

2020 ANNUAL RESULTS

L'ORÉAL ACCELERATES GROWTH IN THE FOURTH QUARTER, REINFORCES ITS MARKET SHARES, AND PRESERVES ITS PROFITABILITY AT 18.6%

- **Sales: 27.99 billion euros**
 - -4.1% like-for-like ¹
 - -3.6% at constant exchange rates
 - -6.3% based on reported figures
- **Operating profit: 5.20 billion euros, representing 18.6% of sales**
- **Earnings per share ²: 7.30 euros**
- **Net cash flow ³: 5.48 billion euros, an increase of +8.9%**
- **Dividend ⁴: 4.00 euros, an increase of +3.9%**

The Board of Directors of L'Oréal met on 11 February 2021, 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 2020.

Commenting on the annual results, Jean-Paul Agon, Chairman and CEO of L'Oréal, said:

"In 2020, the Covid-19 pandemic, which spread across the world, triggered a crisis of supply due to the widespread closure of points of sale which led to an unprecedented, if temporary, decline of the beauty market.

Throughout the year, L'Oréal made the protection of all its employees as well as its customers and suppliers an absolute priority and mobilised to produce millions of units of hand sanitiser and hand cream for donation to healthcare and other frontline workers.

Thanks to the outstanding commitment of its employees, L'Oréal has traversed this crisis in the best possible condition and has even grown stronger. As anticipated and announced, the Group returned to growth in the second half, with a fourth quarter in acceleration at +4.8% ¹, and won significant market shares.

Thanks to its strength in digital and e-commerce, which has again increased considerably during the crisis, L'Oréal has been able to maintain a close relationship with all its consumers and compensate to a large extent for the closure of points of sale. As a result, sales achieved in e-commerce ⁵ rose sharply by +62% ¹, across all Divisions and all regions, reaching the record level of 26.6% of the total Group's sales for the year.

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

² Diluted earnings per share, based on net profit, excluding non-recurring items, after non-controlling interests.

³ Net cash flow = Gross cash flow + changes in working capital - capital expenditure.

⁴ Proposed at the Annual General Meeting of 20 April 2021.

⁵ Sales achieved on our brands' own websites + estimated sales achieved by our brands corresponding to sales through our retailers' websites (non-audited data).

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The Active Cosmetics Division had a record year driven by a dynamic skincare market and the remarkable success of its brands, recommended by healthcare professionals. The Consumer Products Division returned to equilibrium in the second half of the year despite the weight of makeup, and increased its market share in the other major categories. The Professional Products Division, significantly impacted by the closure of salons in the first half of the year, bounced back strongly in the second and significantly outperformed the market over the year as a whole. Lastly, L'Oréal Luxe, in an extremely difficult context, also outperformed the market and even returned to growth in the last quarter.

By geographic Zone, performance was contrasted. In Western Europe and North America, growth was impacted by the development of the pandemic and public health measures, but L'Oréal gained market share in many countries. In the New Markets, the Group saw a return to growth in all Zones in the second half of the year. The performance of China is spectacular and its contribution to the performance of the Group is important.

After demonstrating its resistance over the first half of the year, the Group engaged the second half with a determined and virtuous dynamic: launching major innovations, reinvesting in business drivers leading to a return to growth like-for-like, with flexibility and rigorous cost control allowing for an improvement in profitability. Over the year as a whole, and in spite of the crisis, L'Oréal maintained an operating margin of 18.6%, and generated strong operating cash flow.

The Group's non-financial performance was equally remarkable. For the fifth consecutive year, L'Oréal was recognised by the CDP as a global leader in sustainable development for its actions to fight climate change, protect forests and manage water sustainably. In addition, the Group was ranked in the top ten among 9,000 companies evaluated by the Refinitiv Diversity & Inclusion Index. L'Oréal was also recognised, for the eleventh time, as one of the world's most ethical companies by the Ethisphere Institute. Finally, in 2020, L'Oréal launched its L'Oréal for the Future programme with ambitious new sustainability commitments for 2030.

Driven by the strength of its strategic choices and a determined dynamic across the year, L'Oréal has adapted to this unprecedented context and terrible pandemic with speed and agility, accelerated all of its transformations and will emerge stronger.

At the beginning of this new year, which remains marked by uncertainty regarding the evolution of the pandemic, but also by consumer's appetite for beauty that remains intact across the world, we are confident in our capacity to outperform the market again this year and, subject to the evolution of the sanitary crisis, achieve a year of growth in sales and profits."

Annual General Meeting to be held on 20 April 2021

In view of the extension of the state of medical emergency until 1 June 2021 and the measures that could prevent shareholders from being physically present, the Annual General Meeting usually held at the Palais des Congrès in Paris is likely to be held on a restricted attendance basis under special rules applicable to "closed doors" (*à huis clos*) shareholder meetings, at L'Oréal's headquarters, 41 rue Martre in Clichy.

For this reason and in accordance with Order No. 2020-321 of 25 March 2020 as amended by Order No. 2020-1497 of 2 December 2020, the Board of Directors in its meeting of 11 February 2021 gave full powers to the Chairman and CEO to hold the Annual General Meeting on such a basis if the circumstances so require, pursuant to the specific regulations that will be in force at such time.

Shareholders will be informed of the arrangements for the Annual General Meeting no later than the date of publication in the BALO (*Bulletin des Annonces Légales Obligatoires*) of the convening notice of the Annual General Meeting planned for 31 March. This information will also be available on the "Annual General Meeting documents" page in the "Regulated information" section of the loreal-finance.com website.

