

L'ORÉAL  
FINANCE

# *The letter*

TO SHAREHOLDERS

NO. 79 - AUTUMN 2021

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# Message from the Chief Executive Officer



“OUR REMARKABLE PERFORMANCE REFLECTS THE RELEVANCE AND HEALTHY BALANCE OF OUR MULTI-FACETED MODEL IN TERMS OF GEOGRAPHIC FOOTPRINT, BRANDS AND CATEGORIES.”

NICOLAS HIERONIMUS  
Chief Executive Officer of L'Oréal

“With the health situation still uncertain, the beauty market is gradually recovering and has recorded double-digit growth during the first half of 2021. As a result of the determination and continued commitment of our teams, that I wish to warmly thank, L'Oréal is significantly outperforming the market, with an exceptional second quarter. **By the end of June, the Group posted a very strong increase and returned to its pre-Covid growth rate, up +6.6% like-for-like compared to the first half of 2019, with an acceleration of +8.4% in the second quarter compared to 2019.**

**L'Oréal recorded market share gains in all Divisions, and geographic Zones, redefined around more homogeneous consumption areas, all achieved double-digit growth.**

This remarkable performance reflects the relevance and healthy balance of our multi-faceted model in terms of geographic footprint, brands and categories.

Our digital excellence has enabled brands to engage, recruit and retain consumers and partners alike. **E-commerce continues to grow, at a more moderate rate due to the reopening of retail channels, and accounts for 27.3% of sales.**

The first-half results increased sharply and are of excellent quality. They are evidence of the L'Oréal virtuous circle: a strong improvement in gross margin combined with good cost control has enabled us to invest significantly in developing our brands and deliver once again an increase in profitability.

At the same time, societal and environmental engagement remains

a priority. In June, we launched the very first “L'Oréal Groupe” global campaign on our Purpose (see pages 4 and 5) and unveiled “L'Oréal For Youth”, a global programme designed to boost youth employment.

**L'Oréal has again gained strength in the early part of the year and is well positioned to continue to grow at its pre-crisis pace,** leveraging on technology, data and artificial intelligence to become the Beauty Tech<sup>(1)</sup> company. In the second half of 2021, we will pursue our offensive product launch strategy while at the same time investing in relevant growth drivers to spur the future growth and the desirability of our brands. We are more confident than ever in our ability to outperform the market and achieve a year of growth in both sales and results.”

## Sales at 30 June 2021

€15.19  
Bn

+20.7%  
like-for-like<sup>(2)</sup>

+16.2%  
based on reported figures

+29.2%  
growth in e-commerce<sup>(3)</sup>

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

(1) New technologies for the beauty industry. (2) Like-for-like: based on comparable structures 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).





**Vianney Derville,**  
President Europe Zone

## L'Oréal creates a new Europe Zone

Following the retirement of Alexandre Popoff, President of L'Oréal Eastern Europe Zone, L'Oréal has created a new Europe Zone to be led by Vianney Derville, currently President of L'Oréal Western Europe Zone. Under his leadership, the two former zones of Western Europe and Eastern Europe will come together as one single Zone.

This organisational change has been designed to put in place the

optimum conditions to help drive future growth and represents the last stage in the reorganisation of the Group's Zone structure.

Vianney Derville joined the Group in 1992, as a product manager in the Consumer Products Division in France for Lascad before being appointed as General Manager for the CPD Division in Japan and then as General Manager for L'Oréal Spain in 2004. After returning to Paris in 2007, Vianney Derville held a number of different roles, culminating in being appointed Head of International CPD markets in 2013. Vianney then moved to the US as head of the Consumer Products Division. In 2016 he was appointed President of the Western Europe Zone, and joined the Group's Executive Committee. Over the past few years, he has successfully transformed the Zone into a multi-division operating model, which has led to significant market share growth.



## L'Oréal receives the Young Shareholders Award for its Financial Communication

On 29 June, during the Award Ceremony of the Young Shareholders Golden Palms, created by EDHEC Business School and the Federation of Individual Investors and Investment Clubs (F2iC), L'Oréal received the "Palme de la Communication" which was presented to Blanca Juti, Group Chief Corporate Affairs & Engagement Officer. This award recognises the most attractive company in the eyes of young future shareholders, and in particular the relevance of its communication tools.



