

L'ORÉAL
FINANCE

The letter

TO SHAREHOLDERS

No. 75 - SPRING 2020

NEWS / p. 3

*TECH TRANSFORMS
THE BEAUTY MARKET* / p. 4

*BEHIND THE SCENES
OF BEAUTY* / p. 6

*Find out more about the share price
and the total shareholder return / p. 8*



L'ORÉAL

Message from the Chairman



JEAN-PAUL AGON

Chairman and Chief Executive Officer of L'Oréal

"In a situation marked by the expansion of the Covid-19 pandemic, which first appeared in China and has spread to the rest of the world, L'Oréal's number one priority is to ensure the protection of its employees. The Group has also taken a large number of solidarity measures for its customers and partners, and is providing support to health authorities.

The first quarter of 2020 has seen a decline in the cosmetics market of around -8%. In these difficult circumstances, L'Oréal has succeeded in outperforming the market with sales at -4.8% like-for-like⁽¹⁾. The performances by Division are contrasted. The L'Oréal Luxe and Professional Products Divisions are the most impacted due to the closure of perfumeries, department stores and hair salons in many countries. The Consumer Products Division however has seen a more moderate decline, largely because the activity in mass-market retail has been maintained. Lastly, the Active Cosmetics Division is still posting double-digit growth, with the pharmacy channel still open, and a portfolio of brands that is adapted to the strong demand for health-related products.

All geographic Zones have progressively been impacted by the closure of sales outlets and the introduction of lockdown

measures: first of all in China from January, and then in the rest of the world, particularly in Western Europe from the beginning of March, and in North America from the end of March. As for Travel Retail, it has been heavily impacted by the sharp restrictions on travel worldwide.

Note that China is already seeing an encouraging recovery in beauty product consumption.

E-commerce, a key growth driver for the Group, is growing at +52.6%, and now represents close to 20% of sales⁽²⁾. The current crisis has led to a strong acceleration of the digital transformation on which L'Oréal is particularly well positioned thanks to its strength in e-commerce and its expertise in digital media, content and services which enrich the consumer experience.

In an environment that is evolving every day, lockdown measures will clearly continue to have a significant impact on the consumption of skincare and beauty products, and consequently on our business in the second quarter. However, as the example of China has shown, the current situation does not call into question consumers' strong appetite for beauty products, which remains intact. The market should recover quickly as soon as measures to close sales outlets are lifted.

In this context L'Oréal's fundamentals remain more relevant than ever.

First of all, our strength rests on our balanced business model, with our presence in all distribution channels and all categories. In addition, the Group has already introduced very strict measures in terms of operational discipline, with a freeze on the worldwide headcount, a freeze on travel, a reduction in non-essential spending, and a thorough review of business drivers and investments. Furthermore, L'Oréal entered this period with a robust balance sheet, a high level of shareholders' equity, a positive net cash situation, and with very substantial credit lines available. Finally, it is the outstanding talent and commitment of L'Oréal teams all over the world, and the agility of its organisation, which enable the company to adapt, country by country, to the constantly changing situation.

We are therefore confident in our ability to traverse this period of crisis in the best possible conditions and to reaccelerate as soon as conditions permit in each geographic Zone."

(1) Like-for-like: based on a comparable scope of consolidation and constant exchange rates. (2) 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).

Sales at 31 March 2020

€7.22
Bn

-4.8%
like-for-like⁽¹⁾

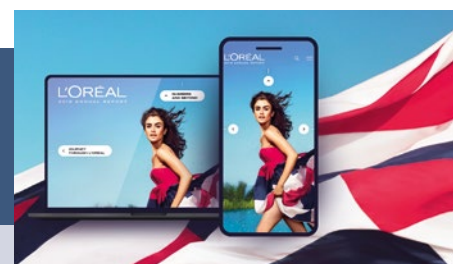
-4.3%
based on
reported figures

3A scores by the CDP⁽²⁾, for the fourth year running, for carbon emissions, managing water consumption in a sustainable way and protecting forests in its supply chain.