Appointments and renewals of tenure

At its meeting of 11 February 2021, the Board of Directors decided to propose to the Annual General Meeting the renewal of the tenure as director of Ms. Françoise Bettencourt Meyers, Mr. Paul Bulcke and Ms. Virginie Morgon for a four-year term.

The Board of Directors also decided to propose the appointment of Mr. Nicolas Hieronimus as a director at the Annual General Meeting of 20 April 2021. As announced in the news release of 14 October 2020, the Board meeting that will take place after the Annual General Meeting will be called upon to appoint Mr. Hieronimus as CEO of the company, effective from 1 May 2021. The functions of Chairman and Chief Executive Officer will be dissociated from this date, Mr. Jean-Paul Agon being appointed as Chairman of the Board of Directors.

The Board of Directors will propose to the Annual General Meeting the candidacy as new independent director of Mr. Alexandre Ricard, Chairman and CEO of the Pernod Ricard group. Mr. Alexandre Ricard 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.

If the Annual General Meeting approves the proposed resolutions, the Board of Directors will be composed of 16 directors, 14 appointed by the Meeting and two directors representing the employees.

The balances in terms of independence and diversity are as follows:

- Seven independent directors out of 14 directors appointed by the Annual General Meeting, i.e. 50%,
- Seven women and seven men out of 14 directors appointed by the Annual General Meeting, i.e. parity at 50%.

Additional details regarding these proposals for the renewal and appointment of directors will be available for shareholders in the Universal Registration Document, which will be published online on 16 March, and in the online convening notice on the loreal-finance.com website from 30 March.

2020 Sales

Like-for-like, i.e. based on a comparable structure and identical exchange rates, L'Oréal group sales came out at -4.1%.

The net impact of changes in the scope of consolidation was +0.5%.

Evolution at constant exchange rates came out at -3.6%.

At the end of 2020, **currency fluctuations** had a negative impact of -2.7%.

Based on reported figures, the Group's sales, at 31 December 2020, amounted to 27.99 billion euros, i.e. -6.3%.

Sales by Division and Geographic Zone

	4 th quarter 2020			At 31 December 2020		
	€m	Growth Like-for-like	Reported	€m	Growth Like-for-like	Reported
<u>By Division</u>						
Professional Products	893.8	+6.5%	-1.4%	3,097.3	-6.4%	-10.0%
Consumer Products	2,991.3	-0.4%	-6.9%	11,703.8	-4.7%	-8.2%
L'Oréal Luxe	3,222.1	+4.4%	+3.3%	10,179.9	-8.1%	-7.6%
Active Cosmetics	771.5	+30.7%	+20.4%	3,011.1	+18.9%	+13.0%
Group total	7,878.8	+4.8%	0.0%	27,992.1	-4.1%	-6.3%
<u>By geographic Zone</u>						
Western Europe	2,045.0	-5.9%	-4.2%	7,514.0	-10.3%	-9.2%
North America	1,741.4	-0.1%	-6.7%	6,903.4	-7.4%	-8.8%
New Markets, of which:	4,092.3	+13.5%	+5.6%	13,574.7	+1.5%	-3.2%
- Asia Pacific	3,094.7	+16.6%	+12.5%	9,799.5	+3.5%	+1.5%
- Latin America	402.1	+11.9%	-10.8%	1,469.3	-1.5%	-17.1%
- Eastern Europe	431.0	-3.2%	-15.6%	1,685.3	-4.9%	-11.8%
- Africa, Middle East	164.6	+16.1%	-0.1%	620.6	-3.3%	-9.9%
Group total	7,878.8	+4.8%	0.0%	27,992.1	-4.1%	-6.3%

Summary by Division

PROFESSIONAL PRODUCTS

The Professional Products Division ended the year at -6.4% like-for-like and -10.0% based on reported figures.

The Division achieved historic market share gains across all Zones with a significant recovery in the second half of the year, strengthening its leadership in the industry. The health crisis has shown more than ever how essential the hairdressing sector is and has boosted the underlying trends that the Division had anticipated: the digitalisation of salons, the development of freelance stylists, and the explosion of e-commerce.

All geographic Zones saw a return to growth in the second half, with record performance in the United States, driven by the power of the SalonCentric distribution channel. Europe also saw a remarkable recovery. The Division posted very strong growth in China, particularly on Tmall.

The number one category for growth was haircare, led by a particularly dynamic *Kérastase*, which saw double-digit growth over the year, driven by *Genesis* and *Blond Absolu*, as well as the successful launch of *Pro Longer* by *L'Oréal Professionnel*. In hair colour, *Shades EQ* by *Redken* recorded another year of strong growth. *Steampod* by *L'Oréal Professionnel* confirmed its success.

CONSUMER PRODUCTS

The Consumer Products Division ended the year at -4.7% like-for-like and -8.2% based on reported figures.

The Division saw a return to equilibrium in the second half of the year, driven by *Garnier* and *L'Oréal Paris*. This dynamic was the fruit of a strong and successful innovation plan, "Back to Beauty" initiatives conducted in partnership with retailers, and powerful media investments. In addition, the Division has further accelerated in e-commerce, particularly in the United States.

Public health measures heavily impacted the makeup market. Despite its high exposure to this category, the Division grew faster than the market in the second half of the year and gained market share in its other major categories. Hair colour saw double-digit growth. Haircare was driven by the confirmed success of *Fructis Hair Food* and *Elseve Dream Long*, and the very strong start of *Elseve Full Resist* and *Ultra Doux* shampoo bars. Skincare accelerated thanks to the success of *L'Oréal Paris* serums and the *Fast Bright* range by *Garnier*, rolled out in emerging countries. In makeup, the Division strengthened its position, thanks in particular to *NYX Professional Makeup* and *3CE Stylenanda* which benefited from their mastery of digital.