## First cosmetic bottle made from plastic derived from enzymatic recycling

L'Oréal announced in June the realisation of the first cosmetic bottle made from plastic entirely recycled using Carbios' enzymatic technology and aims to put into production the bottles based on this disruptive innovation in 2025. Biotherm would be the first of the Group's brands to launch a product in this bottle of the future.



Highlights

CREATE  
THE  
BEAUTY

THAT  
MOVES THE  
WORLD



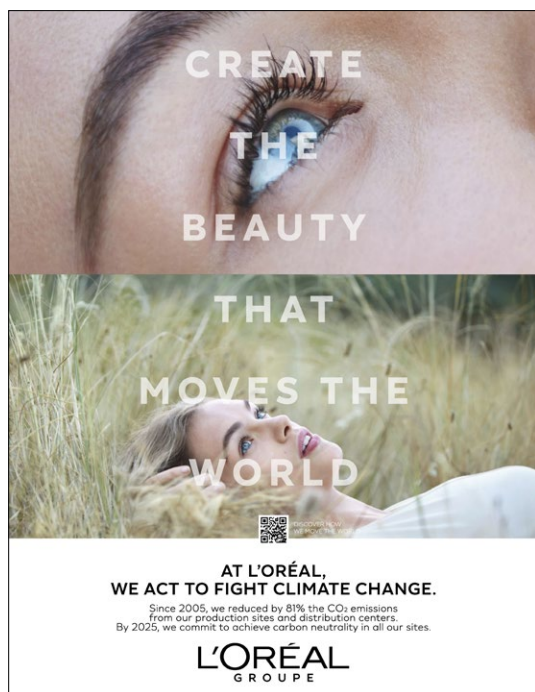
DISCOVER HOW  
WE MOVE THE WORLD

**AT L'ORÉAL,  
WE BELIEVE NATURE IS THE FUTURE OF BEAUTY.**

59% of the ingredients used in our products are from plant-origin.  
By 2030, 95% will be renewable, derived from abundant mineral sources  
or from circular processes.

**L'ORÉAL**  
G R O U P E





# INTERNATIONAL ROLLOUT OF L'ORÉAL'S PURPOSE

***In June, L'Oréal launched its very first "L'Oréal Groupe" global campaign to make its consumers, shareholders and stakeholders more aware of the initiatives powered by its Purpose: "Create the beauty that moves the world." The campaign shone the spotlight on the way in which L'Oréal's Purpose serves as a catalyst for the commitments the Group makes and the action it takes.***

## L'Oréal's Purpose in three key words

### Humanism

Rooted in its French heritage, L'Oréal has always strived for humanistic values and places the human being at the core of all its initiatives. This deeply humanistic vision of beauty includes each and every person individually with the conviction that beauty is as much a symbol of respect for each person's individuality as it is a belief in their potential. L'Oréal aims to ensure everyone has access to beauty.

### Progress

The desire for progress is what drives each person collectively and individually. L'Oréal has always supported positive developments for social progress, people empowerment and the preservation of our planet, with the conviction that its scientific and technological advances along with its sense of responsibility can make a difference.

### Beauty experience

L'Oréal has been creating beauty products and services since day one. The beauty business is unlike any other; successful beauty experiences can have a meaningful impact to people's daily lives. Since there are as many experiences as there are people, L'Oréal puts its heart and expertise into meeting the infinite variety of beauty needs, offering the best of beauty technology. L'Oréal innovates relentlessly, putting technology at work.

“ For over a century, we have been dedicated to one sole vocation: creating beauty. 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. ”

**Nicolas Hieronimus**  
Chief Executive Officer of L'Oréal

## Purpose and sustainability

Riding on the coattails of its sustainability programmes – Sharing Beauty With All, launched in 2013, and L'Oréal for the Future, launched in 2020 – L'Oréal's Purpose anchors many of its commitments for creating beauty that moves the world: fighting climate change, respecting biodiversity, preserving natural resources, working towards women empowerment, etc.



