



L'ORÉAL

Annual Report 2018

# Contents

## Prospects

**02** Prospects by Jean-Paul Agon,  
Chairman & CEO

## Strategy

**06** Governance

- The Board of Directors
- The Executive Committee

**10** Quality

**12** Ethics

**14** Responsibility

- “Sharing Beauty With All”
- Citizen Day
- The L’Oréal Corporate Foundation

**18** Human Relations

## Performance

**21** Cosmetics Market

**24** L’Oréal in figures

**28** Worldwide advances

**31** Strategic themes

## Brands

**33** Brands overview

**34** Consumer Products

**38** L’Oréal Luxe

**42** Professional Products

**46** Active Cosmetics

## Expertise

**52** Research & Innovation

**54** Operations

**56** Digital

**58** Administration and Finance

**1<sup>st</sup>**  
cosmetics group  
worldwide<sup>(1)</sup>

**86,000**  
employees

**36**  
brands

**150**  
countries

**26.9**  
billion euros  
of sales<sup>(2)</sup>

**505**  
patents registered  
in 2018

**4.92**  
billion euros in  
operating profit

Commitments for  
**2020**  
“Sharing Beauty  
With All”

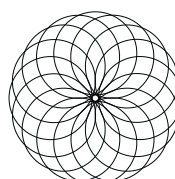
(1) Source: WWD, Beauty Top 100, May 2018. (2) At 31 December 2018.



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## Our mission

# Beauty for All

Offering all women and men worldwide the best of cosmetics in terms of quality, efficacy and safety to satisfy all their beauty needs and desires, in their infinite diversity.

## Our strategy

# Universalisation

L'Oréal has chosen a unique strategy: Universalisation. It means globalisation that captures, understands and respects differences. Differences in desires, needs and traditions. To offer tailor-made beauty, and meet the aspirations of consumers in every part of the world. L'Oréal is driven by this vision of the world.

# Prospects

by Jean-Paul Agon

**Jean-Paul Agon**, Chairman and Chief Executive Officer of L'Oréal, interviewed by **Stéphane Soumier**, Chief Editor of *BFM Business*, on the major themes of 2018 and the Group's prospects for the future.

**The cosmetics market continued to grow steadily and in fact accelerated in 2018. Do you think this is a structural trend?**

Clearly, **the market has been particularly buoyant, making 2018 the best year in 20 years<sup>(1)</sup>**. There are strong underlying trends driving this acceleration over the past few years. The first, and probably most important factor is the insatiable desire for beauty across all countries and cultures. Second, premiumisation: consumers are ready to pay more and trade up for products with new benefits, better performance and superior quality. Third, digitalisation, as beauty and digital are a perfect match. It has never been easier to discover beauty, share it and buy products online, even in the most remote corners of the world. **Digital is and will remain a terrific booster for beauty**. Finally, our market is also fuelled by increased penetration of beauty all over the world. First, because of e-commerce, which is extending our reach far beyond the limits of traditional distribution, especially in emerging economies. Also because of many white spaces in terms of categories

**“Our greatest source of pride: delivering financial performance while being a committed corporate citizen”**

**Jean-Paul Agon**,  
Chairman and Chief Executive Officer



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IN THE DIGITAL ANNUAL REPORT

and countries. And finally because there are always new consumer targets.

**Once again, L'Oréal outperformed the market. What were the drivers of this growth?**

**Our growth accelerated to produce our best year in more than 10 years**. And we achieved a new record operating margin of 18.3%. We significantly outperformed the market, generating strong positions in the most promising and strategic areas for the future. We strongly reinforced our position in Asia Pacific, where we enjoyed our highest growth. Asia Pacific overtook North America to become our second largest Zone this year. By sector, we outpaced the market in both luxury, the most dynamic of the markets, and dermocosmetics, ideally placed to meet rapidly growing health and well-being expectations all over the world. **We strengthened our leadership in two thriving channels: e-commerce and Travel Retail**. Finally, we outperformed in skincare, the category where the combination of trusted brands, power franchises and the innovation offered by our Research & Innovation, is a winning equation.

(1) Source: L'Oréal estimate of the global cosmetics market based on manufacturers' net prices. Excluding soaps, oral hygiene, razors and blades. Excluding currency effects.





**You have said previously that digital is not the cherry on the cake, but the cake itself! Just how important is it for your business?**

In fact, digital is doing much more than generating additional business. It is radically transforming our company. Digital is boosting our brand power. In this world of algorithms, bigger is truly better. In 2018, our biggest brands have become even stronger. **Digital is also strengthening our power to connect with consumers.** The acquisition of ModiFace, for example, has been instrumental in enriching the services we offer. Digital is now totally

embedded in our teams: in every brand, in every Division, every function and every country, infusing the entire company with digital excellence. Digital has been, and will continue to be, a powerful accelerator for growth. Beyond digital, new technologies are opening up new horizons for beauty. **And we are absolutely determined to be the pioneers, the champions and the leaders of this new Beauty Tech<sup>(1)</sup> world.**

**You often say that your objective is to make L'Oréal not only an economic leader, but also a responsible and exemplary leader. What progress did you make?**

Delivering financial performance while being a committed corporate citizen is probably our greatest source of pride. This is what motivates us to always go the extra mile. Once again, in 2018, we made major advances that have been recognised by renowned external institutions. **L'Oréal is the only company in the world to obtain 3 'A' ratings from the CDP<sup>(2)</sup> for the third year running.** It recognises our actions in fighting climate change, ensuring water security and combating deforestation. In terms of diversity, we were ranked as the top gender-balanced company in Europe by Equileap. And in terms of ethics, we are very proud that for the first time, in November 2018, we were ranked as the leading company worldwide, across all industries, by Covalence EthicalQuote.

**“Digital is radically transforming our company. It is boosting our brand power”**

(1) Augmented beauty thanks to new technologies. (2) CDP is an independent international organisation that evaluates companies' environmental performance.

“We firmly believe that victories are won on the pitch. This is linked to the incredible qualities of our 86,000 employees”

**Your 2018 results represent a historic achievement and you have been the leader of your market for years. What are the levers that will enable you to grow in the years to come?**

Probably the same ones that have kept us growing for the last 110 years! First, our absolute faith in the superior quality of our products, with our strategic focus on Research & Development. Because **innovation is the name of the game in our business**. Second, our belief that top-line growth is clearly the best route to create value for our shareholders. **Our business model focuses on top-line growth and operational discipline**. This model is robust, and our results have demonstrated this once again. Third, our conviction that victories are won on the ground. Thanks to our unique culture, organisation and, of course, the incredible qualities of our 86,000 people who understand our consumers' desires and are fully empowered to deploy resources accordingly, acting like real entrepreneurs. **Our strategically concentrated but operationally decentralised model, combined with the empowerment of teams in the countries, is what brings agility and excellence onto the field**. Fourth, our ability to catch and seize growth wherever it emerges thanks to our total coverage of the market in terms of channels, categories, countries, prices and consumers. We maximise all opportunities wherever they are

while minimising exposure in areas which are slowing down. And finally, our lead in sustainability and ethics. **Our deep conviction is that economic and environmental, social and societal performance go hand in hand and mutually reinforce each other**. These five founding principles make L'Oréal a different kind of company, unique in this industry, perfectly adapted and in tune with the evolution of the world.



Check out Jean-Paul Agon's full interview in the digital version

[lorealannualreport2018.com](http://lorealannualreport2018.com)



# The Board of Directors

## Stable governance in a swiftly changing cosmetics market

The composition of the Board of Directors reflects L'Oréal's unique shareholding structure and guarantees the interests of all its shareholders. Alongside the Chairman and Chief Executive Officer, there are three directors from the Bettencourt Meyers family, two directors who represent Nestlé, seven independent directors and two directors representing employees. The diversity and complementarity of the directors' industrial, financial and entrepreneurial expertise equip them to quickly and thoroughly assess the development challenges facing L'Oréal, the leader of a globalised and highly competitive cosmetics market in which the need to innovate and adapt is crucial. Most of the directors have experience managing international groups at the highest level. In 2018, following the departures of Xavier Fontanet and Charles-Henri Filippi, the Board welcomed two new independent directors: Patrice Caine and Axel Dumas. At 31 December 2018, Board members represent seven different nationalities and 46% of them are women. Three of the four Committees are chaired by independent female directors.

## A Board of Directors that fully assumes its responsibility to provide strategic reflection and impetus

The Board devotes most of its time to strategic issues to foster and accelerate the Group's transformation into a more universal, more digital and more sustainable L'Oréal. The Board is kept informed throughout the year about the Group's activities and results, its position in relation to its competitors, market trends and the expectations of consumers all over the world. It examines acquisition projects and monitors the integration of recently acquired companies. The Board members regularly meet with the senior executives of the Group. This transparent

and constructive dialogue culminates in a shared strategic vision, which gives General Management the confidence necessary to implement it. A strategic seminar held in Shanghai in June 2018 provided an in-depth understanding not only of the unique characteristics of the Chinese cosmetics market but also of the latest innovations that are revolutionising Beauty.

## Proactive and committed directors

The directors are committed and proactive, driven by the conviction that stringent governance creates value for the company. They always keep the company's long-term interests uppermost in mind as they voice their opinions. The directors play a tireless and dynamic role in the work of the Board and its Committees, which actively contribute to preparing the Board's deliberations. The Board closely monitors changes in best practices and, to ensure that constant progress is achieved, carries out a full review of its *modus operandi* and organisation every year.

It determines which topics to prioritise at this annual review, in order to steer L'Oréal's long-term strategy.

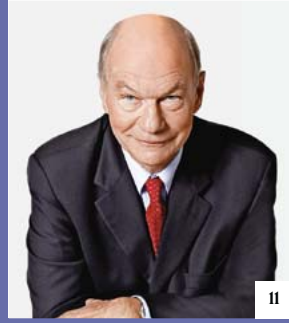
## Ethics at the heart of L'Oréal's governance and commitments

The Board of Directors places great importance on respecting L'Oréal's ethical principles – Integrity, Respect, Courage and Transparency – and more generally its Code of Ethics. In 2018, the Senior Vice-President and Chief Ethics Officer presented the ethics policy and the initiatives taken in this field, as well as their results. The Board considers the policy to be an integral part of L'Oréal's growth model, supports its implementation and regularly measures the progress made.

## THE DIRECTORS AT 17 APRIL 2018

- |  |   |
|--|---|
| <p><b>01 Jean-Paul Agon</b><br/><i>Chairman and Chief Executive Officer since 2011</i><br/><i>(term of office renewed in 2018)</i></p> <p><b>02 Françoise Bettencourt Meyers</b><br/><i>(term of office renewed in 2017)</i></p> <p><b>03 Paul Bulcke</b><br/><i>Vice-Chairman of the Board (since April 2017)</i></p> <p><b>04 Jean-Pierre Meyers</b><br/><i>Vice-Chairman of the Board</i><br/><i>(term of office renewed in 2016)</i></p> <p><b>05 Ana Sofia Amaral</b><br/><i>(term of office renewed in 2018)</i></p> <p><b>06 Sophie Bellon</b><br/><i>(since April 2015)</i></p> <p><b>07 Patrice Caine</b><br/><i>(since April 2018)</i></p> | <p><b>08 Axel Dumas</b><br/><i>(since April 2018)</i></p> <p><b>09 Belén Garijo</b><br/><i>(term of office renewed in 2018)</i></p> <p><b>10 Béatrice Guillaume-Grabisch</b><br/><i>(since April 2016)</i></p> <p><b>11 Bernard Kasriel</b><br/><i>(term of office renewed in 2016)</i></p> <p><b>12 Georges Liarakapis</b><br/><i>(term of office renewed in 2018)</i></p> <p><b>13 Jean-Victor Meyers</b><br/><i>(term of office renewed in 2016)</i></p> <p><b>14 Virginie Morgon</b><br/><i>(term of office renewed in 2017)</i></p> <p><b>15 Eileen Naughton</b><br/><i>(since April 2016)</i></p> |
|--|---|





“L’Oréal’s governance relies on a committed and proactive Board of Directors, bringing together highly talented people with diverse backgrounds and extensive business experience.”

Jean-Paul Agon  
Chairman and Chief Executive Officer

# The Executive Committee, the Group's management body

The Executive Committee members are in charge of the Divisions, Functional Departments, as well as the geographic Zones. They implement the strategic guidelines and direct the activities of L'Oréal all over the world.



**1 Jean-Paul Agon**  
*Chairman and Chief Executive Officer*

**2 Nicolas Hieronimus <sup>(1)</sup>**  
*Deputy Chief Executive Officer,  
in charge of Divisions*

**3 Laurent Attal**  
*Executive Vice-President Research  
and Innovation*

**4 Vianney Derville**  
*Executive Vice-President Western Europe Zone*

**5 Lucia Dumas Bezan**  
*Executive Vice-President  
Communication and Public Affairs*

**6 Barbara Lavernos**  
*Executive Vice-President  
Chief Technology and Operations Officer*

**7 Jean-Claude Le Grand**  
*Executive Vice-President Human Relations*

**8 Brigitte Liberman**  
*President Active Cosmetics*

**9 Christian Mulliez <sup>(2)</sup>**  
*Executive Vice-President Chief Financial Officer*

**10 Alexis Perakis-Valat**  
*President Consumer Products*

**11 Alexandre Popoff**  
*Executive Vice-President  
Eastern Europe and Africa, Middle East Zones*

**12 Stéphane Rinderknech**  
*President L'Oréal China*

**13 Lubomira Rochet**  
*Executive Vice-President  
Chief Digital Officer*

**14 Nathalie Roos**  
*President Professional Products*

**15 Frédéric Rozé**  
*Executive Vice-President Americas Zone*

**16 Jochen Zaumseil**  
*Executive Vice-President Asia Pacific Zone*



(1) Cyril Chappuy is appointed President L'Oréal Luxe and member of the Group's Executive Committee as of 1 January 2019. He succeeds Nicolas Hieronimus, who had been appointed Deputy CEO in charge of Divisions on 20 April 2017. (2) Since 9 February 2019, Christophe Babule has been Executive Vice-President, Chief Financial Officer and is a member of the Executive Committee, succeeding Christian Mulliez.

# The quest for excellence

In all that we do, for each product that we create and put into consumers' hands, we have just one obsession, a single word on all our lips: excellence. We are committed to a constant quest for **quality**, to provide our consumers with ingredients, products, services and performance of the best quality.



## CONSUMERS

Consumers trust our brands, which are committed to providing consumers with all of the information they need about their products, with sincerity and transparency. Consumer satisfaction is our priority and their feedback and comments help us in our pursuit of excellence. L'Oréal's longevity is undoubtedly the clearest proof of consumer trust in our brands, which create unique experiences, build privileged relationships and deliver products of the best possible quality.

## INGREDIENTS

To offer our consumers benefit from raw materials of the highest possible quality, it is essential to surround ourselves with the best suppliers. To find them, we conduct comprehensive quality audits to ensure each potential partner respects our demanding criteria and the applicable regulations. Once selected, our suppliers commit to upholding the L'Oréal Quality Charter to be a part of our pursuit of excellence. They are also regularly audited. Our close relationships with suppliers enable us to keep tight reins on the reliability and traceability of raw materials.



## PRODUCTS

At L'Oréal, offering consumers effective, high-quality products is a commitment – it's our obsession. In all our plants and subsidiaries, our teams comply with internal norms that go far beyond current regulations. We conduct about 100 quality controls for each of our cosmetics products, spacing them throughout the manufacturing cycle, from development – sourcing raw materials and packaging – through to distribution, by way of manufacturing. Thanks to this process, we receive an average of just 49 complaints for every million products sold. Our goal is to reduce the number of complaints to the bare minimum over the years to come.