The Division saw a significant improvement in performance in all Zones in the second half of the year, and notably recorded growth in China, Brazil and Germany.

L'ORÉAL LUXE

At year-end, L'Oréal Luxe was at -8.1% like-for-like and -7.6% reported in a global luxury beauty market down approximately 14%.

In an extremely difficult context with the closure of many points of sale and a drastic reduction in air travel, the Division outperformed the market with a clear acceleration in the second half and a return to growth in the last quarter. This performance was the result of strategic decisions to accelerate powerfully in e-commerce, particularly in direct-to-consumer, to maintain a strong programme of major global launches and to strengthen its leadership in China.

The Division outperformed the market in its three categories, especially in skincare, driven by the power of its brands, notably *Lancôme* which resisted well, and the growth of *Kiehl's* and *Helena Rubinstein*. The latest fragrance launches - *My Way* by *Giorgio Armani*, *Voce Viva* by *Valentino* and *Libre* by *Yves Saint Laurent* - also delivered very strong performances and, with the resilience of established icons, helped to consolidate our global leadership. Makeup remains the most affected category.

L'Oréal Luxe gained market share in almost all geographic Zones. It is important to note the strong performance of the Asia Pacific Zone, especially mainland China, as well as many Western European countries. Sales in North America recovered progressively, while positions remain solid in Travel Retail.

ACTIVE COSMETICS

For the second year running, the Active Cosmetics Division achieved record growth of +18.9% like-for-like and +13.0% based on reported figures, with sales exceeding the 3-billion-euro mark.

In a slightly positive market, the unique relationship that the brands have forged with healthcare professionals, combined with the growing consumer preoccupation with health, enabled the Division, particularly present in skincare, to post record annual growth, with sales accelerating in the second half. E-commerce remains the main growth driver, supported by a dynamic digital activation strategy. In-store initiatives also drove growth. Sales grew faster than the market in all Zones, with exceptional performance in North America and Asia. *CeraVe*, *La Roche-Posay* and *SkinCeuticals*, which are aligned with consumers' health aspirations and recommended by medical professionals, recorded very strong growth. *CeraVe* in particular is now one of the top five dermocosmetics brands and almost doubled in size, driven by exceptional growth in North America and a promising outlook for sales globally. Sales of *SkinCeuticals* and *La Roche-Posay* grew well ahead of the market in all Zones. The fourth quarter marked an acceleration, with all Zones and all the major brands posting growth, particularly *Vichy* which benefited from the launch of the anti-ageing serum *Liftactiv Supreme H.A. Epidermic Filler*.

Summary by geographic Zone

WESTERN EUROPE

The Zone ended the year at -10.3% like-for-like, and -9.2% based on reported figures. Due to the health crisis, the market was impacted by government measures in the countries: lockdowns, and the closure of hair salons, perfumeries and department stores. The fall in European air travel and a marked downturn in tourism over the summer also had an impact on consumption. Makeup and sun protection products were hit particularly hard, while other categories fared better. The market declined by around 15% over the year, improving in the second half, but remaining negative. Against this backdrop, L'Oréal significantly outperformed the market, thanks to its digital leadership and very strong growth in online sales, the launch of major innovations and well supported marketing plans. The Group strengthened its leadership in most countries, particularly France, the United Kingdom and Italy. It also gained market share in all its strategic categories. Performance was especially noteworthy in skincare, with *L'Oréal Paris*, *La Roche-Posay* and *CeraVe* performing well, in fragrance with the continued success of *Libre* by *Yves Saint Laurent*, and in haircare with *Kérastase* and *Garnier* strengthening their positions.

NORTH AMERICA

The Zone ended the year at -7.4% like-for-like and -8.8% based on reported figures. Due to its footprint in brick-and-mortar and makeup, the Zone was heavily impacted by lockdown measures in the second quarter. Despite the pandemic and social and political upheavals, all Divisions managed to accelerate sales in e-commerce, which have almost doubled, and quickly adapted to shifts across channels of distribution. The Group was able to seize the trends in skincare and gain market share, while at the same time increasing its already significant share of the hair colour market. After a slowdown in the first half of the year, the Zone returned to positive territory in the second. The Consumer Products Division stabilised in the second half, thanks to strong growth in skincare and market share gains in hair colour. L'Oréal Luxe accelerated with strong fragrance launches and freed up resources to re-invest in consumer touchpoints and digital transformation. The Professional Products Division gained market share and achieved a solid performance in the second half of the year, thanks in particular to SalonCentric. The Active Cosmetics Division performed remarkably well, notably with *CeraVe*, *La Roche-Posay* and *SkinCeuticals*, significantly outperforming a dynamic market and winning important market share gains.

NEW MARKETS

Asia Pacific: the Zone grew by +3.5% like-for-like and +1.5% based on reported figures, with fourth-quarter growth at +16.6% like-for-like and +12.5% based on reported figures.

Mainland China grew +27.0% like-for-like and +24.1% based on reported figures. The market recovered significantly in the second half, growing around +4% in the year, boosted by strong omnichannel demand for selective brands and very dynamic e-commerce. Consumers' quest for higher performance and superior product quality continued the premiumisation trend while various festivals and promotional campaigns stimulated growth. L'Oréal China significantly outperformed the market with double-digit growth in all Divisions. The unique combination of our beauty expertise, superior innovations, digital leadership and omnichannel distribution structure enables us to offer iconic brands that engage and win Chinese consumers. During the 11.11 festival, L'Oréal strengthened its leadership in skincare, thanks to *Kiehl's*, *Helena Rubinstein* and *SkinCeuticals*, in makeup with *Giorgio Armani*, *Yves Saint Laurent* and *3CE Stylenanda*, and in haircare with *Kérastase* and *L'Oréal Paris*. Our megabrands *Lancôme* and *L'Oréal Paris* ended the year as the No.1 selective and mass-market beauty brands respectively on Tmall.