L'Oréal named as one of the **2020 World's Most Ethical Companies** by the Ethisphere Institute. This is the eleventh time L'Oréal has made the list.

(1) Like-for-like: based on a comparable scope of consolidation and constant exchange rates.

(2) CDP is an independent global organisation that evaluates companies' achievements in terms of their environmental performance.



To read more about the Group's performance in 2019, visit the Annual Report, on www.lorealannualreport2019.com

In view of the spread of the Covid-19 virus, L'Oréal's absolute priority is to protect the health of its employees worldwide. The Group has also implemented help and solidarity measures to support stakeholders who are at the front-line in striving to curb the propagation of coronavirus and those who are particularly exposed to the economic crisis resulting from this epidemic. Read more about some of the Group's key actions around the world.



In terms of health measures, all the L'Oréal factories worldwide equipped with a certified unit for handling alcohol and flammable substances (28 out of 39 factories) are today being used to produce hand sanitiser gel in Europe, the United States, Latin America, Asia and Africa. In all, some 2,400 tonnes of gel, representing more than 14 million units, will be produced by the end of May 2020.

In **Europe**, La Roche-Posay equips all partner hospitals, care homes and main partner pharmacies with hand sanitiser. Garnier supplies and distributes several million units of hand sanitiser free-of-charge to all its European food distribution customers so that their employees, who are continuing to work to meet consumers' basic needs, can protect themselves by following the recommended precautions.

In **France**, L'Oréal will not furlough employees between now and the end of June. The Group has also given an undertaking that it will not postpone the payment of any social or tax charges during this period. Lastly, L'Oréal has mobilised its operational infrastructures in France and **China** and placed them at the disposal of the French authorities for ordering large quantities of medical equipment, including hundreds of respirators and tens of millions of masks, which will be transported to France in accordance

with the government's instructions. Additionally, the L'Oréal Foundation has decided to donate one million euros to associations, some of which are already partners in the Foundation's programmes, working to combat deprivation.

The L'Oréal Foundation will also provide support to Emergency and Banco Alimentare in **Italy**.

In the **United States**, the Group has donated more than one million dollars worth of hygiene and personal care products, and USD 250,000 to non-profit organisations providing emergency support across America to families suffering from financial or food insecurity.