## SERVICES

L'Oréal aims to provide all consumers with a beauty experience that fulfils their different aspirations, cultures and habits. To provide the best beauty has to offer, L'Oréal is a pioneer in the digital arena and is relying on new technologies to offer high-quality services in stores and online.

Thanks to augmented reality, artificial intelligence and data processing, we are developing radically new experiences all over the globe, taking the infinite diversity of our consumers into account. These new techniques harness the power of beauty and create real impact while also effectively serving our consumers.



## PERFORMANCE

Relying on a Governance with a wide range of recognised talents, L'Oréal does its utmost to create profitable and sustainable growth and performance that commands trust from its shareholders and investors. The remarkable figures obtained for many years now are the fruit of this obsession with quality that characterises the Group. Strengthened by this performance, L'Oréal continues to develop its brands and pursue its acquisitions policy to further enrich its palette of brands and create organic growth. We look confidently to the future, driven by this commitment to quality.



## TALENTS

Quality is everyone's concern – it's a culture we all share. With passion and commitment, our employees use their talents to serve the company, its brands, products and consumers, to provide them with the best possible quality.

This expectation is present on a daily basis in all of our professions, from plants to shops to international management offices and different countries – it is present in every part of L'Oréal. These amazing teams are the Group's most important asset and the guarantors of L'Oréal excellence.

# Ethics

L'Oréal was built on strong ethical principles that guide its development and contribute to building its reputation. These principles are namely the foundation of the Group's policies in terms of environmental stewardship, social and societal responsibility, diversity, compliance and philanthropy.



## 10 YEARS FOR ETHICS DAY

Each year, Ethics Day has enabled the Group to explore its key ethical principles. It is an ideal opportunity for employees to put questions about ethical matters to Jean-Paul Agon, who answers them via a live webchat, but also for Country Managers to do the same at a regional level. In 2018, all members of the Executive Committee also took part in the same exercise. Since the first-ever Ethics Day was held in 2009, the participation rate has more than tripled worldwide, with thousands of questions being asked each year.



READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT



“My role is to help L’Oréal employees in China to identify and resolve potential ethical issues. Questions of ethics are rarely simple, but they must not be ignored.”

**Frank Xu,**  
Ethics Correspondent, L’Oréal China

## INTEGRITY

Because acting with integrity is vital to building and maintaining trust and good relationships.

## RESPECT

Because what we do has an impact on many different stakeholders.

## COURAGE

Because ethical questions are rarely simple but must be addressed.

## TRANSPARENCY

Because we must always be sincere and able to justify our actions and decisions.

## UNITED NATIONS GLOBAL COMPACT: L’ORÉAL RECOGNISED AS A GLOBAL COMPACT LEAD COMPANY

A framework for voluntary commitment that provides international terms of reference and a platform for actions and interactions, the Global Compact is the largest initiative worldwide in the field of social responsibility. In September 2018, L’Oréal was named as a Global Compact LEAD company, a distinction reserved for participants who are most committed to the cause. This honour also recognises the Group’s participation in several theme-based working groups, particularly on universal health coverage, project breakthrough and sustainable development goals.



READ MORE ABOUT THE GROUP’S COMMITMENTS  
IN THE DIGITAL ANNUAL REPORT



## AWARDS: RECOGNITION FOR L’ORÉAL’S APPROACH TO ETHICS

For the ninth time, L’Oréal was ranked one of the World’s Most Ethical Companies in 2018 by the Ethisphere Institute<sup>(1)</sup>. Furthermore, in November 2018, the Group was ranked world number one in the Covalence EthicalQuote ethical reputation index, for all economic sectors combined. Last but not least, Emmanuel Lulin, Senior Vice-President and Chief Ethics Officer, was named as a Sustainable Development Goal Pioneer for Advancing Business Ethics by the United Nations Global Compact. It is the first time a Chief Ethics Officer has been awarded this distinction.

(1) 'World's Most Ethical Companies' awarded by Ethisphere, the global leader in defining and advancing the standards of ethical business practices.

# Responsibility



“Corporate social responsibility: a strategic issue for L'Oréal”

**Alexandra Palt,**  
Chief Corporate Responsibility Officer  
and Senior Vice-President of  
the L'Oréal Foundation

L'Oréal's strength lies in capturing the long-term shifts in the world of beauty and developing them all over the world. The same is true of its corporate social responsibility: while environmental and social issues are becoming increasingly pressing, the Group has long had ambitious commitments and been involved in a continuous improvement process in this regard. As a key player in driving change alongside institutions, governments and citizens, L'Oréal is involved in identifying sustainable solutions for the future through its partnerships and the commitments it makes. The Group contributes to 14 of the United Nations Sustainable Development



Goals, in areas ranging from fighting poverty to gender equality and sustainable consumption, to promoting measures to combat climate change.

### Actions for the climate

L'Oréal is redoubling its efforts on the particularly pressing issue of the climate through the initiatives of its “Sharing Beauty With All” programme. L'Oréal has also set new goals for the future. By 2025, all L'Oréal's industrial, administrative and research sites should be carbon neutral and the Group has undertaken to reduce its greenhouse gas emissions by 25% in absolute terms by 2030 (compared with 2016), by aligning its commitments with the two degrees trajectory needed for the planet. Although there is still a long way to go and the Group is constantly looking for ways to improve, L'Oréal has already – thanks to its initiatives and the positions it has taken – managed to establish its position as an opinion leader and driver of change in a number of areas in the beauty industry.

**79%**

of products launched in 2018 have an improved environmental or social profile<sup>(1)</sup>

**-77%**

reduction in CO<sub>2</sub> emissions in absolute terms at our factories and distribution centres since 2005

**88%**

of brands have assessed their environmental or social impact

(1) New products, i.e. those for which new formulas have been developed and which are produced for the first time in the Group's factories, or products whose packaging was modified or renovated in 2018.



# “Sharing Beauty With All”

The aim of the sustainable transformation programme “Sharing Beauty With All”, launched in 2013, is to make L’Oréal a model company in terms of sustainable innovation, production, consumption, and in sharing its growth with all Group stakeholders.

## Sustainable innovation

By 2020, 100% of L’Oréal’s products will have an improved environmental or social profile. Reducing the environmental footprint of our formulas, protecting biodiversity through a sustainable and responsible sourcing policy for raw materials, eco-designed packaging and a zero deforestation commitment are all levers used by L’Oréal to support sustainable innovation.

## Sustainable production

L’Oréal has set itself a target of reducing the environmental footprint of its plants and distribution centres by 60% by 2020, compared with 2005. Reducing greenhouse gas emissions in absolute terms, lowering water consumption and waste generation per unit of finished product and limiting the impacts of transportation have all become fundamental criteria for industrial performance at L’Oréal.

## Sustainable consumption

L’Oréal is committed to helping its customers make sustainable choices. The Group is using a multi-faceted approach to achieve its objective: aggregating information on the environmental and social impact of its products, evaluating the footprint of each brand, raising awareness among consumers and making sustainable development desirable.

## Sharing growth

Sharing its growth with internal and external stakeholders is a priority for L’Oréal. The Group helps people from underprivileged communities gain access to employment through multiple programmes, involves and empowers its suppliers through its sustainable development policy and offers its employees excellent benefits worldwide in terms of health insurance and welfare protection.



## SPOT<sup>(1)</sup>: IMPROVING THE ENVIRONMENTAL AND SOCIAL PROFILE OF BEAUTY PRODUCTS

Developed by the teams at L'Oréal with the support of international experts, SPOT<sup>(1)</sup> compiles information on almost 10,000 ingredients, all packaging materials, supplier data and all the components of product life cycles. Once the criteria have been established, they are aggregated and weighted to calculate a consistent, usable score. SPOT is now fully integrated into the product design process and can be used to assess and improve their impact on the environment.



## TOWARDS A RATIONAL USE OF PLASTICS

Plastic has become a major environmental issue and an increasing concern for both L'Oréal and its stakeholders. As part of its packaging optimisation policy, the Group is implementing a series of actions designed to reduce the weight and dimensions of packaging, but also to replace commonly used materials with alternatives from recycled or renewable resources at every opportunity. In 2018, 8,705 tonnes of post-consumer recycled plastic (PCR) replaced virgin materials, an increase of 19% compared with 2017.



LEARN MORE ABOUT THE PARTNERSHIPS AND INITIATIVES OF THE BRANDS IN THE DIGITAL ANNUAL REPORT

“Awareness of green consumption among Chinese consumers, especially among the younger generation, is also improving, and they are willing to pay for it.”

**Zhenzhen Lan,**  
Vice-President Corporate Communication  
and Public Affairs, L'Oréal China




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## A GLOBAL LEADER IN SUSTAINABLE DEVELOPMENT

L'Oréal has been recognised for the third consecutive year as a global leader in sustainable development by CDP<sup>(2)</sup>, achieving an “A” score for carbon emissions, managing water consumption in a sustainable way and protecting forests in its supply chain – the three themes covered by CDP's rankings. Every year, CDP assesses the performance of almost 6,800 companies in these three areas, awarding them a score of “A” to “D”. L'Oréal is the first company to have received three “A” ratings three years in a row.



**Learn more online**

[lorealannualreport2018.com](http://lorealannualreport2018.com)

- **At the Global Climate Action Summit**, L'Oréal reaffirmed its role as a responsible leader
- **To reduce packaging**, L'Oréal teams are working on refilling systems
- **L'Oréal employees committed themselves to sustainable mobility** at the “Sustainability Week”
- **Group brands in France launched the “Trions en beauté<sup>(3)</sup>”** campaign aimed at informing and raising awareness among consumers about recycling
- **Mexico**, a country committed to sustainable development
- **Zhenzhen Lan, head of the “Sharing Beauty With All” programme** in China, explains the Group's actions around sustainable consumption

(1) Sustainable Product Optimization Tool. (2) CDP is an independent global organisation that evaluates companies' achievements in terms of their environmental performance. (3) Let's recycle beautifully.

# CITIZEN DAY

## CITIZEN DAY 2018: TOGETHER FOR A BETTER WORLD!

In 2018, over 855 local organisations in 63 countries benefited from the participation of L'Oréal employees in the Group's Citizen Day. This initiative, which has been organised yearly since 2010, gives L'Oréal employees the opportunity to devote a full day of work to supporting social and environmental organisations and their beneficiaries. Citizen Day is a pillar of the Group's corporate culture and a shared source of pride, but it is also very much appreciated by the organisations: 80% of them referred to at least one activity they could not have accomplished without L'Oréal's support. See you next year for the 10<sup>th</sup> anniversary!



LEARN MORE ABOUT ALL THE INITIATIVES  
ROLLED OUT DURING CITIZEN DAY  
IN THE DIGITAL EDITION



# THE L'ORÉAL CORPORATE FOUNDATION



## SUPPORTING WOMEN THROUGH UPS AND DOWNS

90% of cancer patients who benefited from beauty treatments feel they helped them to think about things other than their illness and boosted their confidence<sup>(1)</sup>. With its "Beauty for a Better Life" programme, the L'Oréal Corporate Foundation strives to ensure broader access to beauty and wellness treatments and to professionalise socio-aesthetics as applied to oncology.

The Foundation also continues its work with the "For Women in Science" programme, in partnership with UNESCO. Every year, the programme awards 280 grants to doctoral and post-doctoral researchers and recognises five scientists for their remarkable scientific work.



LEARN MORE ABOUT THE L'ORÉAL  
FOUNDATION'S NUMEROUS INITIATIVES  
IN THE DIGITAL ANNUAL REPORT

“The thing that drives me and that I love about my work with patients is the relationship of trust that we build over a series of sessions. This relationship is what allows us to be authentic, genuine and sincere.”

**Cécile Grosjean,**

*Socio-aesthetic therapist specialised in oncology*

(1) Study conducted by the L'Oréal Foundation on 1,166 cancer patients and published in June 2018.

# Human Relations



“Attracting and developing talent to build the future of beauty”

**Jean-Claude Le Grand,**  
Executive Vice-President  
Human Relations

At L’Oréal the role of Human Relations is to support the Group’s growth and transformations, in the firm belief that, now and in the future, it is the company’s employees who really make things happen. Year after year, the attractiveness of L’Oréal continues to grow. But resting on our laurels is not an option. We are facing a dual challenge. On the one hand, we must preserve L’Oréal’s traditional strengths and appeal: international careers, internal promotion, a unique social model and so on. On the other, we must keep on reinventing ourselves to



keep pace with a world that is rapidly changing: in which the digital “big bang” is creating new possibilities and forms of employment while accelerating the battle for the best talent. Moreover, the relationship to work itself is being redefined, with new demands in terms of work-life balance. Leadership styles and management methods are called into question by generations who are eager to assume new responsibilities and who are also looking to be trusted to get things done.

### Innovating to respond to new aspirations

The keys to future success are an ability to understand these transformations and quickly make the most of them, and to be agile and cooperative. One of our responses has been the corporate project Simplicity and the managerial transformation it is inspiring. With projects such as Disrupt HR, an idea incubator and accelerator, Human Relations is innovating and taking

advantage of digital technologies to respond more effectively to aspirations. As these initiatives take on growing importance, our Human Relations increasingly acts as a coach and facilitator at the heart of a triptych comprising the Human Relations Director, managers and employees.

**1<sup>st</sup>**

company in Europe in terms of gender equality in Equileap ranking

**Top 10**

L’Oréal is in the Top 10 of the Thomson Reuters Diversity and Inclusion index



## EVERYDAY COMMITMENT TO DIVERSITY AND INCLUSION

Year after year, the Group is actively reasserting its commitment to promote the employability of disabled people. In 2018, Diversity Week culminated in the 10<sup>th</sup> annual Disability Awards, an event focused on the inclusion of disabled people. Hair salons that are 100% accessible, mental health awareness raising campaigns, special training courses for young people with learning difficulties, beauty tutorials in sign language... The 65 projects spanned all fields of disability inclusiveness.



READ MORE ABOUT THE GROUP'S INCLUSION INITIATIVES IN THE DIGITAL ANNUAL REPORT



## EMPLOYEE SHARE OWNERSHIP: STRENGTHENING COMMITMENT TO THE L'ORÉAL ADVENTURE

L'Oréal offered its employees the chance to take a stake in the company's financial capital via an employee share ownership plan. This is a first in the Group's history, and employees were quick to take up the offer. In recognition, the Group was awarded the Grand Prix CAC All Tradable by FAS<sup>(1)</sup> for its "outstanding entry into employee share ownership inside and outside France and its sound international governance."

## L'ORÉAL, THE GENDER EQUALITY LEADER IN EUROPE


L'Oréal has been awarded First Prize in the European category of the 2018 Equileap ranking, which focuses on gender equality in the workplace as a new extra-financial investment criterion. The award recognises the Group's commitment to encourage women all over the world, both in terms of equal access to promotion and training and reducing differences in pay levels. L'Oréal has also been included in the Top 100 of the Bloomberg Gender-Equality Index 2018, based on the strength of corporate commitment to gender equality in the workplace.