Scan this QR code with your smartphone to discover the video on L'Oréal's Purpose

## L'ORÉAL AT FIRST BOURSORAMA E-FAIR

***L'Oréal was the leading sponsor of the first e-fair hosted by Boursorama, an all-digital edition for retail investors entitled BoursoLive. The event provided a unique opportunity to talk to individual shareholders and help them learn more about L'Oréal, its performance and its commitments. Christophe Babule, the Group's Chief Financial Officer, presented the L'Oréal business model—embodying both solidity and solidarity—and took questions from Laurent Grassin, Boursorama's Content Director. The following is an extract from that interview.***



“L'ORÉAL IS A GROUP THAT COMBINES BOTH SOLIDITY AND SOLIDARITY: SOLIDITY IN ITS FINANCIAL PERFORMANCE AND SOLIDARITY BECAUSE IT IS JUST AS STRONG IN TERMS OF ITS EXTRA-FINANCIAL PERFORMANCE.”

**CHRISTOPHE BABULE**  
*Chief Financial Officer of L'Oréal*

### **Where do you see L'Oréal in 2030? What are the Group's main challenges?**

The role of business has changed profoundly over the last 20 years or so. We face unprecedented environmental and societal challenges, with a sense of urgency on a planetary scale. At L'Oréal, one of our goals is to strengthen our leadership in beauty business segments while also establishing our position at the forefront of extra-financial performance. We committed to this back in 2013 through the ambitious “Sharing Beauty With All” programme, which produced conclusive results.

For example, we reduced our carbon emissions by more than 80% from 2005 levels. That is a good start, but we believe we need to do more. That is why we set up the new “L'Oréal for the Future” programme. We have begun this decade with the goal of transforming our business to respect planetary boundaries. This entails reconciling our own requirements with the need to protect the planet and its limited resources. We must continue transforming our business model and footprint even more swiftly. That footprint includes not just our industrial and logistics operations,

WATCH  
THE FULL VIDEO  
INTERVIEW WITH  
CHRISTOPHE BABULE ON

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



but also our entire value chain. Hence the move to bring suppliers and consumers on board as part of our vision. We feel it is our responsibility to help people make educated purchases. Specifically, that means focusing on sustainable management of resources, raw materials and water, while ensuring a combination of financial, social and environmental results.

### What part does Finance play in the “L’Oréal for the Future”<sup>(1)</sup> programme?

We believe Finance has a core role to play in this programme. It is my job to ensure that all Finance stakeholders rally to the cause. We already have teams driving progress and backing the programme in a number of areas. We are setting up systems to measure progress in meeting our goals, building on results and ensuring we remain on track to meet our targets. Impact investing<sup>(2)</sup> is one of the tools we are using, which allows us to harness our financial resources to pursue this transformation. Last year, we announced a far-reaching €100 million investment plan including €50 million for ecosystem regeneration and biodiversity and €50 million to develop the circular economy. The goal is to bring our financial capabilities and talents to bear to support this transformation.

### In light of these far-reaching goals, this transformation will require investment. How much do you expect to spend?

This investment is not something we are just beginning today. We are talking about an initiative we began a number of years ago. 50% of our plants are already carbon neutral. That of course represents investment, but this spending has not impacted the Group’s results. Far from it. We aim to increase that figure to 100% by 2025. We see this as a worthwhile investment, not only in terms of sustainability, but also for the Group as a whole. This is where the extra-financial and financial factors overlap.

### L’Oréal’s Purpose is to “Create the beauty that moves the world.” What does that statement convey?

L’Oréal’s Purpose was carefully and collectively crafted before it was unveiled at the 2020 Annual General Meeting. It was published the same year in the Group’s Universal Registration Document. It charts a course for L’Oréal to build an effective, responsible, committed company over the coming decade (see pages 4 and 5).

<sup>(1)</sup> The Group’s sustainable development commitments for 2030.

<sup>(2)</sup> Socially responsible investing that seeks to create a positive social or environmental impact while also providing a financial return.



## BECOME A REGISTERED SHAREHOLDER

and take advantage  
of the loyalty bonus  
on your dividend

# +10%

### WHAT ARE REGISTERED SHARES?

Registered shares are registered **in your name** in the company’s books, which enables you to receive information from L’Oréal directly.

