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# BRIEF PRESENTATION OF THE L'ORÉAL GROUP IN 2019

## KEY FIGURES 2019

2019 SALES  
**29.9**

billion euros

(+10.9% based on reported figures,  
+8.0% like-for-like <sup>(1)</sup>)

OPERATING  
PROFIT  
**5.54**

billion euros

(+12.7%<sup>(2)</sup>)

NET EARNINGS  
PER SHARE <sup>(3)</sup>  
**7.74**

euros per share

(+9.3%)

OPERATING  
CASH-FLOW <sup>(4)</sup>

**5.03**

billion euros

(+29.8%)

DIVIDEND <sup>(5)</sup>

**3.85**

euros per share

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

(2) Excluding the impact of IFRS 16, the increase was 11.8%.

(3) Diluted net earnings per share excluding non-recurring items after non-controlling interests.

(4) Operating cash flow = Gross cash flow + changes in working capital - investments.

(5) Proposed at the Annual General Meeting of June 30<sup>th</sup>, 2020, an amount identical to that paid for the 2018 financial year, by decision of the Board of Directors of May 12, 2020.

**n°1**  
in  
beauty

**150**  
countries  
International  
presence

**111**  
years  
Created in 1909



**85%**  
of new or renovated products  
have an improved social profile

**57%**  
of brands conducted a consumer  
awareness initiative

**- 78%\***  
CO<sub>2</sub> emissions  
(plants and distribution centres)

**- 35 %\***  
reduction in waste  
(plants and distribution centres)

**- 51%\***  
water consumption  
(plants and distribution centres)

\* versus 2005 (see chapter 4 of the 2019 URD).

**87,974**  
employees

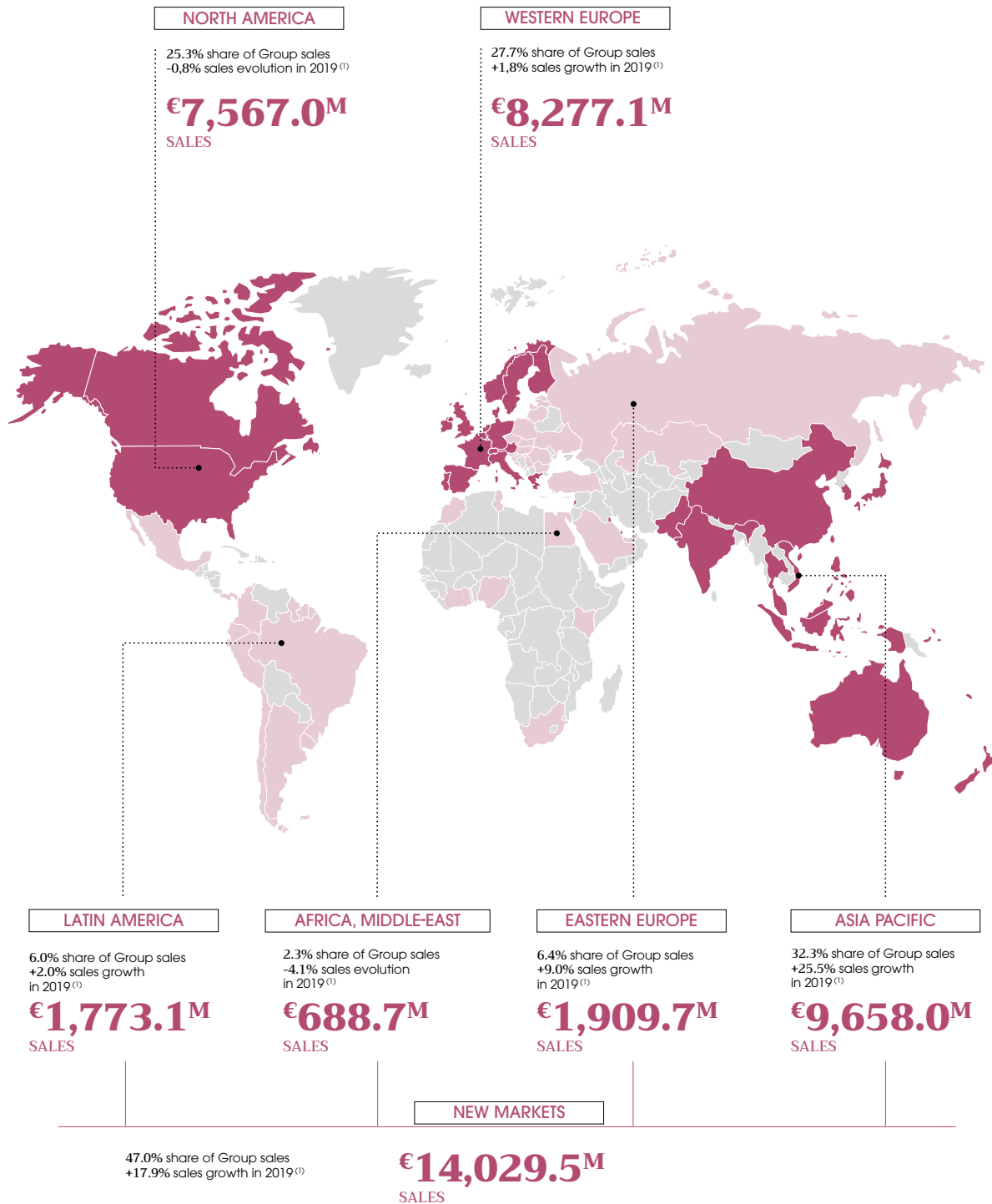
**Top 5**  
Gender equality  
in business  
(Equileap worldwide)