**"I think the employee share ownership plan is a powerful initiative: L'Oréal lets us share in its success. It has strengthened my confidence, by involving me even more closely in the Group's future performance."**

**Chloé Goirand,**

*Marketing project manager, Giorgio Armani*



**Learn more online**

[loreannualreport2018.com](http://loreannualreport2018.com)

- **Human Relations** tests and rolls out innovative technologies
- **Stracy Shen, Vice-President Human Relations in China**, talks about the challenges of recruitment in a rapidly evolving scenario
- **The Group's view of diversity and inclusion:** a video that sums up our ethos
- **From training to remuneration,** flexibility in all its different forms

(1) French Federation of Employee and Former Employee Shareholders Associations.

# Performance

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L'ORÉAL CONFIRMED ITS POSITION AS COSMETICS  
MARKET LEADER ONCE AGAIN THIS YEAR<sup>(1)</sup>.



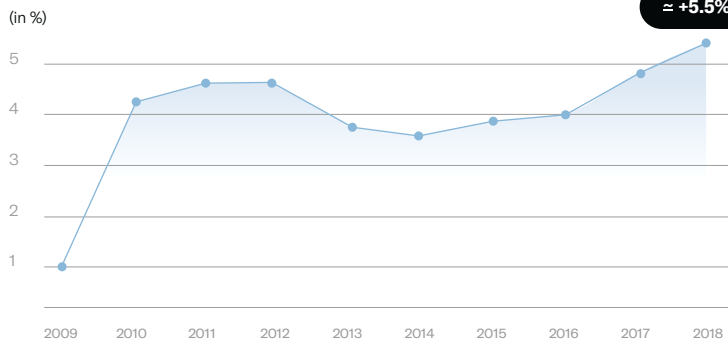
# The world of beauty in 2018

The global cosmetics market continued to grow steadily, spurred on by the limitless diversity of consumer aspirations and by innovation. This constant growth can be explained by the very nature of the cosmetics sector, which addresses a need that has been around since the beginning of human history: the quest for beauty.

Estimated at more than 200 billion euros<sup>(2)</sup>, the worldwide cosmetics market is underpinned by the continuous growth in online beauty spending, the expansion of social networks, consumer interest in new, different and premium products, the acceleration of urbanisation, the increase in the number of seniors worldwide, and the growth of the upper middle classes.

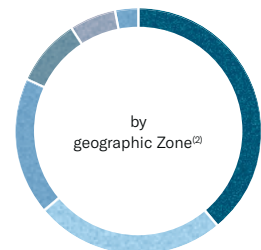
**≈ +5.5%**  
growth in 2018<sup>(2)</sup>

## GROWTH OF THE WORLDWIDE COSMETICS MARKET OVER 10 YEARS<sup>(2)</sup>

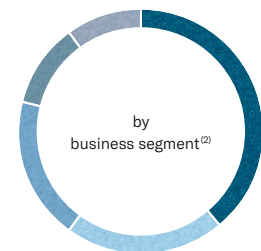


## BREAKDOWN OF THE MARKET

- Asia Pacific **39%**
- North America **25%**
- Western Europe **18%**
- Latin America **9%**
- Eastern Europe **6%**
- Africa, Middle East **3%**



- Skincare **39%**
- Haircare **21%**
- Makeup **19%**
- Fragrances **11%**
- Hygiene products **10%**



## ONLINE SALES

**≈ +25%**

growth in worldwide online cosmetics sales<sup>(2)</sup>

**12.5%**

share of e-commerce in the beauty market<sup>(2)</sup>

## MAIN WORLDWIDE PLAYERS IN SALES<sup>(3)</sup>

(in billions of USD)

SHISEIDO<sup>(4)</sup>

8.8

COTY<sup>(4)</sup>

9.2

PROCTER & GAMBLE<sup>(4)</sup>

12.4

ESTÉE LAUDER<sup>(4)</sup>

12.8

UNILEVER<sup>(4)</sup>

21.5

L'ORÉAL

29.4

(1) Source: WWD, Beauty's Top 100, May 2018. (2) Source: L'Oréal estimate of the global cosmetics market in 2018 based on manufacturers' net prices. Excluding soaps, oral hygiene, razors and blades. Excluding currency effects. (3) Source: WWD, Beauty's Top 100, May 2018. Based on 2017 sales. Excluding soaps, oral hygiene, razors and blades. Excluding currency effects. (4) Cosmetics sales estimate by WWD.

# Focus on the skincare market

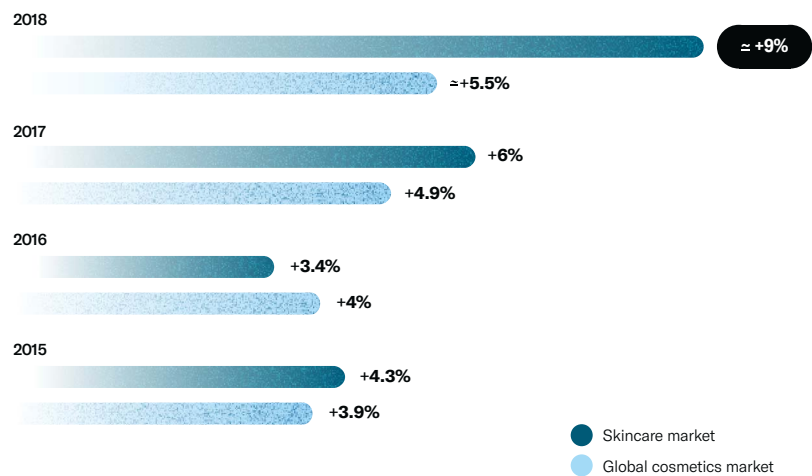
The skincare market accelerated sharply in 2018, boosted by the expansion of the upper middle classes all over the world and especially in Asia, where consumers are both knowledgeable and enthusiastic about this category.

Nearly  
**40%**  
of the beauty  
market<sup>(1)</sup>

Nearly  
**60%**  
of worldwide  
cosmetics market  
growth<sup>(1)</sup>

## GROWTH OF THE SKINCARE MARKET COMPARED TO THE OVERALL BEAUTY MARKET GROWTH<sup>(1)</sup>

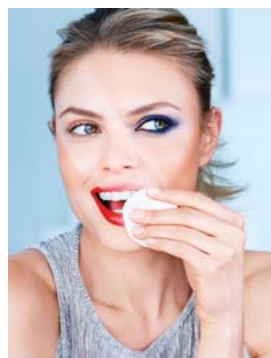
(in %)



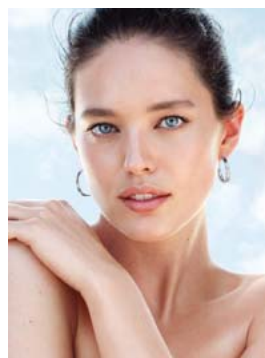
## SKINCARE CATEGORIES



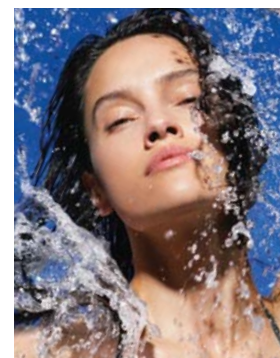
FACIAL SKINCARE



FACE CLEANSERS



BODY CARE



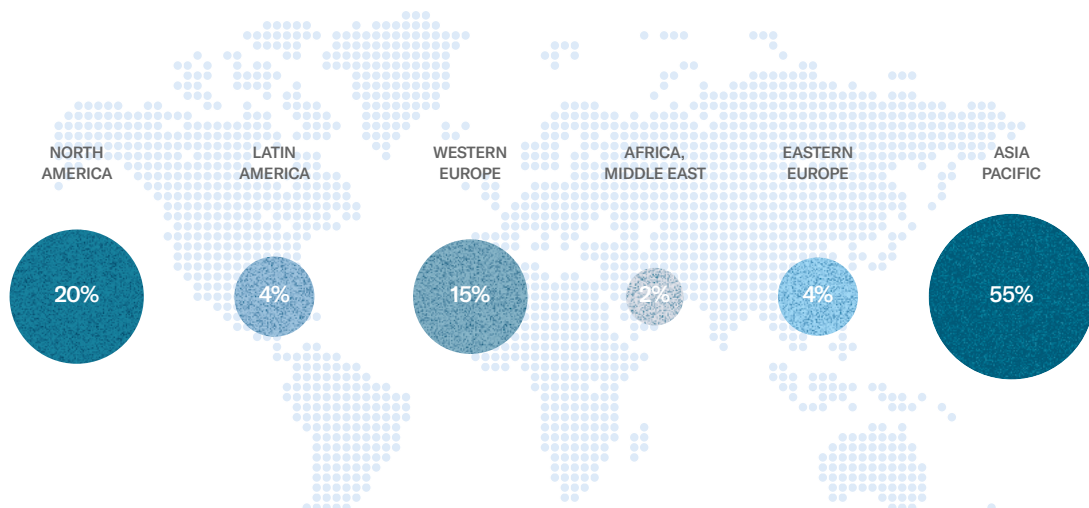
SUN PROTECTION

<sup>(1)</sup> Source: L'Oréal estimate of the global cosmetics market in 2018 based on manufacturers' net prices. Excluding soaps, oral hygiene, razors and blades. Excluding currency effects.



**THE SKINCARE MARKET  
BY GEOGRAPHIC ZONE<sup>(1)</sup>**

(as a %)



**The Asia Pacific, North America and Latin America Zones are particularly dynamic in the skincare market.**

**ASIA PACIFIC**

Asia Pacific features the highest demand for skincare, and particularly luxury products. The Zone accounted for over half of the skincare market in 2018. Lancôme is the No.1 selective skincare brand in China<sup>(2)</sup> and L'Oréal Paris is the No.1 brand in skincare and facial cleansers, in consumers products in Asia Pacific<sup>(3)</sup>.

**NORTH AMERICA**

North America is also an important market for skincare, particularly in the United States, which contributes significantly to growth in skincare in luxury, dermocosmetics and consumer products markets.



**L'ORÉAL BENEFITS FROM  
THE STRENGTH AND BALANCE  
OF ITS BRAND PORTFOLIO**

Three Divisions cover the skincare market

**LUXURY SKINCARE**

**Lancôme, Kiehl's, Biotherm, IT Cosmetics, Helena Rubinstein**  
Iconic brands with a strong offer in skincare

**DERMOCOSMETICS**

**La Roche-Posay, Vichy, CeraVe, SkinCeuticals**  
Brands that partner with dermatologists for optimal skin health

**ACCESSIBLE SKINCARE**

**L'Oréal Paris, Garnier, Saint-Gervais Mont Blanc, Logocos Naturkosmetik**  
Accessible premium brands with scientific and natural formulas

(1) L'Oréal estimate of the global cosmetics market in 2018 based on manufacturers' net prices. Excluding soaps, oral hygiene, razors and blades. (2) Source: Beauty Research China retail panel – 2018. (3) Source: Nielsen – 2018.

# L'Oréal in figures

The Group achieved its best year of sales growth for more than 10 years in 2018. Operating margin set a new record, confirming the ability of L'Oréal's business model to deliver robust performance and create significant value.

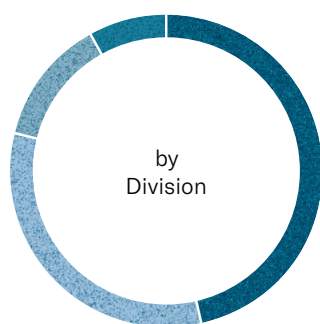
## OUR PERFORMANCE

**€26.9 Bn**  
sales in 2018

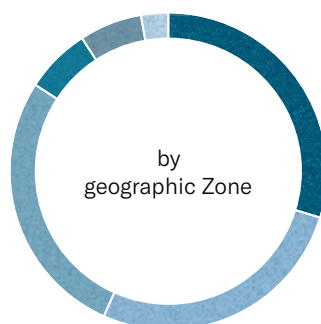
**+7.1%**  
like-for-like sales growth<sup>(1)</sup>

## BREAKDOWN OF 2018 SALES

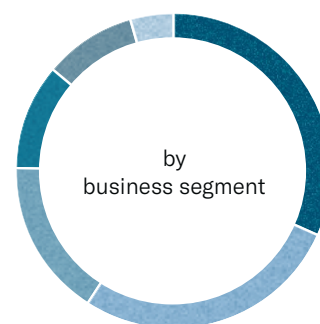
(as a %)



• Consumer Products	<b>44.7%</b>
• L'Oréal Luxe	<b>34.8%</b>
• Professional Products	<b>12.1%</b>
• Active Cosmetics	<b>8.4%</b>



• Western Europe	<b>29.9%</b>	} New Markets <b>43.2%</b>
• North America	<b>26.9%</b>	
• Asia Pacific	<b>27.5%</b>	
• Latin America	<b>6.6%</b>	
• Eastern Europe	<b>6.5%</b>	
• Africa, Middle East	<b>2.6%</b>	



• Skincare (incl. sun protection)	<b>31.8%</b>
• Makeup	<b>27.4%</b>
• Haircare	<b>16.2%</b>
• Hair colouring	<b>10.9%</b>
• Fragrances	<b>9.3%</b>
• Other <sup>(2)</sup>	<b>4.4%</b>

## WEIGHT OF DIGITAL IN SALES<sup>(3)</sup>

**€3 Bn**  
of sales in e-commerce

**11%**  
of consolidated sales in e-commerce

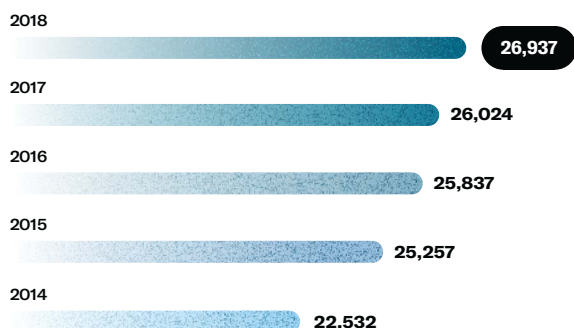
**+40.6%**  
like-for-like growth in e-commerce sales in 2018<sup>(1)</sup>



(1) Like-for-like: based on a comparable structure and identical exchange rates. (2) "Other" includes hygiene products as well as sales by American professional distributors with non-Group brands. (3) Sales achieved on our brands' own websites + estimated sales achieved by our brands corresponding to sales through our retailers' websites (non-audited data).

