Pacific Zone which is returning to the extremely dynamic pre-pandemic growth rates, driven most notably by a fast-growing mainland China.

**E-commerce growth is at +47.2%<sup>(3)</sup> and accounts for 26.8% of sales.**

In an environment that is improving progressively due to the vaccination programmes, and thanks to the commitment and determination of the teams all over the world, L'Oréal is in a fighting spirit mode, focused on product launches and investments in growth drivers to support growth of its brands. We are therefore confident in our ability to outperform the market and achieve a year of growth in both sales and profits.”

## Sales at 31 March 2021

€7.61  
Bn

+10.2%  
like-for-like<sup>(2)</sup>

+5.4%  
based on reported figures

+47.2%  
growth in e-commerce<sup>(3)</sup>

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

(1) Since 1 May 2021. (2) Like-for-like: based on 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' websites (non-audited data). Like-for-like.

## L'Oréal Executive Committee nominations



Since 1 May 2021, **Nicolas Hieronimus** is L'Oréal's Chief Executive Officer. A graduate from ESSEC, in 1985, Nicolas Hieronimus joined L'Oréal in 1987 as Product Manager. He became marketing Director for the Laboratoires Garnier in 1993. In 1998, he became General Manager of the Garnier Maybelline Division in the UK. In 2000, he was named General Manager, L'Oréal Paris France, and then International General Manager for L'Oréal Paris. In 2005, he became General Manager of L'Oréal Mexico. In 2008, Jean-Paul Agon appointed him as General Manager of the L'Oréal Professional Products Division. In January 2011, he was appointed President L'Oréal Luxe, a role that he held until the end of 2018. In 2013, he took up the position of President Selective Divisions (Luxury, Active Cosmetics, Professional Products). He was named Deputy CEO in charge of Divisions in May 2017.

Also on 1 May, **Barbara Lavernos** became Deputy CEO in charge of Research, Innovation and Technologies.



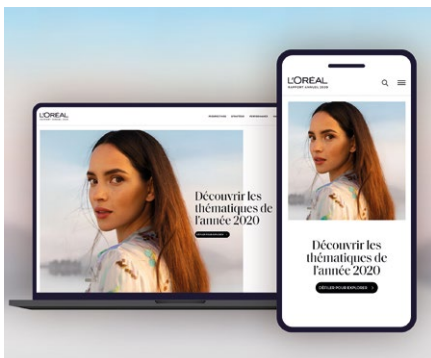
**Omar Hajeri was appointed President of the Professional Products Division and joined the Executive Committee on 8 March.** He succeeds Nathalie Roos, who has wished to take her career in a new direction following nine years with L'Oréal.



**Ersi Pirishi was appointed President of the Latin America Zone and will join the Executive Committee.** She will take over from Javier San Juan who has decided to retire later this year, after 30 years with the Group. Ersi Pirishi will join the Zone and the Executive Committee in the autumn of 2021.



**Asmita Dubey was appointed Chief Digital Officer and member of the Group's Executive Committee on 22 April.** She succeeds Lubomira Rochet, who has decided to continue her career outside the Group following seven years at L'Oréal.



## Consult our 2020 publications

### The Annual Report

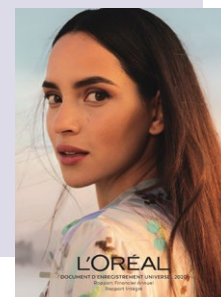
Overview of L'Oréal in 2020, its Divisions, brands, functions and countries, driven by its financial and non-financial performance. Its digital version is available in French, English and Chinese, includes perspectives from L'Oréal experts and stakeholders, as well as a themed approach to content that allows it to respond to the expectations of its multiple audiences.

[lorealannualreport2020.com](http://lorealannualreport2020.com)

### The Universal Registration Document (URD)

This document includes the Integrated Report, the Annual Financial Report and the Social and Environmental Responsibility Report. The URD aims to present the Group's balanced business model, integrating its sense of purpose, its strategic orientations, its 2020 results, its non-financial performance and its relations with stakeholders. The Group thus displays its dual ambition: economic and social excellence to create sustainable value for all.