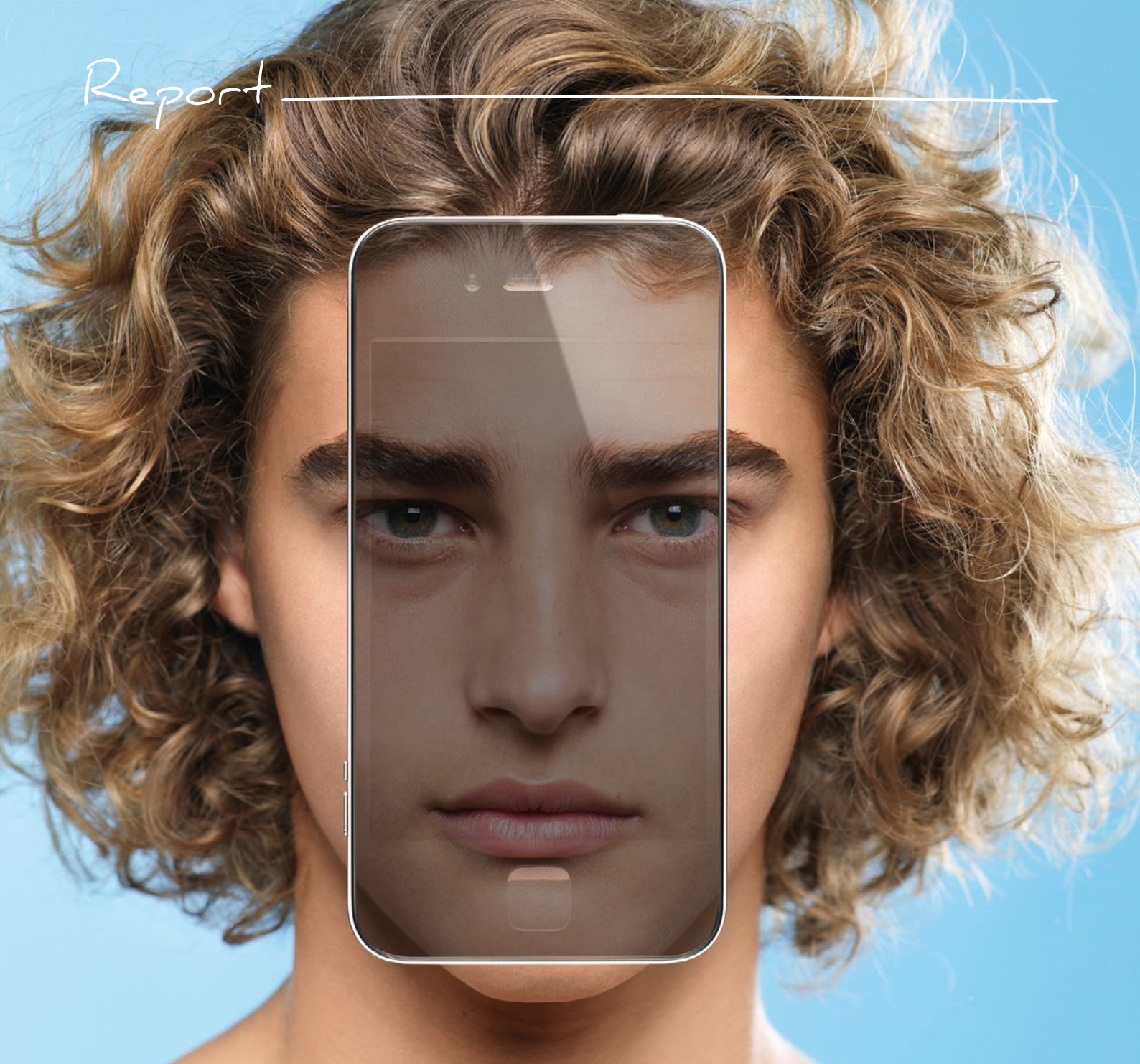
In **Canada**, L'Oréal has also made a donation totalling CAD 200,000, comprising both funding and hygiene products.

In **China**, L'Oréal has donated RMB 5 million to the Chinese Red Cross for the purchase of emergency medical supplies.

Lastly, economic and social measures apply all around the world, where L'Oréal has chosen to help its small professional clients and small perfumeries to defer the payment of their debts in light of cash flow difficulties they may be facing, until their activities recover. L'Oréal has shortened the delay of payments to its most seriously affected suppliers.



Report



TECH TRANSFORMS THE BEAUTY MARKET

With new technologies, the beauty market is witnessing a true revolution, especially in services. Progress in this area is making a real difference to consumers.

EXCERPTS
FROM THE 2019
ANNUAL REPORT
OF L'ORÉAL

Find out more on
www.lorealannualreport2019.com



Reinventing the beauty experience

How can you be sure of choosing the right shade of lipstick when buying online? This is a question that makeup consumers no longer have to ask themselves thanks to ModiFace, a startup acquired by L'Oréal in 2018 that uses augmented reality for consumers to try on beauty products and simulate hair colour. The collaboration with Facebook enables users, on this social media platform all over the world, to virtually try out the Group's main beauty brands. Amazon users have also recently been able to virtually try on makeup products by taking a video or a selfie on their phones.