## CONSOLIDATED SALES<sup>(1)</sup>

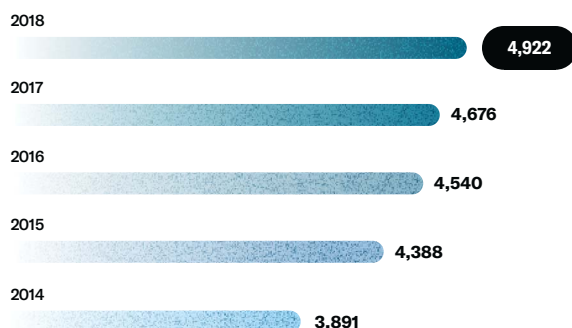
(in million of euros)



## OPERATING PROFIT

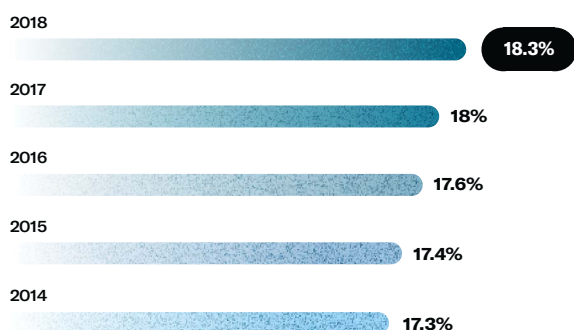
(in million of euros)

**+5.3%** growth in operating profit



## OPERATING MARGIN

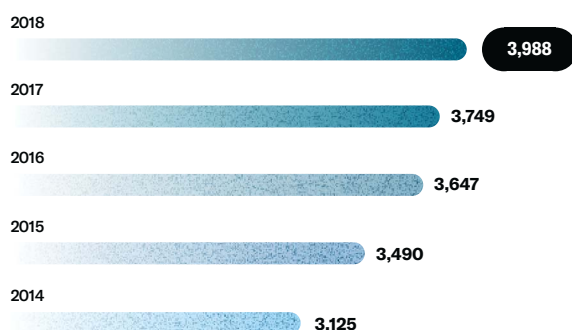
(as % of sales)



## NET PROFIT EXCLUDING NON-RECURRING ITEMS AFTER NON-CONTROLLING INTERESTS<sup>(2)</sup>

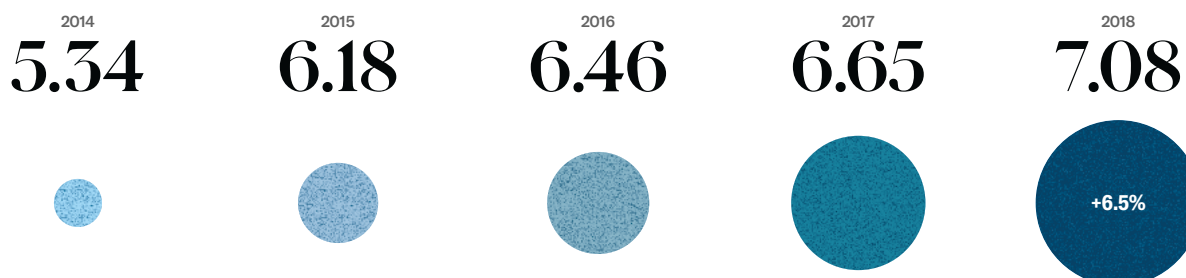
(in million of euros)

**+6.4%** growth in net profit excluding non-recurring items after non-controlling interests



## EARNINGS PER SHARE<sup>(3)</sup>

(in euros)



(1) From 2018 to 2016, Group sales included The Body Shop sales. (2) Non-recurring items include impairment of assets, net income from discontinued operations, restructuring costs and tax impact on non-recurring items. (3) Pay-out ratio based on diluted net profit excluding non-recurring items, per share.

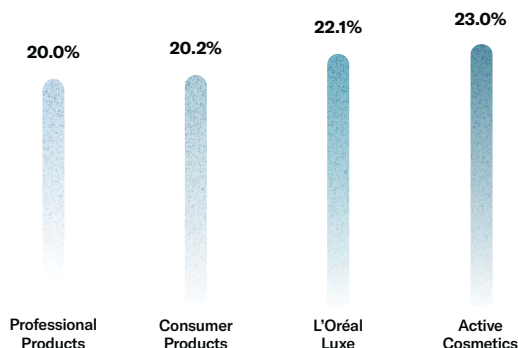
## BALANCED OPERATING PROFITABILITY

# 21.1%

Total operational Divisions' profitability<sup>(1)</sup>

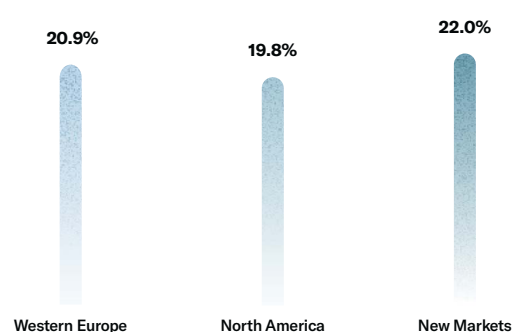
### PROFITABILITY BY DIVISION

(as a % of Division sales)



### PROFITABILITY BY GEOGRAPHIC ZONE

(as a % of Zone sales)



## A SOLID FINANCIAL SITUATION

(at 31 December 2018)

Net cash surplus of

# 2,751

millions euros

### SHORT-TERM RATINGS

A1 +	Standard & Poor's	SEPTEMBER 2018
PRIME 1	Moody's	APRIL 2018
F1 +	Fitch Ratings	SEPTEMBER 2018

## CAPITAL EXPENDITURE

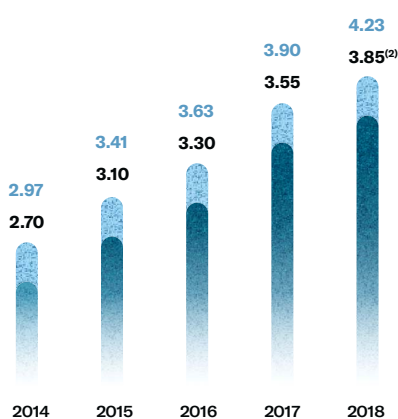
# 5.3%

of sales

## A DYNAMIC SHAREHOLDER RETURN POLICY

### DIVIDEND PER SHARE

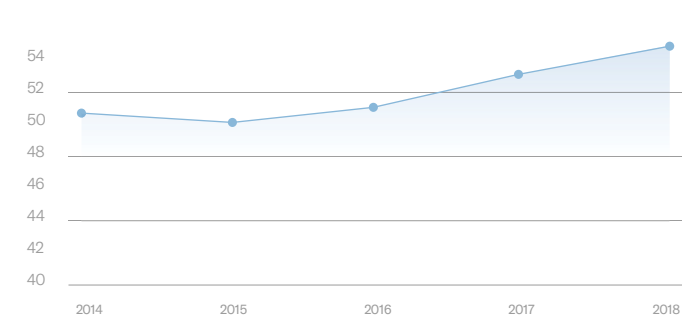
(in euros)



4.23 = dividend of +10% for shareholders holding registered shares<sup>(3)</sup>

### PAY-OUT RATIO

(as a % of profit)<sup>(4)</sup>



# €201.20

share price at 31 December 2018

# €112.7 Bn

market capitalisation<sup>(5)</sup>

(1) Before non-allocated: before central Group expenses, fundamental research expenses, free grants of share expenses, and miscellaneous items. As a % of sales. (2) Proposed at the Annual General Meeting of 18 April 2019. (3) Preferential dividend of +10% for shareholders who continuously hold their shares in registered form for a minimum of two full calendar years, up to a maximum of 0.5% of the capital for the same shareholder. (4) Diluted earnings per share, based on net profit from continuing operations, excluding non-recurring items, after non-controlling interests. (5) On the number of shares at 31 December 2018, i.e. 560,396,652 shares.

# Our “Sharing Beauty With All” indicators

The social and environmental responsibility programme “Sharing Beauty With All”, launched in 2013, is aimed at making L'Oréal a model company in terms of sustainable innovation, production and consumption, and in sharing its growth with all the Group's stakeholders.

## 79%

of new products in 2018 have an improved environmental or social profile<sup>(1)</sup>

## -77%

77% reduction in CO<sub>2</sub> emissions in absolute value in plants and distribution centres since 2005

## -48%

reduction in water consumption since 2005

## -37%

reduction in waste generation since 2005

## 3“A”

ratings from CDP<sup>(2)</sup>, for reducing carbon emissions, managing water sustainably and protecting forests in the supply chain

## 88%

of brands have assessed their environmental or social impact

## 63,584

people from socially or economically disadvantaged communities gained access to employment

## 83%

of the Group's strategic suppliers<sup>(3)</sup> have been assessed and selected on the basis of their environmental and social performance

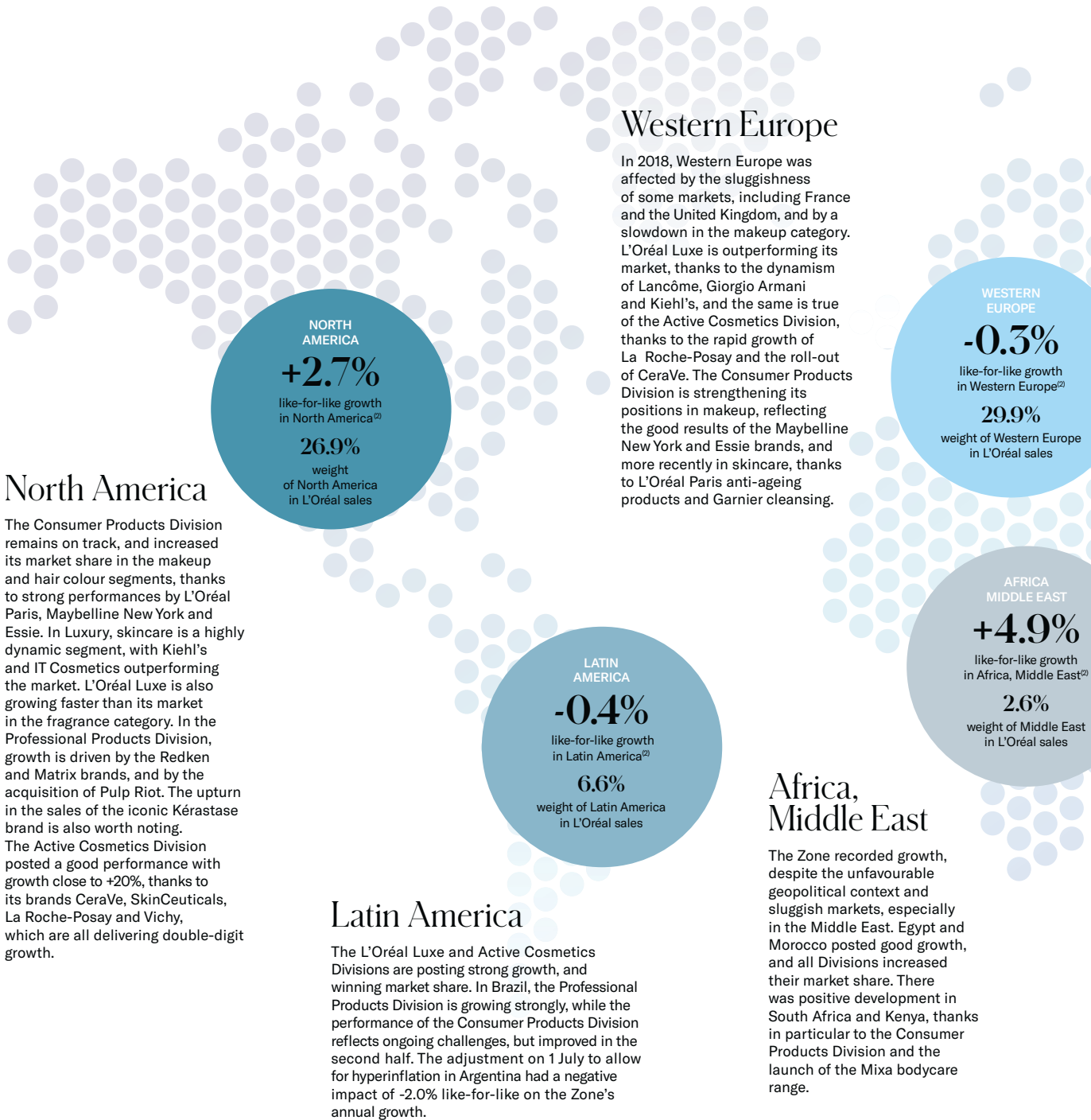
## 96%

of the Group's permanent employees have health insurance in line with best practices in their country of residence<sup>(4)</sup>

(1) New products, i.e. those for which new formulas have been developed and which are produced for the first time in the Group's factories, or products whose packaging was modified or renovated in 2018. (2) CDP is an independent international organisation which assesses companies' environmental performance. (3) Strategic suppliers are suppliers whose added value is significant for the Group by contributing sustainably to L'Oréal's strategy by their weight, their innovations, their strategic alignment and their geographical deployment. (4) This corresponds to 100% of employees covered by the L'Oréal Share & Care programme (permanent employees of the Group, excluding in some countries part-time contracts <21 hours/week, beauty advisors and boutique employees, given that the integration of recent acquisitions and new subsidiaries is a gradual process).

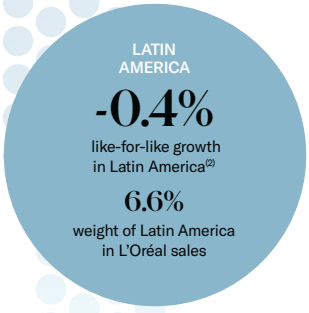
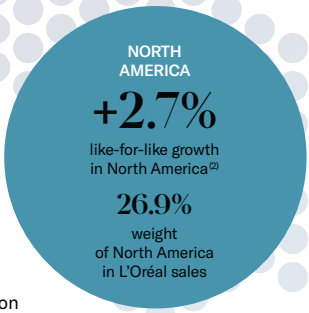
# Worldwide Advances

In a beauty market that continued to grow steadily in 2018, L'Oréal confirmed its position as the worldwide leader in beauty<sup>(1)</sup>, with a strong presence in its three main geographic Zones: Western Europe, North America and the New Markets.



## North America

The Consumer Products Division remains on track, and increased its market share in the makeup and hair colour segments, thanks to strong performances by L'Oréal Paris, Maybelline New York and Essie. In Luxury, skincare is a highly dynamic segment, with Kiehl's and IT Cosmetics outperforming the market. L'Oréal Luxe is also growing faster than its market in the fragrance category. In the Professional Products Division, growth is driven by the Redken and Matrix brands, and by the acquisition of Pulp Riot. The upturn in the sales of the iconic Kérastase brand is also worth noting. The Active Cosmetics Division posted a good performance with growth close to +20%, thanks to its brands CeraVe, SkinCeuticals, La Roche-Posay and Vichy, which are all delivering double-digit growth.



## Latin America

The L'Oréal Luxe and Active Cosmetics Divisions are posting strong growth, and winning market share. In Brazil, the Professional Products Division is growing strongly, while the performance of the Consumer Products Division reflects ongoing challenges, but improved in the second half. The adjustment on 1 July to allow for hyperinflation in Argentina had a negative impact of -2.0% like-for-like on the Zone's annual growth.

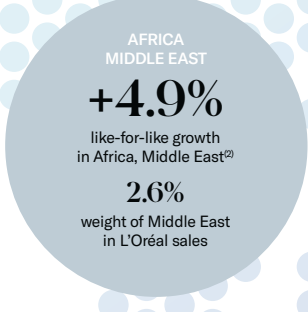
## Western Europe

In 2018, Western Europe was affected by the sluggishness of some markets, including France and the United Kingdom, and by a slowdown in the makeup category. L'Oréal Luxe is outperforming its market, thanks to the dynamism of Lancôme, Giorgio Armani and Kiehl's, and the same is true of the Active Cosmetics Division, thanks to the rapid growth of La Roche-Posay and the roll-out of CeraVe. The Consumer Products Division is strengthening its positions in makeup, reflecting the good results of the Maybelline New York and Essie brands, and more recently in skincare, thanks to L'Oréal Paris anti-ageing products and Garnier cleansing.



## Africa, Middle East

The Zone recorded growth, despite the unfavourable geopolitical context and sluggish markets, especially in the Middle East. Egypt and Morocco posted good growth, and all Divisions increased their market share. There was positive development in South Africa and Kenya, thanks in particular to the Consumer Products Division and the launch of the Mixa bodycare range.



(1) Source: WWD, Beauty's Top 100, May 2018. (2) Like-for-like sales growth: based on a comparable structure and identical exchange rates.