[www.loreal-finance.com](http://www.loreal-finance.com)



# Annual General Meeting

“ I AM VERY CONFIDENT AT A TIME THAT I ENTRUST TO NICOLAS HIERONIMUS THE TASK OF WRITING THE NEXT CHAPTER OF THE GREAT HISTORY OF L'ORÉAL. ”

**JEAN-PAUL AGON**  
*President of L'Oréal<sup>(1)</sup>*



Extract  
Watch the full video on  
[loreal-finance.com](https://loreal-finance.com)



*Given the exceptional context related to the Covid-19 pandemic, the Annual General Meeting of L'Oréal was held on 20 April behind closed doors, without the physical presence of the shareholders and any other person having the right to attend the meeting. Meeting after the Annual General Meeting, the Board of Directors decided, on the recommendation of the Nominations and Governance Committee, and in accordance with the announcements made on 14 October 2020, to dissociate the functions of Chairman of the Board of Directors and Chief Executive Officer.*

**Jean-Paul Agon will continue to fulfil the role of Chairman of the Board of Directors as he has done since 2011 and Nicolas Hieronimus is appointed Chief Executive Officer as of 1 May 2021.**

“Dear shareholders,

This Annual General Meeting is very special to my mind as it is the last time that I will be addressing you as Chief Executive Officer of your company. That is why I would like to take this unique opportunity to outline the road that we have travelled together over these past 15 years.

**In terms of its business, the Group is far better balanced.** The centre of gravity of L'Oréal in terms of its geography has shifted to the new markets, that represent almost half our sales, in particular Asia Pacific that has become the number one geography. **L'Oréal is better equipped in terms of businesses and channels.** Today, skincare, the biggest and most dynamic market category, has become our first Division. In terms of channels, the weight of our two largest Divisions

– Consumer Products and L'Oréal Luxe – are almost identical and Active Cosmetics almost on a par with Professional Products. We have considerably enriched our brand portfolio with some 30 acquisitions. Lastly, **L'Oréal has also changed scope in the financial and economic sense.** Over the last 15 years, sales almost doubled. Profitability grew continuously and steadily going from 15.6% to 18.6% of sales and net profit was multiplied by 2.5, coming in at over 4 billion euros. The share price has leapt by over +350% and the market cap, which has quadrupled, is close to 200 billion. Your company has entered the very select club of the 50 leading global companies.

**If we have obtained such results, it is because we began by defining a mobilising strategic project for L'Oréal** with a new mission, beauty for

all, a new self-renewed ambition, attract one billion new consumers, a new strategy, universalisation – that's to say, globalisation showing respect for differences – and lastly, a new purpose: create the beauty that moves the world.

If your company has constantly strengthened its global leadership, it is also because we conducted in-depth transformations: the **digital and e-commerce** revolution, the **responsibility and sustainability** revolution and lastly the **managerial revolution** to change the way we work. Such transformations and reinventions made L'Oréal stronger, better equipped than ever to win, and make us very confident in the future.

**I am very confident at a time that I entrust to Nicolas Hieronimus the task of writing the next chapter of the great history of L'Oréal.”**

(1) Since 1 May 2021.



“ WITH THE STRENGTH AND PASSION OF L'ORÉAL TEAMS AND WITH YOUR HELP, TOGETHER WE WILL CREATE THE BEAUTY THAT MOVES THE WORLD. ”

**NICOLAS HIERONIMUS**  
*Chief Executive Officer of L'Oréal<sup>(1)</sup>*



Extract  
Watch the full video on  
[loreal-finance.com](https://loreal-finance.com)

“I would like to take this opportunity to present the roadmap for the Group and its teams who deserve the utmost respect for their unfailing commitment in these difficult times. Taking up the reins of your company after Jean-Paul Agon is an honour; an honour for which I am obliged to you dear shareholders, to the Board, and to each of L'Oréal's 85,000 employees.

I would like to expand on **three key concepts that will punctuate and shape the Group's roadmap over the next few years**, with a watchword that reflects the thrilling task ahead: creating the future of beauty.

**The first concept I would like to share with you today is continuity. Continuity in the transition between Jean-Paul Agon and myself.** Over the past few decades, and especially over the past eight years, Jean-Paul and I have built a very close relationship and partnership. I have been actively involved alongside him in each of the Group's transformational decisions. There could not have been a better preparation for this transition. Together, we are an effective team, and our relationship will continue to evolve on different terms, but in the same spirit of connection and proximity.

**Continuity also concerns the pursuit of our performance goals.** Top line growth is what will allow us to pursue and strengthen our investments in Research & Innovation and in our digitalisation as well as in data, tech, and, of course, human capital. Despite our leadership, our global market share is only around 13%, which gives us significant scope to grow.

