2009 FINANCIAL STATEMENTS

Management Report of the Board of Directors
Additional Information for the Annual Report

L'ORÉAL

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L'ORÉAL

2009 Financial Statements

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Additional Information for the Annual Report

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

In application of Article 212-13 of the General Regulation of the Autorité des Marchés Financiers, this Reference Document was filed with the Autorité des Marchés Financiers on March 22nd, 2010.

This Reference Document may be used in connection with a financial transaction if it is accompanied by an Information Memorandum approved by the Autorité des Marchés Financiers .

The L'Oréal Reference Document comprises two separate volumes:

- a general brochure "2009 Annual Report",
- the 2009 financial statements, plus additional information as required by law, available prior to the Annual General Meeting convened for Tuesday, April 27th, 2010.

This is a free translation into English of the L'Oréal 2009 Annual Report issued in the French language and is provided solely for the convenience of English speaking readers. In case of discrepancy the French version prevails.

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1 2009 Consolidated Financial Statements *

* *This information forms an integral part of the Annual Financial Report as provided for in Article L. 451-1-2 of the French Monetary and Financial Code.*

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1.1. Compared consolidated profit and loss accounts

€ millions	Notes	2009	2008 [1]	2007 [1]
Net sales	3	**17,472.6**	**17,541.8**	**17,062.6**
Cost of sales		-5,161.6	-5,187.2	-4,923.3
Gross profit		**12,311.0**	**12,354.6**	**12,139.3**
Research and development		-609.2	-587.5	-571.3
Advertising and promotion		-5,388.7	-5,269.1	-5,124.8
Selling, general and administrative expenses		-3,735.5	-3,773.4	-3,616.0
Operating profit		**2,577.6**	**2,724.6**	**2,827.2**
Capital gain on Sanofi-Aventis sale	7			642.8
Other income and expenses	7	-277.6	-156.3	-21.2
Operational profit		**2,299.9**	**2,568.3**	3,448.8
Finance costs on gross debt		-92.0	-208.8	-207.5
Finance income on cash and cash equivalents		16.0	34.6	33.0
Finance costs		**-76.0**	**-174.2**	**-174.5**
Other financial income (expenses)	8	-13.0	-7.2	-7.6
Sanofi-Aventis dividends		260.1	244.7	250.3
Share in net income of associates		-	-	0.1
Profit before tax and minority interests		**2,471.0**	**2,631.6**	**3,517.2**
Income tax	9	-676.1	-680.7	-859.7
Net profit		**1,794.9**	**1,950.9**	**2,657.5**
attributable to:				
- group share		1,792.2	1,948.3	2,656.0
- minority interests		2.7	2.6	1.5
Net profit attributable to the Group per share (euros)	10	3.07	3.31	4.42
Diluted net profit attributable to the Group per share (euros)	10	3.07	3.30	4.38
Net profit excluding non-recurrent items attributable to the Group per share (euros)	10	3.42	3.50	3.39
Diluted net profit excluding non-recurrent items attributable to the Group per share (euros)	10	**3.42**	**3.49**	**3.36**

(1) Foreign exchange gains and losses have been reclassified to the various lines making up operating profit. Net sales and operating profit remain unchanged (see notes 1 and 6).

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1.2. Consolidated statement of net profit and gains and losses directly recognised in equity

€ millions	2009	2008	2007
Consolidated net profit of the period	**1,794.9**	**1,950.9**	**2,657.5**
Financial assets available for sale	*1,142.5*	*-2,083.9*	*-1,716.5*
Cash flow hedge	*-154.3*	*88.3*	*38.7*
Actuarial gains and losses	*-142.9*	*-160.4*	*165.2*
Tax effect on items directly recognised in equity [(1)]	*61.4*	*78.6*	*-35.1*
Cumulative translation adjustments	*6.5*	*-124.5*	*-364.6*
Changes in gains and losses directly recognised in equity	**913.2**	**-2,201.9**	**-1,912.3**
Total of net profit and gains and losses directly recognised in equity	**2,708.1**	**-251.0**	**745.2**
Attributable to:			
- group share	2,705.4	-253.6	743.7
- minority interests	2.7	2.6	1.5

(1) *The tax effect is as follows:*

€ millions	2009	2008	2007
Financial assets available for sale	-19.8	37.7	30.6
Cash flow hedge	39.6	-17.4	-10.8
Actuarial gains and losses	41.6	58.3	-54.9
Total	**61.4**	**78.6**	**-35.1**

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1.3. Compared consolidated balance sheets

Assets

€ millions	Notes	12.31.2009	12.31.2008 [1]	12.31.2007 [1]	01.01.2007 [1]
Non-current assets		**17,350.4**	**16,380.3**	**17,029.6**	**19,250.8**
Goodwill	11	5,466.0	5,532.5	4,344.4	4,053.9
Other intangible assets	12	2,042.4	2,038.2	1,959.2	1,792.8
Tangible assets	14	2,599.0	2,753.3	2,651.1	2,628.4
Non-current financial assets	15	6,672.2	5,557.4	7,608.9	10,168.5
Investments in asociates					82.0
Deferred tax assets	9	570.8	498.9	466.0	525.2
Current assets		**5,941.1**	**6,526.5**	**6,102.1**	**5,505.9**
Inventories	16	1,476.7	1,635.5	1,547.6	1,404.4
Trade accounts receivable	17	2,443.3	2,694.6	2,617.5	2,558.5
Other current assets	18	732.8	985.8	807.9	730.1
Current tax assets		115.2	133.6	42.5	31.7
Cash and cash equivalents	19	1,173.1	1,077.1	1,086.7	781.2
Total		**23,291.5**	**22,906.9**	**23,131.7**	**24,756.6**

(1) The balance sheets as of 01.01.2007, 12.31.2007 and 12.31.2008 have been restated according to changes in accounting policies relating to costs of samples and other POS costs, customer loyalty programmes and recognition of actuarial gains and losses linked to employee benefits. (See note 1.1.).

Liabilities & Equity

€ millions	Notes	12.31.2009	12.31.2008 [1]	12.31.2007 [1]	01.01.2007 [1]
Shareholders' equity	20	**13,598.3**	**11,562.5**	**13,462.7**	**14,348.6**
Share capital		119.8	120.5	123.6	127.9
Additional paid-in capital		996.5	965.5	963.2	958.5
Other reserves		10,141.3	9,232.1	8,598.9	8,877.5
Items directly recognised in equity		2,169.9	1,263.2	3,340.7	4,888.3
Cumulative translation adjustments		-552.9	-559.4	-434.9	-70.3
Treasury stock		-1,071.6	-1,410.6	-1,787.2	-2,496.3
Net profit attributable to the Group		1,792.2	1,948.3	2,656.0	2,061.0
Shareholders' equity excluding minority interests		**13,595.2**	**11,559.6**	**13,460.3**	**14,346.6**
Minority interests		3.1	2.8	2.4	2.0
Non-current liabilities		**4,306.6**	**3,978.0**	**4,059.7**	**3,636.4**
Provisions for employee retirement obligations and related benefits	21	1,021.4	961.6	856.7	1,110.3
Provisions for liabilities and charges	22	125.6	111.4	148.5	154.1
Deferred tax liabilities	9	418.0	398.4	471.5	479.6
Non-current borrowings and debts	23	2,741.6	2,506.6	2,583.0	1,892.4
Current liabilities		**5,386.5**	**7,366.4**	**5,609.3**	**6,771.6**
Trade accounts payable		2,603.1	2,656.6	2,528.7	2,485.0
Provisions for liabilities and charges	22	510.0	431.1	285.7	272.0
Other current liabilities	25	1,750.5	1,848.4	1,741.7	1,623.6
Income tax		133.2	159.7	176.5	173.0
Current borrowings and debts	23	389.7	2,270.6	876.8	2,218.0
Total		**23,291.5**	**22,906.9**	**23,131.7**	**24,756.6**

(1) The balance sheets as of 01.01.2007, 12.31.2007 and 12.31.2008 have been restated according to changes in accounting policies relating to costs of samples and other POS costs, customer loyalty programmes and recognition of actuarial gains and losses linked to employee benefits. (See note 1.1.).

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1.4. Consolidated statement of changes in shareholders' equity

€ millions	Common shares outstanding	Share capital	Additional paid-in capital	Retained earnings and net income	Items directly recognised in equity	Treasury stock	Cumulative translation adjust-ments	Share-holders' equity excluding minority interests	Minority interests	Share-holders' equity
At 12.31.2006	**605,722,110**	**127.9**	**958.5**	**11,035.4**	**5,066.9**	**-2,496.3**	**-70.3**	**14,622.1**	**2.1**	**14,624.2**
Changes in accounting methods at 01.01.2007				-96.9	-178.6			-275.5	-0.1	-275.6
At 01.01.2007 (1)	**605,722,110**	**127.9**	**958.5**	**10,938.5**	**4,888.3**	**-2,496.3**	**-70.3**	**14,346.6**	**2.0**	**14,348.6**
Consolidated net profit of the period				2,656.0				2,656.0	1.5	2,657.5
Financial assets available for sale					*-1,685.9*			*-1,685.9*		*-1,685.9*
Cash flow hedge					*27.9*			*27.9*		*27.9*
Actuarial gains and losses					*110.3*			*110.3*		*110.3*
Cumulative translation adjustments							*-364.6*	*-364.6*		*-364.6*
Change in gains and losses directly recognised in equity					-1,547.7		-364.6	-1,912.3		-1,912.3
Total of net profit and gains and losses directly recognised in equity				**2,656.0**	**-1,547.7**		**-364.6**	**743.7**	**1.5**	**745.2**
Capital increase	75,050		4.7					4.7		4.7
Cancellation of treasury stock		-4.3		-1,704.8		1,709.1				
Dividends paid (not paid on treasury stock)				-711.6				-711.6	-0.9	-712.5
Share-based payment				69.1				69.1		69.1
Net changes in treasury stock	-10,486,487			-1.6		-1,000.0		-1,001.6		-1,001.6
Other movements				9.3				9.3	-0.1	9.2
At 12.31.2007 (1)	**595,310,673**	**123.6**	**963.2**	**11,254.9**	**3,340.6**	**-1,787.2**	**-434.9**	**13,460.2**	**2.4**	**13,462.7**
Consolidated net profit of the period				1,948.3				1,948.3	2.6	1,950.9
Financial assets available for sale					*-2,046.2*			*-2,046.2*		*-2,046.2*
Cash flow hedge					*70.9*			*70.9*		*70.9*
Actuarial gains and losses					*-102.1*			*-102.1*		*-102.1*
Cumulative translation adjustments							*-124.5*	*-124.5*		*-124.5*
Change in gains and losses directly recognised in equity					-2,077.4		-124.5	-2,201.9		-2,201.9
Total of net profit and gains and losses directly recognised in equity				**1,948.3**	**-2,077.4**		**-124.5**	**-253.6**	**2.6**	**-251.0**
Capital increase	37,600		2.3					2.3		2.3
Cancellation of treasury stock		-3.1		-1,285.8		1,288.9				
Dividends paid (not paid on treasury stock)				-817.1				-817.1	-1.1	-818.2
Share-based payment				85.9				85.9		85.9
Net changes in treasury stock	-12,207,805			-0.2		-912.3		-912.5		-912.5
Other movements				-5.6				-5.6	-1.1	-6.7
At 12.31.2008 (1)	**583,140,468**	**120.5**	**965.5**	**11,180.4**	**1,263.2**	**-1,410.6**	**-559.4**	**11,559.6**	**2.8**	**11,562.5**
Consolidated net profit of the period				1,792.2				1,792.2	2.7	1,794.9
Financial assets available for sale					*1,122.7*			*1,122.7*		*1,122.7*
Cash flow hedge					*-114.7*			*-114.7*		*-114.7*
Actuarial gains and losses					*-101.3*			*-101.3*		*-101.3*
Cumulative translation adjustments							*6.5*	*6.5*		*6.5*
Change in gains and losses directly recognised in equity					906.7		6.5	913.2		913.2
Total of net profit and gains and losses directly recognised in equity				**1,792.2**	**906.7**		**6.5**	**2,705.4**	**2.7**	**2,708.1**
Capital increase	527,200	0.1	31.0					31.1		31.1
Cancellation of treasury stock		-0.8		-271.5		272.3		-		
Dividends paid (not paid on treasury stock)				-839.7				-839.7	-2.4	-842.1
Share-based payment				76.7				76.7		76.7
Net changes in treasury stock	1,067,992			-1.7		66.7		65.0		65.0
Other movements				-2.9				-2.9		-2.9
At 12.31.2009	**584,735,660**	**119.8**	**996.5**	**11,933.5**	**2,169.9**	**-1,071.6**	**-552.9**	**13,595.2**	**3.1**	**13,598.3**

(1) Taking into account changes in accounting policies (See note 1.1.).

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1.5. Compared consolidated statements of cash flows

€ millions	Notes	2009	2008	2007
Cash flows from operating activities				
Net profit attributable to the Group		1,792.2	1,948.3	2,656.0
Minority interests		2.7	2.6	1.5
Elimination of expenses and income with no impact on cash flows:				
• depreciation, amortisation and provisions		834.0	706.1	598.5
• changes in deferred taxes		51.7	6.6	38.3
• share-based payment	20.3	76.7	85.9	69.1
• capital gains and losses on sale of assets	10	0.9	-3.6	-11.7
• capital gain on Sanofi-Aventis sale, net of tax		-	-	-631.9
• share in net income of associates net of dividend received		-	-	0.5
Gross cash flow		**2,758.2**	**2,745.9**	**2,720.4**
Changes in working capital	27	466.3	-148.8	-76.3
Net cash provided by operating activities (A)		**3,224.5**	**2,597.1**	**2,644.0**
Cash flows from investing activities				
Investments in tangible and intangible assets		-628.0	-745.9	-776.0
Disposal of tangible and intangible assets		27.5	9.2	30.1
Disposal of Sanofi-Aventis, net of tax		-	-	1,465.3
Changes in other financial assets (including investments in non-consolidated companies)		36.7	-9.4	-10.2
Effect of changes in the scope of consolidation	28	-160.2	-1,299.1	-604.4
Net cash (used in) from investing activities (B)		**-723.9**	**-2,045.2**	**104.8**
Cash flows from financing activities				
Dividends paid		-851.5	-849.2	-725.7
Capital increase of the parent company		31.1	2.3	4.7
Disposal (acquisition) of treasury stock		65.0	-912.6	-1,001.6
Issuance (repayment) of short-term loans		-1,886.0	1,262.5	-1,439.1
Issuance of long-term borrowings		350.3	1.1	753.2
Repayment of long-term borrowings		-98.4	-62.8	-10.1
Net cash (used in) from financing activities (C)		**-2,389.4**	**-558.7**	**-2,418.7**
Net effect of exchange rate changes and fair value changes (D)		-15.3	-2.8	-24.6
Change in cash and cash equivalents (A+B+C+D)		**96.0**	**-9.6**	**305.5**
Cash and cash equivalents at beginning of the year (E)		**1,077.1**	**1,086.7**	**781.2**
Cash and cash equivalents at end of the year (A+B+C+D+E)	19	**1,173.1**	**1,077.1**	**1,086.7**

Income taxes paid amount to €613.9 million, €823.6 million and €820.9 million respectively for the years 2009, 2008 and 2007.

Interest paid amounts to €105.0 million, €209.4 million and €201.1 million respectively for the years 2009, 2008 and 2007.

Dividends received amount to €260.1 million, €244.7 million and €250.3 million respectively for the years 2009, 2008 and 2007. They are included within the gross cash flow.

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1.6. Notes to consolidated financial statements

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NOTE 1 Accounting principles

The consolidated financial statements of L'Oréal and its subsidiaries ("the Group") published for 2009 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the European Union on December 31st, 2009.

On February 15th , 2010 the Board of Directors closed the consolidated financial statements at December 31st, 2009. The financial statements will not become definitive until they have been approved by the Annual General Meeting of Shareholders to be held on April 27th , 2010.

The Group has not applied any standards or interpretations whose application is not yet compulsory in 2009.

IFRS 8 "operating segments", applicable as from January 1st, 2009 has no impact on the presentation of Segment information.

The revised IAS 23 requires borrowing costs incurred during the construction or development phase of a qualifying asset to be capitalised as part of the cost of that asset. In practice for the Group, this may concern real estate construction projects or IT projects with a long development period (more than 12 months) started after January 1st, 2009. In the absence of any qualifying assets, no borrowing costs were capitalised in this respect in 2009.

Other standards, amendments or interpretations of published standards effective January 1st, 2009 do not have any impact for the Group, with the exception of the changes in accounting policy and presentation method described in note 1.1.

The Group is concerned by the revisions of IFRS 3 and IAS 27, applicable for business combinations occurring after the first annual reporting period as from July 1st, 2009. These revisions of standards adopted by the European Union in June 2009 have not been adopted early as of December 31st, 2009.

The Group may also be concerned by IFRS 9 "Financial instruments - Phase 1: classification and measurement", applicable as from January 1st, 2013. This new standard has not yet been adopted by the European Union.

1.1. Changes in accounting policies effective from January 1st, 2009

1.1.1. Advertising and promotion expenses

The document entitled "Improvements to IFRS" has clarified the provision of IAS 38 relating to the treatment of advertising and promotional activities. Costs of samples, non-amortizable POS and mail order catalogues, previously recorded in the P&L when delivered to final customers are henceforth expensed as incurred.

The impacts on the balance sheets at December 31st, 2008, December 31st, 2007 and January 1st, 2007 of this change in accounting policy are as follows:

€ millions	12.31.2008	12.31.2007	01.01.2007
Other current assets (POS, samples)	-121.7	-118.5	-121.7
Deferred tax assets	26.4	25.6	25.9
Deferred tax liabilities	-6.0	-5.4	-6.0
Shareholders' equity	**-89.3**	**-87.5**	**-89.8**

The adoption of this new accounting standard does not have a significant impact on the P&L profit of the presented periods due to the stability of prepaid expenses. As a result, the Profit and loss accounts for years 2007 and 2008 have not been restated.

1.1.2. Immediate recognition of actuarial gains and losses related to employee benefits

The Group has decided to adopt as from January 1st, 2009, the IAS 19 option allowing the direct recognition in equity of actuarial gains and losses, instead of the corridor method.

The impacts on the balance sheets at December 31st, 2008, December 31st, 2007 and January 1st, 2007 of this change in accounting policy are as follows:

€ millions	12.31.2008	12.31.2007	01.01.2007
Provision for employee retirement	267.2	101.4	272.4
Deferred tax assets	43.8	22.4	67.4
Deferred tax liabilities	-54.0	-14.4	-26.4
Shareholders' equity	**-169.4**	**-64.6**	**-178.6**

The adoption of this new accounting standard does not have a significant impact on the accounts presented. As a result they are not restated.

1.1.3. Customer loyalty programmes

The accounting treatment of customer loyalty programmes was clarified by the IFRIC 13 interpretation issued by the IASB, effective from January 1st, 2009.

The transactions concerned are mainly loyalty programmes organised by a brand in favour of the consumer in which the consumer is directly given a free product or a gift. This mainly concerns our "boutiques" and more specifically The Body Shop brand.

The consequence of this interpretation is a timing difference in the recognition of sales and margin, when the gift is a free catalogue product.

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The impacts on the balance sheets at December 31st, 2008, December 31st, 2007 and January 1st, 2007 of this change in accounting policy are as follows:

€ millions	12.31.2008	12.31.2007	01.01.2007
Other current liabilities	10.0	9.2	9.7
Deferred tax assets	1.6	2.0	2.1
Deferred tax liabilities	-1.0	-0.3	-0.4
Shareholders' equity	**-7.4**	**-6.9**	**-7.2**

In light of the reasonable growth of loyalty programmes, presented profit and loss accounts are only slightly impacted and as a result have not been restated.

1.2. Presentation of financial statements

1.2.1. Consolidated statement of net profit and gains and losses directly recognised in equity

The IAS 1 standard has been revised effective from January 1st, 2009.

The main change relates to the presentation of an additional consolidated statement called "*Consolidated statement of net profit and gains and losses directly recognised in equity*". This statement begins with the net profit of the period then gives details of gains and losses directly recognised in equity.

1.2.2. Reclassification of foreign exchange gains and losses in the P&L

In order to better understand the Group's performance, foreign exchange gains and losses, previously presented on a separate line before operating profit, are henceforth allocated to the various items of the profit and loss account to which they relate. The profit and loss accounts for 2008 and 2007 have been restated accordingly. This restatement has no impact on net sales or operating profit (note 6).

1.3. Use of estimates

The preparation of the consolidated financial statements in accordance with international accounting standards requires that the Group make a certain number of estimates and assumptions that may affect the value of the Group's assets, liabilities, shareholders' equity and net profit (loss).

These estimates and assumptions mainly concern the valuation of goodwill and other intangible assets, provisions, pension obligations, deferred taxes and share-based payments measurement. Estimates used by the Group in relation to these different areas are made on the basis of information available at the date the accounts are closed and described in detail in each specific associated note.

1.4. Scope and methods of consolidation

All companies included in the scope of consolidation have a fiscal year ending December 31st or close their accounts on that date.

All companies directly or indirectly controlled by the parent company L'Oréal have been consolidated by the full consolidation method.

Group companies that are jointly controlled by the parent company and a limited number of other shareholders under a contractual agreement have been consolidated by the proportional consolidation method.

Associates over which the Group has a significant influence have been accounted for by the equity method.

1.5. Foreign currency translation

1.5.1. Accounting for foreign currency transactions in consolidated companies

Foreign currency transactions are translated at the rate effective at the transaction date.

Assets and liabilities denominated in foreign currencies have been translated using exchange rates effective at the closing date. Unrealised exchange gains and losses impact the profit and loss account.

In the area of foreign exchange, forward contracts and options are put in place in order to hedge items recorded in the balance sheet (fair value hedges) and cash flows on highly probable future commercial transactions (cash flow hedges).

All foreign exchange hedging instruments are recorded on the balance sheet at their market value, including those which relate to purchases and sales in the next accounting period. If the future cash flow hedging relationship is duly documented and the effectiveness of the hedges demonstrated, the variation in the fair value of these hedging instruments is recorded as follows:

- the variation of the market value linked to variations in the time value (forward points and premiums paid for options) is recorded in the profit and loss account;

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- the variation of market value linked to variations in the spot rate between the inception of the hedge and the closing date is charged to shareholders' equity, and the amount accumulated in equity impacts the profit and loss account at the date on which the transactions hedged are completed. Any remaining ineffectiveness is recognised directly to the profit and loss account.

In application of the hedge accounting, unrealised exchange gains and losses relating to unsold inventories are deferred in the inventories item in the balance sheet. In the same way, if fixed assets purchased with foreign exchange are covered by a hedge, they are valued in the balance sheet on the basis of the hedging rate.

The Group may decide to cover certain investments in foreign companies. Exchange gains or losses relating to these hedges are directly charged to consolidated shareholders' equity, under the item *Cumulative translation adjustments*.

1.5.2. Translation of the accounts of foreign subsidiaries

The assets and liabilities of foreign subsidiaries are translated at closing exchange rates. Profit and loss accounts are translated at average exchange rates for the year.

The resulting translation difference is entered directly under shareholders' equity under the item *Cumulative translation adjustments*, for the Group's share, and under the *Minority interests* item, for the minority interests. This difference does not impact the profit and loss account other than at the time of the disposal of the company.

1.5.3. Valuation of goodwill in foreign currencies

Goodwill generated on foreign companies is considered to form part of assets and liabilities of the foreign company, and is therefore expressed in the entity's functional currency, and is translated using exchange rates effective at the closing date. Goodwill recorded before January 1st, 2004 has been kept in euros.

1.6. Net sales

Net sales are recognised when the risks and rewards inherent in ownership of the goods have been transferred to the customer.

Sales incentives, cash discounts and product returns are deducted from sales, as are incentives granted to distributors or consumers, resulting in a cash outflow, such as commercial cooperation, coupons, discounts and loyalty programmes.

Sales incentives, cash discounts, provisions for returns and incentives granted to customers are recorded simultaneously to the recognition of the sales, if they can be estimated in a reasonably reliable manner, based on statistics compiled from past experience and contractual conditions.

1.7. Cost of sales

The cost of goods sold consists mainly of the industrial production cost of the products sold, the cost of distributing products to customers including the freight and delivery costs, either directly or indirectly through depots, inventory impairment costs, and royalties paid to third parties.

1.8. Research and development expenditure

Expenditure during the research phase is charged to the profit and loss account of the financial year during which it is incurred.

The expenses incurred during the development phase are recognised as *Intangible assets* only if they meet all the following criteria, in accordance with standard IAS 38:

- the project is clearly defined and the related costs are separately identified and reliably measured;
- the technical feasibility of the project has been demonstrated;
- the intention and ability to complete the project and to use or sell the products resulting from the project have been demonstrated;
- the resources necessary to complete the project and to use or sell it are available;
- the Group can demonstrate that the project will generate probable future economic benefits, as the existence of a potential market for the production resulting from the project, or its internal usefulness has been demonstrated.

In view of the very large number of development projects and the uncertainties concerning the decision to launch the products relating to the project, L'Oréal considers that some of these capitalisation criteria are not met.

The development costs of software for internal use are capitalised for the programming, coding and testing phases. The costs of substantial updates and upgrades giving rise to additional functions are also capitalised.

The capitalised development costs are amortised from the date on which the software is made available in the entity concerned, over the probable useful life span, which is in most cases between 5 and 7 years.

1.9. Advertising and promotion expenses

These expenses consist mainly of expenses relating to the advertisement and promotion of products to customers and consumers. They are charged to the profit and loss account of the financial year when they are incurred.

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1.10. Selling, general and administrative expenses

These expenses relate mainly to sales forces and their management, marketing teams, administrative services, as well as general expenses and stock option charges.

1.11. Foreign exchange gains and losses

Foreign exchange gains and losses resulting from the difference between the value of foreign currency operating income and expenses translated at the spot rate effective on the transaction date and at the exchange rate effective on the settlement date are recognised directly on the corresponding income and expense lines, after allowing for hedging derivatives. Changes in the time value of hedging derivatives (including option premiums) are systematically charged to the profit and loss account (note 1.5).

1.12. Operating profit

Operating profit consists of gross profit, after deducting research and development expenses, advertising and promotion expenses, selling, general and administrative expenses.

1.13. Other income and expenses

The *Other income and expenses* item includes capital gains and losses on disposals of tangible and intangible assets, impairment of assets and restructuring costs.

The cost of restructuring operations is fully provisioned if it results from a Group obligation towards a third party originating from the decision taken by the competent body and giving rise before the closing date to the announcement of this decision to the third parties concerned. This cost consists mainly of severance payments, early retirement payments, the cost of notice periods not worked, and the costs of training terminated employees and other costs relating to the site closures. The write-offs of fixed assets, depreciation of inventories and other assets, linked directly to the restructuring measures, are also recorded as restructuring costs.

1.14. Operational profit

Operational profit is calculated from operating profit, and includes other income and expenses, such as capital gains and losses on disposals of tangible and intangible assets, impairment of assets, and restructuring costs.

1.15. Finance costs

Net financial debt consists of all current and non-current financial borrowings and debt, less cash and cash equivalents.

Finance costs consist of income and expenses arising on the items making up net financial debt during the accounting period, including gains and losses on the corresponding interest rate and foreign exchange rate hedges. As interest rate derivatives are fully effective, no ineffectiveness impacts finance costs.

1.16. Income tax

The income tax charge includes the current tax expense payable by each consolidated tax entity and the deferred tax expense. Deferred tax is calculated whenever temporary differences occur between the tax base and the consolidated base of assets and liabilities, using a balance sheet approach and the liability method.