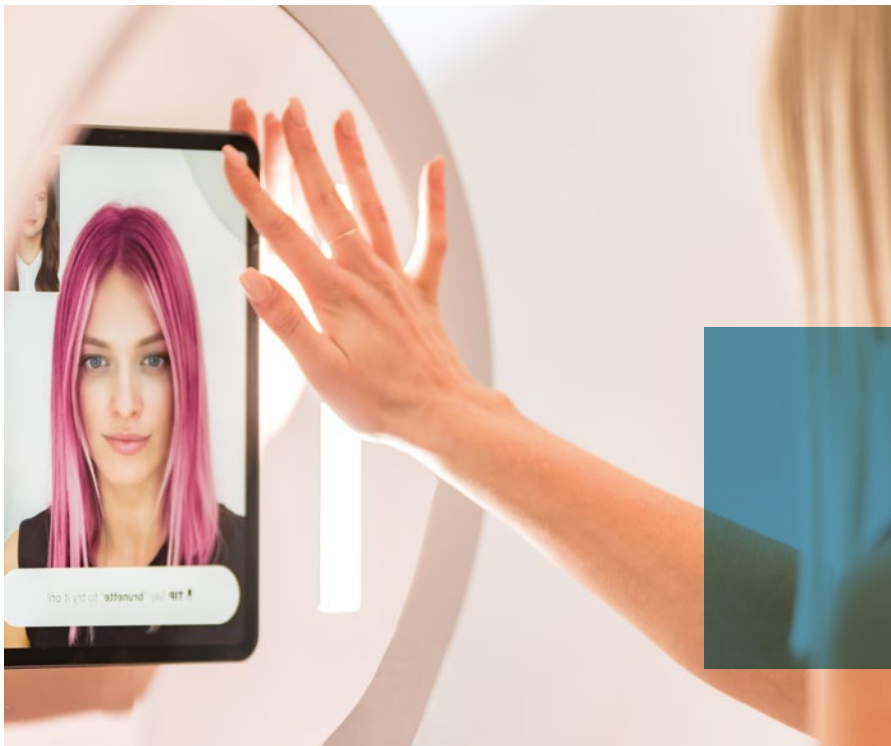
Technological advances have also made their mark in the area of personalised skin "diagnosis". An artificial intelligence algorithm developed by ModiFace, combined with deep learning and the expertise of L'Oréal's skincare laboratories, enables a precise assessment of the signs of skin ageing based on a selfie as well as recommendations for beauty routines and tailor-made products.

Open innovation and partnerships

L'Oréal is convinced that a dynamic mix of ideas from within and outside its organisation can transform the way consumers interact with beauty. It is therefore pursuing initiatives to strengthen its open innovation strategy – a means of identifying new startups to partner with and complement our existing collaborations with Founders Factory, Partech International Ventures and Station F. We aim to continue pooling expertise to create the next generation of innovative beauty products, applications and digital services.

The partnerships that L'Oréal forms with its distributors also play a significant role in transforming the customer experience. The Group makes its technologies available to distributors in open source⁽¹⁾, so as to remain the "category captain" for beauty and a partner of choice. In 2019, the Group joined forces with A.S. Watson in China for the virtual makeup try-on app #ColourMe, with Google Lens in the United States for virtual hair colour try-on, and with Boots in the UK for a skin "diagnostic" app giving free online dermatological advice.

All these partnerships enable us to offer consumers a unique way of discovering and evaluating cosmetics and to put the magic back into the beauty experience.



+52.6% ⁽²⁾

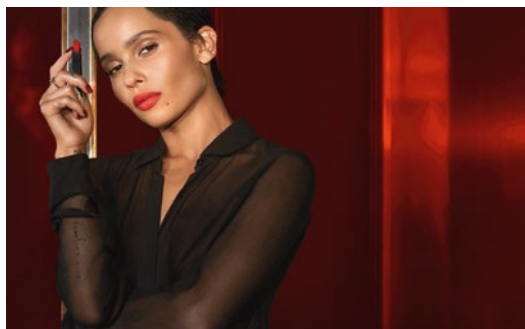
**growth in e-commerce
sales in the first
quarter of 2020**

(1) Allowing free access to the source code. (2) 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).