## Eastern Europe

Growth was driven by all four Divisions, but especially by Active Cosmetics. Across the countries, Turkey, Ukraine, Romania and the Czech Republic posted very dynamic growth. E-commerce<sup>(1)</sup> is growing very quickly, by more than 50%.

EASTERN EUROPE

**+9.1%**

like-for-like growth in Eastern Europe<sup>(2)</sup>

**6.5%**

weight of Eastern Europe in L'Oréal sales

ASIA PACIFIC

**+24.1%**

like-for-like growth in Asia Pacific<sup>(2)</sup>

**27.5%**

weight of Asia Pacific in L'Oréal sales

## Asia Pacific

All four Divisions are winning market share. The dynamism of Chinese consumers, combined with the good performance of premium brands, and the rapid growth in several other South-East Asian markets, as well as in Travel Retail, were the Zone's main growth drivers. The four Divisions posted robust fourth-quarter figures, thanks to the success of Singles' Day (11/11) sales in China. The acquisition of Stylenanda in June strengthened the Group's position in the Zone.



## CHINA

More urban, more connected, less traditional: China is evolving incredibly fast and is going through a deep transformation in terms of consumer behaviour. And, as the number one beauty Group in China<sup>(3)</sup>, L'Oréal is taking full advantage of this evolution. Thanks to its portfolio of brands, from mass market to luxury products, from haircare to dermocosmetics, L'Oréal is perfectly positioned to fulfil the numerous beauty aspirations of Chinese people.



## INDIA

India is one of the fastest growing beauty markets in the world, growing at around +10% in 2018<sup>(4)</sup>. L'Oréal, which has been present in the country for 25 years, has gained sound consumer knowledge. The aspirational categories in India are makeup, hair colour and premium skincare and L'Oréal has all the assets to provide Indians with these superior quality products.



## TRAVEL RETAIL

As the Travel Retail leader, L'Oréal is taking full advantage of the increase in air traffic thanks to its portfolio of complementary brands adapted to meet the different aspirations of all travellers, and to its close partnerships with distributors and teams on the ground.



DISCOVER ON THE DIGITAL EDITION OF THE ANNUAL REPORT THE ARTICLES AND VIDEOS ABOUT CHINA, INDIA AND TRAVEL RETAIL

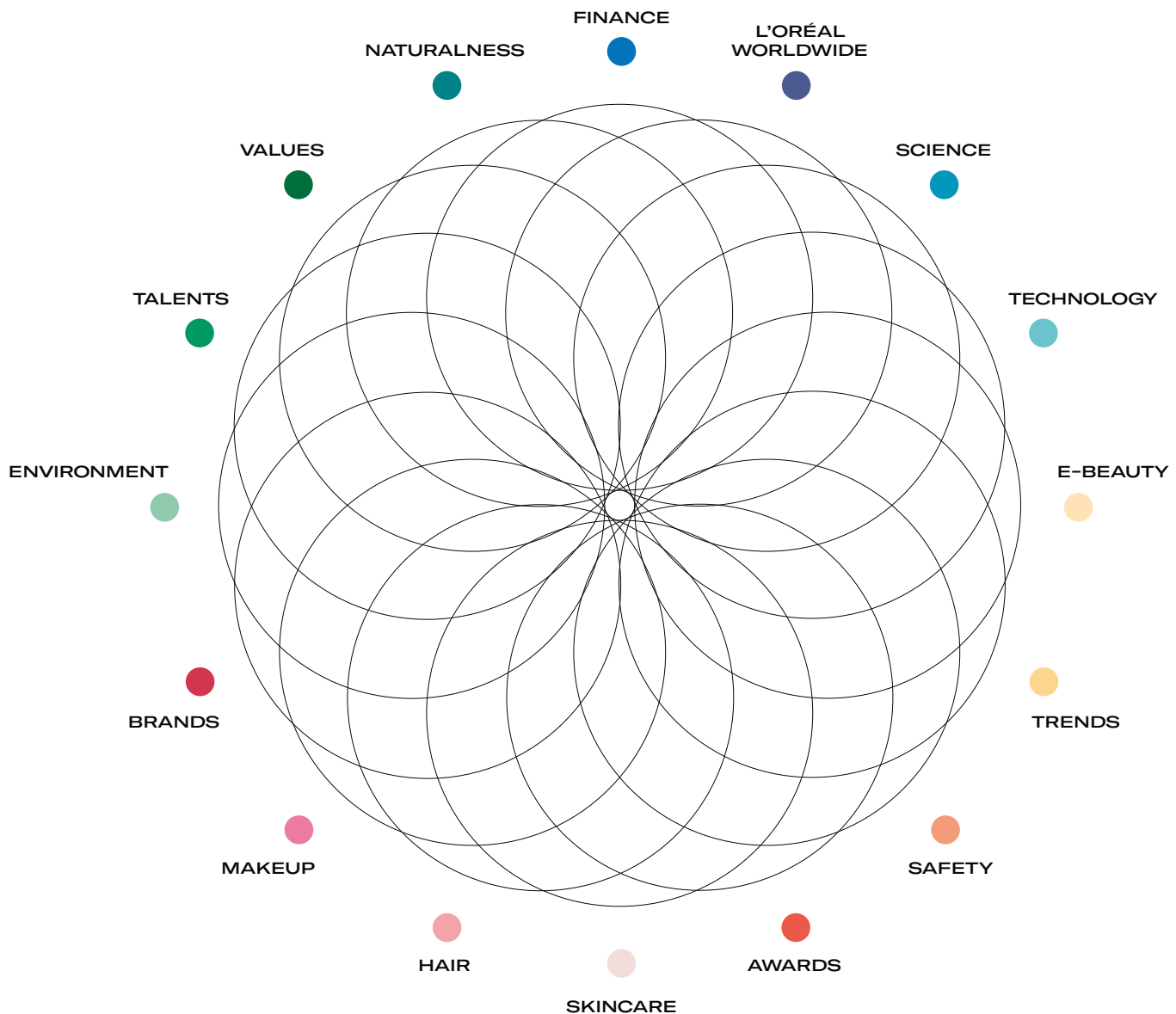
(1) Sales achieved on our brands' own websites + estimated sales achieved by our brands corresponding to sales through our retailers' websites (non-audited data). (2) Like-for-like sales growth: based on a comparable structure and identical exchange rates. (3) Source: Euromonitor 2017. (4) Source: L'Oréal estimates of the Indian cosmetics market.





# Strategic themes

Discover the strategic themes on the digital edition of the Annual Report. Use them to filter content and personalise your navigation to find content that matches your interests.



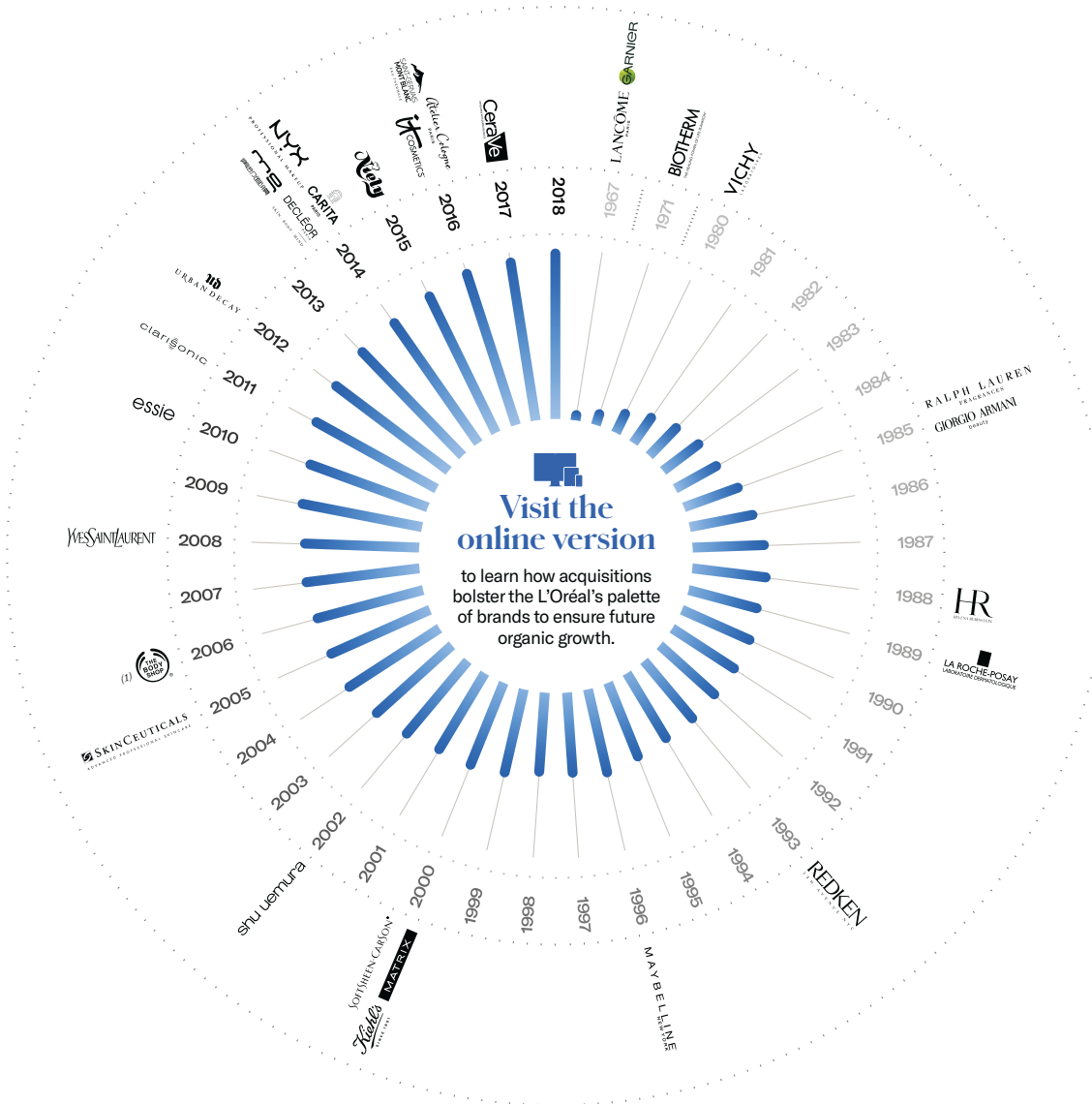
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the web

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Discover and filter the Annual Report content

# Acquisitions

Since it was founded over a century ago, L'Oréal has built a palette of iconic and complementary brands through targeted acquisitions. This portfolio of global brands – the richest and most diverse in the beauty industry – drives the Group's long-term growth.



## 2018 Acquisitions

This year, L'Oréal integrated brands that represent and respond to the major trends in the beauty world: the luxury aspirations of Asian consumers and Millennials<sup>(2)</sup> (signature of the Valentino licence and renewal of the Giorgio Armani licence); the quest for natural and organic beauty products (Logocos Naturkosmetik AG); the success of Korean beauty, also known as K-beauty (StyleNanda); hair colour in the digital age (Pulp Riot); and augmented beauty through new technologies (ModiFace), the return to the roots of a growing brand (acquisition of the thermal spa *La Société des Thermes de La Roche-Posay*).

VALENTINO

GIORGIO ARMANI  
beauty

LOGOCOS  
NATURKOSMETIK AG  
*The Natural Care Company*

STYLE  
NANDA

PULPRIOT

MODIFACE

LA ROCHE-POSAY  
LABORATOIRE DERMATOLOGIQUE

(1) The brand The Body Shop was sold in 2017. (2) Generation born between 1980 and 2000.

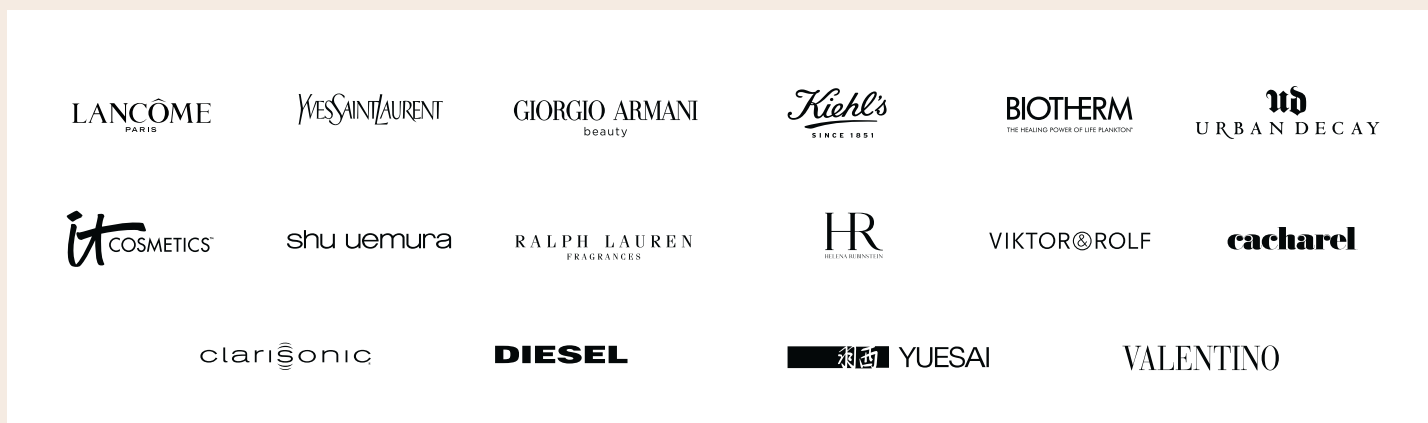
# Brands overview

L'Oréal's brands are organised by Division, each developing a specific vision of beauty by consumption universe and distribution channels.

## CONSUMER PRODUCTS



## L'ORÉAL LUXE



## PROFESSIONAL PRODUCTS



## ACTIVE COSMETICS



# Consumer Products

**T**he year 2018 has been pivotal for the Division with some major strategic wins that make me very confident for the future.

The first highlight of 2018 was the acceleration of our big global brands, L'Oréal Paris and Maybelline New York. The second highlight is the acceleration of facecare that grew thanks to the success of L'Oréal Paris in anti-ageing and also Garnier's tissue masks. Third and last highlight is our performance in makeup where we grew significantly faster than the market.

## Innovate and reinvent the consumer experience

We have defined four engines that will power us ahead in 2019. The first priority is more than ever the power of innovation. Innovate to constantly renew the products and ranges that have been successful, such as Revitalift by L'Oréal Paris that is launching a new innovation in 2019, the first anti-age skin cure in ampoules. But the role of innovation is also to recruit new consumers to our brands: Millennials<sup>(1)</sup> with Elseve Dream Lengths and Hair Food from Fructis, Gen Z<sup>(2)</sup>, with the new Snapscara by Maybelline New York and also men with Garnier Men or Men Expert.

The second engine of growth is Marketing 3.0 which is the total reengineering of the relationship between our consumers and our



“Making the most of our global brands and democratising major beauty trends”

**Alexis Perakis-Valat,**  
President Consumer Products



WATCH THE INTERVIEW  
IN THE DIGITAL VERSION

brands. Augmented reality for example is a game changer when it comes to online services. Today, our makeup websites are equipped with state of the art virtual try-ons allowing our consumers to test live our latest products and looks. And, even in skincare, we offer online diagnoses on our Chinese websites. Finally, eventing is boosted by digital. This is what L'Oréal Paris did by organising the first ever *défilé* on the river Seine that was watched live by almost 37 million people.