### YOUR LOYALTY IS REWARDED

If you register your shares, L’Oréal offers you an additional dividend of **+10%**<sup>(1)</sup>.

(1) After two calendar years of continuously holding registered shares, up to a maximum of 0.5% of the capital for the same shareholder, at the closing date of previous financial year.

## BEFORE THE END OF 2021

Register your shares.

### 2022 / 2023

Hold your registered shares continuously for two full calendar years.

### FROM 2024

For the financial year 2023, receive for the first time the +10% loyalty bonus for your shares continuously held in registered form since 2021.

You will be entitled to receive the +10% loyalty bonus in subsequent years if you hold your shares continuously for two full calendar years.

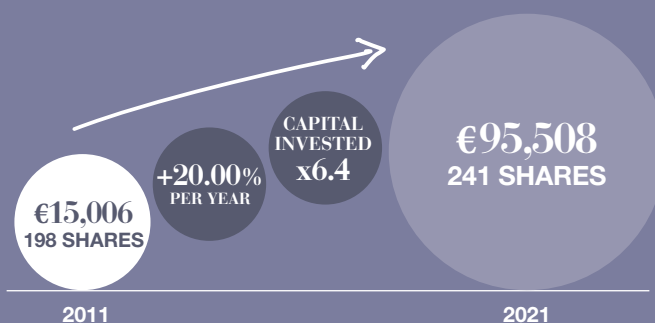
**TO BECOME A REGISTERED  
SHAREHOLDER**  
consult the Shareholders  
section at

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



## 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 August 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

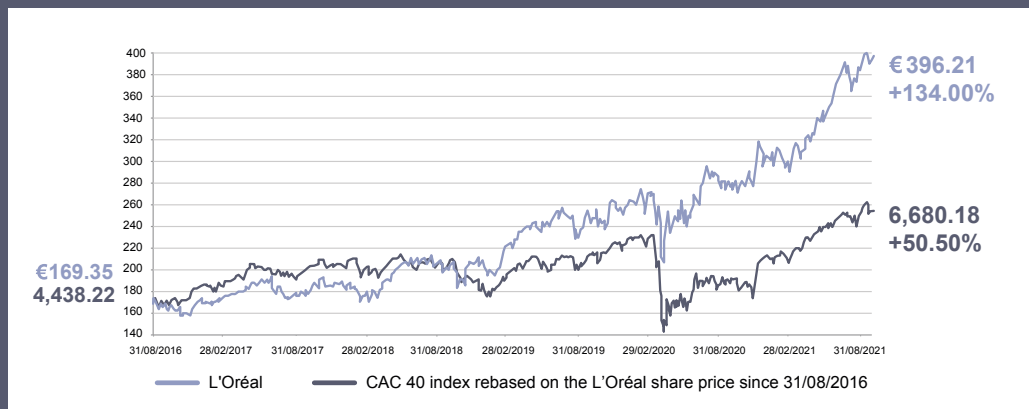
Based on the share price on 31 August 2021

<b>+20.4%</b> over 5 years	<b>+20.0%</b> over 10 years	<b>+10.6%</b> over 20 years
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(1) Total Shareholder Return of the investment, assuming that the shares are sold at the closing price on 31 August 2021.

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

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



Change  
from 31 August 2016  
to 31 August 2021

L'Oréal share price:  
**+134.00%**

CAC 40 index:  
**+50.50%**

CAC40 index rebased on the L'Oréal share price since 31/08/2016 // Source: Refinitiv, share price on 31/08/2021.

## A TEAM THAT IS ATTENTIVE TO SHAREHOLDERS' VIEWS

### CHRISTIAN MUNICH

Director of Individual Shareholder and Market Authority Relation

### ANGÉLIQUE FRUCHTENREICH

Individual Shareholder Relations Manager

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Tel. from France: 0 800 66 66 66  
Tel. from outside France: + 33 1 40 14 80 50

## AGENDA

**21 October 2021:** sales at 30 September 2021

**15-23 November 2021:** Investir Day trade fair

For other key dates, please visit our website: **loreal-finance.com**

## INDIVIDUAL SHAREHOLDER CONSULTATION COMMITTEE

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

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

## THE CONNECTED SHAREHOLDER

Download the L'Oréal Finance app<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**

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