**90,635**  
people from underprivileged  
communities have had  
access to work

**€147.3 billion**  
Market capitalisation  
as of 12.31.2019

**€985 million**  
Research and  
Innovation budget

**497**  
patents



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

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

## COMMENTS

The Board of Directors of L'Oréal met on 6 February 2020, under the chairmanship of Jean-Paul Agon and in the presence of the Statutory Auditors. The Board closed the consolidated financial statements and the financial statements for 2019.

L'Oréal closed the decade with its best year for sales growth since 2007, at +8.0% like-for-like <sup>(1)</sup>, and an excellent fourth quarter, in a beauty market that remains very dynamic.

All Divisions are growing. L'Oréal Luxe sales exceeded 11 billion euros, driven by the strong dynamism of its four big brands – Lancôme, Yves Saint Laurent, Giorgio Armani and Kiehl's – which all posted double-digit growth. The Active Cosmetics Division had its best year ever, with La Roche-Posay sales exceeding one billion euros. Growth at the Consumer Products Division was boosted by L'Oréal Paris which had a great year. Lastly, growth improved in the Professional Products Division; the highlight was the double-digit performance of Kérastase.

Performances by geographic Zone were contrasted. The New Markets posted their strongest growth for more than 10 years<sup>(1)</sup>. Asia Pacific became the Group's number one Zone, with a remarkable end to the year in China, but also good growth in South Korea, India, Indonesia and Malaysia. Eastern Europe maintained its strong growth rate, and Western Europe returned to growth last year. North America was impacted by the poor performance in makeup.

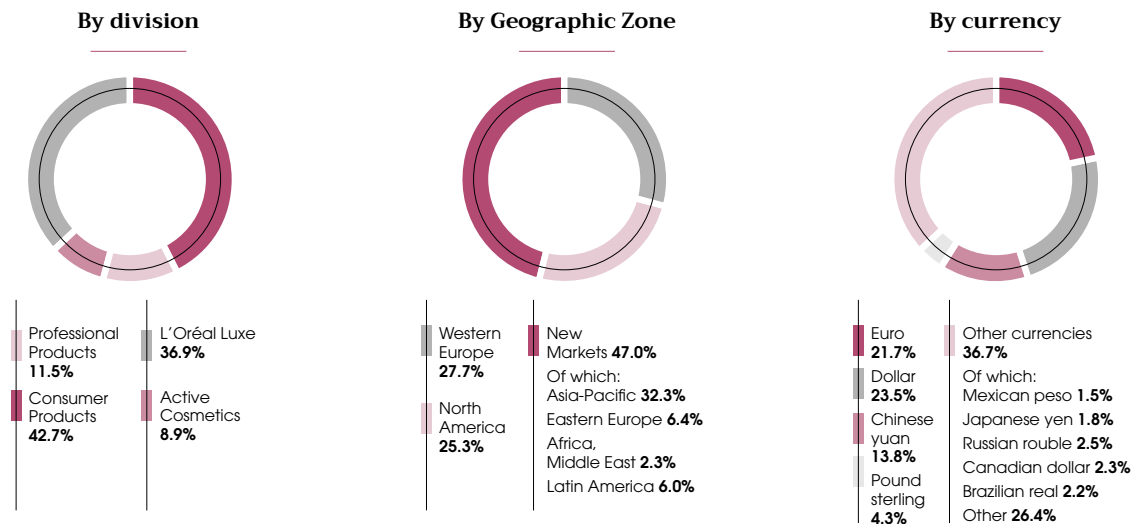
E-commerce <sup>(2)</sup> and Travel Retail, which are also powerful growth drivers, contributed strongly to the Group's success. E-commerce grew spectacularly by +52.4% and accounts for 15.6% of sales. Travel Retail maintained its strong momentum and posted growth of +25.3% <sup>(1)</sup>.