**My second source of conviction stems from my immense confidence in L'Oréal's unique business model.**

We believe beauty comes from a combination of science and creativity. In the beauty industry we are the biggest investor in

Research & Innovation, which represents 3.4% of total sales, and nearly one billion euros. Our brand portfolio is stronger than ever. It comprises billionaire brands including L'Oréal Paris, the world's number one beauty brand, along with smaller brands that are growth drivers for the future. We have built a model based on universalisation in a world that is more fragmented and at times divided than it was, we roll out global brands which we adapt to local requirements. L'Oréal's strength also comes from the competitive advantage we derive from the solidity and stability of our shareholder base, from its ability to constantly evolve, anticipate, change, and adapt.

**The third idea is the prospect of a huge and thrilling challenge ahead: creating the future of beauty.**

The post-pandemic beauty market will be different because Covid has accelerated some very powerful trends, most of which pre-existed the crisis. They will have a longer term impact on the beauty market. These trends obviously involve digital, the need to protect the environment, the priority given to health and product transparency, and the importance of the values and purpose of the Group and its brands. And lastly, we have the return of science and technology, now centre stage at finding solutions to the world's most pressing issues. For our part, we are ready to create the future of beauty.

The beauty of the future will be diverse and inclusive, in keeping with L'Oréal's values. It will be sustainable, significantly supported and sustained by Green Sciences<sup>(2)</sup>, largely driven by tech and the full array of possibility it offers. We will continue to shape the future of beauty by continuously reinventing ourselves. **With the strength and passion of L'Oréal teams and with your help, together we will create the beauty that moves the world.”**

(1) Since 1 May 2021. (2) Disciplines L'Oréal is moving towards to meet its sustainable development goals all while providing consumers with unprecedented levels of product performance.

## ALL RESOLUTIONS VOTED UPON WERE ACCEPTED BY LARGE MAJORITIES

### ORDINARY RESOLUTIONS

- Approval of the 2020 parent company financial statements **99.98%**
- Approval of the 2020 consolidated financial statements **99.96%**
- Allocation of the Company's net profit for 2020 and setting of the dividend **99.90%**
- Appointment of Mr Nicolas Hieronimus as a Director **99.21%**
- Appointment of Mr Alexandre Ricard as a Director **99.54%**
- Renewal of the term of office of Ms Françoise Bettencourt Meyers as Director **93.67%**
- Renewal of the term of office of Mr Paul Bulcke as Director **93.80%**
- Renewal of the term of office of Ms Virginie Morgon as Director **90.48%**
- Approval of the information on the remuneration of each of the corporate officers required by Article L. 22-10-9, I of the French Commercial Code **98.57%**
- Approval of the fixed and variable components of the total remuneration and benefits of any kind paid during the 2020 financial year or allocated for that year to the Chairman and Chief Executive Officer, Mr Jean-Paul Agon **98.40%**
- Approval of the remuneration policy for Directors **99.72%**
- Approval of the remuneration policy for the Chairman and Chief Executive Officer (Mr Jean-Paul Agon from 1 January to 30 April 2021) **98.91%**
- Approval of the remuneration policy for the Chief Executive Officer (Mr Nicolas Hieronimus as from 1 May 2021) **93.04%**
- Approval of the remuneration policy for the Chairman of the Board of Directors (Mr Jean-Paul Agon as from 1 May 2021) **89.05%**
- Approval of the agreement on the status of Mr Nicolas Hieronimus whose employment contract will be suspended as from his appointment as Chief Executive Officer **85.11%**
- Authorisation for the Company to buy back its own shares **99.24%**

### EXTRAORDINARY RESOLUTIONS

- Delegation of authority to the Board of Directors to increase the share capital through the issuance of ordinary shares, with maintenance of shareholders' preferential subscription rights **96.36%**
- Delegation of authority to the Board of Directors to increase the share capital through the capitalisation of premiums, reserves, profits or other amounts **99.48%**
- Delegation of authority to the Board of Directors to increase the share capital in order to remunerate the contributions in kind of equity securities or securities giving access to the share capital of third party companies granted to the Company **99.40%**
- Delegation of authority to the Board of Directors for the purpose of carrying out a capital increase reserved for employees with cancellation of shareholders' preferential subscription rights **99.28%**
- Delegation of authority to the Board of Directors for the purpose of carrying out a capital increase reserved for categories of beneficiaries consisting of employees of foreign subsidiaries, with cancellation of preferential subscription rights, within the framework of an employee share ownership plan **99.28%**
- Amendment to Article 9 of the Articles of Association to provide for written consultation of the Directors under the conditions defined by the regulations **100%**
- Powers for formalities **100%**