The restatement of assets and liabilities linked to capital lease contracts results in the booking of deferred tax.

Deferred tax includes irrecoverable taxation on estimated or confirmed dividends.

Deferred tax is valued using the enacted tax rate at the closing date and which will also be in force when the temporary differences reverse.

Deferred tax assets generated by tax loss are only recognised to the extent that a taxable profit is expected during the validity period of these tax loss carry forwards.

Under the French system of tax consolidation, the taxable profits of some French companies are offset when determining the overall tax charge, which only the parent company L'Oréal remains liable to pay. Tax consolidation systems also exist outside France.

1.17. Intangible assets

1.17.1. Goodwill

Business combinations are accounted for by the purchase method. The assets and liabilities of the company acquired are valued on the fair value basis at the acquisition date. Any valuation differences identified when the acquisition is carried out are recorded under the corresponding asset and liability items.

Any residual difference between the cost of an acquisition over the share of the Group in the fair value of the identified assets and liabilities is recorded as Goodwill.

Goodwill generated at the acquisition of an associate is presented in the *Investments in associates* line.

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Goodwill is no longer amortised, in accordance with the standard IFRS 3 "Business combinations". It is subjected to an impairment test if an unfavourable event occurs, and at least once a year, during the fourth quarter. Unfavourable events may result among other things from an increase in market interest rates or from a decrease in actual sales or operational profit compared to forecasts.

Impairment tests consist of comparing net asset values including goodwill and the recoverable value of each Cash Generating Unit.

A Cash Generating Unit corresponds to one or more worldwide brands. Recoverable values are determined on the basis of discounted operating cash flows over a period of 10 years (the period considered necessary for the strategic positioning of an acquisition) and a terminal value. The cash flows are determined in the currencies of the countries in question and are translated, as are the net asset values to which they are compared, at the estimated exchange rate for the following year. The discount rate used for these calculations is the Group's weighted average cost of capital (WACC), which amounts to 8.5% for 2008, 8.6% for 2007 and 8.0% for 2006, adjusted by applying a country risk premium if necessary. The discount rates are rates after tax applied to cash flows after tax. Their use leads to the determination of recoverable values identical to those obtained by using rates before tax with untaxed cash flows.

The assumptions adopted in terms of growth of sales and terminal values are reasonable and consistent with the available market data (generally around 3% for terminal values except in specific cases).

The use of discounted cash flows is preferred in order to determine recoverable value, unless details of similar recent transactions are easily available.

The depreciation of goodwill is not reversible.

1.17.2. Other intangible assets

Intangible assets are recorded on the balance sheet at cost. Intangible assets identified following an acquisition are also included in this item. They mainly consist of trademarks, product ranges, formulas and patents.

With regard to trademarks, the use of the discounted cash flow method is preferred in order to make it easier to follow up the value in use after acquisition.

Two approaches have been adopted to date:

- **premium-based approach:** this method involves estimating the part of future cash flows that could be generated by the trademark, compared with the future cash flows that the activity could generate without the trademark;
- **royalty-based approach:** this involves estimating the value of the trademark by reference to the levels of royalties demanded for the use of similar trademarks, based on sales forecasts drawn up by the Group.

These approaches are based on a qualitative analysis of the trademark in order to ensure that the assumptions selected are relevant. The discount rate retained refers to the weighted average cost of capital (WACC) for the target acquired.

Terminal growth rates are consistent with available market data (generally around 3%, except in specific cases).

A trademark may have a finite or an indefinite life span.

Local trademarks, which are to be gradually replaced by an international trademark already existing inside the Group are trademarks with a finite life span.

They are amortised over a life span, which is estimated at the date of acquisition.

International trademarks are trademarks with an indefinite life span. They are subjected to impairment tests if an unfavourable event occurs, and at least once a year, during the fourth quarter. Unfavourable events may result among other things from an increase in market interest rates or from a decrease in actual sales or operational profit compared to forecasts.

The impairment test consists of calculating the recoverable value of the trademark based on the model adopted when the acquisition takes place.

As for product ranges, this concept covers all items which constitute a franchise: product concept, complementary name in addition to the trademark, formulas and patents used, packaging, logos, advertising trademark, etc.

The life span of a product range is limited: a range reaches the end of its life span when the main underlying elements, such as packaging, name, formulas and patents, are no longer used. For this reason, product ranges are depreciated over their remaining life span, estimated at the date of acquisition.

The Group may decide to identify and value patents and formulas that it intends to develop.

The value of a patent or a formula is evaluated on the basis of the future profits expected from its ownership in the future, in accordance with the royalty-based approach.

The depreciation period of patents corresponds to the period of legal protection. Formulas, which are not protected by legal means, are depreciated over a maximum period of 5 years.

Market shares and business value accounted for in the consolidated financial statements prepared in accordance with French accounting methods do not correspond to the definition of a separable intangible asset and have been reclassified under *Goodwill* for the application of IFRS standards on January 1st, 2004.

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1.18. Tangible assets

Tangible assets are recorded on the balance sheet at purchase price. They are not revalued.

Significant capital assets financed through capital leases, which essentially transfer to the Group the risks and rewards inherent in their ownership, are recorded as assets on the balance sheet. The corresponding debt is recorded as Borrowings and debts on the balance sheet.

Investment subsidies are recorded as liabilities under *Other current liabilities*.

The components of a tangible asset are recorded separately if their estimated useful life spans, and therefore their depreciation periods, are materially different.

Tangible assets are depreciated using the straight-line method, over the following economic life spans:

Buildings	10-40 years
Industrial machinery and equipment	5-15 years
Point-of-sales advertising, stands and displays	3-5 years
Other tangible assets	3-10 years

Depreciation and impairment losses are recorded in the profit and loss account according to the use of the tangible asset.

In view of their nature, tangible assets are considered to have zero value at the end of the economic life spans indicated above.

1.19. Non-current financial assets

Non-current financial assets include investments in non-consolidated companies and long-term loans and other debtors maturing after more than twelve months.

Investments in non-consolidated companies are considered to be financial assets available for sale. As such, they are valued on the basis of their fair value, and unrealised losses and gains are accounted for through equity on the line *Items directly recognised in equity.*

Their fair value is determined on the basis of the share price at the closing date for listed securities. For unlisted securities, if the fair value cannot be reliably established, they are valued at cost.

If the unrealised loss accounted for through equity is representative of a lasting impairment, this loss is recorded in the profit and loss account.

Long-term loans and other debtors are considered to be assets generated by the activity. As such, they are valued at amortised cost. If there is an indication of a loss in value, a provision for impairment is recorded.

1.20. Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is calculated using the weighted average cost or the "first in, first out" formula.

A provision is made for obsolete and slow-moving inventories on the basis of their probable net realisable value, estimated on the basis of historic and provisional data.

1.21. Trade accounts receivable

Accounts receivable from customers are recorded at their nominal value, which corresponds to their fair value.

A provision is made for any uncertain debts based on an assessment of the risk of non-recovery.

The Group policy is to recommend credit insurance coverage as far as the local conditions allow it.

1.22. Cash and cash equivalents

Cash and cash equivalents consist of cash in bank accounts, units of cash unit trusts and liquid short-term investments with negligible risk of change in value, and whose maturity date at the date of acquisition is less than three months away.

Investments in shares and cash, which are held in an account blocked for more than three months, cannot be recorded under cash, and are presented under *Other current assets.*

Bank overdrafts considered to be financing and are presented in *Current borrowings and debts.*

Units of cash unit trusts are considered to be assets available for sale. As such, they are valued in the balance sheet at their market value at the closing date. The unrealised gains thus generated are accounted for directly through equity on the line *Items directly recognised in equity.*

The book value of bank deposits is a reasonable approximation of their fair value.

1.23. Treasury stock

Treasury stock is recorded at acquisition cost and deducted from shareholders' equity. Capital gains/losses on disposal of this stock net of tax are charged directly to shareholders' equity and do not contribute to the profit for the financial year.

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1.24. Share-based payment: Share subscription or purchase options - Free shares

In accordance with the requirements of IFRS 2 "Share-based payment", the value of options or free shares granted as calculated at the grant date is expensed in the profit and loss account over the vesting period, which is generally 5 years for purchase options and 4 years for free shares.

The fair value of stock options is determined using the Black & Scholes model. This model takes into account the characteristics of the plan such as the exercise price and exercise period, market data at the grant date such as the risk-free rate, share price, volatility, expected dividends and behavioural assumptions regarding beneficiaries.

The fair value of free shares corresponds to the value of the share at the grant date, less dividends expected to be paid during the vesting period. The cost of the additional 2-year holding period applicable to French residents is determined based on the interest rate granted to the employee, considered equivalent to the rate which would be granted by a bank to a private individual customer with an average financial profile.

Only plans issued after November 7th , 2002 and not fully vested at January 1st, 2005 are accounted for in accordance with IFRS 2.

The impact of IFRS 2 on income for the period is booked on the *Selling, general and administrative expenses* line of the profit and loss account at Group level, and is not allocated to the Divisions or geographic zones.

1.25. Provisions for employee retirement obligation and related benefits

The Group adheres to pension, early retirement and other benefit schemes depending on local legislation and regulations.

For obligatory state schemes and other defined-contribution schemes, the Group charges to the profit and loss account the contributions to be paid when they are due and no provision has been set aside, as the Group's commitment does not exceed the amount of contributions paid. For defined benefit schemes, the characteristics of the schemes in force inside the Group are as follows:

- French regulations provide for specific length-of-service awards payable to employees on retirement. In addition, an early retirement plan and a defined benefit plan have been set up. In some Group companies there are also measures providing for the payment of certain healthcare costs for retired employees.

  These obligations, except for those relating to healthcare costs for retired employees, are partially funded;
- for foreign subsidiaries with employee pension schemes or other specific obligations relating to defined benefits, the excess of obligations over the scheme's assets is recognised by setting up a provision for charges on the basis of the actuarial value of the vested rights of employees.

The Group has decided to adopt as from January 1st, 2009, the IAS 19 option allowing the direct recognition in equity of actuarial gains and losses, instead of the corridor method.

The charges recorded in the profit and loss account during the year include:

- service cost, *i.e.* additional rights acquired by employees during the accounting period;
- interest cost, *i.e.* change in the value of the discounted rights due to the fact that one year has gone;
- expected return on assets, *i.e.* income from external assets calculated on the basis of a standard return on long-term investments;
- the impact of any change to existing schemes on previous years or of any new schemes.

To determine the discounted value of the obligation for each scheme, the Group applies an actuarial valuation method based on the final salary (projected credit unit method). The obligations and the fair value of assets are assessed each year, using length-of-service, life expectancy, staff turnover by category and economic assumptions (such as inflation rate and discount rate).

Actuarial gains and losses in relation to other benefits, such as jubilees and medals, are immediately charged to the profit and loss account.

The liability corresponding to the company's net personnel defined benefit obligation is entered on the balance sheet, on the *Provisions for employee retirement obligation and related benefits line.*

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1.26. Provisions for liabilities and charges

Provisions for liabilities and charges are set up to cover probable outflows for the benefit of third parties without receipt of equivalent consideration by the Group. They relate mainly to tax risks and litigation, industrial and commercial risks relating to operations (breach of contract, product returns) and employee-related risks.

They are estimated on the basis of the most likely assumptions or by using statistical methods, depending on the type of provisions.

Provisions for liabilities and charges are recorded either as *Non-current liabilities* or as *Current liabilities*, depending on their nature. Provisions for liabilities or litigation, which must be settled within twelve months of the closing date, and those linked to the normal operating cycle (such as product returns) are recorded as *Current liabilities*. The other provisions for liabilities and charges are recorded as *Non-current liabilities*.

1.27. Borrowings and debts

Borrowings and debts are valued at amortised cost based on an effective interest rate.

In accordance with the principle of fair value hedge accounting, fixed rate borrowings and debts swapped at a variable rate are valued on the balance sheet at market value. The resulting changes in value are recorded as finance cost and are offset by changes in the value of the related rate swaps.

The fair value of fixed rate debts is determined by the discounted cash flow method at the closing date, allowing for the spread corresponding to the Group's risk class.

The book value of the variable rate debts is a reasonable approximation of their fair value.

Medium and long-term borrowings and debts are recorded under *Non-current liabilities*. Short-term borrowings and debts, and the part of medium and long-term borrowings and debts, which is repayable in less than one year, are presented under *Current liabilities*.

1.28. Financial derivatives

In accordance with Group financial management policies, none of L'Oréal's consolidated companies conduct any financial market transactions for speculative reasons. As a result, all derivative instruments concluded by Group companies are only for hedging purposes, and are thus accounted for in accordance with the hedge accounting principles.

With regard to exchange rate risk, the applicable accounting principles are set out in detail in note 1.5.

With regard to interest rate risk, the fixed-rate debts and financial loans covered by interest rate swaps are valued in the balance sheet at their market value. Changes in the fair value of these debts are recorded as finance cost, and are offset by the recording of adjustments in the fair value of the related hedging derivatives.

Variable interest rate debts and financial loans are valued at cost, which corresponds to their market value. The swaps or caps which hedge them are valued in the balance sheet at their market value, and changes in value are recorded directly through equity on the *Items directly recognised in equity line*.

The fair value of interest rate derivative instruments is their market value. The market value is calculated by the discounted cash flow method at the interest rate effective at the closing date.

1.29. Earnings per share

Net earnings per share are calculated in accordance with the rules set out in IAS 33.

Basic net earnings per share are obtained on the basis of the weighted average number of shares outstanding during the year, after deducting the number of treasury stock which are deducted from shareholders' equity.

Diluted net earnings per share allow where applicable for stock options with a dilutive effect in accordance with the "Treasury stock method": the sums collected on the exercise or purchase are assumed to be allocated firstly to share buybacks at market price.

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NOTE 2 Changes in the scope of consolidation

2.1. Year 2009

On April 9th , 2009, L'Oréal USA signed an agreement for the acquisition of Idaho Barber and Beauty Supply (IBB), a distributor of professional products to hair salons in several states in the North West of the United States, particularly Idaho, Montana and Washington. Idaho Barber and Beauty Supply are fully consolidated from June 1st, 2009.

On December 31st, 2009, L'Oréal USA acquired Maly's Midwest and Marshall Salon Services, distributors of professional products to hair salons across 8 states in the US Midwest region. Maly's Midwest and Marshall Salon Services have been fully consolidated since December 31st, 2009.

These acquisitions represent around $150 million in full-year sales and $8 million in full-year operating profit for 2009. They would have contributed $93.5 million in additional net sales for the Group over the 12 months of 2009.

The cost of these new acquisitions amounts to approximately €60.4 million. The total amount of goodwill and other intangible assets resulting from these acquisitions has been provisionally estimated at €46.2 million.

2.2. Year 2008

In November 2007, L'Oréal signed an agreement to acquire 100% of the Turkish haircare products company Canan.

Founded in 1981, Canan achieved sales of €28 million in 2007, mainly through its brand Ipek which is in 4th position in the mass-market haircare segment in Turkey.

The acquisition was finalised in January 2008 and Canan is fully consolidated from January 1st, 2008.

Early January 2008, L'Oréal USA acquired 100% of Columbia Beauty Supply. The acquisition of Columbia Beauty Supply follows that of Beauty Alliance and Maly's West by L'Oréal USA in April and July 2007.

Established in four states of the Southeastern part of the United States, Columbia Beauty Supply achieved sales of about $60 million in 2007.

Columbia Beauty Supply is fully consolidated from January 4th , 2008.

On January 23rd, 2008, L'Oréal made a firm offer to PPR to:

- acquire the shares of YSL Beauté Holding including the Roger & Gallet brand, for €1,150 million in terms of enterprise value;
- obtain an exclusive and very long-term worldwide licence for the use of the Yves Saint Laurent and Boucheron brands in the area of perfumes and cosmetics, under conditions conforming to usual market practice;
- take over the licences for the Stella McCartney, Oscar de la Renta, and Ermenegildo Zegna brands, in the area of perfumes and cosmetics.

The acquisition was finalised on June 30th , 2008 and YSL Beauté is fully consolidated from that date.

YSL Beauté made sales of around €650 million in 2007 with its Yves Saint Laurent brand as well as with its Roger & Gallet, Boucheron, Stella McCartney, Oscar de la Renta and Ermenegildo Zegna brands.

The main items of the acquisition balance sheet of YSL Beauté at June 30th, 2008 taken into account in the final purchase price allocation, are as follows:

€ millions	
Non-current assets (1)	141.8
Current assets	318.6
Non-current liabilities	-83.8
Current liabilities	-279.9
Total net equity acquired	**96.7**

(1) Of which €32.0 million of intangible assets resulting from the acquisition. The €1,014.0 million goodwill has been allocated for €579.0 million to the YSL Cash Generating Unit and the balance allocated between the various Luxury Products Division CGUs affected on the basis of the expected synergies.

On February 26th , 2008, Galderma Pharma S.A., and CollaGenex Pharmaceuticals, Inc. announced a definitive agreement pursuant to which Galderma's US subsidiary, Galderma Laboratories, Inc., offered to acquire all of the outstanding shares of CollaGenex at a price of $16.60 per share in cash, representing approximately $420 million for the equity of CollaGenex.

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The process of acquisition of CollaGenex by Galderma took place in two steps. The first step consisted of a cash tender offer for all outstanding shares of CollaGenex common stock at a price of $16.60 per share. In the second step, the tender offer was followed by a merger between CollaGenex and Galderma Acquisition Inc. wholly owned subsidiary of Galderma Laboratories, in which holders of the outstanding shares of CollaGenex common stock not tendered in the offer were offered the same per share price paid in the tender offer, in cash.

The tender offer expired on April 4th , 2008 and at that time, an aggregate of approximately 21 million shares of CollaGenex common stock were tendered, which represented approximately 97% of the outstanding shares of CollaGenex.

The second step ended on April 10th , 2008 and CollaGenex became a wholly owned subsidiary of Galderma Laboratories. Inc.

CollaGenex Pharmaceuticals, Inc. is a speciality pharmaceutical company currently focused on developing and marketing, innovative medical therapies to the dermatology market. CollaGenex's 2007 revenues were $63.6 million, an increase of 141% over 2006 sales of $26.4 million, largely driven by the increase of sales of Oracea®. In July 2006, CollaGenex launched Oracea®, the first FDA-approved orally ingested product for the treatment of rosacea.

This company is consolidated by the proportional method from April 10th , 2008.

In May 2008, The L'Oréal Group and 3 Suisses International finalised the agreement under whose terms L'Oréal acquired the 50% stake in Le Club des Créateurs de Beauté held by 3 Suisses International.

Created in 1987 by L'Oréal and 3 Suisses International, Le Club des Créateurs de Beauté specialises in the direct selling of cosmetic products from designers. It markets its products through mail order and on the Internet.

The main brands of the Club des Créateurs de Beauté are Agnès b., Cosmence, Pr. Christine Poelman.

The company is mainly established in France and Japan.

The company is henceforth fully consolidated from June 1st, 2008.

The cost of these new acquisitions apart from YSL Beauté amounts to approximately €238.0 million. The total amount of goodwill and other intangible assets resulting from these acquisitions except for YSL Beauté is respectively €113.8 million and €125.2 million after provisional allocation of the acquisition cost of CollaGenex.

2.3. Year 2007

In mid-April, 2007, L'Oréal USA Inc. acquired 100% of Beauty Alliance, in which it had taken a 30% minority interest in July 2006. This company is fully consolidated from April 12th , 2007, having been accounted for under the equity method until this date. Assets and liabilities have been revalued at the date control was obtained.

The net sales of Beauty Alliance amounted to $372 million in 2006. L'Oréal USA Inc. recorded sales of $124 million in 2006 with Beauty Alliance.

In the beginning of May 2007, L'Oréal USA Inc. acquired 100% of PureOlogy Research LLC.

Based in California, the company is a luxury brand of high performance hair care products uniquely developed for hair colourists to use and recommend to their clients.

The net sales of PureOlogy of the last 12 months were $57 million. The company is fully consolidated as from May 8th , 2007.

In mid-July, 2007, L'Oréal USA Inc. acquired 100% of Maly's West.

Maly's West is the 3rd largest professional salon distributorship in the USA, with facilities in the western states, selling to 30,000 salons through 340 Distributor Sales Consultants and through more than 100 professional outlets.

Maly's West, which achieved sales of $187 million in 2006, is fully consolidated from August 1st, 2007.

The total cost of acquisitions amounts to approximately €618.5 million. The total amount of goodwill and other intangible assets resulting from these acquisitions is respectively €406.4 million and €236.4 million.

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NOTE 3 Segment information

3.1. Segment information

The **Cosmetics** branch is organised into four sectors, each one operating with specific distribution channels:

- **Professional Products Division:** products used and sold in hair salons;
- **Consumer Products Division:** products sold in mass-market retail channels;
- **Luxury Products Division:** products sold in selective retail outlets, *i.e.* department stores, perfumeries, travel retail and the Group's own boutiques;
- **Active Cosmetics Division:** dermocosmetic skincare products sold in pharmacies and specialist sections of drugstores.

The *non-allocated* item contains the expenses of the functional Divisions, fundamental research and the costs of stock options not allocated to the cosmetics Divisions. It also includes activities that are auxiliary to the Group's core businesses, such as insurance, reinsurance and banking.

The "**The Body Shop**" branch: The Body Shop offers a wide range of naturally inspired cosmetics and toiletry products. The brand, originally created in the United Kingdom, distributes its products and expresses its values through a large multi-channel network of exclusive retail shops (in more than 50 countries), at home, and on-line sales. The Body Shop net sales and operating profit are characterised by a strong seasonality due to a high level of activity during the last months of the year.

The **Dermatology** branch, consisting of Galderma, a joint venture between L'Oréal and Nestlé, meets the needs of dermatologists and their patients.

The data by branch and by Division are established using the same accounting principles as those used for the preparation of the consolidated financial statements.

The performance of each branch and Division is measured by the *operating profit*.

€ millions 2009	Sales	Operating profit	Operational assets (1)	Investments in tangible and intangible assets	Depreciation, amortisation and provisions
Professional Products	2,388.5	476.9	2,417.8	60.4	112.4
Consumer Products	8,555.2	1,576.9	5,364.5	317.0	379.5
Luxury Products	4,079.6	617.3	3,601.2	103.2	202.8
Active Cosmetics	1,233.8	249.8	737.3	21.6	45.3
Cosmetics Divisions total	**16,257.2**	**2,920.8**	**12,120.8**	**502.2**	**740.0**
Non-allocated		-482.0	371.6	53.2	79.3
Cosmetics branch	**16,257.2**	**2,438.8**	**12,492.4**	**555.4**	**819.3**
The Body Shop branch	**726.3**	**53.8**	**1,075.9**	**13.5**	**40.9**
Dermatology branch	**489.1**	**85.0**	**551.0**	**31.9**	**35.8**
Group	**17,472.6**	**2,577.6**	**14,119.3**	**600.8**	**895.9**

(1) Operational assets include goodwill, intangible and tangible assets, trade accounts receivable, inventories, promotional gifts.

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€ millions 2008	Sales	Operating profit	Operational assets [1][3]	Investments in tangible and intangible assets	Depreciation, amortisation and provisions
Professional Products	2,471.7	518.8	2,506.4	64.6	95.1
Consumer Products [2]	8,426.0	1,566.4	5,545.5	369.1	354.5
Luxury Products	4,169.6	766.5	3,997.1	153.6	189.4
Active Cosmetics	1,289.3	259.1	791.6	32.7	47.8
Other cosmetics [2]	2.4	-0.4	-	-	-
Cosmetics Divisions total	**16,358.9**	**3,110.3**	**12,840.6**	**620.0**	**686.7**
Non-allocated		-501.9	380.6	79.2	78.8
Cosmetics branch	**16,358.9**	**2,608.4**	**13,221.1**	**699.2**	**765.4**
The Body Shop branch	**756.0**	**36.2**	**1,028.3**	**40.6**	**42.1**
Dermatology branch	**426.9**	**80.0**	**518.9**	**18.9**	**36.2**
Group	**17,541.8**	**2,724.6**	**14,768.3**	**758.7**	**843.8**

€ millions 2007	Sales	Operating profit	Operational assets [1][3]	Investments intangible and intangible assets	Depreciation, amortisation and provisions
Professional Products	2,391.9	501.7	2,428.6	64.2	80.8
Consumer Products [2]	8,335.8	1,578.7	5,358.8	375.4	368.7
Luxury Products	3,927.9	843.8	2,634.4	175.7	145.9
Active Cosmetics	1,248.1	255.8	793.2	32.1	40.8
Other cosmetics [2]	4.7	0.3	-	-	-
Cosmetics Divisions total	**15,908.3**	**3,180.4**	**11,215.0**	**647.4**	**636.2**
Non-allocated		-478.9	363.5	51.8	67.0
Cosmetics branch	**15,908.3**	**2,701.5**	**11,578.5**	**699.2**	**703.2**
The Body Shop branch	**786.9**	**63.8**	**1,271.2**	**58.0**	**52.9**
Dermatology branch	**367.5**	**62.0**	**340.5**	**33.1**	**26.7**
Group	**17,062.6**	**2,827.2**	**13,190.3**	**790.3**	**782.8**

(1) Operational assets include goodwill, intangible and tangible assets, trade accounts receivable, inventories, promotional gifts.
(2) After reclassification of the "distance sales" activity to the Consumer Products Division.
(3) Amounts restated according to changes in accounting methods described on note 1.1.1. Advertising and promotion expenses.

Operational assets can be reconciled to the 2009, 2008 and 2007 balance sheets as follows:

€ millions	2009	2008	2007
Operational assets [1]	**14,119.3**	**14,768.3**	**13,190.3**
Non-current financial assets	6,672.2	5,557.4	7,608.9
Deferred tax assets [1]	570.8	498.9	466.0
Other current assets	756.1	1,005.2	779.8
Cash and cash equivalent	1,173.1	1,077.1	1,086.7
Non-allocated assets	**9,172.2**	**8,138.6**	**9,941.3**
Total Assets [1]	**23,291.5**	**22,906.9**	**23,131.7**

(1) Amounts restated according to changes in accounting methods described on note 1.1.

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3.2. Information by geographic zone - Group

All information is presented on the basis of geographic location of the subsidiaries.