2019 also saw good growth in our profits. The strong growth in sales and the increase in gross profit, combined with the lower weight of operating expenses, enabled us both to invest more in our brands and to improve our profitability.

Once again this year, the strength of L'Oréal's well-balanced business model paid off. It is the universal presence of L'Oréal, which covers the whole beauty market, combined with its talented teams all over the world, which enable the Group to keep on achieving profitable and sustainable growth, while again strengthening its position as the beauty market leader.

Meanwhile, in a world that was hit particularly hard by climate-related uncertainties in 2019, L'Oréal is continuing its initiatives to promote responsible and sustainable growth. For the fourth consecutive year, CDP <sup>(3)</sup> awarded the Group three A ratings for its initiatives in tackling climate change, sustainable water management and combating deforestation. L'Oréal was also recognised, for the tenth time, as one of the world's most ethical companies by Ethisphere Institute. And lastly, the Group is playing a major role in gender equality, and its leadership in this field has been recognised by Equileap and Bloomberg. These extra-financial performances are a source of pride for the Group, which is firmly committed to promoting a responsible and sustainable model.

### | 2019 SALES



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

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

(3) The CDP is an independent NGO which offers a global system for the measurement and publication of environmental information and which assesses the strategy, close involvement and results obtained by companies in the fight against climate change, sustainable water management and forest protection.

## 2019 SALES

Like-for-like, i.e. based on a comparable scope of consolidation and constant exchange rates, the sales growth of the L'Oréal group was +8.0%.

The net impact of changes in the scope of consolidation amounted to +0.8%.

Growth at constant exchange rates was +8.8%.

At the end of 2019, currency fluctuations had a positive impact of +2.1%.

Based on reported figures, the Group's sales, at 31 December 2019, amounted to 29.87 billion euros, an increase of +10.9%.

### SALES BY DIVISION AND GEOGRAPHIC ZONE

€ millions	2017	2018	2019	% 2019 sales	2018/2019 progression	
					Like-for-like	Reported figures
<b>BY DIVISION</b>						
Professional Products	3,350.4	3,262.5	3,441.9	11.5%	+3.2%	+5.5%
Consumer Products	12,118.7	12,032.2	12,748.2	42.7%	+3.3%	+6.0%
L'Oréal Luxe	8,471.7	9,367.2	11,019.8	36.9%	+13.8%	+17.6%
Active Cosmetics	2,082.9	2,275.5	2,663.7	8.9%	+15.5%	+17.1%
<b>Group total</b>	<b>26,023.7</b>	<b>26,937.4</b>	<b>29,873.6</b>	<b>100%</b>	<b>+8.0%</b>	<b>+10.9%</b>
<b>BY GEOGRAPHIC ZONE</b>						
Western Europe	8,125.3	8,065.1	8,277.1	27.7%	+1.8%	+2.6%
North America	7,350.5	7,234.3	7,567.0	25.3%	-0.8%	+4.6%
New Markets, of which:	10,547.8	11,638.1	14,029.5	47.0%	+17.9%	+20.5%
• Asia, Pacific	6,151.8	7,405.6	9,658.0	32.3%	+25.5%	+30.4%
• Latin America <sup>(1)</sup>	1,952.9	1,784.8	1,773.1	6.0%	+2.0%	-0.7%
• Eastern Europe	1,750.8	1,754.2	1,909.7	6.4%	+9.0%	+8.9%
• Africa, Middle East	692.4	693.5	688.7	2.3%	-4.1%	-0.7%
<b>GROUP TOTAL</b>	<b>26,023.7</b>	<b>26,937.4</b>	<b>29,873.6</b>	<b>100%</b>	<b>8.0%</b>	<b>+10.9%</b>

The finalisation of the disposal of The Body Shop on 7 September 2017 lead to the application, in 2017, of IFRS 5 for discontinued operations.

(1) The Group has applied IAS 29 (Financial Reporting in Hyperinflationary Economies) to Argentina since 1 July 2018. The negative impact of this adjustment is 340 basis points on like-for-like growth in Latin America and 20 basis points on that of the entire L'Oréal Group in 2019.