In the rest of the **Asia Pacific Zone**, the situation improved in the second half of the year. Sales increased in the countries least affected by the pandemic such as Australia, New Zealand and Vietnam. The makeup market remained depressed, but the marketing shift towards haircare and skincare led to steady growth quarter on quarter. E-commerce was a powerful growth driver. In India, after a first half marked by store closures, both haircare and skincare returned to growth. Hong Kong suffers from a lack of tourism. The L'Oréal Luxe and Active Cosmetics Divisions achieved significant market share gains in all the main markets, particularly in skincare. The growth of Active Cosmetics was driven by *La Roche-Posay* and *CeraVe*. The Consumer Products Division saw an improvement in skincare, thanks to the performance of *Garnier*.

Latin America: the Zone is at -1.5% like-for-like and -17.1% based on reported figures. The Zone was severely impacted by the pandemic with the widespread closure of points of sale. Performance was very contrasted from one Division and quarter to another, with a strong recovery in the second half of the year. All Divisions saw a return to growth in the second half, particularly the Active Cosmetics Division which posted double-digit growth. The focus on digital strengthened consumer engagement and boosted e-commerce, which recorded triple-digit growth, most notably in Brazil and Mexico. Our innovations as well as our flagship brands and products drove the growth, most notably in haircare and skincare. Brazil recorded exceptional performance overall, growing each quarter and winning market share in Latin America's largest beauty market, a result of the far-reaching transformation of the business initiated well before the crisis. In Mexico, although challenges remain, the business is stabilising, with the Active Cosmetics Division posting double-digit growth over the year as a whole, and the Consumer Products Division seeing a return to growth in the fourth quarter.

Eastern Europe: the Zone was at -4.9% like-for-like and -11.8% based on reported figures. All countries and markets were affected by the pandemic and lockdown measures, with the exception of dermocosmetics which continued to grow. The Czech Republic/Slovakia/Hungary hub resisted well, Romania and Ukraine recorded growth, while Russia and Turkey were hit harder due to the depressed economic context. The Active Cosmetics, Professional Products and L'Oréal Luxe Divisions gained significant market share, while the Consumer Products Division maintained its positions. E-commerce growth was very dynamic.

Africa, Middle East: the Zone was at -3.3% like-for-like and -9.9% based on reported figures, with good performance in the second half, despite the lockdown measures implemented in the countries. Growth was driven by Morocco and Egypt, and by the Active Cosmetics Division. All Divisions achieved market share gains.

Important events during the period 1/10/20 to 31/12/20 and post-closing event

- On 1 October, L'Oréal announced that it took 10th place in the Universum 2020 global rankings of business students' and graduates' favourite companies, moving up two spots from 2019. L'Oréal is the only French and European company in the top 10 of this prestigious ranking.
- On 8 October, L'Oréal announced the appointment of Barbara Lavernos as President, Research, Innovation and Technologies. Antoine Vanlaeys is appointed Chief Operations Officer. These nominations will be effective as of 1 February 2021.
- On 14 October, L'Oréal announced the succession of Jean-Paul Agon as Chief Executive Officer from 1 May 2021. L'Oréal's Board of Directors met under the chairmanship of Jean-Paul Agon. Following the recommendations of the Appointments and Governance Committee, the Board decided on new governance and a succession plan at the head of the Group. As the Company's articles of association do not provide for any exception to the legal retirement age of 65 years, Jean-Paul Agon must hand over his duties as Chief Executive Officer before July 2021. In this context, the Board of Directors announced its intention to dissociate the functions of Chairman and Chief Executive Officer. The Board announced its intention to renew Jean-Paul Agon's mandate as Chairman, a position he has held since 2011, and to appoint Nicolas Hieronimus as Chief Executive Officer.

Furthermore, in his exchanges with the Appointments and Governance Committee, Jean-Paul Agon, with the agreement of the Board of Directors and the full support of Nicolas Hieronimus, wished to maintain the role of Deputy CEO, a position held by Nicolas Hieronimus at his side since 2017. Barbara Lavernos, who will lead Research, Innovation, Technology from February 2021, will be appointed Deputy CEO on 1 May 2021.

- On 4 November, L'Oréal announced the change in the geographical scope of some of its Zones. The North Asia Zone, which will include mainland China, Hong Kong, Taiwan, Japan and South Korea, will be led by Fabrice Megarbane, who is currently CEO of L'Oréal China and a member of the Executive Committee. A new Zone - SAPMENA -, created to encompass South Asia, Pacific, Middle East and North Africa, will be entrusted to Vismay Sharma, currently Managing Director UK and Ireland, who will join the Executive Committee. Similarly, a new Sub-Saharan Africa Zone will be entrusted to Burkhard Pieroth. The Group also appointed Frédéric Rozé as Chief Global Growth Officer, to whom all Zone Presidents as well as the Travel Retail business will report.
- On 8 December, L'Oréal was recognised as a global leader in sustainable development by CDP, a non-profit organisation which scores the performance of companies in sustainability and environmental transparency. Of more than 9,600 companies scored by CDP in 2020, L'Oréal is the only one to have been awarded an 'A' score in all three areas: fighting climate change, protecting forests and sustainable water management.
- On 23 December, L'Oréal announced the signing of an agreement to acquire the Japanese company Takami Co., which develops and markets products licensed by the skincare brand Takami, owned by Dr Hiroshi Takami, the founder of two eponymous dermatology clinics in Tokyo. L'Oréal also renewed a very long-term brand licensing agreement with Dr Takami and signed a collaboration agreement with the Takami clinics. The brand posted sales of around 50 million euros in 2019. The acquisition was finalised on 1 February 2021.
- On 12 January 2021, L'Oréal announced the appointment of Blanca Juti to the Group's Executive Committee in the role of Chief Communications & Public Affairs Officer. She will take up the position officially from April 2021.