3.2.1. Consolidated net sales by geographic zone

	2009		Growth (%)		2008		2007	
	€ millions	% of total	Published data	Excluding exchange effect	€ millions	% of total	€ millions	% of total
Western Europe	7,621.3	43.6%	-4.6%	-2.8%	7,984.7	45.5%	7,851.8	46.0%
attributable to France	2,276.7	13.0%	-1.8%	-1.8%	2,318.0	13.2%	2,222.3	13.0%
North America	4,262.9	24.4%	2.3%	-2.0%	4,167.5	23.8%	4,426.0	25.9%
Rest of the World	5,588.4	32.0%	3.7%	8.6%	5,389.6	30.7%	4,784.7	28.0%
Group	**17,472.6**	**100.0%**	**-0.4%**	**0.8%**	**17,541.8**	**100.0%**	**17,062.6**	**100.0%**

3.2.2. Cosmetics net sales by geographic zone

	2009		Growth (%)		2008		2007	
	€ millions	% of total	Published data	Excluding exchange effect	€ millions	% of total	€ millions	% of total
Western Europe	7,036.6	43.3%	-4.7%	-3.4%	7,381.5	45.1%	7,250.4	45.6%
attributable to France	2,213.1	13.6%	-2.1%	-2.1%	2,260.7	13.8%	2,174.3	13.7%
North America	3,801.9	23.4%	1.7%	-2.6%	3,739.3	22.9%	4,003.5	25.2%
Rest of the World including:	5,418.7	33.3%	3.4%	8.5%	5,238.1	32.0%	4,654.3	29.3%
Asia	2,147.8	13.2%	16.5%	9.7%	1,844.3	11.3%	1,580.3	9.9%
Latin America	1,138.4	7.0%	-1.1%	11.2%	1,151.2	7.0%	1,123.8	7.1%
Eastern Europe	1,212.8	7.5%	-12.1%	4.1%	1,380.3	8.4%	1,142.4	7.2%
Other countries	919.7	5.7%	6.7%	8.6%	862.2	5.3%	807.8	5.1%
Cosmetics branch	**16,257.2**	**100.0%**	**-0.6%**	**0.5%**	**16,358.9**	**100.0%**	**15,908.2**	**100.0%**

3.2.3. Breakdown of operating profit of cosmetics branch by geographic zone

€ millions	2009	2008	2007
Western Europe	1,470.4	1,633.6	1,633.1
North America	554.4	593.0	773.5
Rest of the World	896.0	883.7	773.9
Cosmetics Division total	**2,920.8**	**3,110.3**	**3,180.4**
Non-allocated	-482.0	-501.9	-478.9
Cosmetics branch	**2,438.8**	**2,608.4**	**2,701.5**

3.2.4. Breakdown of operational assets and consolidated investments by geographic zone

	2009		2008		2007	
€ millions	Operational assets	Investments in tangible and intangible assets	Operational assets	Investments in tangible and intangible assets	Operational assets	Investments in tangible and intangible assets
Western Europe	7,593.9	255.3	7,972.8	312.7	6,963.2	342.0
North America	3,602.4	152.8	3,854.5	196.7	3,578.2	213.3
Rest of the World	2,551.4	139.5	2,560.5	170.1	2,285.4	183.2
Non-allocated	371.6	53.2	380.6	79.2	363.5	51.8
Group	**14,119.3**	**600.8**	**14,768.3**	**758.7**	**13,190.3**	**790.3**

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NOTE 4 Personnel costs and number of employees

4.1. Number of employees (1)

	12.31.2009	12.31.2008	12.31.2007
Western Europe	29,439	30,956	28,012
North America	14,127	15,305	15,107
Rest of the World	21,077	21,401	20,239
Total (2)	**64,643**	**67,662**	**63,358**

(1) Including companies consolidated by the proportional method and excluding temporary employees of The Body Shop.
(2) Out of which 3,378 for YSL Beauté in 2008.

4.2. Personnel costs

€ millions	2009	2008	2007
Personnel costs (including welfare contributions)	**3,517.1**	**3,429.4**	**3,318.3**

Personnel costs include remuneration linked to stock options and taxes on remuneration.

4.3. Compensation of Directors and management

The costs recorded in respect of compensation and similar benefits granted to the Management Committee and the Board of Directors may be analysed as follows:

€ millions	2009	2008	2007
Directors' fees	1.1	1.0	1.0
Salaries and benefits including employer welfare contributions	23.3	23.8	26.3
Employee retirement obligation charges	6.5	9.4	11.2
Stock option charges	30.0	32.5	29.0

The number of managers, members of Management Committee was 13 at December 31st, 2009 as at December 31st, 2008 and December 31st, 2007.

NOTE 5 Depreciation and amortisation expense

Depreciation and amortisation of tangible and intangible assets included in operating expenses amount to €780.8, €704.5 and €657.8 million respectively for 2009, 2008 and 2007.

NOTE 6 Foreign exchange gains and losses

Foreign exchange gains and losses may be split as follows:

€ millions	2009	2008	2007
Change in time value	-17.8	-33.2	-29.4
Other foreign exchange gains and losses	105.9	91.4	39.8
Total	**88.1**	**58.2**	**10.4**

Foreign currency transactions are translated at the spot rate at the transaction date.

Assets and liabilities denominated in foreign currencies have been translated using exchange rates effective at closing date. The line Foreign exchange gains and losses also includes the following items relating to derivative instruments:

- the variation of the market value linked to variations in the time value (forward points and premiums paid for options);
- the variation of market value linked to variations in the spot rate between the inception of the hedge and the date on which the transactions hedged are completed;
- the remaining ineffectiveness linked to overhedges is recognised directly to the profit and loss account under *other foreign exchange gains and losses* for respectively -€1.3, €0.8 and €0.6 million for 2009, 2008 and 2007.

Following the changes in presentation described in note 1.2.2., these amounts are allocated to the various operating expense items to which they relate and break down as follows:

€ millions	2009	2008	2007
Cost of sales	70.8	52.9	17.7
Research and development	2.7	-6.2	-11.4
Advertising and promotion	5	5.4	1.9
Selling, general and administrative expenses	9.6	6.1	2.2
Foreign exchange gains and losses	**88.1**	**58.2**	**10.4**

NOTE 7 Other operational income and expenses

7.1. Sanofi-Aventis sale capital gain

On November 14th, 2007, L'Oréal sold a stake of 1.8% in Sanofi-Aventis. This sale was made at the price of €60.5 per share and has generated a capital gain net of tax of €632 million.

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7.2. Other income and expenses

This item may be split as follows:

€ millions	2009	2008	2007
Capital gains or losses on disposals of tangible and intangible assets	-0.9	3.6	11.8
Impairment of tangible and intangible assets (1)	-53.8	-23.6	-1.4
Restructuring costs (2)	-222.9	-136.3	-31.6
Total	**-277.6**	**-156.3**	**-21.2**

(1) These impairment charges mainly relate to:
- *in 2009, the Biomedic brand for €2.7 million, the Yue Sai brand for €7.6 million, as well as Yue Sai goodwill for €13.9 million, Sanoflore goodwill for €10.0 million and Softsheen Carson goodwill for €19.6 million;*
- *in 2008, to the Biomedic brand for €11.3 million as well as Yue Sai goodwill for €10.9 million.*

(2) Including:
- *in 2009, the next phase of the industrial and logistics reorganisation in Europe resulting in the closure of the Albesa factory (Spain), logistics reorganisation measures in the Iberian peninsula, industrial and logistics reorganisation measures in France and additional charges for the closure of the Biotherm factory in Monaco for €116 million, the link-up between YSL Beauté and the Luxury Products Division in various countries for €45 million, the next phase of the reorganisation of the L'Oréal USA subsidiary for €42 million, and the reorganisation and streamlining of central and regional structures of The Body Shop for €18 million;*
- *in 2008, the industrial reorganisation in Europe with the transfer in the process of being finalised of the factory of Llantrisant (United Kingdom) and the closure of the Biotherm factory in Monaco for €71 million, the rationalisation of product distribution and the country structures of YSL Beauté for €36.2 million, the reorganisation of the L'Oréal USA subsidiary for €19.8 million as well as the rationalisation of the structures of CollaGenex following its purchase by Galderma for €5 million;*
- *in 2007, €10.8 million relates to the discontinuation of the distribution of Biotherm in the United States which is henceforth exclusively focused on online product advertising and retail, €14 million relates to the restructuring of an important supplier of The Body Shop and €6.8 million concern the restructuring of the supply chain in Spain.*

NOTE 8 Other financial income and expenses

This item may be split as follows:

€ millions	2009	2008	2007
Other financial income	0.7	1.1	0.1
Other financial expenses	-13.7	-8.3	-7.7
Total	**-13.0**	**-7.2**	**-7.6**

NOTE 9 Income tax

9.1. Detailed breakdown of income tax

€ millions	2009	2008	2007
Current tax	624.5	674.1	834.5
Deferred tax	51.6	6.6	25.2
Income tax	**676.1**	**680.7**	**859.7**

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9.2. Analysis of tax charge

The income tax charge may be analysed as follows:

€ millions	2009	2008	2007
Profit before tax and minority interests	**2,471.0**	**2,631.6**	**3,517.2**
Theoretical tax rate	29.83%	29.81%	31.95%
Expected tax charge	**737.0**	**784.5**	**1,123.6**
Impact of permanent differences	82.6	75.3	45.0
Impact of tax rate differences (1)	-91.4	-100.4	-291.5
Change in non-recorded deferred taxes	-8.8	5.6	-2.0
Other (2)	-43.3	-84.3	-15.4
Group tax charge	**676.1**	**680.7**	**859.7**

(1) Includes for 2007 the effect of the tax rate difference on the sale of Sanofi-Aventis shares on November 14th, 2007.
(2) Including tax credits, withholding taxes on distribution, tax reassessments and provisions for tax liabilities. The change between 2008 and 2007 is mainly due to the increase in tax research credits and the favourable resolution of tax audits in 2008.

The expected tax charge is the total for each country of the pre-tax profit multiplied by the normal taxation rate. The theoretical tax rate is the total expected tax charge as a percentage of the profit before tax and minority interests.

9.3. Deferred taxes in the balance sheet

The variation in deferred taxes (assets and liabilities) may be analysed as follows:

€ millions	
Balance of deferred tax asset at December 31st, 2006 (1)	**525.2**
Balance of deferred tax liabilities at December 31st, 2006 (1)	**-479.6**
Profit and loss effect (1)	-80.1
Translation differences (1)	18.1
Other effects	10.9
Balance of deferred tax asset at December 31st, 2007 (1)	**466.0**
Balance of deferred tax liabilities at December 31st, 2007 (1)	**-471.5**
Profit and loss effect (1)	52.9
Translation differences (1)	28.8
Other effects	24.3
Balance of deferred tax asset at December 31st, 2008 (1)	**498.9**
Balance of deferred tax liabilities at December 31st, 2008 (1)	**-398.4**
Profit and loss effect	-51.6
Translation differences	-6.1
Other effects	108.6
Balance of deferred tax asset at December 31st, 2009	**570.8**
Balance of deferred tax liabilities at December 31st, 2009	**-418.0**

(1) Amounts restated according to changes in accounting methods described on note 1.1.

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Deferred tax assets and liabilities recorded in the balance sheet may be broken as follows:

€ millions	12.31.2009		12.31.2008 (1)		12.31.2007 (1)	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Temporary differences	540.9	313.2	470.2	313.3	458.3	350.6
Deferred tax liability on Sanofi-Aventis restatement		104.8		85.1		120.9
Tax credits and tax loss carry-forwards	29.9		28.7		7.7	
Deferred tax total	**570.8**	**418.0**	**498.9**	**398.4**	**466.0**	**471.5**

(1) Amounts restated according to changes in accounting methods described on note 1.1.

Deferred tax assets on temporary differences mainly relate to provisions for pensions and early retirement (€297.4 million, €190.2 million and €216.3 million respectively at the end of 2009, 2008 and 2007) and provisions for liabilities and charges (€180.5 million, €133.2 million and €112.4 million respectively at the end of 2009, 2008 and 2007).

Deferred tax liabilities on temporary differences mainly relate to intangible assets acquired in the context of business combinations other than non tax deductible goodwill.

Deferred tax assets whose recovery is not considered probable are not recorded in the financial statements; such assets amount to €91.0 million at December 31st, 2009 compared with €111.6 million at December 31st, 2008 and €74.3 million at December 31st, 2007.

NOTE 10 Net profit excluding non-recurrent items attributable to the Group – Net profit per share

10.1. Reconciliation with net profit

Net profit excluding non-recurrent items attributable to the Group is reconciled as follows with the net profit attributable to the Group:

€ millions	2009	2008	2007
Net profit attributable to the Group	**1,792.2**	**1,948.3**	**2,656.0**
Capital gains and losses on tangible and intangible asset disposals	0.9	-3.6	-11.8
Sanofi-Aventis sale capital gain	-	-	-642.8
Tangible and intangible assets impairment	53.8	23.6	1.4
Restructuring cost	222.9	136.3	31.6
Effect of change in tax rate on Sanofi-Aventis deferred tax liability	-	-	11.0
Tax effect on non-recurrent items	-73.1	-40.8	-6.8
Minority interests	-	-0.2	-
Net profit excluding non-recurrent items attributable to the Group	**1,996.7**	**2,063.6**	**2,038.6**

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10.2. Net profit per share

The tables below set out the net profit attributable to the Group per share:

2009	Net profit attributable to the Group (€ millions)	Number of shares	Net profit attributable to the Group per share (€)
Net profit per share	1,792.2	583,388,024	3.07
Stock options - Free shares	-	409,542	
Diluted net profit per share	**1,792.2**	**583,797,566**	**3.07**

2008	Net profit attributable to the Group (€ millions)	Number of shares	Net profit attributable to the Group per share (€)
Net profit per share	1,948.3	588,812,611	3.31
Stock options	-	2,107,467	
Diluted net profit per share	**1,948.3**	**590,920,078**	**3.30**

2007	Net profit attributable to the Group (€ millions)	Number of shares	Net profit attributable to the Group per share (€)
Net profit per share	2,656.0	600,492,348	4.42
Stock options	-	5,520,123	
Diluted net profit per share	**2,656.0**	**606,012,471**	**4.38**

10.3. Net profit excluding non-recurrent items per share

The tables below set out in detail the net earnings excluding non-recurrent items attributable to the Group per share:

2009	Net profit excluding non-recurrent items attributable to the Group (€ millions)	Number of shares	Net profit excluding non-recurrent items attributable to the Group per share (€)
Net profit excluding non-recurrent items per share	1,996.7	583,388,024	3.42
Stock options - Free shares	-	409,542	
Diluted net profit excluding non-recurrent items per share	**1,996.7**	**583,797,566**	**3.42**

2008	Net profit excluding non-recurrent items attributable to the Group (€ millions)	Number of shares	Net profit excluding non-recurrent items attributable to the Group per share (€)
Net profit excluding non-recurrent items per share	2,063.6	588,812,611	3.50
Stock options	-	2,107,467	
Diluted net profit excluding non-recurrent items per share	**2,063.6**	**590,920,078**	**3.49**

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2007	Net profit excluding non-recurrent items attributable to the Group (€ millions)	Number of shares	Net profit excluding non-recurrent items attributable to the Group per share (€)
Net profit excluding non-recurrent items per share	2,038.6	600,492,348	3.39
Stock options	-	5,520,123	
Diluted net profit excluding non-recurrent items per share	**2,038.6**	**606,012,471**	**3.36**

NOTE 11 Goodwill

Goodwill is allocated by Cash Generating Unit or by groups of Cash Generating Unit. A Cash Generating Unit consists of one or more worldwide trademarks. The methodology of impairment tests is described in note 1.

€ millions 2009	12.31.2008	Acquisitions/ Disposals	Other movements	12.31.2009
L'Oréal Professionnel/Kérastase	334.2		-5.6	328.6
Matrix	272.2		-5.9	266.3
Redken/PureOlogy	428.8	2.2	-11.6	419.4
Other	-	41.5	-1.5	40.0
Professionnal Products Total	**1,035.2**	**43.7**	**-24.6**	**1,054.3**
L'Oréal Paris	756.4		0.2	756.6
Maybelline/Garnier	1,003.5		-10.7	992.8
SoftSheen Carson	72.6		-21.7	50.9
Other (1)	35.5		-0.3	35.2
Consumer Products Total	**1,868.0**		**-32.5**	**1,835.5**
Lancôme	773.0		-5.4	767.6
Shu Uemura	130.6		-6.9	123.7
YSL Beauté	588.5	0.1	-22.6	565.9
Perfumes	335.9		-1.9	334.0
Other	75.3		-12.4	62.9
Luxury Products Total	**1,903.1**	**0.1**	**-49.1**	**1,854.1**
Vichy/Dermablend	228.9		-1.6	227.3
Other	142.8		-11.8	131.0
Active Cosmetics Total	**371.8**		**-13.4**	**358.3**
Other (1)	9.2			9.2
The Body Shop	**292.1**	**5.6**	**14.8**	**312.5**
Dermatology	**53.1**		**-10.9**	**42.2**
Group Total	**5,532.5**	**49.4**	**-115.9**	**5,466.0**

(1) After reclassification of the "distance sales" activity to the Consumer Products Division.

2009 acquisitions mainly relate to Idaho Barber and Beauty Supply, Maly's Midwest and Marshall Salon Services for €43.7 million. No disposal took place during 2009. The other movements consist mainly of a negative impact of changes in exchange rates for €37.0 million, an impairment loss on Yue Sai for €13.9 million (included in the *other* line of Luxury Products), on Softsheen Carson for €19.6 million and on Sanoflore €10.0 million (included in the *other* line of Active Cosmetics), as well as the recognition of deferred tax assets on YSL Beauté and CollaGenex (Dermatology).

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The accumulated impairment losses for Softsheen Carson, Yue Sai and Sanoflore amount respectively to €85.0, €24.7 and €10.0 million at December 31st, 2009.

€ millions 2008	12.31.2007	Acquisitions/ Disposals	Other movements	12.31.2008
L'Oréal Professionnel/Kérastase	326.9		7.3	334.2
Matrix	263.1		9.1	272.2
Redken/PureOlogy	398.3	13.2	17.3	428.8
Professionnal Products Total	**988.2**	**13.2**	**33.7**	**1,035.2**
L'Oréal Paris	738.5	12.0	5.9	756.4
Maybelline/Garnier	959.8	11.1	32.6	1,003.5
SoftSheen Carson	68.4		4.3	72.6
Other (1)	1.9	32.2	1.4	35.5
Consumer Products Total	**1,768.6**	**55.3**	**44.2**	**1,868.0**
Lancôme	559.6	205.0	8.4	773.0
Shu Uemura	102.2		28.3	130.6
YSL Beauté		582.7	5.8	588.5
Perfumes	159.7	176.0	0.2	335.9
Other	31.1	54.0	-9.9	75.3
Luxury Products Total	**852.6**	**1,017.6**	**32.9**	**1,903.1**
Vichy/Dermablend	226.5		2.5	228.9
Other	139.6		3.2	142.8
Active Cosmetics Total	**366.1**		**5.7**	**371.8**
Other (1)	5.4	3.8		9.2
The Body Shop	**363.6**	**7.0**	**-78.5**	**292.1**
Dermatology		**46.5**	**6.6**	**53.1**
Group Total	**4,344.4**	**1,143.5**	**44.6**	**5,532.5**

(1) After reclassification of the "distance sales" activity to the Consumer Products Division.

2008 acquisitions mainly relate to YSL Beauté and CollaGenex for €1,064.2 million. The provisional goodwill totalling €1,017.6 million resulting from the acquisition of YSL Beauté has been allocated to the YSL Beauté Cash Generating Unit for €582.7 million, with the remainder allocated among the various Luxury Products Division CGUs on the basis of expected synergies. No disposal took place during 2008. The other movements consist mainly of a positive impact of changes in exchange rates for €55.5 million, partly offset by €10.9 million of an impairment loss on Yue Sai (included in the *other* line of Luxury Products).

The accumulated impairment losses for Softsheen Carson and Yue Sai amount respectively to €64.8 and €11.8 million at December 31st, 2008.

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€ millions 2007	12.31.2006	Acquisitions/ Disposals	Other movements	12.31.2007
L'Oréal Professionnel/Kérastase	304.3	29.3	-6.8	326.9
Matrix	180.6	80.8	1.7	263.1
Redken/PureOlogy	101.4	290.6	6.3	398.3
Professionnal Products Total	**586.3**	**400.7**	**1.1**	**988.2**
L'Oréal Paris	741.1		-2.6	738.5
Maybelline/Garnier	1,016.4	1.0	-57.7	959.8
SoftSheen Carson	76.5		-8.1	68.4
Other	2.0		-0.1	1.9
Consumer Products Total	**1,836.0**	**1.0**	**-68.5**	**1,768.5**
Lancôme	562.4		-2.8	559.6
Shu Uemura	109.4		-7.2	102.2
Perfumes	159.8		-0.1	159.7
Other	33.2		-2.1	31.1
Luxury Products Total	**864.8**		**-12.1**	**852.6**
Vichy/Dermablend	203.2		23.3	226.5
Other	172.5		-32.9	139.6
Active Cosmetics Total	**375.7**		**-9.6**	**366.1**
Other	5.3		0.1	5.4
The Body Shop	**385.8**	**8.2**	**-30.4**	**363.6**
Group Total	**4,053.9**	**409.9**	**-119.4**	**4,344.4**

2007 acquisitions relate to Maly's West, Beauty Alliance and PureOlogy for €402.6 million. No disposal took place during 2007. The other movements consist mainly of a negative impact of changes in exchange rates for €184.5 million, partly offset by €63.8 million due to the reclassification of the goodwill on the acquisition of the 30% stake in Beauty Alliance recorded in Investments in associates at the end of 2006.

The accumulated impairment losses for SoftSheen Carson amount to €66.0 million at December 31st, 2007.

NOTE 12 Other intangible assets

€ millions 2009	12.31.2008	Acquisitions/ Amortisation	Disposals/ Reversals	Changes in the scope of consolidation (1)	Other movements	12.31.2009
Brands with an indefinite life span (2)	1,174.0				9.1	1,183.1
Depreciable brands and product ranges	62.1	1.7			-1.2	62.6
Licences and patents	608.2	43.4			11.3	662.9
Other	745.0	63.5	-23.8	2.5	-11.0	776.2
Gross value	**2,589.2**	**108.7**	**-23.8**	**2.5**	**8.2**	**2,684.8**
Brands with an indefinite life span (3)	27.9	10.3			-0.9	37.3
Depreciable brands and product ranges	29.6	3.7			-0.9	32.4
Licences and patents	188.8	29.6			-0.6	217.8
Other	304.8	81.1	-23.4		-7.6	354.9
Amortisation and provisions	**551.1**	**124.7**	**-23.4**		**-10.0**	**642.4**
Other intangible assets - net	**2,038.2**	**-16.0**	**-0.4**	**2.5**	**18.2**	**2,042.4**

(1) This item consists mainly of the following changes in the scope of consolidation: Idaho Barber and Beauty Supply.
(2) At December 31st, 2009, brands with an indefinite life span consist mainly of the brands The Body Shop (€466.7 million), Matrix (€259.5 million), Kiehl's (€116.9 million) and Shu Uemura (€104.7 million).
(3) The brands Yue Sai and Biomedic have been subject to an impairment loss of respectively €7.6 million and €2.7 million in the period.

The other movements mainly consisted of changes in exchange rates over the period.

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The cumulated impairment losses amount to €14.0 million on Biomedic and €23.3 million on Yue Sai at December 31st, 2009.

€ millions 2008	12.31.2007	Acquisitions/ Amortisation	Disposals/ Reversals	Changes in the scope of consolidation [1]	Other movements	12.31.2008
Brands with an indefinite life span [2]	1,228.6			26.3	-81.0	1,174.0
Depreciable brands and product ranges	52.1	0.4		7.3	2.4	62.1
Licences and patents	478.7	6.3	-1.1	89.6	34.8	608.2
Other	627.1	71.1	-8.5	54.8	0.4	745.0
Gross value	**2,386.6**	**77.8**	**-9.6**	**178.0**	**-43.4**	**2,589.2**
Brands with an indefinite life span [3]	14.6	11.3			2.0	27.9
Depreciable brands and product ranges	22.8	4.5			2.4	29.6
Licences and patents	156.9	26.4	-1.1	0.3	6.3	188.8
Other	233.2	69.6	-8.5	17.0	-6.5	304.8
Amortisation and provisions	**427.4**	**111.7**	**-9.6**	**17.3**	**4.2**	**551.1**
Other intangible assets - net	**1,959.2**	**-34.0**	**-**	**160.7**	**-47.7**	**2,038.2**

(1) This item consists mainly of the following changes in the scope of consolidation: CollaGenex, Roger & Gallet (YSL) and Canan.
(2) At December 31st, 2008, brands with an indefinite life span consist mainly of the brands The Body Shop (€437.1 million), Matrix (€267.1 million), Kiehl's (€120.0 million) and Shu Uemura (€109.3 million).
(3) The Biomedic brand has been subject to an impairment loss of €11.3 million in the period.

The other movements mainly consisted of changes in exchange rates over the period.

The cumulated impairment losses amount to €11.3 million on Biomedic and €16.6 million on Yue Sai at December 31st, 2008.

€ millions 2007	12.31.2006	Acquisitions/ Amortisation	Disposals/ Reversals	Changes in the scope of consolidation [1]	Other movements	12.31.2007
Brands with an indefinite life span [2]	1,268.8			60.6	-100.8	1,228.6
Depreciable brands and product ranges	49.6	1.5	-0.1	1.9	-0.8	52.1
Licences and patents	458.1	35.6	-5.0	1.1	-11.1	478.7
Other	381.0	57.2	-8.5	172.8	24.7	627.1
Gross value	**2,157.5**	**94.3**	**-13.6**	**236.4**	**-88.0**	**2,386.6**
Brands with an indefinite life span	15.3				-0.7	14.6
Depreciable brands and product ranges	18.8	6.0	-0.1		-1.9	22.8
Licences and patents	143.6	20.1	-3.0		-3.8	156.9
Other	187.1	57.5	-8.5		-3.0	233.2
Amortisation and provisions	**364.8**	**83.5**	**-11.5**		**-9.4**	**427.4**
Other intangible assets - net	**1,792.8**	**10.8**	**-2.1**	**236.4**	**-78.7**	**1,959.2**

(1) This item consists mainly of changes in the scope of consolidation: Maly's West, Beauty Alliance and PureOlogy.
(2) At December 31st, 2007, brands with an indefinite life span consist mainly of the brands The Body Shop (€565.8 million), Matrix (€255.3 million), Kiehl's (€115.3 million) and Shu Uemura (€90.5 million).

The other movements mainly consisted of changes in exchange rates over the period.

The cumulated impairment losses amount to €14.6 million on Yue Sai at December 31st, 2007.

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NOTE 13 Impairment tests on intangible assets

Impairment tests of Cash Generating Units for which the carrying amount of goodwill and intangible assets with indefinite useful lives is significant, are carried out based on the following data and assumptions:

€ millions	Goodwill and brands with indefinite useful lives net book value	Discount rate in % International without USA	Discount rate in % USA
2009 Test			
Lancôme	767.6	7.9	8.9
YSL Beauté	589.1	7.9	(1)
Matrix	525.8	7.9	8.9
L'Oréal Paris	756.6	7.9	8.9
Maybelline/Garnier	992.8	7.9	8.9
The Body Shop	779.2	7.9	(1)
2008 Test			
Lancôme	773.0	8.5	8.9
Matrix	539.3	8.5	8.9
L'Oréal Paris	756.4	8.5	8.9
Maybelline/Garnier	1,003.5	8.5	8.9
The Body Shop	729.2	8.9	(1)
2007 test			
Lancôme	559.6	8.6	9.1
Matrix	518.4	8.6	9.1
L'Oréal Paris	738.5	8.6	9.1
Maybelline/Garnier	959.8	8.6	9.1
The Body Shop	929.4	9.4	(1)

(1) Since flows in USD of YSL Beauté and The Body Shop Cash Generating Units are not significant, no specific discount rate is used.

At December 31st, 2009, the effect of 1 point increase in the discount rate on all Cash Generating Units would be to generate an impairment loss of €123 million of which €86 million on Matrix.

The terminal growth rate is consistent in accordance with market data i.e. 3%.

The effect of 1 point decrease in the terminal growth rate in perpetuity on all Cash Generating Units would be to generate an impairment loss of €72 million of which €50 million on Matrix.