## 2019 sales

### Professional products

The Professional Products Division recorded annual growth of +3.2% like-for-like and +5.5% based on reported figures.

### Consumer products

The Consumer Products Division ended the year at +3.3% like-for-like and +6.0% based on reported figures.

### L'Oréal luxe

L'Oréal Luxe has grown by +13.8% like-for-like and +17.6% based on reported figures.

### Active cosmetics

The Active Cosmetics Division achieved record growth of +15.5% like-for-like, the Division's highest growth rate for 20 years. Growth based on reported figures is at +17.1%.

## Summary by Geographic Zone

### Western Europe

The Zone recorded growth of +1.8% like-for-like and +2.6% based on reported figures.

### North America

The Zone is at -0.8% like-for-like and +4.6% based on reported figures, with contrasting performances across the Divisions.

### New markets

**Asia Pacific:** the Zone grew by +25.5% like-for-like and +30.4% based on reported figures.

**Latin America:** the Zone is at +2.0% like-for-like and -0.7% based on reported figures.

**Eastern Europe:** the Zone recorded growth of +9.0% like-for-like and +8.9% based on reported figures, driven by Russia, Turkey, Ukraine and Romania.

**Africa, Middle East:** the Zone is at -4.1% like-for-like and -0.7% based on reported figures. The Zone was affected by a sharp fourth-quarter deceleration in the countries of the Levant, and Lebanon in particular.

## 2019 RESULTS

### Operating profitability at 18.6% of sales

#### OPERATING PROFITABILITY AND CONSOLIDATED INCOME STATEMENT

	2017		2018		2019	
	€m	% sales	€m	% sales	€m	% sales
<b>Sales</b>	<b>26,023.7</b>	<b>100.0%</b>	<b>26,937.4</b>	<b>100.0%</b>	<b>29,873.6</b>	<b>100.0%</b>
Cost of sales	-7,359.2	28.3%	-7,331.6	27.2%	-8,064.7	27.0%
<b>Gross profit</b>	<b>18,664.5</b>	<b>71.7%</b>	<b>19,605.8</b>	<b>72.8%</b>	<b>21,808.9</b>	<b>73.0%</b>
R&I expenses	-877.1	3.4%	-914.4	3.4%	-985.3	3.3%
Advertising and promotion expenses	-7,650.6	29.4%	-8,144.7	30.2%	-9,207.8	30.8%
Selling, general and administrative expenses	-5,460.5	21.0%	-5,624.7	20.9%	-6,068.3	20.3%
<b>OPERATING PROFIT</b>	<b>4,676.3</b>	<b>18.0%</b>	<b>4,922.0</b>	<b>18.3%</b>	<b>5,547.5</b>	<b>18.6%</b>

The finalisation, on 7 September 2017, of the disposal of The Body Shop leads to account for the businesses sold, for 2017, in accordance with the IFRS 5 accounting rule on discontinued operations. For consistency with the financial information given outside the financial statements below, please refer to the tables published in the 2017 Registration Document (chapter 4, page 223) describing the financial performance of the Group when The Body Shop was an integral part of its continuing operations.

**Gross profit**, at 21,808 million euros, came out at 73.0% of sales, compared with 72.8% in 2018, which is an improvement of 20 basis points.

**Research and Development expenses**, at 985 million euros, have increased by 7.8% compared with 2018.

**Advertising and promotion expenses** increased by 60 basis points, at 30.8% of sales.

**Selling, general and administrative expenses**, at 20.3% of sales, have been reduced by 60 basis points.

Overall, **operating profit** has grown by +12.7% to 5,547 million euros, and amounts to 18.6% of sales, representing an increase of 30 basis points. Excluding the impacts of applying the IFRS 16 accounting rule, this growth amounted to 11.8%.

#### Operating profit by Division

	2017		2018		2019	
	€m	% sales	€m	% sales	€m	% sales
Professional Products	669	20.0%	652	20.0%	691	20.1%
Consumer Products	2,419	20.0%	2,428	20.2%	2,575	20.2%
L'Oréal Luxe	1,856	21.9%	2,072	22.1%	2,494	22.6%
Active Cosmetics	471	22.6%	523	23.0%	621	23.3%
<b>DIVISIONS TOTAL</b>	<b>5,415</b>	<b>20.8%</b>	<b>5,675</b>	<b>21.1%</b>	<b>6,381</b>	<b>21.4%</b>
Non-allocated <sup>(1)</sup>	-739	-2.8%	-753	-2.8%	-833	-2.8%
<b>GROUP</b>	<b>4,676</b>	<b>18.0%</b>	<b>4,922</b>	<b>18.3%</b>	<b>5,548</b>	<b>18.6%</b>

(1) Non-allocated = Central Group expenses, fundamental research expenses, free grant of shares expenses and miscellaneous items. As a % of sales.