2020 Results

Audited financial statements, certification in progress.

Operating profitability at 18.6% of sales

Consolidated profit and loss accounts: from sales to operating profit.

	2019		2020	
	€m	% sales	€m	% sales
Sales	29,873.6	100.0%	27,992.1	100.0%
<i>Cost of sales</i>	-8,064.7	27.0%	-7,532.3	26.9%
Gross profit	21,808.9	73.0%	20,459.8	73.1%
<i>R&I expenses</i>	-985.3	3.3%	-964.4	3.4%
<i>Advertising and promotion expenses</i>	-9,207.8	30.8%	-8,647.9	30.9%
<i>Selling, general and administrative expenses</i>	-6,068.3	20.3%	-5,638.5	20.1%
Operating profit	5,547.5	18.6%	5,209.0	18.6%

Gross profit, at 20,459 million euros, came out at 73.1% of sales, compared with 73.0% in 2019, an improvement of 10 basis points.

Research & Innovation expenses increased by 10 basis points, at 3.4% of sales.

Advertising and promotion expenses increased by 10 basis points, at 30.9% of sales.

Selling, general and administrative expenses, at 20.1% of sales, have been reduced by 20 basis points.

Overall, **operating profit** decreased by 6.1% to 5,209 million euros, and amounted to 18.6% of sales, stable compared to 2019.

Operating profit by Division

	2019		2020	
	€m	% sales	€m	% sales
By Division				
Professional Products	691.6	20.1%	581.7	18.8%
Consumer Products	2,574.6	20.2%	2,388.1	20.4%
L'Oréal Luxe	2,493.7	22.6%	2,275.9	22.4%
Active Cosmetics	620.8	23.3%	766.0	25.4%
Divisions total	6,380.7	21.4%	6,011.6	21.5%
<i>Non-allocated⁶</i>	-833.2	-2.8%	-802.6	-2.9%
Group	5,547.5	18.6%	5,209.0	18.6%

The profitability of the **Professional Products Division** came out at 18.8% in 2020, compared to 20.1% in 2019.

The profitability of the **Consumer Products Division** increased by 20 basis points, at 20.4%.

The profitability of **L'Oréal Luxe**, at 22.4%, decreased by 20 basis points.

The profitability of the **Active Cosmetics Division** came out at 25.4%, a rise of 210 basis points.

Non-allocated expenses amounted to 802 million euros.

⁶ Non-allocated = Central Group expenses, fundamental research expenses, free grant of shares expenses and miscellaneous items. As a % of sales.

Net profit

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

€m	2019	2020	Growth
Operating profit	5,547.5	5,209.0	-6.1%
<i>Financial revenues and expenses excluding Sanofi dividends</i>	-62.7	-95.9	
<i>Sanofi dividends</i>	363.0	372.4	
Profit before tax excluding non-recurring items	5,847.9	5,485.5	-6.2%
<i>Income tax excluding non-recurring items</i>	-1,486.7	-1,383.1	
<i>Net profit excluding non-recurring items of equity consolidated companies</i>	+1.0	+0.9	
<i>Non-controlling interests</i>	-5.4	-4.2	
Net profit excluding non-recurring items after non-controlling interests	4,356.9	4,099.0	-5.9%
EPS ⁷ (€)	7.74	7.30	-5.7%
Net profit after non-controlling interests	3,750.0	3,563.4	-5.0%
Diluted EPS after non-controlling interests (€)	6.66	6.34	
Diluted average number of shares	562,813,129	561,635,963	

Net finance costs amounted to 95 million euros.

Sanofi dividends amounted to 372 million euros.

Income tax excluding non-recurrent items amounted to 1,383 million euros, representing a tax rate of 25.2%.

Net profit excluding non-recurring items after non-controlling interests amounted to 4,099 million euros.

Earnings per share, at 7.30 euros, dropped by 5.7%.

Non-recurring items after non-controlling interests ⁸ amounted to 535 million euros net of tax.

Net profit after non-controlling interests came out at 3,563 million euros.

Cash flow statement, Balance sheet and Cash position

Gross cash flow amounted to 5,724 million euros, a decrease of 1.3%.

The **working capital requirement** decreased by 729 million euros.

At 972 million euros, **investments** represented 3.5% of sales.

Net cash flow ⁹ at 5,480 million euros, increased by 8.9%.

The **balance sheet** is particularly solid, with shareholders' equity amounting to 29 billion euros. After allowing for finance lease liabilities in an amount of 1,681 million euros, **net cash** came out at 3,859 million euros at 31 December 2020.

Proposed dividend at the Annual General Meeting of 20 April 2021

The Board of Directors has decided to propose to the shareholders' Annual General Meeting of 20 April 2021 a dividend of 4.00 euros per share, an increase of +3.9% compared with the dividend paid in 2020. The dividend will be paid on 29 April 2020 (ex-dividend date 27 April at 0:00 a.m., Paris time).