Behind the scenes of Beauty

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).



WESTERN EUROPE

United Kingdom

Yves Saint Laurent: a remarkable success

The couture brand is attracting growing numbers of consumers in the United Kingdom. Driven by the success of Black Opium, one of the Top 5 bestselling women's fragrances⁽¹⁾, and the triumphant launch of Libre, Yves Saint Laurent remains one of the Top 10 leading beauty brands in the United Kingdom⁽²⁾. The brand also posted remarkable performance in lip makeup, becoming the third bestselling brand⁽³⁾, thanks in large part to the success of Rouge Pur Couture The Slim lipstick.

NORTH AMERICA

Canada

Ethics, everyday!

What role do the Ethics Ambassadors play at L'Oréal? First, they encourage employees to talk openly about ethical questions, in order to make sure none of them go unanswered. They serve as local representatives with whom employees feel comfortable, when they need someone to actively listen to them. The network of Ethics Ambassadors is also meant to ensure that the dialogue on ethics is always open, every day.

Discover the video of **Nadia Petrolito**, L'Oréal Canada Ethics Correspondent, on www.lorealannualreport2019.com

ASIA PACIFIC

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 to meet the needs of doctors and their patients and to the high level of personalisation the brand provides. Another winning strategy for the brand is its distribution channel, which takes the shape of a virtuous triangle, with sales in doctors' surgeries, on e-commerce platforms and in flagship stores.



LATIN AMERICA

Chile

Boosting employment among young people

In Chile, over 18% of people between the ages of 15 and 29 (38% in Santiago) are neither students, nor employees, nor interns. And young people from the poorest segments of the population are the hardest hit. 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. The aim is to give talented young people from underprivileged communities easier access to employment thanks to scholarships, workshops and internships at L'Oréal. So far, 145 young people have completed internships.

To learn more about this initiative, watch the video of **Jean-Marie Gourmelen**, Director of Human Relations, L'Oréal Chile, on www.lorealannualreport2019.com

EASTERN EUROPE

Russia

The online makeup boom

In Russia, e-commerce is becoming a major transformation driver. The channel is increasingly popular for purchasing makeup and is revolutionising access to the category. Delivery never takes longer than seven days, even for consumers who live in the farthest regions of the vast country.

To learn more, watch the video of **Svetlana Obruchkova**, General Manager Consumer Products Division, L'Oréal Russia, and **Anna Homutkova**, Makeup Director Consumer Products Division, L'Oréal Russia, on www.lorealannualreport2019.com



AFRICA, MIDDLE EAST

Morocco

Supporting socially responsible, sustainable argan

Since 2008, L'Oréal has purchased 100% of its argan oil – a natural anti-ageing and hydrating ingredient – from Morocco, from a network of six socially responsible cooperatives involving 560 Berber women. Working in partnership with its supplier and with the support of local NGO⁽⁴⁾ Yamana, L'Oréal has instigated and co-funded a programme to guarantee the cooperatives fair conditions that protect biodiversity and help to maintain their ancestral know-how. As a result, these women benefit from a decent income and services such as education, childcare and improved access to health care, increasing their financial independence and improving their living conditions.

(1) Sources: WWD, *Beauty's Top 100*, May 2019, based on 2018 sales and according to 2019 publications. (2) Sources: NPD United Kingdom, *women fragrances*, 2019. (3) Sources: NPD *lip makeup*, 2019. (4) Non-governmental organisation.



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%**⁽¹⁾.

(1) After two 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 2020

Register your shares.

2021 / 2022

Hold your registered shares continuously for two full calendar years.

FROM 2023

For the financial year 2022, receive for the first time the +10% loyalty bonus for your shares continuously held in registered form since 2020.