## E-commerce and new trends

Third power engine for the future: e-commerce. We have been pioneering e-commerce in China where we already make almost half of our sales online. And of course we're exporting this unique expertise all around the world.

The fourth and last engine of growth is our ability to seize what has started, to seize these ascending trends that will make the growth of the market in the future. That is the case with natural and organic with three bold moves. We have launched a new skincare range, 100% vegan and 100% organic certified, Garnier Bio. We have acquired one of the German organic beauty pioneers, Logocos Naturkosmetik. And we have created a new brand in France dedicated to organic, La Provençale Bio.

To answer the growing appetite of Asian Millennials<sup>(1)</sup> for Korean brands, we have acquired Stylenanda, a very trendy makeup brand that we are currently launching in China.

L'ORÉAL PARIS – GARNIER – MAYBELLINE NEW YORK – NYX PROFESSIONAL MAKEUP – ESSIE – NIELY DARK AND LOVELY – MIXA – MAGIC – CAROL'S DAUGHTER – STYLENANDA – LOGOCOS NATURKOSMETIK

(1) Generation born between 1980 and 2000. (2). Generation Z: 18-25 year olds.



L'ORÉAL  
PARIS

by 17 partner labels were watched by thousands of people in the audience and resulted in 4 billion impressions online worldwide.

#### Innovative products, global success

Through this new take on femininity, L'Oréal Paris remains loyal to its basic principles: innovative products of superior quality that respond to trends and address the diverse needs of consumers. Backed by Group Research & Innovation, the brand has launched products based on the newest scientific and technological innovations. They include Revitalift with hyaluronic acid and the haircare range Dream Lengths, in response to the long-hair trend popular among Millennials<sup>(1)</sup>. This technological innovation, launched to meet consumer needs, is proof of the brand's roll-out and launch capabilities. The French brand has met with remarkable success in a number of countries and has even become the number one beauty brand in China<sup>(2)</sup>.

# L'Oréal Paris: the power of femininity

Global benchmark brand L'Oréal Paris has reinvented itself by promoting a new vision of femininity: authentic, independent, liberated and beautiful. The brand's mission is to help consumers all over the globe fulfil their dreams on their own terms and according to their personal aspirations.

#### A revamped take on femininity

To celebrate bold femininity in all its diverse expression, L'Oréal Paris partnered for the second consecutive year with famous fashion brands to organise a fashion show. This year's edition took place on a floating catwalk on the Seine, in the centre of Paris: 19 brand spokespeople and models wearing styles



# +2.5%

like-for-like Division sales growth<sup>(3)</sup>

# +38%

e-commerce sales growth<sup>(4)</sup>

# No. 1

L'Oréal Paris number one global beauty brand, Maybelline New York, number one global makeup brand<sup>(2)</sup>



“What L'Oréal is trying to do is to tell women: accept yourself, believe in yourself! I like the fact that L'Oréal doesn't choose 'perfect' women to represent them. Choosing such a diverse group of women means truly reflecting the world we live in today.”

**Leïla Bekhti,**

Actress and spokeswoman for L'Oréal Paris



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(1) Generation born between 1980 and 2000. (2) Source: Euromonitor 2017. (3) Based on a comparable structure and identical exchange rates. (4) Sales on our brand's own websites + estimation of our brand sales through our distributors' e-commerce websites (non-audited data); like-for-like growth.



## MAYBELLINE NEW YORK, A FREE SPIRIT

### A BRAND DEVOTED TO DIVERSITY

Centenary brand Maybelline New York takes its inspiration from the Big Apple and appeals to young consumers. The accessible brand offers a range of high-quality products for all women while defending important values – diversity, inclusion and open-mindedness – that embody bold and radiant femininity. Fit Me! foundation perfectly exemplifies this goal: it targets young women looking for a perfect complexion and is available in 35 shades to encompass all beauty aspirations.



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IN THE DIGITAL  
ANNUAL REPORT

## NATURALNESS IN CONSUMER PRODUCTS

### NATURAL INNOVATIVE PRODUCTS

Attuned to consumer aspirations, L'Oréal has integrated more natural products, and its ranges into this category like Hair Food by Garnier, made of 98% natural ingredients, which have met a remarkable success, or Herbalia, the innovative 100% botanical hair colour range. The Group has also expanded its expertise in this area through the acquisition of Logocos Naturkosmetik AG, a vegan and certified organic brand. Last but not least, the Division's latest brand – La Provençale Bio – offers organic skincare formulas made from olive oil in France.

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IN THE DIGITAL ANNUAL REPORT



## NEW WAYS OF COMMUNICATING ARE REVOLUTIONISING THE BEAUTY EXPERIENCE

### ALL-NEW AUGMENTED EXPERIENCES

In our digital era, when image reigns supreme, brands are using new technologies and mastering new ways of attracting the spotlight to make each product launch and innovation a full-blown event. An entire world of communications – real and virtual – is created around a product to provide consumers with the best possible experience.

Learn more online

lorealannualreport2018.com

- Interview with **Leonardo Chavez and Trisha Ayyagari**, General Manager Maybelline New York and Deputy General Manager, about the success of Maybelline New York

- Interview with **Shaamain D'Souza-Fernandes**, General Manager and Head of e-commerce for the Consumer Products Division, who explains the challenges of this key market

- **K-beauty, a beauty phenomenon in South Korea**, where L'Oréal is growing thanks to the acquisition of Stylenanda and its beauty brand 3CE

# L'Oréal Luxe

**T**he year 2018 was a historic year for L'Oréal Luxe with a record growth of +14.4%<sup>(1)</sup>, a performance that can mainly be attributed to a dynamic luxury market. However, the Division outperformed the sector for the eighth consecutive year, posting market share gains in most regions of the world. This performance is the result of our very balanced geographical footprint, but the key elements behind that success are the quality of our teams worldwide and the strength of our brand portfolio, well balanced between big brands with billions in sales that drive our growth, and smaller, regional brands, that will be new sources of growth for tomorrow.

## Asia: the leading market for L'Oréal Luxe

Asia is truly a crucial region for L'Oréal Luxe, as it is not only our biggest market but also our number one growth engine. Obviously, the Chinese market is very strategic for us, and we have invested to make sure that our brands become the favourite brands of Chinese consumers. Lancôme remains the number one luxury beauty brand in China by far. But consumers are also very fond of our couture brands, Giorgio Armani and Yves Saint Laurent, as well as effective, nature-inspired brands such as Kiehl's.



“Our iconic brands, skincare and Asia were the keys to success in 2018”

**Nicolas Hieronimus,**  
Deputy Chief Executive Officer,  
in charge of Divisions



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## Adapting to new distribution channels

The luxury beauty sector has become completely omnichannel through far-reaching changes in distribution, which is increasingly dominated by the exponential growth in e-commerce<sup>(2)</sup>. In fact, e-commerce is our leading growth driver today, representing a 42% spike in growth from the previous year. We have also made the important strategic decision to invest in the direct-to-consumer<sup>(3)</sup> channel, which enables us to forge an exclusive and direct relationship with our consumers: to engage them on a one-to-one basis, to serve them better by understanding better and also by increasing customer loyalty.

## Key categories

2018 has been a great year for skincare. The market has accelerated strongly, boosted by older generations' consumption but also by the recent arrival of Millennials<sup>(4)</sup> on the market, L'Oréal Luxe has had an exceptional year at more than 20%. We also had very good results in fragrances in an intensely competitive market. Finally, we consolidated the position of brands such as La Vie est Belle by Lancôme and Black Opium by Yves Saint Laurent, while successfully launching others like Sí Passione, Acqua di Giò Absolu by Giorgio Armani, Yes I Am by Cacharel and Mutiny by Maison Margiela.

LANCÔME – YVES SAINT LAURENT – GIORGIO ARMANI – KIEHL'S – BIODERM – URBAN DECAY – IT COSMETICS – SHU UEMURA  
RALPH LAUREN – HELENA RUBINSTEIN – VIKTOR&ROLF – CACHAREL – CLARISONIC – DIESEL – YUESAI – ATELIER COLOGNE  
MAISON MARGIELA – HOUSE 99 – PROENZA SCHOULER – VALENTINO

(1) Like-for-like sales growth: based on a comparable structure and identical exchange rates. (2) Sales on our brand's own websites + estimation of our brand sales through our distributors' e-commerce websites (non-audited data); like-for-like growth. (3) Sales via the Group's own stores and the brands' own e-commerce websites. (4) Generation born between 1980 and 2000.







## Skincare is back with a bang

The skincare market has experienced significant acceleration<sup>(1)</sup>, which is especially visible in the luxury sector. Several factors have contributed to consumer enthusiasm for these products: massive urbanisation, which amplifies the types of external factors to which the skin is exposed; ageing populations; Millennials<sup>(2)</sup> investment in skin quality, which has led to the development of innovative skincare products and new beauty rituals (masks, scrubs, serums, etc.). Men are also increasingly interested in skincare, particularly in Asia. Finally, consumer demand for natural and sustainable products has opened up new opportunities for the brands.

### A winning strategy for skincare

L'Oréal Luxe has taken full advantage of this trend thanks to its portfolio, which includes major skincare brands like Lancôme, Kiehl's and Biotherm as well as the premium skincare ranges such as Yves Saint Laurent, Giorgio Armani and Helena Rubinstein. The Division's success is underpinned by its longstanding pillars – Génifique and Rénergie by Lancôme, Calendula and Powerful-Strength Line-Reducing Concentrate by Kiehl's. The success of these products is owed to superior quality, continuous improvement and tireless attention to consumer needs. L'Oréal Luxe has also met with remarkable success with brands like Biotherm, whose Life Plankton range appeals to younger consumers; and Helena Rubinstein, whose repositioning as an extremely premium, exclusive skincare brand has been particularly popular with Chinese consumers.



# 22

complementary luxury brands

# 4

billionaire brands with double-digit sales growth (Lancôme, Yves Saint Laurent, Giorgio Armani, Kiehl's)

# 4

fragrances in the global women's Top 10 and 3 in the men's Top 10<sup>(3)</sup>



“Yves Saint Laurent is as aspirational as ever and we are working on speaking to consumers in the most relevant way and offering exceptional personalised experiences, without compromising on our level of luxury or heritage.”

**Vérane de Marffy,**  
Senior Vice-President, Yves Saint Laurent Beauté,  
L'Oréal United States



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(1) Source: L'Oréal estimate of the global cosmetics market in 2018 based on manufacturer's net prices. Excluding soap, oral hygiene, razors and blades. Excluding currency effects. (2) Generation born between 1980 and 2000. (3) Source: Data NPd, 2018, multi-country (France, United Kingdom, Spain, Italy, United States).



## L'ORÉAL LUXE WINS OVER MILLENNIALS<sup>(1)</sup>

Thanks to its portfolio of complementary brands, L'Oréal addresses the aspirations of young consumers. Its couture labels such as Yves Saint Laurent, Giorgio Armani and Valentino are popular with Millennials<sup>(1)</sup>. The lip makeup segment is also a favourite among young consumers, especially in Asia. Brands like Kiehl's also meet their expectations in terms of naturally sourced ingredients, particularly in Europe and North America.



A STRATEGY WHICH EXTENDS TO SOCIAL MEDIA: READ MORE IN THE DIGITAL ANNUAL REPORT

## KIEHL'S: A WINNING COMBINATION

The New York skincare brand continues to grow thanks to its winning assets: effective products, ingredients of natural origin and immersive stores where top-quality consultation is on offer. These resolutely modern spaces provide personalised services including skin diagnostics, advice from enthusiastic beauty advisors in white coats, and exclusive gifts and offers. All of these qualities have made Kiehl's a high-performance, and now billionaire brand.



READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT




## LUXURY, A UNIQUE RELATIONSHIP WITH CONSUMERS

Direct-to-consumer<sup>(2)</sup> sales via the brands' own stores and e-commerce websites are a major growth driver for luxury beauty brands. They provide the perfect opportunity to cultivate a unique relationship with consumers, who are keen to enjoy personalised experiences and exclusive products. This channel is becoming an increasingly important strategic asset.



READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT



### Learn more online

[lorealannualreport2018.com](http://lorealannualreport2018.com)

- **Laurence Ma, General Manager Lancôme China**, explains what drives Lancôme's success in the Chinese market
- **Luxury skincare for men** as presented by Biotherm, Kiehl's and House 99
- **Atelier Cologne makes waves worldwide**, especially in Asia
- **Vérane de Marffy, Senior Vice-President, Yves Saint Laurent Beauté, L'Oréal United States**, breaks down the brand's American success story

(1) Generation born between 1980 and 2000. (2) Distribution via Group-owned stores and brand websites.

# Professional Products

**I**n 2018, the global professional market continued its dynamic growth and showed very encouraging signs for the future. In line with the growth of the market, the Division confirmed its solid leadership. The acceleration of our key countries and Zones – the United States, Brazil, Asia Pacific – shows that our transformation strategy, adapting to a constantly changing digital world and thanks to our teams all over the world, is starting to bear fruit.

Our mission is to attract more women and men into salons. We are embracing new distribution channels like e-commerce, while ensuring that salons are exceptionally appealing and competitive. To achieve this, it is key to associate the expertise of salon professionals with innovations and services that fully meet consumers' expectations.

The more the professional is a true expert, the better the in-salon experience will be.

## Innovating to respond to emerging trends

We are also developing innovations and services adapted to all our consumers' expectations. Kérastase Extensioniste for example responds to the long-hair trend, L'Oréal Professionnel's Color Me French and Shades EQ by Redken to the multi-



“A winning collaboration with professional hairdressers”

**Nathalie Roos,**  
*President Professional Products*



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tone trend and Redken Brews to the powerful men' grooming trend. And in response to the growing demand for natural products, we have created Botanéa, L'Oréal Professionnel's first 100% herbal hair colour. Bespoke hair treatments, such as Fusio-Dose and Fusio-Lab by Kérastase, are also proving a big hit. Lastly, L'Oréal acquired the hair colour brand Pulp Riot, which has transformed the professional market by creating avant-garde content, and by using social media to inspire, educate and engage with hairstylists. It is a terrific source of inspiration for all the brands in our Division.

So we have all the assets we need for a successful year in 2019: the pioneering spirit needed in a market that is constantly being transformed; brands renowned for their quality, their expertise and the confidence they inspire; innovation that, combined with the know-how of professionals, helps us provide unique and personalised looks that meet the expectations of each and every consumer.

L'ORÉAL PROFESSIONNEL – REDKEN – MATRIX – BIOLAGE – KÉRASTASE – PUREOLOGY – DECLÉOR – SHU UEMURA ART OF HAIR  
CARITA – PULP RIOT – MIZANI – BAXTER – SEED PHYTONUTRIENTS





Since the programme was launched in 2015, more than 24,000 salons have been revamped worldwide. Customers are guided through the visit, from beginning to end, enjoying well-being treatments (seated consultations, relaxation areas, etc.) and expert personalised hair assessments (like high-precision scalp diagnostics). As for the hairdressers, they benefit from digital tools to help them establish a diagnostic or preview the result of the treatment or hair colour they recommend.

#### Augmented reality

To encourage customers to visit salons, L'Oréal has also developed augmented reality applications such as Style My Hair, which allow them to virtually try out different hair colours before their visit, as well as platforms like Salon Secret, for making appointments online.

This comprehensive ecosystem that combines online and in-salon experiences is a disruptive new paradigm. The far-reaching transformation has had a positive impact on the entire professional hairdressing industry. Now more than ever, L'Oréal is committed to serving beauty professionals and consumers.