⁷ Diluted earnings per share, based on net profit, excluding non-recurring items, after non-controlling interests.

⁸ Non-recurring items include impairment of assets, net profit of discontinued operations, restructuring costs and tax effects of non-recurring items.

⁹ Net cash flow = Gross cash flow + changes in working capital - capital expenditure.

Share capital

At 31 December 2020, the capital of the company is formed by 559,871,580 shares, each with one voting right.

“This news release does not constitute an offer to sell, or a solicitation of an offer to buy L’Oréal shares. If you wish to obtain more comprehensive information about L’Oréal, please refer to the public documents registered in France with the Autorité des Marchés Financiers, also available in English on our Internet site www.loreal-finance.com.

This news release may contain some forward-looking statements. Although the Company considers that these statements are based on reasonable hypotheses at the date of publication of this release, they are by their nature subject to risks and uncertainties which could cause actual results to differ materially from those indicated or projected in these statements.”

This is a free translation into English of the 2020 Annual Results news release issued in the French language and is provided solely for the convenience of English-speaking readers. In case of discrepancy, the French version prevails.

Contacts at L'ORÉAL (Switchboard: +33 1 47 56 70 00)

Individual shareholders and market authorities

Mr Christian MUNICH
Tel: +33 1 47 56 72 06
christian.munich2@loreal.com

Financial analysts and Institutional investors

Ms Françoise LAUVIN
Tel: +33 1 47 56 86 82
françoise.lauvin@loreal.com

Journalists

Ms Domitille FAFIN
Tel: +33 1 47 56 76 71
domitille.fafin@loreal.com

For more information, please contact your bank, broker or financial institution (I.S.I.N. code: FR0000120321), and consult your usual newspapers, the Internet site for shareholders and investors, www.loreal-finance.com or the L’Oréal Finance app, alternatively, call +33 1 40 14 80 50.

Appendices

Appendix 1: L'Oréal group sales 2019/2020 (€ million)

	2019	2020		
		€m	Like-for-like evolution	Reported evolution
First quarter	7,550.5	7,225.2	-4.8%	-4.3%
Second quarter	7,261.0	5,851.3	-18.8%	-19.4%
First half total	14,811.5	13,076.5	-11.7%	-11.7%
Third quarter	7,182.8	7,036.8	+1.6%	-2.0%
Nine months total	21,994.3	20,113.3	-7.4%	-8.6%
Fourth quarter	7,879.3	7,878.8	+4.8%	0.0%
Full year total	29,873.6	27,992.1	-4.1%	-6.3%

Appendix 2: Compared consolidated income statements

€ millions	2020	2019	2018
Net sales	27,992.1	29,873.6	26,937.4
Cost of sales	-7,532.3	-8,064.7	-7,331.6
Gross profit	20,459.8	21,808.9	19,605.8
Research and innovation	-964.4	-985.3	-914.4
Advertising and promotion	-8,647.9	-9,207.8	-8,144.7
Selling, general and administrative expenses	-5,638.5	-6,068.3	-5,624.7
Operating profit	5,209.0	5,547.5	4,922.0
Other income and expenses	-709.0	-436.5	-94.7
Operational profit	4,500.0	5,111.0	4,827.3
Finance costs on gross debt	-79.2	-75.4	-34.8
Finance income on cash and cash equivalents	19.8	28.7	47.9
Finance costs, net	-59.4	-46.7	13.1
Other financial income (expenses)	-36.5	-16.0	-15.0
Sanofi dividends	372.4	363.0	358.3
Profit before tax and associates	4,776.5	5,411.4	5,183.7
Income tax	-1,209.8	-1,657.2	-1,284.3
Share of profit in associates	0.9	1.0	0.1
Net profit	3,567.6	3,755.2	3,899.5
Attributable to:			
• owners of the company	3,563.4	3,750.0	3,895.4
• non-controlling interests	4.2	5.2	4.1
Earnings per share attributable to owners of the company (euros)	6.37	6.70	6.96
Diluted earnings per share attributable to owners of the company (euros)	6.34	6.66	6.92
Earnings per share attributable to owners of the company, excluding non-recurring items (euros)	7.33	7.78	7.13
Diluted earnings per share attributable to owners of the company, excluding non-recurring items (euros)	7.30	7.74	7.08

Appendix 3: Consolidated statements of comprehensive income

€ millions	2020	2019	2018
Consolidated net profit for the period	3,567.6	3,755.2	3,899.5
Cash flow hedges	129.1	2.9	-60.3
Cumulative translation adjustments	-790.2	188.2	126.4
Income tax on items that may be reclassified to profit or loss ⁽¹⁾	-23.3	-1.9	14.8
Items that may be reclassified to profit or loss	-684.4	189.2	80.9
Financial assets at fair value through profit or loss	-1,269.1	1,650.6	450.5
Actuarial gains and losses	-225.6	-327.7	-58.5
Income tax on items that may not be reclassified to profit or loss ⁽¹⁾	97.8	29.7	0.5
Items that may not be reclassified to profit or loss	-1,396.9	1,352.6	392.5
Other comprehensive income	-2,081.3	1,541.8	473.4
Consolidated comprehensive income	1,486.3	5,297.0	4,372.9
Attributable to:			
• owners of the company	1,482.1	5,291.9	4,368.7
• non-controlling interests	4.2	5.1	4.2

(1) The tax effect is as follows:

€ millions	2020	2019	2018
Cash flow hedges	-23.3	-1.9	14.8
Items that may be reclassified to profit or loss	-23.3	-1.9	14.8
Financial assets at fair value through profit or loss	40.4	-51.7	-14.0
Actuarial gains and losses	57.4	81.4	14.5
Items that may not be reclassified to profit or loss	97.8	29.7	0.5
TOTAL	74.5	27.8	15.4

Appendix 4: Compared consolidated balance sheets

ASSETS

€ millions	31.12.2020	31.12.2019	31.12.2018
Non-current assets	29,046.8	29,893.3	25,991.2
Goodwill	10,514.2	9,585.6	9,597.1
Other intangible assets	3,356.3	3,163.8	3,087.3
Right-of-use assets	1,525.3	1,892.3	-
Property, plant and equipment	3,225.2	3,644.3	3,624.6
Non-current financial assets	9,604.8	10,819.1	9,100.5
Investments in associates	11.1	10.9	9.0
Deferred tax assets	809.9	777.3	572.7
Current assets	14,560.1	13,916.5	12,466.3
Inventories	2,675.8	2,920.8	2,821.9
Trade accounts receivable	3,511.3	4,086.7	3,983.2
Other current assets	1,732.7	1,474.9	1,509.1
Current tax assets	234.4	148.1	160.1
Cash and cash equivalents	6,405.9	5,286.0	3,992.0
TOTAL	43,606.9	43,809.8	38,457.5

EQUITY & LIABILITIES

€ millions	31.12.2020	31.12.2019	31.12.2018
Equity	28,998.8	29,426.0	26,933.6
Share capital	112.0	111.6	112.1
Additional paid-in capital	3,259.8	3,130.2	3,070.3
Other reserves	18,642.5	16,930.9	15,952.5
Other comprehensive income	4,304.5	5,595.8	4,242.1
Cumulative translation adjustments	-889.2	-99.2	-287.4
Treasury shares	-	-	-56.5
Net profit attributable to owners of the company	3,563.4	3,750.0	3,895.4
Equity attributable to owners of the company	28,993.0	29,419.3	26,928.4
Non-controlling interests	5.8	6.7	5.2
Non-current liabilities	3,478.0	3,515.3	1,412.2
Provisions for employee retirement obligations and related benefits	1,013.5	772.9	388.9
Provisions for liabilities and charges	56.8	56.9	47.6
Non-current tax liabilities	397.9	310.2	288.5
Deferred tax liabilities	706.6	737.7	673.7
Non-current borrowings and debt	8.5	9.6	13.5
Non-current lease debt	1,294.7	1,628.0	-
Current liabilities	11,130.1	10,868.5	10,111.6
Trade accounts payable	4,764.5	4,658.4	4,550.0
Provisions for liabilities and charges	1,224.7	1,117.8	979.8
Other current liabilities	3,682.5	3,508.5	3,138.9
Income tax	215.1	334.8	215.1
Current borrowings and debt	856.4	841.2	1,227.8
Current lease debt	386.9	407.9	-
TOTAL	43,606.9	43,809.8	38,457.5

Appendix 5: Consolidated statements of changes in equity

€ millions	Common shares outstanding	Share capital	Additional paid-in capital	Retained earnings and net profit	Other comprehensive income	Treasury shares	Cumulative translation adjustments	Equity attributable to owners of the company	Non-controlling interests	Total equity
At 31.12.2017	559,747,963	112.1	2,935.3	18,343.3	3,895.0	-56.5	-413.5	24,815.7	2.8	24,818.5
Changes in accounting policy at 01.01.2018				-12.0				-12.0	-0.9	-12.9
At 31.12.2018 ⁽¹⁾	559,747,963	112.1	2,935.3	18,331.3	3,895.0	-56.5	-413.5	24,803.7	1.9	24,805.6
Consolidated net profit for the period				3,895.4				3,895.4	4.1	3,899.5
Cash flow hedges					-45.3			-45.3	-0.2	-45.5
Cumulative translation adjustments							114.5	114.5	0.3	114.8
Hyperinflation							11.6	11.6		11.6
Other comprehensive income that may be reclassified to profit and loss					-45.3		126.1	80.8	0.1	80.9
Financial assets at fair value through profit or loss					436.5			436.5		436.5
Actuarial gains and losses					-44.0			-44.0		-44.0
Other comprehensive income that may not be reclassified to profit and loss					392.5			392.5	-	392.5
Consolidated comprehensive income				3,895.4	347.2		126.1	4,368.7	4.2	4,372.9
Capital increase	2,375,378	0.5	135.0	-0.2				135.3		135.3
Cancellation of Treasury shares		-0.5		-498.9		499.4		-		-
Dividends paid (not paid on Treasury shares)				-2,006.6				-2,006.6	-3.8	-2,010.4
Share-based payment				126.4				126.4		126.4
Net changes in Treasury shares	-2,497,814					-499.4		-499.4		-499.4
Changes in scope of consolidation				-2.9				-2.9	2.9	
Other movements				3.4	-0.1			3.3		3.3
At 31.12.2018	559,625,527	112.1	3,070.3	19,847.8	4,242.1	-56.5	-287.4	26,928.4	5.2	26,933.6
Changes in accounting policies at 01.01.2019				-81.5				-81.5		-81.5
At 01.01.2019 ⁽²⁾	559,625,527	112.1	3,070.3	19,766.3	4,242.1	-56.5	-287.4	26,847.0	5.2	26,852.2
Consolidated net profit for the period				3,750.0				3,750.0	5.2	3,755.2
Cash flow hedges					1.1			1.1	-0.1	1.0
Cumulative translation adjustments							174.1	174.1	0,0	174.1
Hyperinflation							14.1	14.1	0.018	14.1
Other comprehensive income that may be reclassified to profit and loss					1.1		188.2	189.3	-0.1	189.2
Financial assets at fair value through profit or loss					1,598.9			1,598.9		1,598.9
Actuarial gains and losses					-246.3			-246.3		-246.3
Other comprehensive income that may not be reclassified to profit and loss					1,352.6			1,352.6	-	1,352.6
Consolidated comprehensive income				3,750.0	1,353.7		188.2	5,291.9	5.1	5,297.0
Capital increase	1,491,678	0.3	59.9	-0.1				60.0		60.0
Cancellation of Treasury shares		-0.8		-803.0		803.8		-		-
Dividends paid (not paid on Treasury shares)				-2,176.7				-2,176.7	-3.6	-2,180.3
Share-based payment				144.4				144.4		144.4
Net changes in Treasury shares	-3,000,000					-747.3		-747.3		-747.3
Purchase commitments for non-controlling interests								-		-
Changes in scope of consolidation								-		-
Other movements				-0.1				-0.1		-0.1
At 31.12.2019	558,117,205	111.6	3,130.2	20,680.9	5,595.8	0.0	-99.2	29,419.3	6.7	29,426.0