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

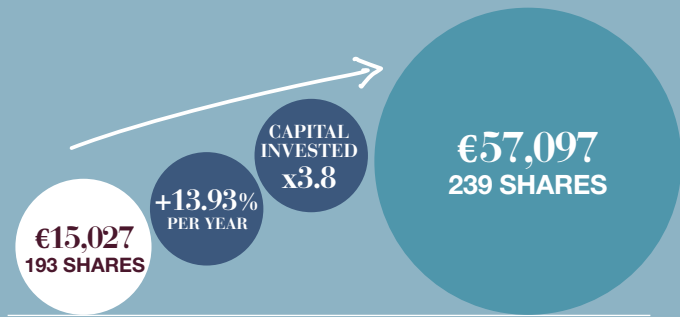
TO BECOME A REGISTERED SHAREHOLDER
consult the Shareholders section at

www.loreal-finance.com

L'Oréal and you

TOTAL SHAREHOLDER RETURN⁽¹⁾

Amongst the various economic and financial measures of value creation, L'Oréal prefers Total Shareholder Return (TSR). This indicator is based on a range of criteria, including the share price and revenue received in the form of dividends (excluding taxes on capital gains and dividends, based on the closing share price on 31 March 2020).



2010 | **HYPOTHESIS** | **2020**
 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

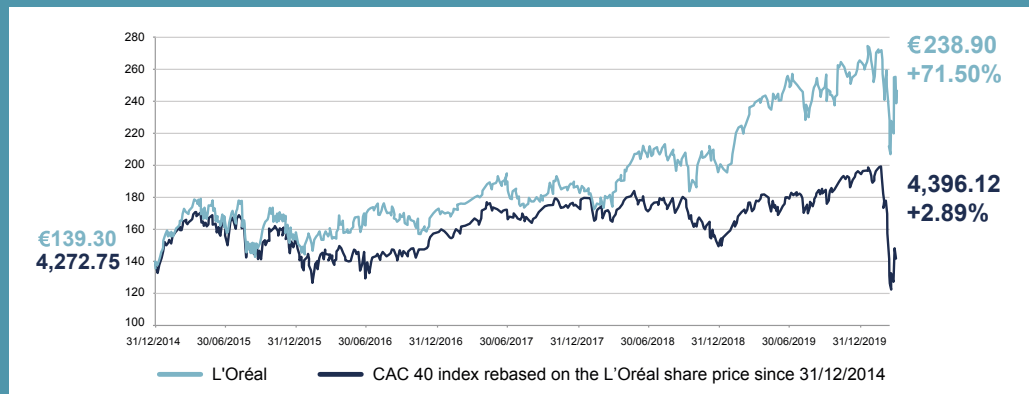
Based on the share price on 31 March 2020

+8.74% over 5 years	+13.93% over 10 years	+8.19% 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 March 2020.

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

L'Oréal vs. CAC 40 from 31 December 2014 to 31 March 2020⁽²⁾



+71.50%
 Change in the L'Oréal share price from December 2014 to 31 March 2020

+2.89%
 Change in the CAC 40 index from December 2014 to 31 March 2020

⁽²⁾ CAC40 index rebased on the L'Oréal share price since 31/12/2014 // Source : Thomson Reuters Eikon, share price on 31/03/2020.

A TEAM THAT IS ALWAYS ATTENTIVE TO SHAREHOLDERS' VIEWS

JEAN RÉGIS CAROF

Director of Individual Shareholder and Market Authority Relations
 jcarof@loreal-finance.com
 Tel. + 33 1 47 56 83 02

CHRISTIAN MUNICH

Individual Shareholder Relations and Regulated Information Manager
 cmunich@loreal-finance.com
 Tel. + 33 1 47 56 72 06

KEY DATE

30 June 2020: Annual General Meeting
 In the exceptional context linked to the Covid-19 epidemic, please consult our website loreal-finance.com for details.

INDIVIDUAL SHAREHOLDER CONSULTATION COMMITTEE

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

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

THE CONNECTED SHAREHOLDER

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



To receive the Letter to Shareholders directly 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