# +3.9%

Dividend increased to  
€4.00 per share, and to €4.40  
for registered shares<sup>(1)</sup>

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

## APPOINTMENT OF TWO NEW DIRECTORS



**Nicolas Hieronimus**, Chief Executive Officer since 1 May 2021, joined L'Oréal 34 years ago and has spent his entire career within the Group, in many countries and Divisions. The Board of Directors believes that the participation of the Chief Executive Officer as a Director in the Board's discussions is essential.



**Alexandre Ricard**<sup>(1)</sup>, Chairman and CEO of the Pernod Ricard group. He will bring to the Board his knowledge of consumers and his marketing and digital expertise in the luxury and mass retail markets, particularly in Asia and America.

# QUESTIONS AND ANSWERS

***Once more this year, L'Oréal and its shareholders had substantial discussions. Shareholders had the possibility to send written questions before the Annual General Meeting as well as ask their questions live over the phone during the Meeting.***

## **What is the impact of Covid on your future development strategy?**

**Jean-Paul Agon:** It doesn't radically change the Group's strategy over the long term. The Covid crisis has accelerated a number of underlying trends. Firstly, geographically speaking, the Covid has enhanced even more China's economic development, its market has continued to progress enormously in 2020, and it is persevering in 2021. Strategically, our will to develop in that country is stronger than ever because it is about to become the strongest market for our Group worldwide. The second trend is the acceleration of e-commerce. E-commerce has of course been boosted by the closing of stores. We were ahead of the pack in that field and therefore it encourages us to go even further, even faster. Thirdly, the Covid crisis has certainly pushed consumers to seek out products that are better from a health point of view, better for their skin, and that is certainly what our brands and particularly our Active Cosmetics brands embody. They have developed considerably during the crisis, and that also confirms our strategy. Finally, working from home has developed considerably over the whole of last year. It is still underway. This will probably lead to a new strategy marked by flexibility between working from home and coming to the office occasionally. We had already experienced that to some extent, but it will be amplified by the crisis.



## **E-commerce exploded during the pandemic. What did you learn from this? Is this going to last?**

**Jean-Paul Agon:** The pandemic crisis will probably go down in history as a turning point for distribution and e-commerce. E-commerce has become the name of the game all over the world because many points of sales were closed, those consumers who had not yet experienced e-commerce discovered that it was an amazing alternative. As far as L'Oréal is concerned, especially in the field of beauty, we were a leader in digital and e-commerce as soon as 2010, 11 years ago. E-commerce has grown by 62%<sup>(1)</sup>, now accounting for 26.6% of our total sales for 2020 and it will keep growing because it is a new extraordinary channel in the 21<sup>st</sup> century. What is new is that this channel is now developing on all continents, in all countries. We have seen spectacular growth, which continues in the first quarter. For the first time, the growth of our e-commerce business is much stronger outside China than inside China. We already have more than 50% of our e-commerce turnover in China, but in many other countries we are still very far from that. There will certainly be an extraordinary acceleration in the next ten years.

*Some topics could not be addressed during the Annual General Meeting due to time constraints, but L'Oréal is committed to addressing them, notably:*

## **How is L'Oréal preparing to become one of the world's most exemplary groups in terms of improving its environmental footprint?**

In June 2020, L'Oréal launched an ambitious programme, L'Oréal for the Future, based on four key areas: transforming our business and respecting "planetary boundaries", i.e. what the planet can withstand, as defined by environmental science; empowering

our business ecosystem in our transformation, and helping it transition to a more sustainable model; contributing to solving the challenges of the world by supporting urgent environmental and social needs; and finally, adopting a Science-Based Targets approach, a methodology developed to establish common international standards on climate.