(1) After taking account of the change in accounting policy pertaining to IFRS 15 Revenue from Contracts with Customers.

(2) After taking account of the change in accounting policy pertaining to IFRS 16.

€ millions	Common shares outstanding	Share capital	Additional paid-in capital	Retained earnings and net profit	Other comprehensive income	Treasury shares	Cumulative translation adjustments	Equity attributable to owners of the company	Non-controlling interests	Total equity
At 31.12.2019	558,117,205	111.6	3,130.2	20,681.0	5,595.8	0.0	-99.2	29,419.3	6.7	29,426.0
Consolidated net profit for the period				3,563.4				3,563.4	4.2	3,567.6
<i>Cash flow hedges</i>					105.6			105.6	0.2	105.8
<i>Cumulative translation adjustments</i>							-801.8	-801.8	-0.3	-802.1
<i>Hyperinflation</i>							11.9	11.9		11.9
Other comprehensive income that may be reclassified to profit and loss					105.6		-789.9	-684.3	-0.1	-684.4
<i>Financial assets at fair value through profit or loss</i>					-1,228.8			-1,228.8		-1,228.8
<i>Actuarial gains and losses</i>					-168.1			-168.1		-168.1
Other comprehensive income that may not be reclassified to profit and loss					-1,396.9			-1,396.9		-1,396.9
Consolidated comprehensive income				3,563.4	-1,291.3		-789.9	1,482.1	4.2	1,486.3
Capital increase	1,754,375	0.4	129.6	-0.2				129.8		129.8
Cancellation of Treasury shares										
Dividends paid (not paid on Treasury shares)				-2,172.6				-2,172.6	-4.9	-2,177.5
Share-based payment				129.7				129.7		129.7
Net changes in Treasury shares										
Purchase commitments for non-controlling interests										
Changes in scope of consolidation										
Other movements				4.8				4.8	-0.1	4.7
At 31.12.2020	559,871,580	112.0	3,259.8	22,206.0	4,304.5		-889.1	28,993.0	5.8	28,998.8

Appendix 6: Compared consolidated statements of cash flows

€ millions	2020	2019	2018
Cash flows from operating activities			
Net profit attributable to owners of the company	3,563.4	3,750.0	3,895.4
Non-controlling interests	4.2	5.2	4.1
Elimination of expenses and income with no impact on cash flows:			
• depreciation, amortisation, provisions and non-current tax liabilities	2,028.1	1,958.3	1,109.3
• changes in deferred taxes	-10.1	-42.5	43.0
• share-based payment (including free shares)	129.7	144.4	126.4
• capital gains and losses on disposals of assets	3.6	-14.0	-2.7
Other non-cash transactions	5.8	1.9	2.7
Share of profit in associates net of dividends received	-0.6	-1.0	-0.1
Gross cash flow	5,724.1	5,802.3	5,178.1
Changes in working capital	729.2	460.5	113.8
Net cash provided by operating activities (A)	6,453.3	6,262.8	5,291.9
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets	-972.4	-1,231.0	-1,416.1
Disposals of property, plant and equipment and intangible assets	26.6	16.6	5.6
Changes in other financial assets (including investments in non-consolidated companies)	-66.5	-65.9	61.0
Effect of changes in the scope of consolidation	-1,626.8	-9.3	-666.5
Net cash (used in) from investing activities (B)	-2,639.1	-1,289.6	-2,016.0
Cash flows from financing activities			
Dividends paid	-2,190.6	-2,221.1	-2,061.4
Capital increase of the parent company	129.7	60.0	135.3
Disposal (acquisition) of Treasury shares	-	-747.3	-499.4
Purchase of non-controlling interests	-	-	-
Issuance (repayment) of short-term loans	-74.8	-354.9	62.3
Issuance of long-term borrowings	-	-	-
Repayment of long-term borrowings	-3.6	-0.6	-4.3
Repayment of lease debt	-451.8	-425.8	-
Net cash (used in) from financing activities (C)	-2,591.1	-3,689.6	-2,367.5
Net effect of changes in exchange rates and fair value (D)	-103.2	10.5	36.9
Change in cash and cash equivalents (A+B+C+D)	1,119.9	1,294.0	945.4
Cash and cash equivalents at beginning of the year (E)	5,286.0	3,992.0	3,046.6
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+B+C+D+E+F)	6,405.9	5,286.0	3,992.0