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NOTE 14 Tangible assets

€ millions 2009	12.31.2008	Acquisitions/ Amortisation	Disposals/ Reversals	Translation difference	Other movements (1)	12.31.2009
Land and buildings	1,608.5	34.1	-45.3	14.2	52.2	1,663.7
Machinery and equipment	2,459.8	115.3	-141.5	12.3	49.2	2,495.1
POS, stands and displays	1,081.5	151.4	-163.9	6.3	5.4	1,080.7
Other tangible assets and assets-in-progress	1,161.4	216.6	-76.8	-3.8	-133.3	1,164.1
Gross value	**6,311.2**	**517.4**	**-427.5**	**29.0**	**-26.5**	**6,403.6**
Land and buildings	819.8	75.5	-26.3	5.8	-3.2	871.6
Machinery and equipment	1,525.5	242.6	-137.0	5.5	-19.0	1,617.6
POS, stands and displays	637.3	233.5	-161.2	3.2	5.9	718.6
Other tangible assets and assets-in-progress	575.4	114.8	-74.5	-0.5	-18.4	596.8
Depreciation and provisions	**3,557.9**	**666.4**	**-399.0**	**14.0**	**-34.7**	**3,804.6**
Tangible assets - net	**2,753.3**	**-149.0**	**-28.5**	**15.0**	**8.2**	**2,599.0**

(1) These mainly include the impact of changes in the scope of consolidation, and fixed assets in progress allocated to the other fixed assets items.

€ millions 2008	12.31.2007	Acquisitions/ Amortisation	Disposals/ Reversals	Translation difference	Other movements (1)	12.31.2008
Land and buildings	1,536.9	31.2	-15.5	-31.8	87.7	1,608.5
Machinery and equipment	2,260.1	149.0	-131.5	-21.4	203.7	2,459.8
POS, stands and displays	883.5	261.8	-100.3	-32.8	69.3	1,081.5
Other tangible assets and assets-in-progress	1,165.0	239.1	-82.5	-3.2	-157.0	1,161.4
Gross value	**5,845.5**	**681.1**	**-329.8**	**-89.2**	**203.7**	**6,311.2**
Land and buildings	764.1	73.5	-14.0	-11.9	8.1	819.8
Machinery and equipment	1,366.9	218.6	-129.2	-8.0	77.3	1,525.5
POS, stands and displays	510.7	212.3	-100.1	-21.8	36.2	637.3
Other tangible assets and assets-in-progress	552.6	101.0	-81.5	-7.0	10.3	575.4
Depreciation and provisions	**3,194.3**	**605.4**	**-324.8**	**-48.8**	**131.8**	**3,557.9**
Tangible assets - net	**2,651.2**	**75.7**	**-5.1**	**-40.4**	**71.9**	**2,753.3**

(1) These mainly include the impact of changes in the scope of consolidation, and fixed assets in progress allocated to the other fixed assets items.

€ millions 2007	12.31.2006	Acquisitions/ Amortisation	Disposals/ Reversals	Translation difference	Other movements (1)	12.31.2007
Land and buildings	1,533.4	36.8	-47.3	-31.4	45.4	1,536.9
Machinery and equipment	2,176.1	140.3	-69.6	-65.4	78.7	2,260.1
POS, stands and displays	839.1	239.9	-159.9	-41.9	6.2	883.5
Other tangible assets and assets-in-progress	1,106.7	280.7	-52.1	-54.3	-116.0	1,165.0
Gross value	**5,655.3**	**697.7**	**-328.9**	**-193.0**	**14.3**	**5,845.5**
Land and buildings	733.8	70.4	-37.0	-15.6	12.5	764.1
Machinery and equipment	1,271.5	209.0	-67.4	-37.5	-8.7	1,366.9
POS, stands and displays	492.7	201.1	-159.7	-22.2	-1.2	510.7
Other tangible assets and assets-in-progress	528.9	95.1	-49.5	-24.5	2.6	552.6
Depreciation and provisions	**3,026.9**	**575.6**	**-313.6**	**-99.8**	**5.2**	**3,194.3**
Tangible assets - net	**2,628.4**	**122.1**	**-15.3**	**-93.2**	**9.1**	**2,651.2**

(1) These mainly include the impact of changes in the scope of consolidation, and fixed assets in progress allocated to the other fixed assets items.

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Tangible assets include capital lease contracts for the following amounts:

€ millions	12.31.2009	12.31.2008	12.31.2007
Land and buildings	112.6	111.1	109.2
Machinery and equipment	5.5	6.4	2.8
Other tangible assets and assets-in-progress	20.9	20.9	22.2
Gross value	**139.0**	**138.4**	**134.2**
Depreciation	62.3	56.7	54.8
Net value	**76.7**	**81.7**	**79.4**

NOTE 15 Non-current financial assets

	12.31.2009		12.31.2008		12.31.2007	
€ millions	Balance sheet value	Acquisition cost	Balance sheet value	Acquisition cost	Balance sheet value	Acquisition cost
Financial assets available for sale						
• Sanofi-Aventis (1)	6,509.6	4,033.5	5,367.5	4,033.5	7,446.0	4,033.5
• Unlisted securities (2)	4.1	4.9	4.8	5.7	4.5	5.7
Financial assets at amortised cost						
Non-current loans and receivables	158.5	168.9	185.1	194.8	158.4	168.8
Total	**6,672.2**	**4,207.3**	**5,557.4**	**4,234.0**	**7,608.9**	**4,208.0**

(1) L'Oréal's stake in Sanofi-Aventis was 8.97% at December 31st, 2009. The balance sheet value at December 31st, 2007, December 31st, 2008 and December 31st, 2009 (€7,446.0 million, €5,367.5 million and €6,509.6 million, respectively) corresponds to the market value of the shares based on the closing price at December 31st, 2007, 2008 and 2009 (€62.98, €45.40 and €55.06, respectively). The acquisition cost of €4,033.5 million corresponds to an entry cost of €34.12.
(2) As their fair value cannot be reliably determined, they are stated at cost net of any impairment losses.

NOTE 16 Inventories

€ millions	12.31.2009	12.31.2008	12.31.2007
Finished products and consumables	1,326.4	1,479.9	1,369.7
Raw materials, packaging and semi-finished products	357.1	372.7	323.3
Gross value	**1,683.5**	**1,852.6**	**1,693.0**
Valuation allowance	206.8	217.1	145.4
Inventories - net	**1,476.7**	**1,635.5**	**1,547.6**

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NOTE 17 Trade accounts receivable

€ millions	12.31.2009	12.31.2008	12.31.2007
Gross value	2,493.5	2,739.9	2,658.3
Valuation allowance	50.2	45.3	40.8
Net value	**2,443.3**	**2,694.6**	**2,617.5**

Trade accounts receivable are due within one year. Group policy is to recommend credit insurance coverage as far as local conditions allow. The non-collection risk on trade receivables is therefore minimised, and this is reflected in the limited level of allowance (2% of gross receivables).

NOTE 18 Other current assets

€ millions	12.31.2009	12.31.2008 (1)	12.31.2007 (1)	01.01.2007 (1)
Tax and Employee-related receivables (excluding income tax)	268.3	256.7	223.5	221.4
Prepaid expenses	168.1	139.6	148.5	167.0
Derivatives	65.4	267.1	177.2	109.1
Other current assets (1)	231.0	322.4	258.7	232.6
Total	**732.8**	**985.8**	**807.9**	**730.1**

(1) Amounts restated according to changes in accounting methods described on note 1.1.1. Advertising and promotion expenses.

NOTE 19 Cash and cash equivalents

	12.31.2009		12.31.2008		12.31.2007	
€ millions	Balance sheet value	Acquisition cost	Balance sheet value	Acquisition cost	Balance sheet value	Acquisition cost
Marketable securities	83.3	82.9	82.8	82.7	135.5	130.0
Bank accounts and other cash and cash equivalents	1089.8	1089.8	994.3	994.3	951.2	951.2
Total	**1,173.1**	**1,172.7**	**1,077.1**	**1,077.0**	**1,086.7**	**1,081.2**

The marketable securities consist mainly of money-market SICAV investment funds and unit trusts (on which the return is based on EONIA) and short-term investments. They are considered as *Financial assets available for sale*. At December 31st, 2009, they are exclusively comprised of investments invested in government bonds of the Euro-zone through mutual funds.

Unrealised gains recorded at period end amount to €0.4 million compared with €0.1 million and €5.5 million in 2008 and in 2007 and are recorded directly through shareholders' equity.

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NOTE 20 Shareholders' equity

20.1. Share capital and additional paid-in capital

The share capital consists of 598,972,410 shares with a par value of €0.20 at December 31st, 2009 following the decision made by the Board of Directors on February 16th, 2009 to cancel 3,970,600 shares and the exercise of subscription options for 527,200 shares.

The share capital consists of 602,415,810 shares with a par value of €0.20 at December 31st, 2008 following the decision made by the Board of Directors on February 13th and August 28th, 2008 to cancel respectively 7,187,000 and 8,410,400 shares and the exercise of subscription options for 37,600 shares.

The share capital consisted of 617,975,610 shares with a par value of €0.20 at December 31st, 2007 following the decision made by the Board of Directors on February 14th and August 30th, 2007 to cancel respectively 13,490,750 and 8,225,100 shares and the exercise of subscription options for 75,050 shares.

20.2. Treasury stock

The shares bought under the L'Oréal share buyback programme authorised by the Annual General Meeting of Shareholders are deducted from consolidated shareholders' equity. Capital gains or losses relating to these shares net of tax are also recorded in shareholders' equity.

a) 2009

The change in the number of shares is as follows for the year 2009:

In shares	Share capital	Treasury stock	Common shares outstanding
At 01.01.2009	**602,415,810**	**-19,275,342**	**583,140,468**
Cancelled shares	-3,970,600	3,970,600	
Exercised options	527,200	1,064,242	1,591,442
Treasury stock purchased		3,750	3,750
At 12.31.2009	**598,972,410**	**-14,236,750**	**584,735,660**

The change in the treasury stock is as follows for the year 2009:

In shares	Buyback programme	Allocated to the SO plan	Total	*€ millions*
At 01.01.2009	**3,808,000**	**15,467,342**	**19,275,342**	**1,410.6**
Cancelled shares	-3,808,000	-162,600	-3,970,600	-272.3
Exercised options		-1,064,242	-1,064,242	-66.5
Treasury stock purchased	-	-3,750	-3,750	-0.3
At 12.31.2009		**14,236,750**	**14,236,750**	**1,071.6**
€ millions		1,071.6	1,071.6	

b) 2008

The change in the number of shares is as follows for the year 2008:

In shares	Share capital	Treasury stock	Common shares outstanding
At 01.01.2008	**617,975,610**	**-22,664,937**	**595,310,673**
Cancelled shares	-15,597,400	15,597,400	
Exercised options	37,600	579,195	616,795
Treasury stock purchased		-12,787,000	-12,787,000
At 12.31.2008	**602,415,810**	**-19,275,342**	**583,140,468**

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The change in the treasury stock is as follows for the year 2008:

In shares	Buyback programme	Allocated to the SO plan	Total	*€ millions*
At 01.01.2008	**6,281,000**	**16,383,937**	**22,664,937**	**1,787.2**
Cancelled shares	-15,260,000	-337,400	-15,597,400	-1,288.9
Exercised options		-579,195	-579,195	-32.1
Treasury stock purchased	12,787,000		12,787,000	944.4
At 12.31.2008	**3,808,000**	**15,467,342**	**19,275,342**	**1,410.6**
€ millions	**259.6**	**1,151.0**	**1,410.6**	

c) 2007

The change in the number of shares is as follows for the year 2007:

In shares	Share capital	Treasury stock	Common shares outstanding
At 01.01.2007	**639,616,410**	**-33,894,300**	**605,722,110**
Cancelled shares	-21,715,850	21,715,850	
Exercised options	75,050	4,886,613	4,961,663
Treasury stock purchased		-15,373,100	-15,373,100
At 12.31.2007	**617,975,610**	**-22,664,937**	**595,310,673**

The change in the treasury stock is as follows for the year 2007:

In shares	Buyback programme	Allocated to the SO plan	Total	*€ millions*
At 01.01.2007	**12,393,000**	**21,501,300**	**33,894,300**	**2,496.3**
Cancelled shares	-21,485,100	-230,750	-21,715,850	-1,709.1
Exercised options		-4,886,613	-4,886,613	-337.4
Treasury stock purchased	15,373,100		15,373,100	1,337.4
At 12.31.2007	**6,281,000**	**16,383,937**	**22,664,937**	**1,787.2**
€ millions	**578.7**	**1,208.5**	**1,787.2**	

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20.3. Share subscription or purchase options - Free shares

1) Share subscription or purchase options

The table below sets out the data concerning option plans issued after November 7th, 2002 and in force at December 31st, 2009.

Grant date	Number of options	Number of options not yet exercised	Exercise period from	Exercise period to	Exercise price
12.03.2003	2,500,000	2,039,500	12.04.2008	12.03.2013	63.02
12.03.2003	2,500,000	2,125,750	12.04.2008	12.03.2013	71.90
03.24.2004	2,000,000	1,758,000	03.25.2009	03.24.2014	64.69
12.01.2004	4,000,000	3,497,050	12.02.2009	12.01.2014	55.54
06.29.2005	400,000	400,000	06.30.2010	06.29.2015	60.17
11.30.2005	4,200,000	4,001,200	12.01.2010	11.30.2015	61.37
11.30.2005	1,800,000	1,714,800	12.01.2010	11.30.2015	62.94
04.25.2006	2,000,000	2,000,000	04.26.2011	04.25.2016	72.60
12.01.2006	5,500,000	5,303,750	12.02.2011	12.01.2016	78.06
11.30.2007	4,000,000	3,898,100	12.01.2012	11.30.2017	91.66
03.25.2009	3,650,000	3,650,000	03.26.2014	03.25.2019	50.11

All plans have a 5-year exercise period and no performance related conditions, except the March 25th, 2009 plan for the members of the Management Committee. For these managers, the performance conditions associated with this plan concern:

- for 50% of granted options, the increase in comparable Cosmetic revenues for the 2010, 2011, 2012 and 2013 fiscal years in relation with the growth of the cosmetics market;
- for 50% of granted options, the percentage reached, over the same period, of the ratio between the contribution before advertising and promotion expenses, *i.e.* sum of the operating profit and advertising and promotion expenses, and published Cosmetic revenues.

The calculation will be based on the arithmetic average of the performance in the 2010, 2011, 2012 and 2013 fiscal years and will use a predefined allocation scale based on the performance percentage reached.

The fair value of options is determined using the Black & Scholes method based on the following assumptions:

	Purchase options		Subscription options								
	December 2003	November 2005	December 2003	March 2004	December 2004	June 2005	November 2005	April 2006	December 2006	November 2007	March 2009
Risk-free rate of return	4.22%	3.16%	3.92%	3.39%	3.17%	2.63%	3.16%	3.80%	3.62%	4.01%	3.15%
Expected life span	8 years	6 years	6 years	7 years	6 years	6 years	6 years	6 years	7 years	7 years	7 years
Expected volatility	21.50%	21.00%	21.50%	23.67%	18.70%	17%	21%	20.50%	22.52%	23%	31.95%
Expected dividends	1%	1.35%	1%	1.20%	1.34%	1.38%	1.35%	1.35%	1.35%	1.24%	2.83%
Share price	63.45	61.3	63.45	60.6	54.6	59.4	61.3	74.10	74.60	94.93	50.94
Exercise price	71.90	62.94	63.02	64.69	55.54	60.17	61.37	72.60	78.06	91.66	50.11
Fair value	15.24	12.3	15.66	14.67	10.15	9.45	12.88	17.48	17.19	25.88	12.16

Expected volatility is equal to the implicit volatility of the options listed on the MONEP at the grant dates. As from 2007, in order to mitigate the effects of the atypical phenomena, the retained volatility corresponds to the average between the implied volatility at the grant date and the historic volatility over the expected life span of the option. The expected life span has been adjusted to take account of behavioural assumptions relating to the beneficiaries.

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Data concerning all share option plans during fiscal years 2007, 2008 and 2009 are set out below:

	12.31.2009		12.31.2008		12.31.2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Number of options not exercised at beginning of period	39,166,092	72.39	40,825,387	71.96	42,017,800	69.86
• Options granted	3,650,000	50.11	-		4,000,000	91.66
• Options exercised	-1,591,442	59.87	-616,795	55.38	-4,961,663	68.47
• Options expired	-1,173,650		-1,042,500		-230,750	
Number of options not exercised at end of period	40,051,000	70.86	39,166,092	72.39	40,825,387	71.96
Of which:						
- number of exercisable options at end of period	19,083,150	71.32	15,759,342	74.88	12,208,837	77.30
- expired options at the end of period	571,000		1,215,250		1,999,750	

The average weighted price of the share amounted to €60.37, €72.56 and €86.20 respectively for 2009, 2008 and 2007.

The total charge recorded in 2009, 2008 and 2007 amounted to €74.5, €85.9 and €69.1 million respectively.

2) Free shares

On March 25th, 2009, the Board of Directors decided to grant 270,000 free shares to employees subject to a number of conditions.

Conditions of vesting of the rights

For the conditional grant of shares, the plan provides a 4-year vesting period after which the acquisition is effective and final, subject to meeting the conditions of the plan. After this vesting period, a 2-year mandatory holding period is added for French residents, during which the shares cannot be sold.

The performance conditions concern:

- for 50% of granted shares, the increase in comparable Cosmetic revenues for the 2010, 2011 and 2012 fiscal years in relation with the growth of the cosmetics market;
- for 50% of granted shares, the percentage reached, over the same period, of the ratio between operating profit and published Cosmetic revenues.

The calculation will be based on the arithmetic average of the performance in the 2010, 2011 and 2012 fiscal years and will use a predefined allocation scale based on the performance percentage reached.

Fair value of the conditionally granted shares

The fair value corresponds to the value of the share at the grant date after deduction of the expected dividend payment during the vesting period. For French residents, the additional 2-year holding period has led to the valuation of an illiquidity cost on the basis of a lending rate granted to the employee equivalent to the rate which would be granted by a bank to a private individual with an average financial profile. The illiquidity discount amounts to 8.47% of the share value at the grant date.

On the basis of these assumptions, the fair values amount to €40.23 for French residents and €44.55 for non-residents.

The expense accounted for in 2009 amounts to €2.2 million.

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20.4. Items directly recognised in equity

The following tables indicate movements on the various types of item:

€ millions	12.31.2009	12.31.2008	12.31.2007
Financial assets available for sale			
Reserve at beginning of period	1,334.0	3,417.9	5,134.4
Changes in fair value over period	1,142.5	-2,074.2	-1,053.5
Impairment loss recorded in profit and loss account	-	-	-
Changes in fair value recorded in profit and loss account on disposal	-0.1	-9.7	-663.0
Reserve at end of period	**2,476.4**	**1,334.0**	**3,417.9**

€ millions	12.31.2009	12.31.2008	12.31.2007
Cash flow hedge - foreign exchange			
Reserve at beginning of period	162	72.7	33.3
Changes in fair value over period	-146.7	178.6	100.8
Changes in fair value recorded in profit and loss account	-7.2	-89.3	-61.4
Reserve at end of period	**8.1**	**162.0**	**72.7**

A 10% increase (decrease) of the euro against all Group currencies would have had an effect of +€136.6 million (-€136.1 million) on the foreign exchange cash flow hedge reserve and the market value of hedging instruments at December 31st, 2009.

A 10% increase (decrease) of the euro against all Group would have had an effect of +€174.3 million (-€176.9 million) on the reserve of foreign exchange cash flow hedge reserve and the market value of hedging instruments at December 31st, 2008.

A 10% increase (decrease) of the USD against the main Group currencies would have had an effect of -€18.0 million (€21.6 million) on the foreign exchange cash flow hedge reserve and the market value of hedging instruments at December 31st, 2009.

A 10% increase (decrease) of the USD against the main Group currencies (CHF, MXN) would have had an effect of -€15.1 million (+€19.8 million) on the foreign exchange cash flow hedge reserve and the market value of hedging instruments at December 31st, 2008.

€ millions	12.31.2009	12.31.2008	12.31.2007
Cash flow hedge - interest rates			
Reserve at beginning of period	-1.3	-0.3	0.4
Changes in fair value over period	-0.8	-1.0	0.5
Changes in fair value recorded in profit and loss account	0.5	-	-1.2
Reserve at end of period	**-1.6**	**-1.3**	**-0.3**

€ millions	12.31.2009	12.31.2008	12.31.2007
Actuarial gains/(losses) and impact of asset ceiling			
Reserve at beginning of period	-267.6	-107.2	-272.4
Actuarial gains/(losses) over the period	-140.9	-160.4	165.2
Impact of asset ceiling	-2.0	-	
Reserve at end of period	**-410.5**	**-267.6**	**-107.2**

€ millions	12.31.2009	12.31.2008	12.31.2007
Total items directly recognised in equity			
Gross reserve	2,072.4	1,227.1	3,383.1
Associated tax effect	97.5	36.1	-42.5
Reserve net of tax	**2,169.9**	**1,263.2**	**3,340.6**

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NOTE 21 Post-employment benefits, termination benefits and other long-term employee benefits

The Group adheres to pension, early retirement and other benefit schemes depending on local legislation and regulations.

For obligatory state schemes and other defined-contribution schemes, the Group charges to profit and loss account the contributions to be paid when they are due and no provision has been set aside, with the Group's commitment not exceeding the amount of contributions paid.

For defined benefit schemes, the characteristics of the schemes in force inside the Group are as follows:

- French regulations provide for specific length-of-service awards payable to employees on retirement. In addition, an early retirement plan and a defined benefit plan have been set up. In some Group companies there are also measures providing for the payment of certain healthcare costs for retired employees.

  These obligations, except for those relating to healthcare costs for retired employees, are partially funded;

- for foreign subsidiaries with employee pension schemes or other specific obligations relating to defined benefits, the excess of obligations over the scheme's assets is recognised by setting up a provision for charges on the basis of the actuarial value of vested rights of employees.

Pension obligations are determined and recognised in accordance with the accounting principles presented in note 1.25. In particular, the Group has decided to adopt as from January 1st, 2009 the IAS 19 option allowing the direct recognition in equity of actuarial gains and losses. This replaces the previously applied corridor method (see note 1.1.2.).

The actuarial assumptions used to calculate these obligations take into account the economic conditions specific to each country or Group company. The weighted average assumptions for the Group are as follows:

	12.31.2009	12.31.2008	12.31.2007
Discount rate	5.3%	5.8%	5.3%
Salary increase	4.9%	4.8%	4.8%
Expected long-term return on assets	5.9%	6.2%	6.0%

	12.31.2009			12.31.2008			12.31.2007		
	Initial rate	Ultimate rate	Application of ultimate rate	Initial rate	Ultimate rate	Application of ultimate rate	Initial rate	Ultimate rate	Application of ultimate rate
Expected rate of health care inflation	6.3%	4.1%	2016	7.0%	4.8%	2016	6.1%	5.0%	2013

The discount rates are obtained by reference to market yields on high quality corporate bonds having maturity dates equivalent to those of the obligations.

They can be broken down by geographic zone as follows:

In %	2009	2008	2007
Weighted average (All countries)	**5.3%**	**5.8%**	**5.3%**
of which:			
Euro zone	5.2%	5.9%	5.2%
United States	5.8%	6.3%	6.0%
United Kingdom	5.8%	6.3%	5.5%

A 50 basis point decrease in the discount rates would increase the projected defined benefit obligation by €139 million for the Euro zone, €28 million for the United States and €31 million for the United Kingdom.

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The expected return on plan assets is determined on the basis of the asset allocation of the investment portfolio taking into account for each class of assets returns corresponding to their risks and past performance.

It can be broken down by geographic zone as follows:

In %	2009	2008	2007
Weighted average (All countries)	**5.9%**	**6.2%**	**6.0%**
of which:			
Euro zone	6.0%	6.4%	5.7%
United States	6.8%	6.8%	7.0%
United Kingdom	6.1%	6.6%	6.5%

The plan assets of retirement plans are invested as follows:

In %	12.31.2009	12.31.2008	12.31.2007
Equity securities (1)	36.3%	31.8%	38.7%
Bonds	53.2%	50.7%	48.7%
Property assets (2)	5.2%	6.3%	6.2%
Monetary instruments	1.1%	5.3%	1.0%
Others	4.2%	5.9%	5.4%
Total	**100%**	**100%**	**100%**

(1) Of which L'Oréal shares: nil.
(2) Of which property assets occupied by Group entities: nil.

Allocation of investments in plan assets has to comply with determined proportions between the different classes of assets and meet minimum rating criteria for monetary instruments and bonds.

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The variations during 2009, 2008 and 2007 are set out below:

€ millions	Present value of defined benefit obligations	Plan assets	Unrecognised plan amendments	Net provisions
Balance at December 31st, 2006 (1)	**2,532.1**	**-1,440.7**	**18.9**	**1,110.3**
Service cost	102.5			102.5
Interest cost	114.9			114.9
Expected return on assets		-83.5		-83.5
Past service cost: new plans/plan amendments	5.1		-23.5	-18.4
Curtailments				
Settlements				
Benefits paid	-102.4	76.9		-25.6
Contribution paid	6.1	-174.7		-168.6
Actuarial gains and losses	-207.8	50.9		-156.9
Translation differences	-81.0	63.4	-0.6	-18.2
Other movements	0.6	-0.5		0.1
Balance at December 31st, 2007 (1)	**2,370.1**	**-1,508.2**	**-5.1**	**856.7**
Service cost	90.7			90.7
Interest cost	121.0			121.0
Expected return on assets		-94.5		-94.5
Past service cost: new plans/plan amendments	-18.2		-0.2	-18.4
Curtailments	-4.7			-4.7
Settlements	-6.2	6.2		0.0
Benefits paid	-100.7	81.9		-18.8
Contribution paid	4.3	-177.7		-173.4
Actuarial gains and losses	-207.6	373.3		165.7
Translation differences	-31.6	29.9	0.3	-1.4
Other movements	71.3	-32.6		38.7
Balance at December 31st, 2008 (1)	**2,288.4**	**-1,321.7**	**-5.0**	**961.6**
Service cost	87.2			87.2
Interest cost	127.6			127.6
Expected return on assets		-89.5		-89.5
Past service cost: new plans/plan amendments	0.1		-0.7	-0.6
Curtailments	-14.8		11.8	-3.0
Settlements	-0.8	0.6		-0.2
Benefits paid	-130.0	95.9		-34.1
Contribution paid	4.5	-181.2		-176.7
Actuarial gains and losses	222.0	-79.1		142.9
Translation differences	0.9	-3.8	-0.2	-3.1
Other movements	15.4	-6.2		9.2
Balance at December 31st, 2009	**2,600.5**	**-1,585.0**	**5.9**	**1,021.4**

(1) Taking into account changes in accounting policies (See note 1.1.2.).

The total present value of defined benefit obligations breaks down as follows between wholly or partly funded plans and wholly unfunded plans:

€ millions	12.31.2009	12.31.2008	12.31.2007
Present value of defined benefit obligations that are wholly or partly funded	2,279.5	2,029.1	2,117.1
Fair value of plan assets	1,585.0	1,321.7	1,508.2
Net position of defined benefit obligations that are wholly or partly funded	694.5	699.3	603.2
Present value of defined benefit obligations that are wholly unfunded	321.0	259.2	252.9

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The retirement expense charged to the profit and loss account is recorded with personnel expenses in operational profit and may be analysed as follows:

€ millions	2009	2008	2007
Service cost	87.2	90.7	102.5
Interest cost	127.6	121.0	114.9
Expected return on assets	-89.5	-94.5	-83.5
Amortisation of unrealised gains and losses	-	1.1	8.1
New plans/plan modifications	-0.6	-18.4	-18.4
Curtailments	-3.0	-0.7	
Settlements	-0.2	-0.2	
Total	**121.5**	**99.0**	**123.7**

The contributions to defined-contribution plans recognised as an expense in 2009, 2008 and 2007 amounted respectively to €301.0, €295.8 and €271.8 million.