## What makes hair salons so unique?

When consumers go to the hair salon, they are looking for a relaxing visit focused on their well-being that helps them disconnect from their daily worries and reconnect with themselves. They also want to enjoy a unique beauty experience with services and advice that suit their needs.

#### Salon E-motion™: we care for more than hair

L'Oréal fosters the unique *savoir-faire* of hairdressers by helping them to continuously improve their offering. The Salon E-motion™ programme was founded to develop the salon experience for customers, embodied in the motto “we care for more than hair”.

# 250

training studios  
worldwide

# 1.5

million partner hairdressers

More than

# 24,000

salons transformed through  
the E-motion™ programme



“The way that we use influencers is totally different than other brands: we actually work with artists, hair stylists around the world to create products, to educate, to bring the global community of hair together.”

**David and Alexis Thurston,**  
Founders, General Manager  
and Creative Director of Pulp Riot

[+](#)  
READ THE FULL ARTICLE IN THE  
DIGITAL ANNUAL REPORT

[▶](#)  
WATCH THE INTERVIEW  
IN THE DIGITAL EDITION



## KÉRASTASE: PERSONALISED PRODUCTS AND SERVICES FROM THE SALON TO CONSUMERS' HOMES

### A COMPLETE EXPERIENCE

Sold and recommended by hairdressers, premium professional brand Kérastase is a brand whose personalisation strategy and high-end products cater for the needs of consumers. It combines expert services with high-quality products, offering personalised scalp assessments using a diagnostic camera, custom-designed in-salon treatments and dedicated at-home routines.



## HAIR COLOUR: GOOD-BYE UNIFORMITY, HELLO PERSONALISATION

### HAIR TRENDS ARE MOVING TOWARDS COLOUR EFFECTS

Hair colour is experiencing a long-term shift with a decline in homogeneity. From classic to bold and original colours, monotone colour is out. L'Oréal is responding to this lasting evolution with innovations such as Instant Highlights and SoColor Cult, or updated versions of its iconic products such as Color Me French by L'Oréal Professionnel and the Redken range Shades EQ.

## PROFESSIONAL HAIRCARE TRANSITIONS TO GREEN

### EFFECTIVE AND ECO-FRIENDLY

The development of natural professional haircare products has been much awaited on the market. Because in addition to their environmental concerns, consumers are, more than ever, unwilling to make concessions on performance and results at the salon. L'Oréal is a pioneer in this field, providing hairdressers with innovative products.

[+ READ THE FULL ARTICLE IN THE DIGITAL ANNUAL REPORT](#)



Learn more online

[lorealannualreport2018.com](http://lorealannualreport2018.com)

- All you need to know about Salon E-Motion™ through an interview with Mathilde Parat, International Director of Retail Innovation
- The Access platform, a dedicated space for hairdressers to interact and share training in the United Kingdom
- Botanéa, the revolutionary 100% herbal hair colour as explained by Marion Brunet, L'Oréal Professionnel General Manager
- The grooming trend, with the Redken Brews men's range for hair and beard care

# Active Cosmetics

**T**he dermocosmetics market is highly dynamic, especially in skincare. The Active Cosmetics Division itself is being driven by the aspirations of consumers all over the world for better health. The Division outperformed the market in every country and on every continent, particularly in the United States and Asia.

Taking care of the health of skin and hair remains the key trend driving our sector. Consumers are looking for safer products that are well-tolerated, with approved efficiency. More widely, consumers are eager for advice and support to help them with their beauty routines.

### Three performance drivers

Against this background, there are three reasons for the Division's very strong performance this year. First, the resounding success of our star products is continuing: Minéral 89 by Vichy, Effaclar from La Roche-Posay and CE Ferulic by SkinCeuticals.

The second is our ability to innovate not only in products, but also in tools and diagnostics. Two examples: the launches of My Skin Track UV by La Roche-Posay in the United States, a connected sensor that monitors individual exposure to



“Dermocosmetics:  
where consumers’  
health and beauty  
expectations  
meet”

**Brigitte Liberman,**  
President Active Cosmetics



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environmental aggressors, and of Custom D.O.S.E.<sup>(1)</sup> by SkinCeuticals, enabling doctors to offer personalised anti-ageing and pigmentation products to their patients.

And the last reason is the launch and roll-out of our American brand CeraVe in close to 30 countries, supported by strong recommendation and medical detailing.

### Partnering with dermatologists

Our partnership with dermatologists is at the heart of our strategy, and functions in two ways. At the product development stage, we work with boards of dermatologists in France, China, the United States and Brazil: they intervene in the design of the products, but also in their evaluation. Once the products have been created, we meet some 100,000 doctors worldwide, including more than 65,000 dermatologists. We present our latest products and services to them, so they can recommend them to their patients.

LA ROCHE-POSAY – VICHY – CERA VE – SKINCEUTICALS – ROGER&GALLET – SANOFLORE

(1) *Diagnosis Optimisation Serum Expertise.*







from external factors like pollution, stress and fatigue. The product's radiant campaign reflects L'Oréal's message: "health is the future of beauty".

### The rise of Beauty Tech<sup>(1)</sup> to support healthcare professionals

In their multidisciplinary approach to health and beauty, dermocosmetics brands are ideal partners for doctors and skin specialists by providing useful tools in their respective professions. The development of remote consultations and health apps are a great opportunity for the brands. L'Oréal has developed tools like My Skin Track UV by La Roche-Posay, the first wearable, battery-free UV sensor to measure the level of sun exposure of the skin. The Active Cosmetics Division thus continues to move forward in the Beauty Tech<sup>(1)</sup> field.

# For dermo-cosmetics, beauty is synonymous with health

As lives become increasingly busy in cities worldwide, consumer aspirations for health and well-being are stronger than ever. The result is an increase in healthy lifestyles and more responsible consumption in all areas including beauty. This aspiration has led to the boom in dermocosmetics. Consumers no longer want to hide their skin problems – they want to treat the problem at its root, for skin that appears in 'excellent health'. A product like Minéral 89 by Vichy fulfils these expectations perfectly by deeply moisturising the skin and protecting it



JOIN US ONLINE TO LISTEN TO DERMATOLOGISTS TALK ABOUT THEIR EXPECTATIONS FOR OUR BRANDS



# 11.9%

like-for-like<sup>(2)</sup> growth of Division sales

# 13%

of Division sales in e-commerce<sup>(3)</sup>

# 2

Two of our brands are market leaders: La Roche-Posay<sup>(4)</sup> and SkinCeuticals<sup>(5)</sup>



"As a skincare leader, we believe our mission is to make dermatology more accessible."

**Laetitia Toupet,**  
La Roche-Posay International  
General Manager



WATCH THE VIDEO IN THE DIGITAL ANNUAL REPORT

(1) Augmented beauty thanks to new technologies. (2) Based on a comparable structure and identical exchange rates. (3) Sales on our brand's own websites + estimation of our brand sales through our retailer's websites (non-audited data). (4) La Roche-Posay, leading French dermocosmetics brand worldwide. Data in value, based on in-house estimations. (5) SkinCeuticals, number one American skincare brand in aesthetic medicine worldwide. Source: Euromonitor International limited, "Medical Aesthetic Skincare brands" which includes brands sold through medical dispensing channels such as dermatologists, plastic surgeons and doctors, and which may additionally be sold through medical spas and online channels. Only brands founded in the United States were included in the study. (Study conducted in March and April 2017).



## LA ROCHE-POSAY: TRADITION AND INNOVATION FOR SENSITIVE SKIN

### KEY FACTORS OF ITS SUCCESS

The brand's success story is underpinned by several major assets. High up on the list are the La Roche-Posay thermal waters with therapeutic properties closely followed by the brand's in-depth knowledge of sensitive skin. Next in line are effective and innovative products such as Hyalu B5 which are a major strength for the brand. Lastly, La Roche-Posay counts on a powerful network of prescribers: dermatologists, healthcare professionals, patient and consumer communities.



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IN THE DIGITAL ANNUAL REPORT



## SKINCEUTICALS: BESPOKE SKINCARE IN DOCTORS' SURGERIES

### DERMATOLOGISTS' PARTNER

The brand that accompanies aesthetic procedures, which is growing strongly in China and the United States, has continued to expand its distribution channels by selling directly to doctors' surgeries thanks to D.O.S.E.<sup>(1)</sup>, a personalised skincare service that creates anti-ageing and pigment-correcting formulas tailored to each patient's needs.



WATCH THE INTERVIEW OF CHRISTINA FAIR,  
GENERAL MANAGER OF SKINCEUTICALS,  
IN THE DIGITAL ANNUAL REPORT

## WHEN SCIENCE REVEALS NATURE'S POTENTIAL

### TURNING NATURAL RAW MATERIALS INTO HIGH-PERFORMING FORMULAS

Vichy, La Roche-Posay and Sanoflore are the product of raw materials with recognised benefits, such as natural waters, hydrosols and essential oils. These brands rely on advanced Research & Innovation to develop sophisticated formulas that reveal the full power of these exceptional resources.



READ THE FULL ARTICLE  
IN THE DIGITAL ANNUAL REPORT



Learn more online

lorealannualreport2018.com

- My Skin Track UV, the first wearable, battery-free UV sensor, as explained by La Roche-Posay United States General Manager Angela Bennett
- How does L'Oréal turn ingredients of natural origin into effective formulas? with Ana Kljuic
- CeraVe gears up to conquer international markets by launching its cult-favourite products in 30 new countries
- The microbiome, a promising field of research
- Interview of Laetitia Toupet, La Roche-Posay International General Manager

(1) Diagnosis Optimisation Serum Expertise.

# Expertise

打造您双眸和唇部妆容



眼部

乳液

EYES TO KILL QUATUOR

1

易于上色·测试效果

唇部

唇膏

LIP MAESTRO

511

丝绒唇膏·哑光·持久·防水防晕染





# 52

RESEARCH & INNOVATION

Science: the key  
to the beauty of tomorrow



# 54

OPERATIONS

Operations are at the heart  
of L'Oréal's responsible performance



# 56

DIGITAL

L'Oréal is inventing the beauty  
of the future with digital technologies



# 58

ADMINISTRATION AND FINANCE

Supporting growth and  
dialogue with stakeholders

# Research & Innovation



“Science:  
the key to the  
beauty  
of tomorrow”

**Laurent Attal,**  
*Executive Vice-President  
Research and Innovation*



Science has made a major comeback in the beauty world. This far-reaching trend can be explained by increased consumer expectations in terms of safety and effectiveness. To meet this new demand, L'Oréal has turned to scientific research.

Science is an integral part of L'Oréal's DNA. Driven by Research & Innovation teams, science lies at the heart of the Group's strategy and sets it apart from competitors. L'Oréal's strength is in its ability to turn scientific discoveries into innovations and then into safe, effective products. At a time when the safety of beauty ingredients and

products is increasingly controversial, L'Oréal relies on its scientific teams to reassure consumers about the safety of its products without making any concessions on their effectiveness.

### New areas for exploration

The cosmetics world is also being revolutionised by the discovery and mobilisation of new scientific fields and technology. The microbiome, regenerative cosmetics and non-invasive materials are all among such promising fields, which have inspired the development of products like Toleriane and Lipikar by La Roche-Posay and Génifique by Lancôme. But it is almost certain they have yet to reveal all their secrets. Buoyed by the opportunities created by science and driven by consumer trust, L'Oréal turns research into positive innovations.

**505**

patents filed in 2018

**914**

million euros, i.e. 3.4%  
of sales, invested in  
Research & Innovation

**21**

research centres spread  
across 6 regional hubs,  
3 global centres in Europe



## RAPID INNOVATIONS: CHANGING OUR DAILY LIVES

It is a real challenge for the Research & Innovation teams to roll out increasingly rapid and agile product development methods without compromising on safety and effectiveness. L'Oréal manages to achieve this feat by investing in major scientific disruptions, which are the fruit of years of research, but also by combining technologies already tested and mastered by the Group.



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IN THE DIGITAL ANNUAL REPORT

## NEW SCIENTIFIC FIELDS

Discoveries relating to the microbiota, and its genome, the microbiome, are revolutionising the beauty world. These billions of bacteria that cover our skin hold great potential for further progress. The imbalance of this cutaneous ecosystem has several consequences: greasy skin, dandruff, unpleasant odours, eczema, etc. New products – such as Toleriane, Lipikar and Génifique – which promote the growth of “good microbes”, are paving the way for the cosmetics of tomorrow.



FIND OUT MORE ABOUT THE OTHER SCIENTIFIC AND TECHNOLOGICAL  
FIELDS EXPLORED BY L'ORÉAL IN THE DIGITAL ANNUAL REPORT



**“We are perhaps not far from Snow White’s mirror: an assistant that can advise us on our personal beauty and to achieve this L’Oréal has prepared itself perfectly by hiring or putting together unique skill-sets and knowledge bases which have helped us take on this challenge.”**

**Michael Haddad,**

*Head of Augmented Beauty Invention in the United States*



## ENHANCED COMMUNICATIONS ON QUALITY AND RISK ASSESSMENT

The rise of digital media has made directly accessible some controversies surrounding the safety of cosmetics products to consumers without providing them with reliable conclusions. The L'Oréal teams have developed thorough and qualitative information on all ingredients: their uses in cosmetics, their safe and maximum concentrations, their origins and traceability, their environmental impact, and the social and ethical implications of their production. Developing products that are safe, and received as safe, is of utmost importance to the Group. And Research is on the frontlines of this commitment.



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[lorealannualreport2018.com](http://lorealannualreport2018.com)

- Three dermatologists talk about dermocosmetics in their daily practice
- Michael Haddad explains how artificial intelligence is transforming research
- Ana Kjiuc, International Director for Skincare Development for the Active Cosmetics and Professional Products Divisions, explains how L'Oréal turns ingredients of natural origin into effective products
- The worldwide ingredient safety and sourcing strategy developed by the Group
- Consumer interest in skincare opens new long-term research perspectives

# Operations



“Operations are at the heart of L’Oréal’s responsible performance”

**Barbara Lavernos,**  
Executive Vice-President  
Chief Technology and Operations Officer

The world of beauty is being revolutionised by major changes in consumption trends, distribution and technology. It is also being driven by increasing calls from consumers and stakeholders for greater transparency and responsibility. As a player in the beauty industry, L’Oréal is directly concerned by the tremendous changes in the sector. The Group’s performance has, for more than a hundred years, been based on setting the highest industrial standards in quality, safety and environmental protection. Our global performance must, more than ever before, live up to society’s expectations.



## Commitments across the entire industrial value chain

Operational performance depends on having experts in each team, innovating across the entire value chain. At the cutting edge of innovation and technology, we can adapt with agility to a market that is constantly changing and diversifying.

Our performance is also underpinned by an environmental approach that is integrated into every stage of the value chain. We have achieved tangible and recognised results in the responsible design of packaging, the responsible sourcing of raw materials and the committed environmental approach of our production sites. More than an ambition, these achievements are making a major contribution to the creation of a circular economy. Our performance is also focused on ensuring the quality and safety of our products all over the world. And lastly, we make sure that working conditions, safety and security are an everyday priority for everyone.

## Making performance more responsible

Operations are helping to establish a real competitive advantage for the Group: economic, environmental and social performance is in line with the expectations of our employees, consumers and clients. Driven by the call for “responsible performance”, L’Oréal is ready and willing to take up the challenges of new modes of consumption.