## **Barbara Lavernos has been appointed Deputy CEO in charge of Research, Innovation and Technologies: what are her priority missions and what will they bring to the Group?**

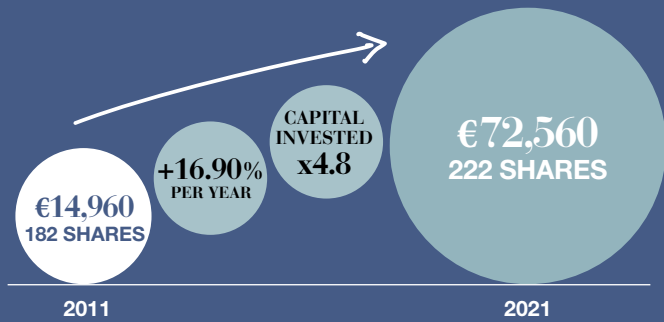
For over a hundred years, science and innovation have always been the fundamental pillars of L'Oréal's pioneering spirit and its success with consumers. Today, the Green Sciences<sup>(2)</sup> revolution and the Technology and Digital revolution are disrupting the world and opening up a new era of invention and innovation. L'Oréal has decided to combine these two revolutions to invent the beauty of the future. A beauty that relies on Research & Innovation, historically at the heart of the Group's model, while benefiting from the new opportunities offered by technology. This Research, Innovation and Technologies Department will thus enable us to conquer new territories, increase our inventions for the benefit of the brands and continue to strengthen our position as world leader in beauty. The appointment of Barbara Lavernos as Deputy CEO as of 1 May is a strong signal of the strategic importance given by the Group to the contribution of these entities and the synergies thus created for the future growth of the Group.

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

(2) Disciplines L'Oréal is moving towards to meet its sustainable development goals all while providing consumers with unprecedented levels of product performance.

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

Amongst the various economic and financial measures of value creation, L'Oréal prefers Total Shareholder Return (TSR). This indicator is based on a range of criteria, including the share price and revenue received in the form of dividends (excluding taxes on capital gains and dividends, based on the closing share price on 31 March 2021).



### HYPOTHESIS

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

### TOTAL ANNUAL RETURN

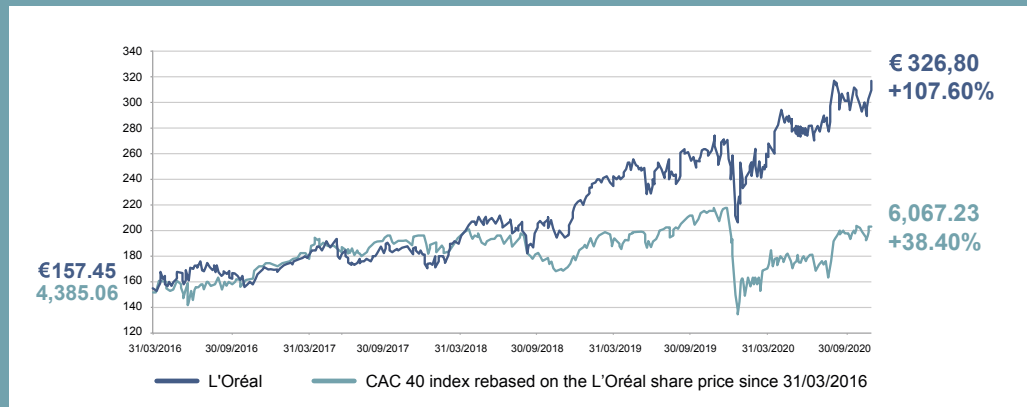
Based on the share price on 31 March 2021



<sup>(1)</sup> Total Shareholder Return of the investment, assuming that the shares are sold at the closing price on 31 March 2021.

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

L'Oréal vs CAC 40 from 31 March 2016 to 31 March 2021<sup>(1)</sup>



**+107.60%**  
Change in the L'Oréal share price from 31 March 2016 to 31 March 2021

**+38.40%**  
Change in the CAC 40 index from 31 March 2016 to 31 March 2021

CAC40 index rebased on the L'Oréal share price since 31/03/2016 // Source : Refinitiv, share price on 31/03/2021.

## A TEAM THAT IS ATTENTIVE TO SHAREHOLDERS' VIEWS

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## AGENDA

**29 July 2021:** half-Year sales and results

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

## INDIVIDUAL SHAREHOLDER CONSULTATION COMMITTEE

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

If you would like to join the committee, please apply on our website:

[loreal-finance.com/eng/consultation-committee](http://loreal-finance.com/eng/consultation-committee)

## THE CONNECTED SHAREHOLDER

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



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

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