In respect of the medical care plans, a change of one percentage point in medical cost inflation has the following impact:

	Increase of 1%	Decrease of 1%
Impact on the defined benefit obligation	8.75	-7.27
Impact on the current service cost and interest costs	0.82	-0.67

The defined benefit obligation, the fair value of the plan assets and the actuarial gains (losses) generated for the current year and the three previous years are as follows:

€ millions	12.31.2009	12.31.2008	12.31.2007	12.31.2006	12.31.2005
Defined benefit obligation	2,600.5	2,288.4	2,370.1	2,532.1	2,550.5
Plan assets	-1,585.0	-1,321.7	-1,508.2	-1,440.7	-1,302.0
(Surplus)/Deficit	**1,015.5**	**966.7**	**861.9**	**1,091.4**	**1,248.5**
Experience adjustments generated on the obligation	-33.0	12.1	44.3	-43.3	-62.7
Experience adjustments generated on the plan assets	81.0	-373.3	-50.9	32.0	43.4

NOTE 22 Provisions for liabilities and charges

22.1. Balances at closing date

€ millions	12.31.2009	12.31.2008	12.31.2007
Non-current provisions for liabilities and charges	**125.6**	**111.4**	**148.5**
Provisions for restructuring	0.4	0.8	1.0
Other non-current provisions [1]	125.2	110.6	147.5
Current provisions for liabilities and charges	**510.0**	**431.1**	**285.7**
Provisions for restructuring	179.8	124.3	9.6
Other current provisions [1]	330.2	306.8	276.1
Total	**635.6**	**542.5**	**434.2**

(1) This item includes provisions for tax risks and litigation, industrial and commercial risks relating to operations (breach of contract, product returns) and personnel costs.

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22.2. Variations in provisions for restructuring and other provisions for liabilities and charges during the year

€ millions	12.31.2007	12.31.2008	Charges (2)	Reversals (used) (2)	Reversals (not used) (2)	Impact of change in scope/ Exchange rate/ Other (1)	12.31.2009
Provisions for restructuring	10.6	125.1	146.0	-83.5	-12.0	4.6	180.2
Other provisions for liabilities and charges	423.6	417.4	225.4	-150.9	-36.6	0.1	455.4
Total	**434.2**	**542.5**	**371.4**	**-234.4**	**-48.6**	**4.7**	**635.6**

(1) Mainly resulting from translation differences.
(2) These figures may be analysed as follows:

€ millions	Charges	Reversals (used)	Reversals (not used)
• Other income and expenses	146.0	-83.5	-12.0
• Operating profit	178.0	-129.5	-27.9
• Financial (income) /expense	0.1	-0.8	-
• Income tax	47.3	-20.6	-8.7

For 2008, the change was analysed as follows:

€ millions	12.31.2006	12.31.2007	Charges (2)	Reversals (used) (2)	Reversals (not used) (2)	Impact of change in scope/ Exchange rate/ Other (1)	12.31.2008
Other provisions for liabilities and charges	405.8	423.6	157.2	-127.6	-58.7	22.9	417.4
Provisions for restructuring	20.3	10.6	120.8	-6.6	-0.1	0.4	125.1
Total	**426.1**	**434.2**	**278.0**	**-134.2**	**-58.8**	**23.3**	**542.5**

(1) Mainly resulting from translation differences.
(2) These figures may be analysed as follows:

€ millions	Charges	Reversals (used)	Reversals (not used)
• Other income and expenses	120.8	-6.6	-0.1
• Operating profit	141.9	-114.2	-21.4
• Financial (income) /expense	0.3	-0.4	-
• Income tax	15.0	-13.0	-37.3

For 2007, the change was analysed as follows:

€ millions	12.31.2005	12.31.2006	Charges (2)	Reversals (used) (2)	Reversals (not used) (2)	Impact of change in scope/Exchange rate/Other (1)	12.31.2007
Other provisions for liabilities and charges	411.3	405.8	183.7	-111.0	-44.1	-10.8	423.6
Provisions for restructuring	35.0	20.3	1.6	-10.2	-0.2	-0.9	10.6
Total	**446.3**	**426.1**	**185.3**	**-121.2**	**-44.3**	**-11.7**	**434.2**

(1) Mainly resulting from translation differences
(2) These figures may be analysed as follows:

€ millions	Charges	Reversals (used)	Reversals (not used)
• Other income and expenses	1.6	-10.2	-0.2
• Operating profit	166.4	-110.6	-40.5
• Income tax	17.3	-0.4	-3.6

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NOTE 23 Borrowings and debts

The Group finances itself through medium-term bank loans, and by the issue of short-term paper in France and the issue of short-term commercial paper in the United States. None of the Group's loan agreements contain any early repayment clauses linked to financial ratio triggers.

23.1. Debt by type

	12.31.2009		12.31.2008		12.31.2007	
€ millions	Non-current	Current	Non-current	Current	Non-current	Current
Short-term paper	-	115.5	-	1,896.2	-	584.1
MLT bank loans	2,664.4	100.0	2,414.6	71.5	2,484.9	52.7
Debts on capital lease contracts	57.4	11.1	69.3	13.2	69.3	10.1
Overdrafts	-	36.0	-	63.6	-	103.1
Other borrowings and debts	19.8	127.1	22.7	226.1	28.8	126.8
Total	**2,741.6**	**389.7**	**2,506.6**	**2,270.6**	**2,583.0**	**876.8**

23.2. Debt by maturity date

€ millions	12.31.2009	12.31.2008	12.31.2007
Under 1 year	389.7	2,270.6	876.8
1 to 5 years	2,709.3	2,463.6	2,534.5
Over 5 years	32.3	43.0	48.5
Total	**3,131.3**	**4,777.2**	**3,459.8**

Interest payments anticipated as of the end of 2009 are about €28.3 million in 2010, €33.0 million for the period 2011-2014 and €1.4 million beyond 2014.

Interest payments anticipated as of the end of 2008 are about €113.6 million for 2009, €174.7 million for the period 2010-2013 and €0.9 million beyond 2013.

Interest payments anticipated as of the end of 2007 were about €125.4 million for 2008, €314.5 million for the period 2009-2012 and €0.1 million beyond 2012.

These estimations are computed on the basis of the effective interest rate at the end of the financial year, after allowing for hedging instruments and without renewal of debt on maturity.

23.3. Debt by currency (after allowing for currency hedging instruments)

€ millions	12.31.2009	12.31.2008	12.31.2007
Euro (EUR)	2,579.0	3,812.9	2,570.8
US dollar (USD)	158.5	552.5	606.7
Yen (JPY)	71.5	90.2	47.2
Rouble (RUB)	59.3	33.7	-
Canadian Dollar (CAD)	56.0	42.8	62.9
Yuan (CNY)	41.5	51.0	43.4
Others	165.5	194.1	128.8
Total	**3,131.3**	**4,777.2**	**3,459.8**

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23.4. Breakdown of fixed rate and floating rate debt (after allowing for interest rate hedging instruments)

€ millions	12.31.2009	12.31.2008	12.31.2007
Floating rate	3,052.2	4,677.4	3,373.1
Fixed rate	79.1	99.8	86.7
Total	**3,131.3**	**4,777.2**	**3,459.8**

23.5. Effective interest rates

The effective debt interest rates, after allowing for hedging instruments, were 4.32% in 2007, 3.26% in 2008 and 0.21% in 2009 for short-term paper, and 4.83% in 2007, 4.48% in 2008 and 1.02% in 2009 for bank loans.

23.6. Average debt interest rates

The average debt interest rates, after allowing for hedging instruments, were 4.35% in 2007, 4.77% in 2008 and 1.63% in 2009 for the euro and 5.03% in 2007, 2.91% in 2008 and 0.53% in 2009 for the US dollar.

23.7. Fair value of borrowings and debts

The fair value of fixed rate debt is determined for each loan by the discounting of future cash flows, based on the debenture interest rate curves at the balance sheet date, after allowing for the spread corresponding to the Group's risk rating.

The net book value of outstanding bank loans and other floating rate loans is a reasonable approximation of their fair value.

At December 31st, 2009, the fair value of the debt amounts to €3,131.7 million. At December 31st, 2008, the fair value of the debt amounted to €4,777.8 million. At December 31st, 2007, the fair value of the debt amounted to €3,464.2 million.

23.8. Debts covered by collateral

There is no significant debt covered by collateral as at December 31st, 2009, 2008 and 2007.

23.9. Confirmed credit lines

At December 31st, 2009, L'Oréal and its subsidiaries have €2,425 million of credit lines confirmed but not used, compared with €2,461 million at December 31st, 2008 and €2,625 million at December 31st, 2007.

Credit lines fall due as follows:

- €325 million in less than one year;
- €1,100 million between one year and five years;
- €1,000 million after five years.

NOTE 24 Derivatives and exposure to market risks

To manage its exposure to currency and interest rate risks arising in the course of its normal operations, the Group uses derivatives negotiated with organisations with the best credit ratings.

In accordance with the Group's rules, the currency and interest rate derivatives are set up exclusively for hedging purposes.

24.1. Hedging of currency risk

The Group is exposed to currency risk from commercial transactions recorded on the balance sheet and from future transactions considered to be highly probable.

The Group's policy on exposure to currency risk from its future commercial transactions is to hedge at the end of the year a very significant part of the currency risk of the next year using derivatives on the basis of operating budgets in each subsidiary.

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All the Group's future foreign currency flows are analysed in detailed forecasts for the coming budgetary year. Currency risks that emerge are hedged by forward contracts or by options, to reduce as far as possible the currency position of each subsidiary. The duration of the derivatives is determined as appropriate for the Group's settlement flows. Exchange rate derivatives are negotiated by Régéfi (the Group's bank) or, in exceptional cases, directly by the Group's subsidiaries when the currency is not convertible, with any such operations subject to control by Régéfi.

As the Group's companies must borrow and invest their cash in their own currency, the exchange rate risks generated by the management of their own cash and debt are almost non-existent.

Because of the Group policy of foreign exchange risk hedging a very significant part of the annual needs of the next year at the end of the year, the sensitivity of profit or loss to the changes in the foreign exchange rate on December 31st is marginal. The impact of a variation in the foreign exchange rate on the foreign exchange cash flow hedge reserve is given in note 20.4.

The following derivatives, all of which originally have a maturity of less than 18 months, are held for currency risk hedging purposes:

	Nominal			Market value		
€ millions	12.31.2009	12.31.2008	12.31.2007	12.31.2009	12.31.2008	12.31.2007
Currency futures						
Purchase EURO/foreign currency	**1,500.1**	**1,320.0**	**1,661.3**	**-17.1**	**89.1**	**34.3**
EUR/USD	298.1	233.5	595.5	4.7	3.6	12.6
EUR/CHF	228.8	120.9	105.6	-3.7	-6.4	0.5
EUR/CNY	107.9	87.9	87.7	1.6	-2.5	3.2
EUR/CAD	97.8	67.8	101.6	-2.4	7.5	-0.5
EUR/BRL	89.3	33.1	39.7	-7.2	7.5	-1.1
EUR/MXN	74.2	41.8	40.1	0.8	7.5	2.3
EUR/HKD	71.4	41.1	52.0	0.5	-0.5	4.5
EUR/JPY	69.0	82.3	48.3	1.6	-0.6	1.3
EUR/AUD	64.0	54.7	61.3	-4.2	6.1	1.0
EUR/West European currencies	115.4	122.8	134.4	-0.5	18.8	7.8
EUR/East European currencies	102.7	262.2	240.5	-1.1	38.3	1.0
EUR/Asian currencies	92.5	72.2	65.1	-2.8	3.6	2.9
EUR/Other currencies	89.0	99.7	89.5	-4.4	6.2	-1.2
Purchase USD/foreign currency	**191.4**	**111.7**	**115.2**	**-6.0**	**12.0**	**-2.1**
USD/Latin American currencies	80.4	66.7	83.4	-2.9	8.0	0.1
USD/Asian currencies	45.8	20.4	7.0	-0.6	1.3	-0.6
USD/Other currencies	65.2	24.6	24.8	-2.5	2.7	-1.6
Sale USD/CHF	**140.4**	**74.8**	**87.3**	**7.5**	**4.2**	**5.2**
Other currency pairs	173.0	161.7	176.4	0.8	-4.9	-2.4
Currency futures total	2,004.9	1,668.2	2,040.2	-14.8	100.4	35.0
Currency options						
EUR/GBP	65.0	120.5	81.4	2.1	18.3	5.6
EUR/USD	0.0	250.8	217.3	0.0	6.6	16.4
EUR/Other currencies	17.4	351.0	513.5	0.3	42.2	24.4
Other currency pairs	16.2	216.2	108.0	0.4	25.4	6.5
Currency options total	**98.6**	**938.5**	**920.2**	**2.8**	**92.5**	**52.9**
of which call options total	98.6	1,346.2	948.4	2.8	104.6	53.5
of which put options total	0.0	-407.7	-28.3	0.0	-12.1	-0.6
Total	**2,103.5**	**2,606.7**	**2,960.4**	**-12.0**	**192.9**	**87.9**

The put options total corresponds exclusively to the sale of previously purchased options when it appeared opportune to replace them by other hedging instruments.

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The market values by type of hedging are as follows:

€ millions	2009	2008	2007
Fair value hedges [1]	3.8	21.5	6.4
Cash flow hedges	-15.8	171.4	81.5
Net foreign investment hedges	-	-	-
Total	**-12.0**	**192.9**	**87.9**

(1) The fair value hedges relate to currency risks for operating receivables and payables as well as for financial debts. On December 31st, 2007, the needs for financing in US dollars are included in an amount of €442 million as currency swaps, on the EUR/USD currency futures line.

The fair value of the derivatives is their market value.

The Group has no significant foreign currency positions that are not hedged in the balance sheet.

24.2. Hedging of interest rate risk

The Group mainly refinances at floating rates and uses interest rate derivatives to reduce net exposure to interest rate risk. Such derivatives are never held for speculative reasons.

The derivatives are mainly swaps and interest rate options (purchase of caps) which are traded with specific counterparties.

The market values of the derivatives set out below should be compared with the market values of the debts that they hedge.

The interest rate derivatives are as follows:

€ millions	Notional			Market value		
Interest rate derivatives	12.31.2009	12.31.2008	12.31.2007	12.31.2009	12.31.2008	12.31.2007
Cash flow hedges						
Borrowing fixed interest-rate swaps						
EUR Euribor/fixed rate	15.2	18.6	19.5	-1.8	-1.3	-0.3
USD Libor/fixed rate		-	-			-
Purchase of caps						
USD Libor	-	288.5	271.6	-	-	-
Fair value hedges						
Borrowing floating interest-rate swaps						
EUR Euribor/fixed rate	-	69.8	121.8	-	2.2	1.5
Non designated derivatives						
Floating/floating interest-rate swaps						
EUR Euribor/Euribor	-	-	-	-	-	-
Total	**15.2**	**376.9**	**412.9**	**-1.8**	**0.9**	**1.2**

The fair value of the interest rate derivatives is their market value. The market value of the interest rate derivatives is calculated by the discounting of future flows at the interest rate prevailing at the balance sheet date.

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The maturities of the interest rate derivatives broken down by type of hedge are as follows:

	Nominal by maturity											
	12.31.2009				12.31.2008				12.31.2007			
€ millions	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total	< 1 year	1 to 5 years	> 5 years	Total
Cash flow hedges												
Borrowing fixed interest-rate swaps	0.9	4.3	10.0	15.2	3.4	4.1	11.2	18.6	0.8	6.4	12.3	19.5
Purchase of caps	-	-	-	-	288.5	-	-	288.5	271.6	-	-	271.6
Fair value hedges												
Borrowing floating interest-rate swaps	-	-	-	-	69.8	-	-	69.8	52.0	69.8	-	121.8
Non-designated derivatives												
Floating/floating interest-rate swaps	-	-	-	-	-	-	-	-	-	-	-	-
Total	**0.9**	**4.3**	**10.0**	**15.2**	**361.7**	**4.1**	**11.2**	**376.9**	**324.4**	**76.2**	**12.3**	**412.9**

24.3. Sensitivity to changes in interest rates

An increase in interest rates of 100 basis points would have a direct impact on the Group's financial charge of €18.6 million at December 31st, 2009 compared with €36.0 million at December 31st, 2008 and €22.6 million at December 31st, 2007, after allowing for cash, cash equivalents and derivatives, and assuming that total net debt remains stable and that the fixed rate debts at maturity date are replaced by floating rate debt.

The impact of a 100 basis point rise in interest rates on the fair value of the Group's fixed rate financial assets and liabilities, after allowing for derivatives, can be estimated at €1.2 million at December 31st, 2009 compared with €2.5 million at December 31st, 2008 and €2.7 million at December 31st, 2007.

24.4. Counterparty risk

The Group has financial relations with international banks with the best credit ratings. The Group thus considers that its exposure to counterparty risk is low.

Furthermore, the financial instruments used in exchange rate and interest rate risk management are issued by leading international banking counterparties.

24.5. Liquidity risk

The liquidity risk of the Group can be evaluated on the basis of its short-term debt which includes maturities of medium-term bank loans of €100 million in 2010 and the outstanding amounts on its short-term paper programme being €115.5 million. If these bank facilities were not to be renewed, the Group has confirmed credit lines of €2,425 million at December 31st, 2009. The availability of these credit lines is not dependent upon financial covenants.

24.6. Shareholding risk

No cash has been invested in shares.

The available cash is invested, with top financial institutions, in the form of non-speculative instruments which can be drawn in very short periods. At December 31st, 2009, it is exclusively invested in government bonds of the Euro-zone through mutual funds (note 19).

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At December 31st, 2009, the Group holds 118,227,307 Sanofi-Aventis shares for an amount of €6,509.6 million (note 15). For these shares, a change in the market price of plus or minus 10% relative to the market price of €55.06 on December 31st, 2009 would have an impact on the Group shareholders' equity of plus or minus €651.0 million before tax.

A significant or prolonged passage of the share price below €34.12 being, the cost of the Sanofi-Aventis shares, would potentially expose L'Oréal an impairment loss on its asset to be recorded through the profit and loss account.

At December 31st, 2008, the Group held 118,227,307 Sanofi-Aventis shares for an amount of €5,367.5 million (note 15). For these shares, a change in the market price of plus or minus 10% relative to the market price of €45.40 on December 31st, 2008 would have an impact on the Group shareholders' equity of plus or minus €536.8 million before tax.

At December 31st, 2007, the Group held 118,227,307 Sanofi-Aventis shares for an amount of €7,446.0 million (note 15). For these shares, a change in the market price of plus or minus 10% relative to the market price of €62.98 on December 31st, 2007 would have had an impact on the Group shareholders' equity of plus or minus €744.6 million before tax.

24.7. Fair value hierarchy

IFRS 7 as amended in 2009 requires financial assets and liabilities recognised at fair value in the balance sheet to be classified according to three levels:

- level 1: quoted prices on an active market;
- level 2: inputs that are observable for the asset or liability;
- level 3: inputs for the asset or liability that are based on unobservable market data.

The following table provides an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

€ millions

December 31st, 2009	Level 1	Level 2	Level 3	Total fair value
Assets at fair value				
Foreign exchange derivatives		65.4		65.4
Interest rate derivatives		-		-
Sanofi-Aventis shares	6,509.6			6,509.6
Marketable securities	83.3			83.3
Total assets at fair value	**6,592.9**	**65.4**		**6,658.3**
Liabilities at fair value				
Foreign exchange derivatives		79.9		79.9
Interest rate derivatives		1.8		1.8
Total liabilities at fair value		**81.7**		**81.7**

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NOTE 25 Other current liabilities

€ millions	12.31.2009	12.31.2008 (1)	12.31.2007 (1)	01.01.2007 (1)
Tax and employee-related payables	918.2	903.1	844.4	796.5
Credit balances on costumer accounts	525.3	543.1	558.4	512.9
Fixed asset payables	78.1	159.1	127.1	120.7
Derivatives	81.7	98.5	93.3	65.4
Other current liabilities (1)	147.2	144.7	118.5	128.1
Total	**1,750.5**	**1,848.4**	**1,741.7**	**1,623.6**

(1) Amounts restated according to changes in accounting methods described on note 1.1.3. Customer loyalty programmes.

NOTE 26 Off-balance sheet commitments

26.1. Operating lease commitments

They amount to €1,776.2 million at December 31st, 2009 compared with €1,914.9 million at December 31st, 2008 and €1,789.2 million at December 31st, 2007 of which:

- €351.3 million is due in under one year at December 31st, 2009, compared with €368.2 million at December 31st, 2008 and €329.0 million at December 31st, 2007;
- €933.4 million is due in 1 to 5 years at December 31st, 2009, compared with €1,024.1 million at December 31st, 2008 and €878.2 million at December 31st, 2007;
- €491.5 million is due in over 5 years at December 31st, 2009, compared with €522.6 million at December 31st, 2008 and €582.0 million at December 31st, 2007.

26.2. Other off-balance sheet commitments

The confirmed credit lines are indicated in note 23.

The other significant off-balance sheet commitments have been identified and measured and are as follows:

€ millions	12.31.2009	12.31.2008	12.31.2007
Commitments given (1)	117.5	107.1	111.6
Documentary credits	0.2	0.3	5.2
Commitments received	33.7	36.5	28.6
Capital expenditure orders	168.0	243.7	251.0
Firm purchase commitments in the context of logistics supply contracts	400.9	406.2	404.6

(1) These consist mainly of commitments given to governmental bodies or commitments concerning loans granted to third parties who are partners of the Group and the net commitment toward the L'Oréal Foundation for its long-term action program.

26.3. Contingent liabilities

In its normal operations, the Group is involved in legal actions and is subject to tax assessments, customs controls and administrative audits. The Group sets aside a provision wherever a risk is found to exist, and an estimate of its cost is possible.

At the present time, there is no exceptional event or dispute which could materially and with serious probability affect the results, financial situation, assets or operations of the L'Oréal Company and Group.

26.4. Environmental risks

The Group carefully follows regulations and laws relating to environmental protection, and does not expect that they will have any significant impact on the future operations, financial situation, results or assets of the Group.

NOTE 27 Changes in working capital

This amounts to €466.3, -€148.8 and -€76.3 million respectively for 2009, 2008 and 2007 and can be analysed as follows:

€ millions	2009	2008	2007
Inventories	169.6	-22.3	-137.8
Trade accounts receivable	312.3	-8.0	-102.3
Trade accounts payable	-89.3	-8.5	79.0
Other receivables and debts	73.7	-110.0	84.8
Total	**466.3**	**-148.8**	**-76.3**

NOTE 28 Impact of changes in the scope of consolidation

For 2009, this item mainly related to the American distributors acquisitions and to the purchase of the Shu Uemura minority interests.

For 2008, this item mainly related to the Canan, CollaGenex; Columbia Beauty Supply, Le Club des Créateurs de Beauté and YSL Beauté acquisitions.

For 2007, this item mainly related to the Maly's West, Beauty Alliance and PureOlogy acquisitions.

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NOTE 29 Transactions with related parties

29.1. Joint ventures

Transactions with companies consolidated on a proportional basis are as follows:

€ millions	2009	2008	2007
Sales of goods and services	0.8	3.2	5.4
Financial expenses and income	1.4	3.4	1.6

The following receivables and payables are recorded on the balance sheet for the related parties:

€ millions	12.31.2009	12.31.2008	12.31.2007
Operating debtors	3.6	5.6	3.1
Creditors	0.3	0.5	0.3
Financial debtors	92.7	68.9	34.7

29.2. Related parties with a significant influence on the Group

No significant transactions have been concluded with a member of the senior management or a shareholder with a significant influence on the Group.

29.3. Associates

From January 1st to April 12th, 2007, L'Oréal USA Inc. made sales of €35.6 million sales to Beauty Alliance International, a company in which the Group had a 30% stake until April 2007 (note 2).

No significant transactions have taken place with an associate during 2009 and 2008.

29.4. Additional information on jointly controlled entities

The information presented below corresponds to amounts attributable to the Group based on its ownership interest.

€ millions 2009	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue for the Group	Expenses for the Group	Operating profit
Galderma	176.4	450.2	288.6	62.7	489.1	-404.1	85.0
Innéov	7.9	0.7	15.6	0.1	27.7	-29.5	-1.8

€ millions 2008	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue for the Group	Expenses for the Group	Operating profit
Galderma	226.3	423.6	319.4	48.3	426.9	-346.9	80.0
Innéov	6.2	0.3	10.8	0.1	27.8	-28.3	-0.5

€ millions 2007	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue for the Group	Expenses for the Group	Operating profit
Galderma	188.0	267.6	168.6	43.0	367.5	-305.5	62.0
Innéov	4.9	0.2	10.3	0.0	22.0	-24.0	-2.0
Club des Créateurs de Beauté	14.6	2.8	23.0	0.6	55.6	-59.3	-3.7

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NOTE 30 Fees of Auditors and members of their networks charged to the Group

	PricewaterhouseCoopers Audit				Deloitte & Associés			
	Amount		%		Amount		%	
€ millions excl. VAT	2009	2008	2009	2008	2009	2008	2009	2008
Audit								
Auditing	5.5	5.8	85%	86%	5.3	5.5	81%	78%
L'Oréal	1.0	1.0	15%	15%	0.9	1.0	14%	14%
Fully consolidated subsidiaries	4.5	4.8	70%	71%	4.4	4.5	67%	64%
Other related assignments	0.7	0.5	11%	7%	0.9	1.3	14%	19%
L'Oréal	0.0	0.1	0%	1%	0.4	0.8	6%	12%
Fully consolidated subsidiaries	0.7	0.4	10%	6%	0.5	0.5	8%	7%
Audit sub-total	**6.2**	**6.2**	**95%**	**93%**	**6.2**	**6.8**	**95%**	**97%**
Other services								
Other services (legal, tax, employee-related, other)	0.3	0.4	5%	7%	0.3	0.2	5%	3%
Total	**6.5**	**6.7**	**100%**	**100%**	**6.5**	**7.0**	**100%**	**100%**

NOTE 31 Subsequent events

No events occurred between the balance sheet date and the date when the Board of Directors authorised the consolidated financial statements for issue.

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1.7. Consolidated companies at December 31st, 2009

1.7.1. Companies consolidated by the full consolidation method (1)

Companies	Head Office	% interest	% control (2)
Areca & Cie	France	100.00	
Avenamite S.A.	Spain	100.00	
Beauté Créateurs	France	100.00	
Beautycos International Co. Limited	China	100.00	
Beautylux International Cosmetics (Shanghai) Co. Ltd	China	100.00	
Beautytech International Cosmetics (Yichang) Co. Ltd	China	100.00	
Belcos Ltd	Japan	100.00	
Biotherm	Monaco	100.00	
Canan Kozmetik Sanayi Ve Ticaret A.S.	Turkey	100.00	
Canan Tuketim Urunleri Pazarlama A.S.	Turkey	100.00	
Centre Logistique d'Essigny	France	100.00	
Centrex	France	100.00	
Chimex	France	100.00	
Cobelsa Cosmeticos, S.A.	Spain	100.00	
Colainaf	Morocco	100.00	
Compagnie Thermale Hôtelière et Financière	France	99.98	
Consortium Général de Publicité	France	100.00	
Cosbel S.A. de C.V.	Mexico	100.00	
Cosmelor KK	Japan	100.00	
Cosmelor Ltd	Japan	100.00	
Cosmephil Holdings Corporation Philippines	Philippines	100.00	
Cosmetil	Morocco	49.80	100.00
Cosmétique Active Belgilux	Belgium	100.00	
Cosmétique Active France	France	100.00	
Cosmétique Active International	France	100.00	
Cosmétique Active Ireland Ltd	Ireland	100.00	
Cosmétique Active Nederland B.V.	The Netherlands	100.00	
Cosmétique Active Production	France	100.00	
Cosmétique Active (Suisse) S.A.	Switzerland	100.00	
Egyptelor LLC	Egypt	100.00	
Elebelle (Pty) Ltd	South Africa	100.00	
EpiSkin	France	100.00	
EpiSkin Biomatériaux	France	100.00	
Erwiton S.A.	Uruguay	100.00	
Exclusive Signatures International	France	100.00	
Fapagau & Cie	France	100.00	
Faprogi	France	100.00	
Finval	France	100.00	
Frabel S.A. de C.V.	Mexico	100.00	
Garnier New Zealand Ltd	New Zealand	100.00	
Gemey Maybelline Garnier	France	100.00	
Gemey Paris – Maybelline New York	France	100.00	
Goldys International	France	100.00	
Helena Rubinstein	France	100.00	

(1) In accordance with the provisions of Article D. 248-12 of French Trading law some information provided above is incomplete.
(2) Equivalent to the percentage interest except if specified.