**38**

carbon-neutral sites in 2018, including 31 factories

**100**

quality controls on average for each product





## ANCHORING OUR INDUSTRIAL PRESENCE IN LOCAL SETTINGS: A DRIVER OF PERFORMANCE

### INDUSTRIAL PERFORMANCE ALIGNED WITH THE STRATEGY OF UNIVERSALISATION

As international and commercial relations have become increasingly unpredictable, L'Oréal has opted for a regional industrial presence to meet local market needs more effectively and minimise the flows of goods. This strategy reduces the Group's dependence on the economic and political climate, while guaranteeing the development of tailor-made innovations, an optimised offering and greater responsiveness to the local market.



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IN THE DIGITAL ANNUAL REPORT



## COMMITMENT TO RESPONSIBILITY ACROSS THE ENTIRE VALUE CHAIN

### COMBINING ECONOMIC PERFORMANCE AND SUSTAINABLE DEVELOPMENT

L'Oréal has for many years been promoting a responsible industrial model that is good for the environment, for its employees, for its ecosystem, for its consumers and for future generations. In 2018, for example, the plants and distribution centres achieved a 77% reduction in CO<sub>2</sub> emissions compared with 2005. Its Solidarity Sourcing programme has enabled over 56,800 people to have access to a permanent job.



“To meet the challenges of today’s world, it is important to involve more and more operators in the ways in which our work can be optimised and digitalised and use simple tools to come up with a good solution. If they don’t work, it’s ok, but if we don’t try, we’ll never know!”

**Vincent Grégoire,**

*Operator at the Libramont factory in Belgium*

## THE SAFETY OF L'ORÉAL TEAMS IS A TOP PRIORITY

### SAFETY AT THE WORKPLACE AS WELL AS AT HOME

L'Oréal is rolling out its worldwide Health & Safety standards at all sites, setting up dedicated training programmes to protect its teams and making regular investments to strengthen safety in the workplace. But with the “Safe @ Work, Safe @ Home” domestic accident prevention scheme, the Group is going the extra mile. Rolled out for our employees in more than 70 countries, the programme has also supported numerous training initiatives for employees’ children, and for schools located close to our sites.



Learn more online

[lorealannualreport2018.com](http://lorealannualreport2018.com)

**-Industry 4.0: a shared concern.** Vincent Grégoire has developed a unique app in the Libramont factory in Belgium

**-Aalok Oke, Operations Director, India,** explains the challenges of distribution in his country

**-L'Oréal now has three dry factories** in Burgos (Spain), Versino (Russia) and Settimo (Italy). Watch the video to learn more about this responsible industrial concept

**-With the SPOT tool,** employees can assess the environmental footprint of packaging

# Digital



**“L’Oréal is inventing the beauty of the future with digital technologies”**

**Lubomira Rochet,**  
Executive Vice-President  
Chief Digital Officer



WATCH THE FULL INTERVIEW  
IN THE DIGITAL VERSION  
OF THE ANNUAL REPORT

Thanks to the incredible efforts of our teams worldwide, L’Oréal is now a digital-first company and the leader in its field. In 2018, e-commerce<sup>(1)</sup> once again saw spectacular growth, now accounting for 11% of Group sales and becoming L’Oréal’s “second country” in business terms. This sales channel is highly profitable for our brands and a great opportunity to gain new customers, especially in developing countries and among the youth.

To keep up with new marketing trends, L’Oréal has adopted the new creative codes of the digital era, with our brands proposing increasingly diverse and personalised content online.

As a Group, we are also laying the foundation for the future. With the development of powerful new technology like voice ordering, augmented reality and artificial intelligence, the entire beauty experience is set to change. This is why in 2018, L’Oréal acquired ModiFace, a pioneering company in augmented reality and artificial intelligence technology, whose range of solutions will provide strategic gateways to the beauty of the future.

Our teams remain clued in to new startups and technology thanks to our myriad partnerships with startup incubators, accelerators, investment funds (Partech, Founders Factory, Station F, and our very own investment fund called BOLD<sup>(2)</sup>) as well as with our strategic digital partners including Google, Facebook, Amazon, Alibaba and Tencent.

The digital transformation of the Group is building at an ever-increasing pace. We are now entering the second phase of this transformation which is aimed at making best use of the new wave of technologies to consistently improve consumer experience and contribute to the company’s growth.

**11%**

of consolidated sales from e-commerce<sup>(1)</sup> - L’Oréal’s second “country”

**22,000**

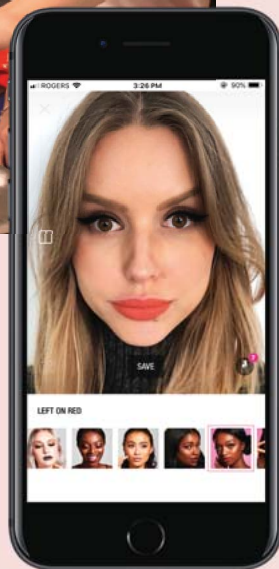
people trained in new digital reflexes thanks to the Digital Upskilling programme

(1) Sales achieved on our brands’ own websites + estimated sales achieved by our brands corresponding to sales through our retailers’ websites (non-audited data). (2) Business opportunities for L’Oréal development.



## MODIFACE IS REINVENTING THE BEAUTY EXPERIENCE WITH AUGMENTED REALITY

With the acquisition of ModiFace, L'Oréal has become a clear Beauty Tech<sup>(1)</sup> leader. The solutions developed by the Canadian company allow consumers to virtually test beauty products through applications like Style My Hair, which simulates different hair colours; or via the Armani Vending Machine or the NYX Professional Makeup app in the United States for makeup. ModiFace technologies are available at points of sale but also online.



READ THE FULL ARTICLE  
IN THE DIGITAL ANNUAL  
REPORT



**“It has been such a thrill to work with L'Oréal because we have been able to work together by finding different solutions that are specific to the cosmetics industry.”**

**Marie Chevrier,**  
Founder and Chief Executive Officer  
of Sampler

## THE DIGITAL COCKPIT: MEASURING THE IMPACT OF DIGITAL INVESTMENTS

L'Oréal's teams measure the impact of their digital investments. When a campaign launches, tests are conducted to promote only the most performing media. A “digital cockpit” comprising a range of precise performance indicators has been rolled out to facilitate these tests. They enable the Group to optimise media investments and obtain the best possible results.



## INVENTING THE FUTURE OF BEAUTY ALONGSIDE STARTUPS

L'Oréal is rolling out an increasing number of initiatives to bolster its open innovation strategy, which involves keeping the Group closely linked to a global ecosystem of agile startups. In addition to the Group's existing partnerships with Founders Factory, Partech International Ventures and Station F, L'Oréal recently signed a partnership with Partech Africa and created BOLD (Business Opportunities for L'Oréal Development), an investment fund designed to take minority shares in innovative startups with strong growth potential.



Learn more online

[lorealannualreport2018.com](http://lorealannualreport2018.com)

- Parham Aarabi, Founder and CEO of ModiFace, tells us more about this technology
- Artificial intelligence, augmented reality, data, machine learning... the technological advances that are revolutionising beauty
- E-commerce is evolving to offer new distribution methods and services
- Creative codes are being reinvented to adapt to social networks
- Beatrice Dautzenberg tells us how business games are being used to train managers in digital skills
- Open innovation explained by Digital Services Factory Director Vincent Arcin

(1) Augmented beauty thanks to new technologies.

# Administration and Finance



“Supporting growth and dialogue with stakeholders”

**Christian Mulliez<sup>(1)</sup>,**  
Executive Vice-President  
Chief Financial Officer

2018 was another year of growth in sales, results and profitability.

The Administration and Finance teams foster a solid relationship of trust with all stakeholders, based on attentiveness, constant vigilance, fairness, transparency, professionalism and strong ethics. A focus on expertise, monitoring, sharing best practices and service is at the heart of everything we do.

This year once again, the Administration and Finance teams worked closely with the Group’s different entities. They actively contributed to L’Oréal’s economic and financial management, helping to identify



risks and opportunities, implement solutions in response to changes in consumption and purchasing habits, and optimise the allocation of resources.

The Group’s financial health is underpinned by strong operational discipline, closely monitored cash flows and secure financing.

We maintain a close relationship with shareholders based on dialogue that consistently provides accurate, fair and transparent economic information as well as a practical perspective about the Group’s activities within the beauty market.

The Administration and Finance teams also work to assist the Board of Directors and its Committees with a view to ensuring the long-term growth of L’Oréal.

Close to  
**1,900**

shareholders attended the 2018 Annual General Meeting

+ **3 million**

visits to the digital version of the 2017 Annual Report<sup>(2)</sup> in 3 languages: French, English, Chinese (Mandarin)



(1) Since 9 February 2019, Christophe Babule has been Executive Vice-President, Chief Financial Officer and is a member of the Executive Committee, succeeding Christian Mulliez. (2) Google Analytics.



“I firmly believe that the internal audit programme is like an MBA at L’Oréal: the things you learn and do or the people you meet all make for a unique experience.”

**Florencia Vazquez  
et Panagiotis Konstantellos,**  
*Internal auditors*

## INTERNAL AUDIT, A RICH SOURCE OF TALENT

### A DUAL ROLE

Internal Audit has a dual role within L’Oréal. The first is technical: auditors are assigned to the Group’s various entities and countries to assess their compliance with L’Oréal standards. The second role is one of human relations: Internal Audit is in charge of developing the future financial talents of Group employees by enabling them to extend their network, better understand the internal workings of the entities, and improve their financial, managerial and interpersonal skills.

## FINANCIAL COMMUNICATION: ATTENTIVE TO THE NEEDS OF SHAREHOLDERS AND INVESTORS

As the financial health of L’Oréal is monitored by both investors and shareholders, the Financial Communication team concentrates all its efforts on regularly providing information to these stakeholders, who are crucially important for the company. It does so through innovative tools such as the digital Annual Report and the L’Oréal Finance App available for download on smartphones; but also through close interactions with individual shareholders and investors.



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AT [LOREALANNUALREPORT2018.COM](http://LOREALANNUALREPORT2018.COM)



READ THE FULL ARTICLE  
IN THE DIGITAL ANNUAL REPORT

## IT<sup>(1)</sup>, A STRATEGIC PARTNER FOR THE GROUP’S BUSINESSES AND ITS TRANSFORMATION

### VITAL TO THE GROUP’S PERFORMANCE

The development of e-commerce, digital marketing and mass data management, the acquisition and internationalisation of digital brands, and brands based on new technologies such as ModiFace... To pave the way for these digital projects that are key to the future of the Group and the brands, the IT Department is, more than ever, a strategic department which is undergoing major changes. L’Oréal is also introducing cybersecurity systems to counter and limit the impact of cyberattacks as effectively as possible.



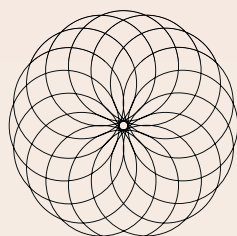
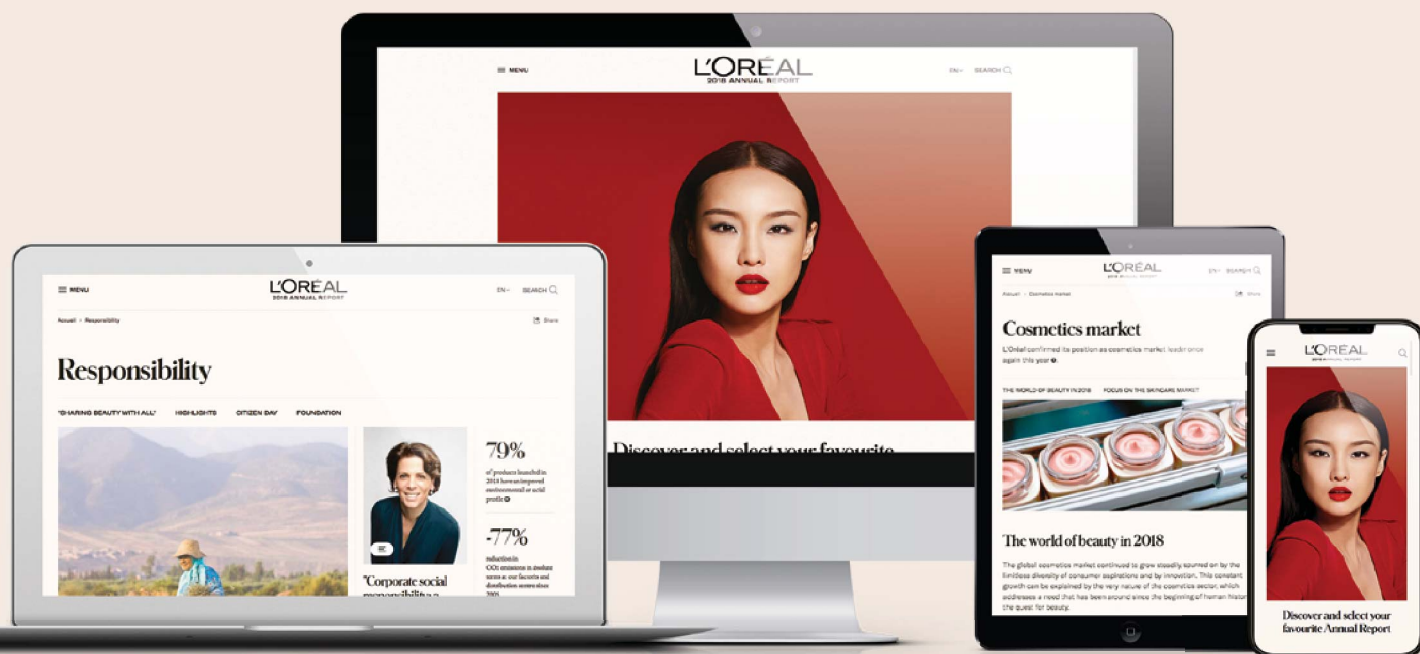
Learn more online

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- **Success stories, new functions, new projects:** Business Relationship Managers Frédéric Dumas de La Roque and Dennis Lienard share their IT experiences from the field
- **Data protection:** a long-standing commitment for L’Oréal
- **The beauty leader** awarded for its transparency and administration
- **Internal audit:** a model of diversity within the Group, as described by two of our auditors Florencia Vazquez and Panagiotis Konstantellos

(1) Information Technology.

# Consult all the 2018 publications



Discover the strategic themes of the Annual Report. Use them to filter content and personalise your navigation, to find content that matches your interests. The digital version also features more exclusive content, articles, infographics and many videos.



## Annual Report

Overview of L'Oréal in 2018, its Divisions, brands and countries, driven by its mission - Beauty for All - and strategy - Universalisation.



## Registration Document

This document includes the integrated Report, in particular the 2018 financial statements, the Annual Financial Report, the Management Report of the Board of Directors including a section on Social and Environmental Responsibility.



## Progress Report

2018 Progress Report of the "Sharing Beauty With All" sustainability programme.

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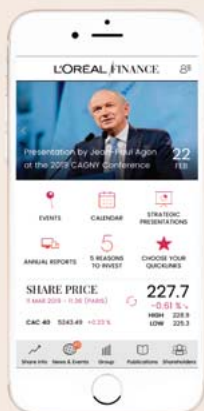
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**Competitive positions and market share** held by the Group's Divisions and brands mentioned in this report are based on studies, panels and polls obtained from specialised organisations and companies, or, in the absence of comprehensive studies, are the results of estimates made by L'Oréal on the basis of available statistical data.



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