The profitability of the **Professional Products Division** came out at 20.1%, an improvement of 10 basis points.

The profitability of the **Consumer Products Division** was stable at 20.2%.

The profitability of **L'Oréal Luxe**, at 22.6%, increased by 50 basis points.

The profitability of the **Active Cosmetics Division** came out at 23.3%, representing an increase of 30 basis points.

**Non-allocated expenses** amounted to 833 million euros, which is stable in relative value.

## Net profit

### Consolidated profit and loss accounts: from operating profit to net profit excluding non-recurring items.

#### NET PROFIT

From operating profit to net profit excluding non-recurring items:

€m	2017	2018	2019	Growth
<b>Operating profit</b>	<b>4,676.3</b>	<b>4,922.0</b>	<b>5,547.5</b>	<b>+12.7%</b>
Financial revenues and expenses excluding Sanofi dividends	-22.9	-1.9	-62.7	
Sanofi dividends	350.0	358.3	363.0	
<b>Profit before tax excluding non-recurring items</b>	<b>5,003.3</b>	<b>5,278.4</b>	<b>5,847.9</b>	<b>+10.8%</b>
Income tax excluding non-recurring items	-1,250.5	-1,286.8	-1,486.7	
Net profit excluding non-recurring items of equity consolidated companies	-0.1	+0.1	+1.0	
Non-controlling interests	-3.9	-4.1	-5.4	
<b>Net profit excluding non-recurring items</b>	<b>3,748.7</b>	<b>3,987.6</b>	<b>4,356.9</b>	<b>+9.3%</b>
EPS <sup>(1)</sup> (€)	6.65	7.08	7.74	+9.3%
<b>NET PROFIT AFTER NON-CONTROLLING INTERESTS</b>	<b>3,581.4</b>	<b>3,895.4</b>	<b>3,750.0</b>	
Diluted EPS after non-controlling interests (€)	6.36	6.92	6.66	
Diluted average number of shares	563,528,502	563,098,506	562,813,129	

(1) Diluted earnings per share, based on net profit, excluding non-recurring items, after non-controlling interests.

Net finance costs amount to 62 million euros, of which 54 million euros is the result of applying the IFRS 16 accounting rule.

Sanofi dividends amounted to 363 million euros.

Income tax excluding non-recurrent items amounted to 1,486 million euros, representing a tax rate of 25.4%.

Net profit excluding non-recurring items after non-controlling interests amounted to 4,356 million euros, an increase of +9.3%.

Earnings per share, at 7.74 euros, is up by +9.3%.

Non-recurring items after non-controlling interests <sup>(1)</sup> amounted to 606 million euros net of tax.

Net profit after non-controlling interests <sup>(1)</sup> came out at 3,750 million euros.

### Cash flow statement, Balance sheet and Cash position

Gross cash flow amounted to 5,802 million euros, an increase of 12.1%.

The working capital requirement decreased by 460 million euros.

At 1,230 million euros, investments represented 4.1% of sales.

Net cash flow <sup>(2)</sup> at 5,031 million euros, increased by 29.8%.

The balance sheet is particularly solid, with shareholders' equity amounting to 29.4 billion euros. After allowing for finance lease liabilities in an amount of 2,035 million euros, net cash came out at 2,399 million euros at 31 December 2019.

### Proposed dividend at the General Meeting of June 30<sup>th</sup>, 2020

The Board of Directors has decided to propose to the shareholders' General Meeting of June 30<sup>th</sup>, 2020 a dividend of 3.85 euros, an amount identical to that paid for the 2018 financial year, by decision of the Board of Directors of May 12, 2020. The dividend will be paid on July 7<sup>th</sup>, 2020 (ex-dividend date July 3<sup>rd</sup>, 2020 at 0:00 a.m., Paris time).

### Share capital

At 31 December 2019, the capital of the company is formed by 558,117,205 shares, each with one voting right.

(1) Non-recurring items include impairment of assets, net profit of discontinued operations, restructuring costs and tax effects of non-recurring items.

(2) Operational cash flow = Gross cash flow + changes in working capital - capital expenditure.