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Companies	Head Office	% interest	% control (2)
Helena Rubinstein Italia S.p.A	Italy	100.00	
Holdial	France	100.00	
Kosmepol Sp z.o.o	Poland	100.00	
L & J Ré	France	100.00	
La Roche-Posay Dermato-Cosmétique	France	99.98	
La Roche-Posay Laboratoire Pharmaceutique	France	99.98	
Laboratoire Bioexigence	France	100.00	
Laboratoire Garnier & Cie	France	100.00	
Laboratoire Sanoflore	France	100.00	
Lai Mei Cosmetics International Trading (Shanghai) Co. Ltd	China	100.00	
Lancôme Parfums & Beauté & Cie	France	100.00	
Lancos Ltd	Japan	100.00	
LaScad	France	100.00	
Le Club des Créateurs Cosmetic Versand Verwaltungs GmbH	Germany	100.00	
Le Club des Créateurs Cosmeticversand GmbH & Co	Germany	100.00	
Le Club des Créateurs de Beauté	Belgium	100.00	
Le Club des Créateurs de Beauté Taiwan Co. Ltd	Taiwan	100.00	
Lehoux et Jacque	France	100.00	
L'Oréal Adria d.o.o.	Croatia	100.00	
L'Oréal Argentina S.A.	Argentina	100.00	
L'Oréal Australia Pty Ltd	Australia	100.00	
L'Oréal Balkan d.o.o.	Serbia	100.00	
L'Oréal Baltic SIA	Latvia	100.00	
L'Oréal Belgilux S.A.	Belgium	100.00	
L'Oréal Brasil Comercial de Cosméticos Ltda	Brazil	100.00	
L'Oréal Bulgaria EOOD	Bulgaria	100.00	
L'Oréal Canada, Inc.	Canada	100.00	
L'Oréal Ceska Republika s.r.o	Czech Republic	100.00	
L'Oréal Chile S.A.	Chile	100.00	
L'Oréal (China) Co. Ltd	China	100.00	
L'Oréal Colombia S.A.	Colombia	100.00	
L'Oréal Danmark A/S	Denmark	100.00	
L'Oréal Deutschland GmbH	Germany	100.00	
L'Oréal Egypt LLC	Egypt	100.00	
L'Oréal España S.A.	Spain	100.00	
L'Oréal Finland Oy	Finland	100.00	
L'Oréal Guatemala S.A.	Guatemala	100.00	
L'Oréal Hellas S.A.	Greece	100.00	
L'Oréal Hong Kong Ltd	Hong Kong	100,00	
L'Oréal India Pvt Ltd	India	100.00	
L'Oréal Investments B.V.	The Netherlands	100.00	
L'Oréal Israel Ltd	Israel	92.97	
L'Oréal Italia S.p.A	Italy	100.00	
L'Oréal Japan Ltd	Japan	100.00	
L'Oréal Kazakhstan Llp	Kazakhstan	100.00	
L'Oréal Korea Ltd	Korea	100.00	
L'Oréal Liban SAL	Lebanon	99.88	
L'Oréal Libramont	Belgium	100.00	
L'Oréal Magyarorszag Kozmetikai Kft	Hungary	100.00	
L'Oréal Malaysia SDN BHD	Malaysia	96.53	
L'Oréal Manufacturing Midrand Pty Ltd	South Africa	100.00	

(1) In accordance with the provisions of Article D. 248-12 of French Trading law some information provided above is incomplete.
(2) Equivalent to the percentage interest except if specified.

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Companies	Head Office	% interest	% control (2)
L'Oréal Maroc	Morocco	50.00	100.00
L'Oréal Mexico S.A. de C.V.	Mexico	100.00	
L'Oréal Mexico Servicios S.A. de C.V.	Mexico	100.00	
L'Oréal Middle East	United Arab Emirates	100.00	
L'Oréal Nederland B.V.	The Netherlands	100.00	
L'Oréal New Zealand Ltd	New Zealand	100,00	
L'Oréal Norge A/S	Norway	100.00	
L'Oréal Österreich GmbH	Austria	100.00	
L'Oréal Pakistan Private Limited	Pakistan	100.00	
L'Oréal Panama S.A.	Panama	100.00	
L'Oréal Peru S.A.	Peru	100.00	
L'Oréal Philippines, Inc.	Philippines	100.00	
L'Oréal Polska Sp z.o.o	Poland	100.00	
L'Oréal Portugal, Lda	Portugal	100.00	
L'Oréal Produits de Luxe Belgilux	Belgium	100.00	
L'Oréal Produits de Luxe France	France	100.00	
L'Oréal Produits de Luxe International	France	100.00	
L'Oréal Produits de Luxe Suisse S.A.	Switzerland	100.00	
L'Oréal Produktion Deutschland Beteiligung GmbH	Germany	100.00	
L'Oréal Produktion Deutschland GmbH & Co. Kg	Germany	100.00	
L'Oréal Romania SRL	Romania	100.00	
L'Oréal Saipo Industriale S.p.A	Italy	100.00	
L'Oréal Singapore Pte Ltd	Singapore	100.00	
L'Oréal Slovenija Kozmetika d.o.o	Slovenia	100.00	
L'Oréal Slovensko s.r.o	Slovakia	100.00	
L'Oréal South Africa Holdings Pty Ltd	South Africa	100.00	
L'Oréal Suisse S.A.	Switzerland	100.00	
L'Oréal Sverige AB	Sweden	100.00	
L'Oréal Taiwan Co. Ltd	Taiwan	100.00	
L'Oréal Thailand Ltd	Thailand	100.00	
L'Oréal Turkiye Kozmetik Sanayi Ve Ticaret Anonim Sirketi	Turkey	100.00	
L'Oréal Uk Ltd	United Kingdom	100.00	
L'Oréal Ukraine	Ukraine	100.00	
L'Oréal Uruguay S.A.	Uruguay	100.00	
L'Oréal USA, Inc.	United States	100.00	
L'Oréal Venezuela, C.A.	Venezuela	100.00	
L'Oréal Vietnam Co. Ltd	Vietnam	100.00	
Marigny Manufacturing Australia Pty Ltd	Australia	100.00	
Masrelor LLC	Egypt	100.00	
Maybelline (Suzhou) Cosmetics Ltd	China	100.00	
Nihon L'Oréal K.K.	Japan	100.00	
NLO K.K.	Japan	100.00	
P.T. L'Oréal Indonesia	Indonesia	100.00	
P.T. Yasulor Indonesia	Indonesia	100.00	
Par Bleue	France	100.00	
Parbel of Florida, Inc.	United States	100.00	
Parfums Cacharel & Cie	France	100.00	
Parfums Guy Laroche	France	100.00	
Parfums Paloma Picasso & Cie	France	100.00	
Parfums Ralph Lauren	France	100.00	
Prestige et Collections International	France	100.00	

(1) In accordance with the provisions of Article D. 248-12 of French Trading law some information provided above is incomplete.
(2) Equivalent to the percentage interest except if specified.

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Companies	Head Office	% interest	% control [2]
Procosa Productos de Beleza Ltda	Brazil	100.00	
Productora Albesa S.A.	Spain	100.00	
Productos Capilares L'Oréal S.A.	Spain	100.00	
Redken France	France	100.00	
Banque de Réalisations de Gestion et de Financement (Regefi)	France	100.00	
Scental Ltd	Hong Kong	100.00	
Seda Plastik Ve Boya San. Ith. Tic. Ltd Sti	Turkey	100.00	
Shu Uemura Cosmetics Inc.	Japan	100.00	
Sicôs & Cie	France	100.00	
SkinEthic	France	99.52	
Socex de Expansao Mercantil em Cosmeticos Ltda	Brazil	99.00	
Société de Développement Artistique	France	100.00	
Société Hydrominérale de La Roche Posay	France	99.98	
Sofamo	Monaco	100.00	
Softsheen Carson Products West Africa Ltd	Ghana	100.00	
Soprocos	France	100.00	
Soproréal	France	100.00	
Sparlys	France	100.00	
The Body Shop (as a group)	United Kingdom	100.00	
Venprobel	Venezuela	100.00	
Viktor & Rolf Parfums	France	100.00	
Yichang Tianmei International Cosmetics Co. Ltd	China	100.00	
YSL Beauté (as a group)	France	100.00	
Zao L'Oréal	Russia	100.00	

(1) In accordance with the provisions of Article D. 248-12 of French Trading law some information provided above is incomplete.
(2) Equivalent to the percentage interest except if specified.

1.7.2. Companies consolidated by the proportional method

Companies	Head Office	% interest	% control [2]
Galderma Argentina S.A.	Argentina	50.00 [1]	
Galderma Australia Pty Ltd	Australia	50.00 [1]	
Galderma Belgilux N.V.	Belgium	50.00 [1]	
Galderma Brasil Limitada	Brazil	50.00 [1]	
Galderma Canada Inc.	Canada	50.00 [1]	
Galderma Colombia S.A.	Colombia	50.00 [1]	
Galderma Hellas Trade of Pharmaceuticals Products S.A.	Greece	50.00 [1]	
Galderma Hong Kong	Hong Kong	50.00 [1]	
Galderma India Private Ltd	India	50.00 [1]	
Galderma International	France	50.00 [1]	
Galderma Italia S.p.A	Italy	50.00 [1]	
Galderma K.K.	Japan	50.00 [1]	
Galderma Korea Ltd	Korea	50.00 [1]	
Galderma Laboratories Inc.	United States	50.00 [1]	
Galderma Laboratories South Africa Pty Ltd	South Africa	50.00 [1]	
Galderma Laboratorium GmbH	Germany	50.00 [1]	
Galderma Mexico S.A. de C.V.	Mexico	50.00 [1]	
Galderma Nordic AB	Sweden	50.00 [1]	
Galderma Peru Laboratorios S.A.	Peru	50.00 [1]	

(1) Companies jointly owned with Nestlé.
(2) Equivalent to the percentage interest except if specified.

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Companies	Head Office	% interest	% control [2]
Galderma Pharma S.A.	Switzerland	50.00 [1]	
Galderma Philippines Inc.	Philippines	50.00 [1]	
Galderma Polska Sp. z.o.o.	Poland	50.00 [1]	
Galderma Production Canada Inc.	Canada	50.00 [1]	
Galderma Research & Development	France	50.00 [1]	
Galderma Research and Development Inc.	United States	50.00 [1]	
Galderma S.A.	Switzerland	50.00 [1]	
Galderma Singapore Pvt Ltd	Singapore	50.00 [1]	
Galderma (Uk) Ltd	United Kingdom	50.00 [1]	
Galderma Uruguay	Uruguay	50.00 [1]	
Innéov Adria d.o.o. for trade and services	Croatia	50.00 [1]	
Innéov Argentina S.A.	Argentina	50.00 [1]	
Innéov Belgique	Belgium	50.00 [1]	
Innéov Brasil Nutricosmeticos Ltda	Brazil	50.00 [1]	
Innéov Canada, Inc.	Canada	50.00 [1]	
Innéov Chile S.A.	Chile	50.00 [1]	
Innéov CZ s.r.o.	Czech Republic	50.00 [1]	
Innéov d.o.o.	Slovenia	50.00 [1]	
Innéov Deutschland GmbH	Germany	50.00 [1]	
Innéov España S.A.	Spain	50.00 [1]	
Innéov France	France	50.00 [1]	
Innéov Hellas A.E.	Greece	50.00 [1]	
Innéov Italia S.p.A.	Italy	50.00 [1]	
Innéov Mexico S.A. de C.V.	Mexico	50.00 [1]	
Innéov Nutrikozmetik Ticaret Ve Sanayi Ltd Sirketi	Turkey	50.00 [1]	
Innéov Österreich Handelsgesellschaft mbH	Austria	50.00 [1]	
Innéov Polska Sp. z.o.o.	Poland	50.00 [1]	
Innéov SK s.r.o.	Slovakia	50.00 [1]	
Innéov Suisse	Switzerland	50.00 [1]	
Laboratoires Galderma	France	50.00 [1]	
Laboratoires Innéov	France	50.00 [1]	
Laboratoires Innéov Portugal Unipessoal Lda	Portugal	50.00 [1]	
Laboratorios Galderma Chile Limitada	Chile	50.00 [1]	
Laboratorios Galderma S.A.	Spain	50.00 [1]	
Laboratorios Galderma Venezuela S.A.	Venezuela	50.00 [1]	
O.O.O Innéov	Russia	50.00 [1]	

(1) Companies jointly owned with Nestlé.
(2) Equivalent to the percentage interest except if specified.

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2 2009 Management Report of the Board of Directors*

* *This information forms an integral part of the Annual Financial Report as provided for in Article L. 451-1-2 of the French Monetary and Financial Code.*

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This Management Report reviews the activity of the Company and it's Group in 2009. The Chairman's Report is attached to this Report and supplements it with regard to all the topics concerned. The Board of Directors describes in a separate report the reasons for the draft resolutions submitted to the vote of the shareholders at the Annual General Meeting.

2.1. The Group's Business Activities in 2009

2.1.1. Overview of the results for 2009

2009 net sales: €17.5 billion.

Good quality operating profit: improvement in gross profit rate; reduction in selling, general and administrative expenses; increase in R&D and advertising & promotion expenses.

Strong growth in cash flow.

Net earnings per share *(diluted net earnings per share, based on net profit excluding non-recurrent items attributable to the group)* at €3.42.

Growth in dividend (proposed at the Annual General Meeting of April 27th, 2010) to €1.50 (+4.2%).

2.1.2. Consolidated net sales

Like-for-like, i.e. based on a comparable structure and identical exchange rates, the sales trend of the L'Oréal Group was -1.1%.

The net impact of changes in consolidation, as a result of the acquisitions of YSL Beauté, CollaGenex Pharmaceuticals and the 100% consolidation of Club des Créateurs de Beauté, amounted to +1.9%.

Currency fluctuations had a negative impact of -1.2%.

Growth at constant exchange rates was +0.8% (1).

Based on reported figures, the Group's sales, at December 31st, 2009, amounted to €17.473 billion, a decrease of -0.4%.

Sales by operational division and geographic zone

	4th quarter 2009			12.31.2009		
		Growth			Growth	
	€ millions	Like-for-like	Published	€ millions	Like-for-like	Published
By operational Division						
Professional Products	581.6	-1.5%	-6.7%	2,388.5	-3.3%	-3.4%
Consumer Products (2)	2,074.8	5.2%	-0.2%	8,555.2	3.2%	1.5%
Luxury Products	1,159.9	-4.7%	-9.1%	4,079.6	-9.0%	-2.2%
Active Cosmetics	260.1	1.1%	-3.4%	1,233.8	-1.5%	-4.3%
Cosmetics total	**4,076.4**	**1.0%**	**-4.0%**	**16,257.2**	**-1.5%**	**-0.6%**
By geographical zone						
Western Europe	1,714.7	-6.1%	-6.9%	7,036.6	-6.3%	-4.7%
North America	904.6	-0.8%	-10.4%	3,801.9	-3.4%	1.7%
Rest of the world, of which:	1,457.1	12.2%	4.5%	5,418.7	7.2%	3.4%
- Asia	559.8	12.6%	4.9%	2,147.8	8.3%	16.5%
- Eastern Europe	335.8	11.3%	-3.8%	1,212.8	3.3%	-12.1%
- Latin America	320.0	10.3%	3.7%	1,138.4	11.2%	-1.1%
- Africa, Orient, Pacific	241.4	15.3%	18.7%	919.7	5.0%	6.7%
Cosmetics total	**4,076.4**	**1.0%**	**-4.0%**	**16,257.2**	**-1.5%**	**-0.6%**
The Body Shop	240.9	3.9%	-2.0%	726.3	0.7%	-3.9%
Dermatology (3)	151.2	14.2%	10.3%	489.1	10.8%	14.6%
Group total	**4,468.5**	**1.5%**	**-3.5%**	**17,472.6**	**-1.1%**	**-0.4%**

(1) 2009 data at 2009 rates / 2008 data at 2009 rates.
(2) After reclassification of the "Distance selling" activity under the Consumer Products Division heading.
(3) Group share, i.e.50%.

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Cosmetics sales trends by Division

Professional Products

In a hairdressing market which felt the strong impact of the economic context, the Professional Products Division ended 2009 at -3.3% like-for-like and is significantly strengthening its positions in all regions of the world, with a steady improvement in the second part of the year.

- In 2009 the initiatives implemented to counter the effects of the crisis led to the conversion of a record number of hair salons to the division's brands, placing it in a position of strength for the upturn in activity.

  Matrix has continued its expansion in the growth-relay countries; Redken is performing well in the United States; PureOlogy is being rolled out in Western Europe; Kérastase has proven resilient; and L'Oréal Professionnel has taken major initiatives to strengthen its leadership.

  In haircare the year's major successes were Force Vector by L'Oréal Professionnel for brittle hair, Age Premium by Kérastase and Rejuvatherapie from Matrix for mature hair, and Color Extend by Redken for colour-treated hair. The technical services Oléo Relax Slim and Volumorphose have bolstered the activity of Kérastase.

  In hair colorants, activity was strong at the end of the year with the launches of Dream Age by Matrix and Cover Fusion from Redken for mature women. L'Oréal Professionnel introduced a major hair colour innovation, Inoa, the first ammonia-free oxidation colorant with Oil Delivery System. Launched in September 2009 in Europe, Inoa is proving an unprecedented success and has been awarded the Prix d'Excellence Marie-Claire.

- In Western Europe, the division has seen its sales improve slightly since September, thanks particularly to Inoa, and is winning market share in many countries including Germany, Austria and the Scandinavian countries. In North America, sales were affected by the sharp contraction in the market, but the division is accentuating its leadership, particularly thanks to Redken. In December, two further acquisitions of American distributors, Maly's Midwest and Marshall Salon Services, have extended the SalonCentric network.

  The Rest of the World zone remained dynamic with strong growth in Brazil, India and China, where the division is proving highly successful with its perms and is increasing its education efforts to build the professional markets of tomorrow.

Consumer Products

The **Consumer Products Division** achieved annual growth of +3.2% like-for-like, with a fourth quarter at +5.2%. The 2nd half thus reflected a strong upturn in amounts invoiced, bolstered in particular by the Garnier and Maybelline brands, the dynamism of the new markets, and rapid growth in skincare. Over the full year, the division grew slightly faster than the worldwide market trend.

- L'Oréal Paris recorded a good second half, thanks to an extensive programme of innovations in all categories, particularly in make-up, with the fourth quarter launches of Roll'on True Match foundation and Double Extension mascara with renewal lash serum.

  Garnier is making fast progress thanks to strong growth in skincare, where the brand is making major breakthroughs in Asia and is holding on to its positions in the United States. It is recording strong increases in the growth-relay countries, and has successfully moved into new categories: deodorants in Latin America and Eastern Europe, and men's skincare in India and Asia.

  Maybelline is growing quickly and consistently across all zones, thanks in particular to the successes of Color Sensational lipstick.

- In Western Europe, the division's trend is slightly less rapid than the market, whose trend remained positive. There was a contrasting situation with, on the one hand, the United Kingdom and Germany which are still dynamic in sell-out, and on the other hand, Spain where the market is still very tough, and where the division's positions are traditionally strong.

  In North America, in a market which remained stable, the division is improving its positions, with market share gains in haircare and skincare.

  In the Rest of the World zone, the markets were again dynamic. In Eastern Europe, particularly in Russia, the division is advancing in all categories, thanks to the breakthrough of Garnier deodorants and the continuing success of L'Oréal Paris in hair colourants.

  In Latin America, and Brazil in particular, the division achieved strong growth, driven by Elsève haircare products by L'Oréal Paris which are gaining ground throughout the zone, and Garnier deodorants, which are continuing to win market share.

  In Asia, the division recorded very strong growth with the L'Oréal Paris and Garnier skincare lines. In Japan, where the market was very depressed, the division advanced thanks to the success of Maybelline.

  In India, Garnier achieved very strong growth across all categories, and successfully rolled out its Garnier Men range.

Luxury Products

The **Luxury Products Division** ended 2009 at -9% like-for-like and -2.2% based on reported figures with the consolidation of YSL Beauté. The large difference between shipments to distributors and retail sales is due to the impact of inventory reduction which affected most regions. The end of the year brought a recovery in sell-out, and over the full year the division held on to its worldwide positions in sell-out terms.

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The weakness of the perfume market and the particularly difficult situation of some West European markets, where the division's brands are leaders, hampered its performance.

- Lancôme made two major technological breakthroughs in anti-ageing skincare: Génifique in the field of genomics, which won the Prix d'Excellence Marie-Claire, is proving a resounding commercial success, and Absolue Precious Cells in the stem cells field. In make-up, Lancôme had a great year in mascara with the launches of Hypnôse Drama and Oscillation Power Booster. Yves Saint Laurent saw its sell-out accelerate significantly in 2009, particularly at the end of the year in the United States and France, thanks to the success of the fragrances La Nuit de l'Homme, L'Homme Yves Saint Laurent, Parisienne, and Opium, and in make-up with Teint Resist, winner of the Prix d'Excellence Marie-Claire.

  Kiehl's is recording very strong worldwide growth, driven in particular by Asia, and is launching the organic skincare line Açai. Diesel is making significant advances, and its men's fragrance Only The Brave was one of the top launches. Biotherm is innovating with Skin Vivo, a very significant advance in skincare.

- In Western Europe, the division recorded an improvement in sell-out in the 4th quarter, particularly in France and the United Kingdom, thanks to Yves Saint Laurent, Lancôme and Diesel. Inventory reduction continued in the countries of Southern Europe.

  In North America, the division's trend was in line with the market, with faster growth from Lancôme and Yves Saint Laurent. It is also making strong progress in alternative distribution channels: home TV shopping and Internet sales. The perfume market has remained difficult.

  In the Rest of the World zone, while the Middle East was significantly more difficult, it is worth noting the acceleration in Asia, where growth in sell-out was double-digit and faster than the market trend, particularly thanks to Lancôme and Kiehl's, whose sales are growing very quickly in South Korea, and which got off to a successful start in Japan and China.

  Travel Retail was in clear decline over the full year, but recorded a positive 4th quarter trend, thanks to a boost from Asia.

Active Cosmetics

The Active Cosmetics Division annual sales trend was -1.5% like-for-like. The 4th quarter again reflected an improvement at +1.1% like-for-like, confirming the recovery in activity compared with the 1st half. Worldwide, the division confirmed its position as number one in dermocosmetics.

- La Roche-Posay is expanding strongly in all geographic zones, across all categories.

  Vichy is maintaining its leadership thanks to initiatives aimed at winning new customers and strong activity in facial skincare with the launch of Neovadiol GF, and in the other categories with the launch of Essentielles, the new Vichy entry-level range.

  SkinCeuticals is recording good growth thanks to the success of its new serum Phloretin CF and the roll-out of the brand outside the United States.

  Innéov is continuing to win market share.

- Sales in Western Europe were down, reflecting inventory reductions by wholesalers and parapharmacies, as well as the difficulties of Vichy and Innéov with their seasonal products.

  In North America the division is continuing to win market share in the context of a sharp slowdown in the activity of doctors and spas.

  There were contrasting situations in the Rest of the World. Due to the financial difficulties of some distributors, sales are down in Eastern Europe. Latin America is growing strongly.

Multi-division summary by geographic zone

Western Europe

- Annual performance came out at -6.3% like-for-like. The group's trend is still favourable in the United Kingdom, while France, Italy and particularly Spain and Travel Retail are continuing to weigh on performances in this zone. The impact of inventory reductions by distributors, which is particularly significant in Luxury Products, is gradually declining.

North America

- The situation improved at the end of the year with a 4th quarter at -0.8% like-for-like, enabling the group to end 2009 at -3.4%. Over the full year, the group slightly outpaced the market in sell-out terms. The Luxury Products Division picked up in the final months of the year with the successes of Lancôme and Yves Saint Laurent. Professional Products produced one of their best ever years in market share gain terms, thanks in particular to the distribution strategy initiated 3 years ago with the acquisition of distributors. Consumer Products are growing slightly faster than the market.

Rest of the World

- **Asia:** The group's growth accelerated in the 4th quarter to +12.6% like-for-like and +17.9% excluding Japan. Over the full year, the group recorded growth of +8.3%, in a market that was stagnant because of very depressed consumption in Japan. Outside Japan, the group's growth rate was +12.2%. L'Oréal is strengthening its positions in the three major markets in this zone – Japan, South Korea and China – and in new markets such as Indonesia. The skincare category is continuing its rapid expansion. In China, where the group recorded a further market share gain, the haircare line L'Oréal Hair Expertise launched this summer has made a very good start.

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- **Eastern Europe:** After a difficult start to the year for the market, sales accelerated sharply in the final quarter, with a growth rate of +11.3%, enabling L'Oréal to end the year at +3.3%. The group strengthened its positions, particularly in the Consumer Products Division. There is a very pronounced contrast: the sales trend in Hungary and the Czech Republic was still negative, whilst growth was strong in Ukraine, and Russia recorded a strong growth rate at the end of the year. The group has created a subsidiary in Kazakhstan.
- **Latin America:** Sales grew by +11.2% like-for-like. All major countries are recording sales growth. Brazil accelerated, ending the year at +15%. Argentina and Chile are posting double-digit growth. Mexico is gradually improving, and resumed positive growth with the haircare breakthrough of Elvive Total Repair 5 by L'Oréal Paris.
- **Africa-Orient-Pacific:** Sales increased by +5% like-for-like, with strong acceleration in the 4th quarter at +15.3%. The situation is contrasting: India has a growth rate of +31.5%, and is back on the offensive, driven by the Garnier brand. South Africa recorded a high growth rate. The Gulf countries however had a very tough year because the Luxury Products Division was hit hard by the crisis in the region. The group has created subsidiaries in Egypt and Pakistan.

The Body Shop sales

The Body Shop ended the year with like-for-like growth at +0.7%. Total Retail Sales[(1)] grew by +1.0%. With a comparable store base[(2)], sales were down by -0.6%. The Body Shop proved resilient in a severely affected retail market, registering solid growth in most of Asia, the Middle East and mainland Europe. However, the economic climate continued to hamper customer footfall in countries such as the United Kingdom and in North America.

The Body Shop continued to pursue its innovations strategy with the launch of Nutriganics, its first certified organic skincare regime and Love Etc™, a fragrance using Community Trade alcohol made from organic sugar cane. The brand also launched The Originals collection, which includes 11 iconic The Body Shop products sold at attractive prices.

The brand further extended its reach by opening new retail outlets in airports.

At the end of 2009, The Body Shop has a total of 2,550 stores in 63 countries.

Galderma sales

Galderma achieved a year of solid growth at +10.8% like-for-like. Sales increased by +9.5% in the North America zone. Sales in Europe and the Rest of the World zone posted double-digit growth. The company recorded the highest absolute growth in the dermatology industry in 2009, achieving record market share.

The Adapalene molecule, which serves as the foundation for Epiduo and Differin, continued to grow market share worldwide as the leading topical treatment for acne. Epiduo was approved in a growing number of countries on the five continents and was ranked as the fastest growing product in dermatology. In Japan, one year after its launch, Differin 0.1% gel continued to conquer the acne market. Oracea (rosacea) was approved in Europe together with Clobex Shampoo (psoriasis). Azzalure, a botulinum toxin type A specifically developed to correct glabellar lines, was launched with success in the European market. Vectical was approved in the United States and rapidly adopted as an important component in the treatment of psoriasis.

2.1.3. 2009 Results

Operating profitability and Consolidated profit and loss account

€ millions	12.31.2008*	% sales	12.31.2009	% sales
Sales	**17,542**	**100%**	**17,473**	**100%**
Cost of sales	-5,187	29.6%	-5,162	29.5%
Gross profit	**12,355**	**70.4%**	**12,311**	**70.5%**
R&D expenses	-588	3.3%	-609	3.5%
Advertising & promotion expenses	-5,269	30.0%	-5,389	30.8%
Selling, general and administrative expenses	-3,773	21.5%	-3,736	21.4%
Operating profit	**2,725**	**15.5%**	**2,578**	**14.8%**

* *Foreign exchange gains and losses have been reclassified to the various lines making up the operating profit. Net sales and operating profit remain unchanged. See note 1.1.* ***Changes in accounting policies effective from January 1st, 2009*** *of the notes to consolidated financial statements on page 10.*

(1) Retail sales: total sales to consumers through all channels.
(2) Retail sales with a comparable store base: total sales to consumers by stores which operated continuously from January 1st to December 31st, 2008 and over the same period in 2009.

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Gross margin amounted to 70.5% of sales. The improvement of 10 basis points reflects efficiency gains in plants and gains on purchasing, and, on the other hand, extra costs linked in particular to monetary parities. This improvement in gross profit was particularly significant in the second half of 2009.

Research and development expenses, as announced, increased as a percentage to reach 3.5% of sales.

Advertising and promotion expenses, at 30.8% of sales, have increased significantly compared with 2008 when they stood at 30%. Investments to support the brands have increased across all divisions and zones.

Selling, general and administrative expenses have declined to 21.4% of sales, representing a reduction of 10 basis points. This decrease was most significant in the second half.

Operating profit amounted to €2,578 million, down by -5.4%. The reduction in the operating profitability percentage reflects the increase in advertising and promotion investments in 2009.

Operating profit by branch and division

	2008		2009	
	€ millions	% sales	€ millions	% sales
By operational division				
Professional Products	519	21.0%	477	20.0%
Consumer Products (1)	1,566	18.6%	1,577	18.4%
Luxury Products	767	18.4%	617	15.1%
Active Cosmetics	259	20.1%	250	20.2%
Cosmetics divisions total	**3,110**	**19.0%**	**2,921**	**18.0%**
Non allocated (2)	-502	-3.1%	-482	-3.0%
Cosmetic branch total	**2,608**	**15.9%**	**2,439**	**15.0%**
The Body Shop	36	4.8%	54	7.4%
Dermatology branch (3)	**80**	**18.7%**	**85**	**17.4%**
Group	**2,725**	**15.5%**	**2,578**	**14.8%**

(1) After reclassification of the "Distance selling" activity under the Consumer Products Division heading.
(2) Non-allocated = Central group expenses, fundamental research expenses, stock option expenses and miscellaneous items. As % of total sales.
(3) Group share, i.e. 50%.

The profitability of the Professional Products Division was slightly lower at 20.0% of sales. The profitability of the Consumer Products Division remained practically stable at 18.4% of sales. The profitability of the Luxury Products Division decreased by 330 basis points, of which 100 basis points are the result of the dilution of Yves Saint Laurent Beauté. The profitability of Active Cosmetics increased very slightly to 20.2% of sales.

In 2009 The Body Shop achieved a strong improvement in its profitability, which amounted to 7.4% of sales.

Finally, the profitability of the Dermatology branch, Galderma, reached 17.4%. Galderma invested significantly in 2009 in order to take up new positions in the acne field with its new product Epiduo.

Profitability by geographic zone

Operating profit	2008		2009	
	€ millions	% sales	€ millions	% sales
Western Europe	1,634	22.1%	1,470	20.9%
North America	593	15.9%	554	14.6%
Rest of the World	884	16.9%	896	16.5%
Cosmetics zones total	**3,110**	**19.0%**	**2,921**	**18.0%**

The lower profitability in Western Europe at 20.9% is the result of the greater weight of research expenses and advertising and promotion expenses.

In North America and in the Rest of the World zone, the decline in profitability reflects the increase in advertising and promotion expenses.

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Net earnings per share: €3.42

€ millions	12.31.2008	12.312009
Operating profit	**2,725**	**2,578**
Finance costs	-181	-89
Sanofi-Aventis dividends	245	260
Pre-tax profit excluding non-recurrent items	**2,789**	**2,749**
Income tax excluding non-recurrent items	-722	-749
Minority interests	-2.6	-2.7
Net profit excluding non-recurrent items after minority interests (1)	**2,064**	**1,997**
EPS (2) *(in euros)*	**3.49**	**3.42**
Diluted average number of shares	**590,920,078**	**583,797,566**

(1) Net profit excluding non-recurrent items after minority interests does not include capital gains and losses on disposals of long-term assets, impairment of assets, restructuring costs, associated tax effects or minority interests.
(2) Diluted net earnings per share excluding non-recurrent items, after minority interests.

The finance costs were reduced by half to €89 million.

Dividends received from Sanofi-Aventis amounted to €260 million, up by +6.3%.

Tax amounted to €749 million, representing a rate of 27.3%.

In all, net profit excluding non-recurrent items after minority interests totalled €1,997 million, down by -3.2% and -2% at constant exchange rates.

Net earnings per share amounted to €3.42, down by -2.1%, and down by -0.8% at constant exchange rates.

Net profit excluding non-recurrent items after minority interests: €1,997 million

€ millions	12.31.2008	12.31.2009	Change
Net profit excluding non-recurrent items after minority interests	2,064	1,997	-3.20%
Non-recurrent items net of tax	-116	-205	-
Net profit after minority interests	**1,948**	**1,792**	**-**
Diluted earnings per share *(€)*	3.30	3.07	-

Non-recurrent items amounted to a gross amount of -€278 million before tax (-€205 million, net of tax) and consist primarily of:

- €54 million of impairment of intangible assets and goodwill;
- €223 million of restructuring costs.

Cash flow Statement, Balance sheet and Debt

Gross cash flow amounted to €2,758 million, an increase compared with 2008.

The working capital requirement trend was extremely favourable, with a decrease of €466 million at December 31st. Inventories were down by €170 million. Trade accounts receivable decreased by €312 million.

Capital expenditure was contained at 3.6% of sales, compared with 4.3% in 2008.

After dividend payment, amounting to €851 million, the residual cash flow comes out at €1,809 million, representing very strong growth compared with 2008.

The balance sheet structure is very robust, with shareholders' equity representing 58% of total assets.

Net financial debt amounted to €1,958 million, representing 14.4% of shareholders' equity, compared with €3,700 million and 32% at end-2008.

Proposed dividend at the Annual General Meeting on April 27th, 2010

The Board of Directors has decided to propose that the Annual General Meeting of Shareholders of April 27th, 2010 should approve a dividend of €1.50 per share, an increase of +4.2% compared with the dividend paid in 2009. This dividend will be paid on May 5th, 2010 (ex-dividend date April 29th, at midnight).

2.1.4. Prospects

2010 should be another year of expansion for L'Oréal, boosted by the historic opportunity represented by the opening up of the cosmetics market to new countries. The Group's ambition is to consolidate regular, durable growth in Western Europe and North America and build strong, lasting growth in the New Markets.

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With solid results in 2009, good cash flow, a robust financial position and a new strategy to enlarge the number of consumers, L'Oréal is ready and waiting to pick up growth momentum again in 2010 in terms of both its sales and results.

2.1.5. Research and Innovation

In 2009, L'Oréal Research innovated in a large number of areas, inspired by advances in biology and biomatics tools, geographical diversity of consumers, and ethical and environmental aspirations. From Génifique to Inoa, 2009 was a year of great innovation. From fundamental research to listening to consumers, between a complete break with the past and continuity, our teams anticipate the beauty of tomorrow.

See also the chapter on Research and Innovation in Volume 1 on pages 28 to 33.

2.1.6. Production and Technology

Performance in the production and commercial logistics activities confirms the strategic choices made over the last few years, in particular centralisation of Operations in each region, with noticeable results in all areas: improvement in service, reduction in costs, progress in safety of persons and environmental protection. L'Oréal's plants are achieving strong productivity gains, the integrated supply chain model is already bringing results and the purchase savings programmes are picking up pace.

See also the chapter on Operations in Volume 1 on pages 86 to 89.

2.1.7. Sustainable development

In 2009, concrete progress was made in sustainable development at all levels. For L'Oréal to be able to enjoy sustainable growth, it must be of benefit to everyone : consumers, employees, suppliers, distributors, shareholders and the communities in which the group operates. It is based on the Group's core values - respect, integrity and excellence – anchored in the everyday reality of all its businesses.

See also the chapter on Sustainable Development in Volume 1 on pages 18 to 19 and the Group's Sustainable Development Report on the www.loreal.com website.

2.1.8. Significant events that have occurred since the beginning of 2010

None.

2.2. Report on the parent company financial statements

The financial statements of the L'Oréal parent company were reviewed by the Audit Committee and the Board of Directors and then closed off by the Board of Directors at its meeting on February 15th, 2010, in the presence of the Statutory Auditors.

2.2.1. Net sales

(€ millions)	2009	2008	Change as a%
1st quarter	532.7	569.0	-6.38%
2nd quarter	549.4	574.8	-4.43%
3rd quarter	475.3	473.0	0.49%
4th quarter	493.7	498.3	-0.92%
Total	**2,051.1**	**2,115.1**	**-3.03%**

N.B: These net sales figures include sales of goods and finished products, accessories, waste and services after deducting reductions in respect of sales. These sales include, in particular, supplies of goods to various subsidiaries which are recorded as intercompany sales from a consolidated standpoint.

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2.2.2. L'Oréal parent company balance sheet and profit and loss account

The balance sheet and profit and loss account of the L'Oréal parent company are presented on pages 138 and 139 of this document.

At December 31st, 2009, total assets amounted to €11,324.6 million, compared to €11,669.3 million at December 31st, 2008.

The parent company financial statements are prepared in accordance with French laws and regulations and with generally accepted accounting principles.

At December 31st, 2009, the share capital consisted of 598,972,410 shares with a par value of €0.2 each.

The notes form an integral part of the annual financial statements.

The results presented include the various types of income received from licenses for use of patents and trademarks and also for the use of technology.

The royalties received for the use of patents and trademarks are included in the *Other revenue item* and those with respect to technology are included in the *Sales* item.

A certain proportion of the above amounts are taxed at a reduced rate.

The profit and loss account shows net profit of €1,841.8 million compared with €1,552.1 million at December 31st, 2008.

The increase in net profit between 2008 and 2009 can be accounted for principally by:

- the improvement in net financial income by €400.5 million in light of:
  - the rise in the share price (reversal of the provision for impairment of treasury stock of €179.4 million in 2009, as compared to a net charge to provisions for impairment of -€205.3 million in 2008),
  - the decrease in financial expenses mainly due to lower interest rates and the financial income generated in 2008 on redemption of the perpetual loan,
- an unfavourable change in exceptional items (down by -€55.8 million).

Net profit amounts to €1,841.8 million for 2009:

- after reversal of the provision for capital expenditure set aside in 2004 with regard to the 2003 financial year amounting to €2.8 million, which is exempt from income tax at the end of the statutory 5-year period;
- after setting aside, pursuant to the French ordinance of October 21st, 1986 with regard to mandatory profit sharing;
  - a reserve for the benefit of employees amounting to €21.9 million for which a provision was booked in 2008 for €21.6 million,
  - and a provision of €20.7 million booked for employee profit sharing for 2009,
- after setting aside the provision for capital expenditure, including the transfer made by subsidiaries in favour of L'Oréal parent company, pursuant to the provisions with regard to mandatory employee profit-sharing, for an amount of €5.3 million, compared with €3.8 million in 2008.

It is stipulated that the total amount of expenses and charges falling under Article 223 quater of the French Tax Code and the amount of tax applicable to such expenses and charges are as follows:

• expenses and charges	€0.8 million
• corresponding tax amount	€0.3 million

Trade accounts payable

In accordance with the French Law on the Modernisation of the Economy of August 4th, 2008 and the resulting new Articles L. 441-6-1 and D. 441-4 of the French Commercial Code, the breakdown of the balance of trade accounts payable by L'Oréal SA at year-end is as follows:

€ millionss

Trade accounts payable not yet due:	140.7, payable as follows:
• at 30 days	84.9
• between 30 and 45 days	55.1
• more than 45 days	0.7
Trade accounts receivable due and payable:	**4.5**

2.2.3. Subsidiaries and holdings

Details of subsidiaries and holdings as well as the main changes and thresholds crossed during the 2009 financial year are set out in the notes to this Report on pages 57 to 61, page 103 and pages 160 to 164.

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2.3. Risk factors

The Group's Internal Control system is aimed at creating and maintaining an organisation which enables the prevention and management of risks, particularly those of an economic, legal and financial nature to which the company and its subsidiaries are exposed inside and outside France. However, no guarantee of a total absence of risk can ever be provided.

2.3.1. Business risks

Image and reputation

The company's reputation and its brand image may be compromised at any time in a globalised world where the report of an incident is conveyed from one continent to the next at the speed of the Internet. No company is safe from an undesirable event whether this involves the use or misuse of a product or reprehensible individual conduct. In order to reduce the risks that may arise from events of this kind, L'Oréal has set up a crisis management unit, whose global task is to prevent, manage and limit the consequences of undesirable events on the company. Likewise, the deployment of the Ethics Charter throughout the whole Group aims at reinforcing the spreading of the rules of good conduct which ensure L'Oréal's integrity and strengthen its ethics. The purpose of these rules of good conduct is to guide actions and behaviour, inspire choices and make sure that the Group's values are reflected in the everyday acts of each employee.

Product quality and safety

Consumer safety is an absolute priority for L'Oréal. The International Safety Assessment Department specifically evaluates the safety of raw materials and finished products. It establishes the toxicological profile of the ingredients which are used and the tolerance of the formulas before they are launched on the market.

L'Oréal goes one step further in the safety evaluation by monitoring the potential adverse effects that may arise when the product is marketed. This makes it possible to take the appropriate corrective measures, where necessary.

Faced with the questions that civil society may ask regarding certain substances and their effects on health and the environment, L'Oréal's position may be summed up in three points:

- vigilance with regard to any new scientific data;
- cooperation with the relevant authorities;
- precautions leading to substitution in the event of a proven risk.

Seasonal nature of the business

The pace of sales may, in certain cases, and for specific products, be linked to climate conditions, such as for example suncare products. The products and brands sought after by consumers as gifts are reliant on a strong concentration of sales at year-end and during holiday periods. This is the case in particular for The Body Shop products and for perfumes. Any major disruption in either of these factors could affect L'Oréal's sales. L'Oréal endeavours to mitigate these risks through the diversity and enrichment of its product offerings and by arranging product launches and special product promotional events throughout the entire year.

Geographic presence and overall economic situation

L'Oréal is present in over 130 countries with 56% of its sales being generated outside Western Europe. The breakdown and changes in L'Oréal's sales are given in Volume 1 on page 13. Besides the currency risks mentioned in note 24.1. *Hedging of currency risk* on page 48 and in paragraph 2.3.7. of this document, political or economic disturbances in countries where the Group generates a significant portion of its sales could have an impact on its business activities.

However, its global presence helps to maintain a balance in sales and enables results to be offset between countries and geographic regions. In periods of major economic slowdown, growth in the Group's sales may however be affected.

Distribution network

To sell its products, L'Oréal uses independent distribution channels, except for a limited number of stores which are owned by the company. The concentration or disappearance of distribution chains and changes in the regulations with regard to selective distribution could have an impact on the development of the Group's brands in the country or countries concerned. The presence of the Group's brands in all types of distribution outlets would help to attenuate any potential negative effect.

Competition

Due to its size and the positioning of its brands, L'Oréal is subject to constant pressure from local and international competitors in all countries.

This competition is healthy; it leads our teams, all over the world, to always do their best to serve the interests of consumers and our brands. In the context of a constant struggle to obtain the best positions and launch the most attractive and most effective product ranges, with an

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optimal price/quality ratio, winning market share, improving operating profitability and thereby ensuring growth are a permanent challenge.

Information systems

The day-to-day management of activities which notably include production and distribution, invoicing, reporting and consolidation operations as well as exchanges of internal data and access to internal information, relies on the proper functioning of all the technical infrastructures and IT applications. The risk of a malfunction or breakdown in these systems for exogenous or endogenous reasons cannot be precluded. In order to minimise the impact that this type of occurrence could have, the Information Systems Department has introduced strict rules with regard to data back-ups, protection, access and security with regard to both computer hardware and software applications. These measures are described in the Report of the Chairman on Internal Control in paragraph 3.5.4.2. *Monitoring process for the organisation of the accounting and finance functions* on page 128.

2.3.2. Legal risks

Intellectual property: trademarks and models

L'Oréal is the owner of the major intangible assets on behalf of the Group's companies, to which it grants licences in exchange for the payment of royalties. Thus, L'Oréal is the owner of most of its brands, which are a strategic asset for the Group, in particular the 23 major international brands described in its 2009 Annual Report, with the exception of a few brands for which L'Oréal has obtained a license and most of which are currently used by the Luxury Products Division, primarily the Giorgio Armani, Yves Saint Laurent, Ralph Lauren, Cacharel, Viktor & Rolf and Diesel brands.

The trademark name, the products themselves and the models may be infringed or counterfeited by economic players wishing to illegally and illegitimately claim the benefits of their reputation. Special care is given to the protection of the trademarks and models belonging to L'Oréal, and is entrusted to a special section of the Group's Legal Department, which has responsibility for registering trademarks in all countries. This department also keeps a close watch on the market and launches the necessary action against infringers and counterfeiters.

The L'Oréal Group is also an active member of the organisations who have set themselves the task of combating counterfeiting and promoting good commercial practice. This is the case, in particular, of the French Manufacturers' association (namely «Union des Fabricants»), the International Chamber of Commerce and Business Europe.

Before any trademark and model registration, prior rights searches are conducted. In light of the large number of countries in which the products are sold and the multiple potential prior rights that may exist in each of these countries, we cannot rule out the possibility that third parties may claim prior rights with regard to certain L'Oréal trademarks and models.

This is a potential risk which has to be cited in order to be exhaustive even though the likelihood of its occurrence is low due to the care taken when conducting prior rights searches.

Industrial property: patents

Research and innovation are the historic pillars of L'Oréal's development. The dedication of L'Oréal's research teams has made it one of the leading industrial patent filers in its field for many years.

In order to protect the Group against the risk of another company claiming one of its molecules, a production process or packaging, L'Oréal has set up a specific structure, the International Industrial Property Department as part of the Research and Innovation Division; this department is responsible for filing the Group's patents, exploiting them and defending them on a worldwide basis.

Changes in the regulations

L'Oréal is subject to the laws which apply to all companies and strives to adopt an attitude beyond reproach. L'Oréal asks its employees to comply with the regulations of the countries in which the company operates. Being an active member of professional associations in the countries where our industry is represented, L'Oréal plays an active role in the ongoing dialogue with the national or regional authorities in charge of the specific regulations governing the products in our industrial sector in order to prevent the risks that may result from changes in regulations.

The European REACH regulations (Registration, Evaluation and Authorisation of Chemicals) that came into force in June 2007 are aimed at increasing human and environmental safety of chemicals by requiring all user companies to prove that they have implemented appropriate risk management measures. Preparation of the registration files for the substances used by L'Oréal is currently in progress. L'Oréal plays an active role in this process for the substances manufactured or imported by its European legal entities concerned. Within the framework of national and European associations, L'Oréal contributes to the analysis and drafting of practical guides for implementation of these regulations which requires adaptations to be made to a lot of processes.

L'Oréal is also subject to the 7th amendment to the European Cosmetics Directive on animal testing of cosmetic ingredients. A L'Oréal working group has set itself the objective of rethinking the conception and the methods of evaluation of raw materials, by chemical nature.

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Other legal risks and litigation

In the ordinary course of its business, the Group is involved in legal actions and is subject to tax assessments, customs controls and administrative audits. In addition, the Group may be the subject of proceedings initiated by national competition authorities, in particular in the countries of the European Union.

A provision is set aside whenever the Group has an obligation towards another party and will have to face a probable outflow of economic ressources whose cost can be estimated with reliability.

We consider that there is currently no exceptional event nor any governmental procedure, legal or arbitration proceeding which has recently materially affected, or is seriously likely to materially affect, the financial situation, assets or operations of the company and the L'Oréal Group.

2.3.3. Industrial and environmental risks

In order to improve the efficiency and productivity of its industrial processes, L'Oréal carries out most of its production in 38 factories, each specialising in a specific type of technology.

Production

Products must be made available on the market on fixed dates to meet launch deadlines and customer demand, in order to enable new product ranges to be listed by distribution in a cosmetics market that requires companies to be more and more responsive.

Therefore, a major production stoppage in an industrial facility could have an adverse effect on the achievement of commercial objectives

Supplier dependence

L'Oréal is dependent on its external suppliers for the delivery of materials (raw materials and packaging items) that are essential for the manufacture of finished products, which may therefore suffer disruption as the result of a default by an important supplier. In order to prevent these risks, L'Oréal has prepared business continuity plans for production which aim notably at looking for replacement solutions (for example: supplier back-up, availability of several moulds for strategic products).

Environment, Health and Safety (EH&S)

The cosmetic industry has a limited environmental risk profile. However, as is the case for any production and distribution operation, L'Oréal is exposed to safety and environmental issues (relating, for example to the use of certain raw materials, the use of machines or electrical equipment for production or storage, handling operations liable to cause accidents involving bodily injury, waste water treatment etc.). The main risk faced is fire due to the inflammable materials used in products (alcohol, propellant gases, powders, oxidants and solvents) and the storage of combustible products and chemicals.

EH&S risk management

To ensure that the Group complies with its commitments to protect the environment and improve occupational health and industrial safety conditions, and to achieve concrete targets, a rigorous Environment, Health and Safety (EH&S) policy has been implemented throughout the Group for many years.

The Operations Division issues internal rules fixing the principles of the L'Oréal policy with regard to EH&S. A EH&S representative is appointed at each industrial site. Training programmes are systematically organised. EH&S performance indicators are collected by all the production sites and all the distribution centres every month.

The fire risk is dealt with in the framework of the very strict fire prevention standards (National Fire Protection Association standards).

L'Oréal Group operates a total of 108 manufacturing sites, of which 3 are classified as "Seveso high threshold" and are therefore subject to strict regulations through the European Union Seveso Directive on the prevention of major accident hazards due to the storage of chemicals or inflammable products.

EH&S risk map and audits

Within the scope of this EH&S policy, the SHAP (Safety Hazard Assessment Procedure) is a hazard prevention programme based on the assessment of risks by employees at grassroots level under the responsibility of the factory Manager. This programme contributes to identifying the dangers overall and for each workstation and assessing the corresponding risks. The SHAP method thus makes it possible to prepare a risk mapping for each factory. This method enables the level of risks to be evaluated and the necessary means of control to be put in place. Generally applied throughout all the Group's industrial sites, it is supported by dialogue between persons in charge, thus contributing to a significant collective improvement in risk management. This approach is constantly evolving and is updated regularly depending on changes at sites and experience on the ground. EH&S audits are conducted every three or four years in each factory and the site map is reviewed within the scope of this audit. In 2009, an EH&S audit was carried out at 8 factories and 10 distribution centres.

Detailed information on EH&S risks and the way they are managed is available in the Group's Sustainable Development Report which is accessible on-line at www.loreal.com.

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2.3.4. Counterparty risk

The Group enters into financial relations in priority with international banks and insurance companies given the best ratings by specialised rating agencies. The Group therefore considers that its exposure to the counterparty risk is weak (see note 24.4. *Counterparty risk* on page 51).

2.3.5. Customer risk

The accounts receivable risk may result from non-collection of receivables due to cash problems encountered by customers or due to the disappearance of customers.

However, this risk is limited by Group policy which is to take out customer insurance cover inasmuch as this is permitted by local conditions. The risk associated with credit insurance is mentioned below in paragraph 2.3.8. Insurance.

Furthermore, due to the large number and variety of distribution channels at worldwide level, the likelihood of occurrence of significant damage on the scale of the Group remains limited. The 10 largest customers/distributors represent around 20% of the Group's sales. The amount considered as posing a risk of non-collection for which a provision for liability is therefore booked is set out in note 17 *Trade accounts receivable* on page 36 of this document. It does not exceed 2% of gross accounts receivable.

2.3.6. Liquidity risk

The Group's Financial Services Department centralises all the subsidiaries' financing needs and also negotiations with financial institutions in order to have better command over financing conditions. Any transactions that may be carried out by subsidiaries are closely supervised.

The L'Oréal Group's liquidity risk is managed with the primary aim of ensuring continued financing and optimising the financial cost of debt.

To this effect, the Group has confirmed credit lines from first-rate banks totalling €2,425 million for terms ranging from 8 months to 5 years or more depending on the case.

These credit lines are not subject to any conditionality clause based on financial criteria. Furthermore, the Group uses the financial markets, on a very regular basis, to meet liquidity needs through the use of short-term papers in France and short-term commercial paper in the United States (see notes 23.1. *Debt by type* and 23.2. *Debt by maturity date* on page 47 and note 24.5. *Liquidity risk* on page 51).

The L'Oréal Group is rated by the credit rating agencies which respectively gave it, in October 2009 for Standard & Poor's and in July 2009 for Moody's and Fitch, the following short-term credit ratings: A1+, Prime 1 and F1+. These ratings are unchanged compared to those assigned in 2008.

2.3.7. Financial and market risks

Financial risks include interest rate risk, currency risk, equity risk, risks with regard to the assets hedging employee commitments, the risk relating to the impairment of intangible assets and the commodity risk.

Interest rate risk

For the requirements of its development and its capital expenditure policy, L'Oréal uses borrowings. The Group mainly refinances at floating rates, as mentioned in note 23.4. *Breakdown of fixed rate and floating rate debt* on page 48. Other details with regard to debt and interest rates are provided in notes 23.5. *Effective interest rates*, 23.6. *Average debt interest rates* and 23.7. *Fair value of borrowings and debts* on page 48 of this document.

In order to limit the negative impact of interest rate variations, the Group has a non-speculative interest rate management policy using derivatives, as described in notes 24.2. *Hedging of interest* rate risk and 24.3. *Sensitivity to changes in interest rates* on pages 50 and 51 of this document.

Currency risk

Due to its international presence, L'Oréal is naturally exposed to currency variations. The fluctuations between the main currencies may therefore have an impact on the Group's results, at the time of translation into Euro of the non-Euro financial statements of subsidiaries, and may therefore make it difficult to compare performances between two financial years. In addition, commercial flows involving the purchase and sale of items and products are carried out between different countries. Procurement by subsidiaries is mainly made in the currency of the supplier's country. In order to limit currency risk, the Group forbids its subsidiaries from speculating in currency and adopts a conservative approach of hedging at year-end annual requirements for the following year through forward purchases or sales contracts or through options. Requirements are established for the following year on the basis of the operating budgets of each subsidiary. These requirements are then reviewed regularly throughout the year in progress. In order to benefit from better visibility of the flows generated, currency risk management is centralised with the Treasury Department at head office (Financial Services Department) which uses a specific tool for centralising the subsidiaries' requirements by currency (FX report).

The system of foreign exchange risk hedging is presented to the Audit Committee. The hedging methodology and the values involved are described in note 24.1 *Hedging of currency risk* on pages 48 to 50 of this document.

The breakdown of consolidated sales for 2009 by currency is specified in Volume 1, page 12.

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The analysis of sensitivity to currency fluctuations and the impact on equity are set out in detail in note 20.4. *Items directly recognised in equity* on page 41. Finally, the impact of foreign exchange gains and losses on the profit and loss account is described in note 6 *Foreign exchange gains and losses* on page 24.

Equity risk

L'Oréal does not invest its cash in shares. For L'Oréal, the main equity risk lies in the 8.97% stake that it holds in the capital of Sanofi-Aventis, as described in note 15 *Non-current financial assets* on page 35 of this document. If the Sanofi Aventis share price were to fall below the initial share price significantly or on a prolonged basis, this would potentially expose L'Oréal to impairing its assets through the profit and loss account as explained in note 24.6 *Shareholding risk* on page 51.

Risks with regard to the assets hedging employee commitments

The assets hedging employee commitments consist of investments which are, by nature, exposed to financial market fluctuations.

The allocation of these assets is governed by investment limits between the various categories aimed in particular at obtaining balanced financing between shares and bonds. However, a large, lasting fall in the financial markets may have an impact on the value of the portfolios set up (see note 21 *Post-employment benefits, termination benefits and other long-term employee benefits* on pages 42 to 45 of this document). The Group adopts a conservative policy for the choice of insurers and custodians for these assets.

Risk relating to the impairment of intangible assets

As stated in the above paragraph relating to legal risks, L'Oréal's brands are a strategic asset for the Group (see *Consolidated balance sheet* on page 6). As described in note 1.17 *Intangible assets* on page 13, goodwill and brands with an indefinite life span are not subject to depreciation but to periodic impairment tests which are carried out at least once a year. Any variance between the recoverable value of the goodwill or the brand subject to the impairment test and its net book value would lead to an impairment loss in respect of the asset, recorded in the profit and loss account. The amounts for 2009 are provided in note 7.2. *Other income and expenses* on page 25 and in note 13 *Impairment tests on intangible assets* on page 33 in this document.

Commodity risk

The production of cosmetics depends on the purchase of raw materials, at fluctuating prices. These raw materials or components enter into the composition of products or their packaging. The main raw materials are polyethylene, polypropylene, aluminium and vegetable oils. An exceptionally large increase in the price of these raw materials or energy prices on the world market could have a direct effect on the manufacturing cost of the cosmetics. We nevertheless estimate that the impact of this rise on the gross margin would remain limited. In order to anticipate the effect of these fluctuations and as a preventive measure, L'Oréal negotiates price indices with its main suppliers of raw materials and packaging items. The Group therefore does not use hedging. Also, in order to offset market volatility, L'Oréal makes ongoing efforts by carrying out purchase actions and actions to improve industrial productivity. Furthermore, the pooling of responsibility for purchases mentioned in the Report of the Chairman in paragraph 3.5.2.1. on page 125 makes it possible to reinforce these measures.

2.3.8. Insurance

The Group's overall insurance policy

The objective of the Group's policy on insurance is to protect the Group's balance sheet and profit and loss account from the occurrence of identified material risks that could adversely affect it. This risk transfer forms an integral part of the Group's risk management process. This policy is applied at two levels:

- at parent company level, the Group has negotiated worldwide insurance programmes to cover its main risks after reviewing the cover available;
- in a local context, subsidiaries have to purchase insurance cover to meet their local regulatory obligations and supplement the Group's worldwide programmes for any specific risks.

The financial solvency of the insurers is an important criterion in the Group's insurer selection process. Each insurance programme subscribed by the Group involves the participation of a pool of insurers. Overall, the majority of the main global insurance companies are involved in one or more of these Group programmes.

Integrated worldwide programmes

Third party liability

The Group has had an integrated global programme covering all its subsidiaries for several years. This programme covers the financial consequences of the third party liability of Group entities. In particular, it covers operating liability, including sudden and accidental environmental pollution, product liability and product recall costs.

Claim activity under this programme has historically been low, which shows the extremely high quality requirements and safety standards applied by the Group in managing its operations and in designing and manufacturing its products. The health and safety of consumers and employees is a constant priority at all levels of Group operations.

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Property damage and interruption of operations

The Group has set up an integrated global programme to cover all the property (fixed assets and inventories) of all its subsidiaries. This programme also covers operating losses directly resulting from a business interruption and/or insured property loss or damage. The level of insurance cover has been selected to cover the maximum reasonably foreseeable loss, taking into account the scale of the prevention and protection measures implemented at the Group's manufacturing sites together with the business continuity plans.

As the capacity of the insurance market is limited for certain types of events, this programme includes aggregate sublimits, particularly in the event of natural disasters. This programme includes the performance, by the insurer's engineers, of loss prevention audits for the Group's locations. These audits form part of the Group's general safety management system.

Transport

The Group has set up a programme to cover the transportation of all its products. All subsidiaries subscribe to this programme, which ensures optimum transport insurance for all flows of goods.

Customer credit risk

Subsidiaries are encouraged to purchase credit insurance, with the assistance of the Group's insurance department and under terms and conditions negotiated by this department, in addition to their own credit management procedures, provided that such cover is compatible with their level of commercial activity and is available under financially acceptable conditions.

In a period of major economic slowdown, a reduction of commitments by major insurance companies could be noted on the credit insurance market as they may decide to reduce their cover of amounts receivable in certain countries. The insurance policies put in place in these countries could be affected by this trend.

Self-insurance

Through its reinsurance subsidiary, the Group carries risk retention levels that are not material at consolidated level, and these are applicable over and above local deductible amounts absorbed by the subsidiaries insured.

2.4. Organisation of the Board of Directors

This chapter is dealt with in the Report of the Chairman of the Board of Directors.

All the information on offices and directorships held by directors over the last five years are described in the Chairman's Report, on pages 109 *et seq.*

2.5. Remuneration of the members of the Board of Directors and the corporate officers

2.5.1. Remuneration of the members of the Board of Directors

The provisions adopted by the Board in this regard in September 2003, at the time when the Board published its Internal Rules for the first time are as follows:

"The directors receive attendance fees in the amount approved by the vote at the Ordinary General Meeting, and which are allocated as decided by the Board.

The attendance fees are divided between the directors as follows:

- *an equal share allocated to each director, comprising a fixed part and a part that varies according to the degree of regularity in attending meetings;*
- *an additional share for Review Committee members."*

For 2009, the Board adopted for a full year: a fixed annual sum of €30,000; an amount of €5,000 for each Board meeting

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which the director attends; an amount of €15,000 for each director who is a member of the Strategy and Implementation Committee and an additional amount of €15,000 for the Chairman of this Committee; an amount of €7,500 for each director who is a member of the Remuneration Committee and the Appointments and Governance Committee and an additional amount of €7,500 for the Chairman of each of these Committees; an amount of €20,000 for each director who is a member of the Audit Committee and an additional amount of €20,000 for its Chairman.

A total amount of €1,050,000 was distributed to directors at the beginning of 2010 in respect of the 2009 financial year, for a total of six meetings like in 2008, according to the following breakdown:

In euros	2008: total 6 meetings	2009: total 6 meetings
Mr. Jean-Paul Agon	60,000	60,000
Mr. Werner Bauer	60,000	60,000
Mrs. Liliane Bettencourt	70,000	75,000
Mrs. Françoise Bettencourt Meyers	60,000	60,000
Mr. Peter Brabeck-Letmathe	80,000	85,000
Mr. Francisco Castañer Basco	95,000	95,000
Mr. Charles-Henri Filippi	100,000	100,000
Mr. Xavier Fontanet	55,000	50,000
Mr. Bernard Kasriel	100,000	105,000
Mr. Marc Ladreit de Lacharrière	55,000	55,000
Mr. Jean-Pierre Meyers	110,000	110,000
Sir Lindsay Owen-Jones	90,000	90,000
Ms. Annette Roux	55,000	50,000
Mr. Louis Schweitzer	55,000	55,000

2.5.2. Remuneration of the corporate officers

At its meeting on February 15th, 2010, the Board decided to continue with the separation of the roles of Chairman and Chief Executive Officer, and to renew the duties of Sir Lindsay Owen-Jones as Chairman and Mr. Jean-Paul Agon as Chief Executive Officer at its meeting to be held at the close of the Annual General Meeting of April 27th, 2010, subject to renewal of their terms of office as directors.

The Board of Directors wishes to incite the General Management both to maximise performance for each financial year and to ensure that the performance is repeated and remains steady year after year.

To ensure that the corporate officers appointed by the Board are offered remuneration and stock options that will attract them, motivate them, and foster their loyalty, the Board is guided in its reflections by two clear principles:

- cash remuneration must be modulated in accordance with responsibilities actually exercised, and must be competitive. It must also depend, for the determination of the variable part, partly on the company's performance, and on the role played in this performance by each of the corporate officers, and partly on qualitative management criteria;
- stock options must be allocated to the corporate officers in order to involve them in the long-term development of the value of the company and its share price on the stock market, in a way that reflects their contribution to this increase in value.

In assessing these different components of remuneration, reference is made to the situation of executive officers in large international companies with the position of world leaders and operating on similar markets.

Based on this approach, and in light of this data, the Remuneration Committee makes its proposals to the Board, which deliberates and makes a collective decision with regard to each proposal.

At the beginning of the year, the Committee proposes to the Board:

- the amount of the variable remuneration relating to the previous financial year after a review of each qualitative and quantitative performance criterion in light of the final results for the year;
- for the current financial year, the amount of the fixed remuneration to be paid, and definition of the objective (value and criteria) determining the variable remuneration.

At the same time, the Remuneration Committee formulates proposals for the grant of stock options to the corporate officers appointed by the Board.

On February 11th, 2009, the Remuneration Committee made proposals to the Board, which reviewed and accepted them at its meeting on February 16th, 2009.

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2.5.2.1. Remuneration of the Chief Executive Officer

The fixed remuneration of the Chief Executive Officer was set by the Board of Directors on February 16th, 2009 at €2,100,000 on an annual basis for 2009.

The Remuneration Committee meeting of February 12th, reviewed the conditions of achievement of the objectives giving rise to the allocation of the variable part of remuneration for 2009.

The target objective was €2,100,000, representing 100% of the fixed remuneration.

The performance assessment criteria had been set as follows:

- half on the basis of an assessment of the qualitative aspects of management such as the appropriateness of strategic choices, prospects for products and markets, the quality of Research projects, renewal of structures, the quality of communication and the ability to generate team spirit;
- half based on quantative objectives relating to the company's performance such as comparable growth in sales, market share, operating profit, net earnings per share and cash flow.

On the recommendation of the Remuneration Committee, the Board decided to allocate to Mr. Jean-Paul Agon variable remuneration of €1,260,000 in respect of 2009, representing 60% of the target.

For 2010, the Board of Directors' meeting of February 15th, 2010 set the fixed part of remuneration at a gross amount of €2,100,000 on an annual basis, an amount which remains unchanged compared to 2009, and set the same target objective of a variable part that may represent 100% of the fixed part with performance assessment criteria equivalent to those for 2009. These provisions apply for the whole of 2010 in the event of renewal by the Board of Directors of the term of office of Mr. Jean-Paul Agon as Chief Executive Officer, at the close of the Annual General Meeting on April 27th, 2010.

Furthermore, in 2009, Mr. Jean-Paul Agon declined the allocation of stock options that the Board of Directors had proposed to grant him.

The Chief Executive Officer has a company car and a chauffeur at his disposal.

The table summarising the remuneration of the Chief Executive Officer is as follows:

Mr. Jean-Paul Agon Chief Executive Officer	2008		2009	
In euros	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed remuneration	2,100,000	2,100,000	2,100,000	2,100,000
Variable remuneration	1,365,000	0 (1)	1,260,000	1,365,000
Exceptional remuneration	-	-	-	-
Attendance fees (2)	62,035	57,279	60,000	60,000
Benefits in kind	-	-	-	-
Total	**3,527,035**	**2,157,279**	**3,420,000**	**3,525,000**

(1) From 2008 onwards, the variable remuneration for year n is paid in year n+1.
(2) Attendance fees for year n are paid in year n+1.

The summary table showing the remuneration and stock options allocated to the Chief Executive Officer is as follows:

In euros	2008	2009
Remuneration due in respect of the financial year	3,527,035	3,420,000
Valuation of stock options granted during the financial year	0	0
Valuation of performance shares awarded during the financial year	0	0
Total	**3,527,035**	**3,420,000**

2.5.2.2. Remuneration of the Chairman of the Board of Directors

The Board of Directors' meeting of February 16th, 2009 set the fixed part of the Chairman's remuneration at a gross amount of €2,000,000 on an annual basis for 2009 including benefits in kind.

With regard to variable remuneration, the target objective was €1,500,000, representing 75% of the fixed remuneration. It is based on achievement of objectives related to his role as described in the Internal Rules of the Board of Directors.

The Remuneration Committee proposed to apply the same rate of achievement of 60% of the target objective as that applied to the variable remuneration of the Chief Executive Officer. In light of the economic environment and the significant efforts made by everyone in the company, the Chairman decided to give up all right to any variable remuneration in respect of 2009. The Board duly noted this.

The Board decided to maintain the Chairman's fixed remuneration for 2010 at the current level of €2,000,000 including the benefits in kind up to the expiry of his term

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of office as director which ends at the next Annual General Meeting on April 27th, 2010.

The Board has also set in advance the amount of the Chairman's fixed remuneration for the remainder of 2010. Subject to renewal of his term of office, the Board has decided, in accordance with the Chairman's wishes, that his fixed remuneration would be reduced to €1,000,000 on an annual basis including benefits in kind and that the variable remuneration would no longer be payable.

The Chairman has secretarial services, a company car and a chauffeur at his disposal.

The summary table showing the Chairman's remuneration is as follows:

Sir Lindsay Owen-Jones Chairman of the Board of Directors	2008		2009	
In euros	Amounts due	Amounts paid	Amounts due	Amounts paid
- Fixed remuneration	1,985,450	1,985,450	1,984,664	1,984,664
- Variable remuneration	975,000	0 (1)	0	975,000
- Exceptional remuneration	-	-	-	-
- Attendance fees (2)	92,035	87,279	90,000	90,000
- Benefits in kind	14,550	14,550	15,336	15,336
Total	**3,067,035**	**2,087,279**	**2,090,000**	**3,065,000**

(1) From 2008 onwards, variable remuneration for year n is paid in year n+1.
(2) Attendance fees for year n are paid in year n+1.

The summary table showing the remuneration and stock options allocated to the Chairman is as follows:

In euros	2008	2009
Remuneration due in respect of the financial year	3,067,035	2,090,000
Valuation of stock options granted during the financial year	0	0
Valuation of performance shares awarded during the financial year	0	0
Total	**3,067,035**	**2,090,000**

2.5.3. Stock Options granted to the corporate officers appointed by the Board

The stock options which were granted by the Board of Directors to Sir Lindsay Owen-Jones in previous years, and which can still be exercised are as follows:

Date of grant	Number of options granted	Number of options not yet exercised	1st possible date of exercise	Date of expiry	Purchase (A) or subscription (S) price (in €)
04.05.2000	-	-	-	-	-
09.28.2000	150, 000	150,000	09.29.2005	09.28.2010	83.00 (A)
12.07.2000	-	-	-	-	-
03.28.2001	200, 000	200,000	03.29.2006	03.28.2011	79.60 (A)
09.18.2001	300, 000	300,000	09.19.2006	09.18.2011	77.60 (A)
10.08.2001	-	-	-	-	-
03.26.2002	-	-	-	-	-
09.04.2002	-	-	-	-	-
12.03.2003	500,000	500,000	12.04.2008	12.03.2013	63.02 (S)
	500,000	500,000	12.04.2008	12.03.2013	71.90 (A)
03.24.2004	-	-	-	-	-
12.01.2004	1,000,000	1,000,000	12.02.2009	12.01.2014	55.54 (S)
06.29.2005	-	-	-	-	-
11.30.2005	700,000	700,000	12.01.2010	11.30.2015	61.37 (S)
	300,000	300,000	12.01.2010	11.30.2015	62.94 (A)
04.25.2006	2,000,000	2,000,000	04.26.2011	04.25.2016	72.60 (S)

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The stock options which have been granted by the Board of Directors to Mr. Jean-Paul Agon, since his appointment as a corporate officer are as follows:

Date of grant	Number of options granted	Number of options not yet exercised	1st possible date of exercise	Date of expiry	Subscription price (in €)
12.01.2006	500,000	500,000	12.02.2011	12.01.2016	78.06 (S)
11.30.2007	350,000	350,000	12.01.2012	11.30.2017	91.66 (S)
03.25.2009	-	-	-	-	-

The Board of Directors decided, within the scope of the Plan of November 30th, 2007, that Mr. Jean-Paul Agon, as a corporate officer, will retain a number of shares corresponding to 50% of the "balance of the shares resulting from the exercise of the stock options", in registered form, until the termination of his duties as Chief Executive Officer of L'Oréal.

The "balance of the shares resulting from the exercise of the stock options" should be understood to mean the total number of shares resulting from the exercise of stock options minus the number of shares that have to be sold to finance the exercise of the stock options in question and, where applicable, the payment of any immediate or deferred taxes, social levies and costs relating to the exercise of these stock options as applicable at the date of exercise of the options. If the number of shares thus determined that must be retained until the termination of Mr. Jean-Paul Agon's duties as Chief Executive Officer is not a whole number of shares, this number of shares would be rounded down to the nearest lower whole number of shares.

Furthermore, in 2009, Mr. Jean-Paul Agon declined the allocation of stock options that the Board of Directors had proposed to grant him.

2.5.4. Stock Options exercised by the corporate officers appointed by the Board

On November 20th, 2009, Sir Lindsay Owen-Jones exercised 200,000 of the stock options granted by the Board of Directors on December 7th, 1999, out of a total of 300,000 stock options, at a price of €61.00 per share.

Mr. Jean-Paul Agon did not exercise any stock options in 2009.

2.5.5. Commitments made with regard to the corporate officers

2.5.5.1 Commitments made with regard to the Chairman of the Board of Directors

As Sir Lindsay Owen-Jones, Chairman of the Board of Directors, claimed his pension entitlements in 2006, he no longer has an employment contract with L'Oréal. He is not entitled to any indemnity in the event of non-renewal or removal from his corporate office.

	Employment contract		Supplementary pension scheme (2)		Indemnities or benefits due or which may become due as a result of termination or change of duties		Indemnities relating to a non-competition clause	
Corporate officer	Yes	No	Yes	No	Yes	No	Yes	No
Sir Lindsay Owen-Jones (1) Chairman of the Board		x	NA	NA		x		x

(1) Sir Lindsay Owen-Jones has been a director since 1984. His tenure will be proposed for renewal at the Annual General meeting on April 27th, 2010.
(2) Sir Lindsay Owen-Jones benefits from the pension cover for members of the "Comité de Conjoncture" since he claimed his pension entitlements in 2006.

2.5.5.2 Commitments made with regard to the Chief Executive Officer

The provisions described below are tied in with renewal by the Board of Directors of the Chief Executive Officer's term of office at the close of the Annual General Meeting on April 27th, 2010. They will be put to the vote of the shareholders by means of a resolution subject to the condition precedent of renewal of this term of office.

The Code of Corporate Governance for listed companies, prepared jointly by the AFEP and the MEDEF, to which L'Oréal refers, recommends that companies should put an end to the practice of combining an employment contract with a corporate office (point 19) although it does not impose this as a mandatory requirement. L'Oréal's Board of Directors shares the objectives of this recommendation which aims at avoiding the possibility of concurrently obtaining benefits both from the employment contract and the corporate office and at prohibiting any interference with the possibility of removing corporate officers ad nutum. The Board of Directors therefore intends to formally lay down the methods of application of the objectives of the recommendation, as adapted to the professional context in the L'Oréal group.

The Board's intention is to use the treatment set out below for Mr. Jean-Paul Agon and, in future, for any new corporate officer appointed who has over 15 years' length of service in the group at the time of appointment.

L'Oréal's ongoing policy has been to appoint employees who have completely succeeded in the various stages of their careers in the Group as corporate officers. This is how Mr. Jean-Paul Agon, then Deputy Chief Executive Officer, was appointed as Chief Executive Officer of L'Oréal in April 2006, following a brilliant career spanning 27 years within the Group.

The Board of Directors notes that if, in accordance with the AFEP/MEDEF recommendation, Mr. Jean-Paul Agon's employment contract with L'Oréal was to be terminated, Mr. Agon would lose the status he acquired as a result of the twenty-seven years he spent working for the Group as an employee.

The Board does not want Mr. Jean-Paul Agon, who accepted the office of Chief Executive Officer after 27 years working with L'Oréal, to be deprived of the benefits to which he would have continued to be entitled had he remained an employee.

The Board of Directors considers that the objective pursued by the AFEP/MEDEF recommendation can be fully achieved by maintaining the suspension of the employment contract and clearly separating out the benefits related to the employment contract on the one hand from those relating to his corporate office on the other.

The Board of Directors has decided to eliminate all right to any indemnity in the event of termination of the corporate office.

In the event of departure, and depending on the reasons, Mr. Jean-Paul Agon would only be paid the dismissal indemnities, except in the event of gross misconduct or gross negligence, or retirement indemnities due in the event of voluntary retirement or compulsory retirement on the company's initiative pursuant to the employment contract that has been suspended. These indemnities, which are attached solely to termination of the employment contract and in strict application of the National Collective Bargaining Agreement for the Chemical Industries and the company-level agreements applicable to all L'Oréal senior managers, are due in any event pursuant to public policy rules of employment law. They are not subject to any condition other than those provided for by the National Collective Bargaining Agreement for the Chemical Industries or the above-mentioned company-level agreements. The same applies to the non-competition clause and the related financial consideration.

Remuneration in respect of the corporate office will in no event be taken into consideration for calculation of the indemnities due pursuant to the collective bargaining agreement and the company-level agreements applicable to all L'Oréal executives.

Mr. Jean-Paul Agon will continue to benefit from the defined benefit pension scheme currently applicable to the Group's senior managers, as described on page 99 of this Report under the heading *Employee pension schemes in France – Defined benefit scheme*.

The reference remuneration to be used to calculate all the rights attached to the employment contract and in particular to compute the pension under the above-mentioned defined benefit scheme, is based on the amount of remuneration at the date of suspension of the employment contract in 2006, namely fixed remuneration of €1,500,000 and variable remuneration of €1,250,000.

This reference remuneration is reviewed every year by applying the revaluation coefficient in respect of salaries and pension contributions published by the French State pension fund. As of January 1st, 2010, the fixed remuneration amounts to €1,570,500 and variable remuneration to €1,308,750.

The length of service applied will take into consideration his entire career, including the years during which he was Chief Executive Officer.

Mr. Jean-Paul Agon will continue to be entitled to benefit from the additional social protection schemes and in particular the employee benefit and healthcare schemes available to the company's employees due to the fact that he will be treated as a senior manager throughout the entire period of his corporate office.

The above provisions will be subject to the procedure applicable to regulated agreements and commitments; the Statutory Auditors will be informed of the provisions and the commitment will be submitted for approval to the Annual General Meeting on April 27th, 2010 when it makes a decision with regard to the special report prepared by the Statutory Auditors.

The table set out below, presented in the form recommended by the AMF, clearly shows that there are no concurrent benefits under the suspended employment contract and the corporate office.

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	Employment contract (2)		Supplementary pension scheme (3)		Indemnities or benefits due or which may become due as a result of termination or change of duties (4)		Indemnities relating to a non-competition clause (5)	
Corporate officer	Yes	No	Yes	No	Yes	No	Yes	No
Mr. Jean-Paul Agon (1) Chief Executive Officer	x		x			x	x	

(1) Mr. Agon has been a director since 2006. His tenure will be proposed for renewal at the Annual General meeting on April 27th, 2010.
(2) Mr. Agon's employment contract is suspended throughout the entire length of his corporate office.
(3) Pursuant to his employment contract; Mr. Agon is entitled to benefit from the "Garantie de Retraite des Membres du Comité de Conjoncture" (Pension Cover of the Members of the "Comité de Conjoncture") as described on page 99.
(4) No indemnity is due in respect of termination of the corporate office. In respect of the employment contract, pursuant to the provisions of the National Collective Bargaining Agreement for the Chemical Industries, in the event of dismissal, except in the case of gross misconduct or gross negligence, the dismissal indemnity would be capped, in light of Mr. Agon's length of service, at 20 months' reference remuneration.
(5) In respect of the employment contract, pursuant to the provisions of the National Collective Bargaining Agreement for the Chemical Industries, in the event of termination of the employment contract, the indemnity due in consideration of the non-competition clause would be payable every month for two years on the basis of 2/3 of the monthly reference fixed remuneration unless Mr. Agon were to be released from application of the clause.

2.5.6. Summary of trading by corporate officers in L'Oréal shares in 2009

(Article 223-26 of the General Regulation of the Autorité des Marchés Financiers)

Person concerned	Date of the transaction	Nature of the transaction	Unit price	Total amount
Sir Lindsay Owen-Jones, Chairman of the Board of Directors	November 20th, 2009	Exercise of stock options	€61	€12,200,000
FIMALAC DEVELOPPEMENT, a legal entity related to Mr. Marc Ladreit de Lacharrière, Director	December 11th, 2009	Sale of calls	€4,2173	€810,063

2.6. Information concerning the share capital

2.6.1. Statutory requirements governing changes in the share capital and shareholders' rights

None.

2.6.2. Issued share capital and authorised unissued share capital

The share capital amounts to €119,794,482.00 as of December 31st, 2009. It is divided into 598,972,410 shares with a par value of €0.20 each, all of the same class and ranking pari passu.

The table set out below summarises (particularly in application of Articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code) the currently valid authorisations granted to the Board of Directors by the Annual General Meeting concerning the capital, shows the use made of such authorisations over the financial year and presents the authorisations which are to be put to the vote at the Annual General Meeting on April 27th, 2010.

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Nature of the authorisation	Date of AGM (resolution no.)	Length (expiry date)	Maximum authorised amount	Use made of the authorisation in 2009	Resolution No.	Length	Maximum ceiling
	Authorisations in force				Authorisations proposed to the Annual General Meeting of April 27th, 2010		
Share capital increases							
Capital increase through the issue of shares with maintenance of preferential subscription rights or via the capitalisation of share premiums, reserves, profits or other amounts	April 16th, 2009 (11th)	26 months (June 16th, 2011)	An increase in the share capital to €175,000,000	None			None
Capital increase reserved for employees	April 16th, 2009 (14th)	26 months (June 16th, 2011)	1% of share capital at the date of the Annual General Meeting (i.e. a maximum of 5,984,452 shares)	None			None
Buyback by the company of its own shares							
Buyback by the company of its own shares (maximum authorised purchase price: €130)	April 16th, 2009 (10th)	18 months (October 16th, 2010)	10% of share capital on the date of the buybacks (i.e. 59,897,241 shares at December 31st, 2009)	None (Capital held by the company at December 31st, 2009: 2.38% of the share capital)	13	18 months (October 27th, 2011)	10% of share capital on the date of the buybacks (i.e. 59,897,241 shares at December 31st, 2009)
Reduction in the share capital via cancellation of shares							
Cancellation of shares purchased by the company within the scope of Article L. 225-209 of the French Commercial Code	April 22nd, 2008 (8th)	26 months (June 22nd, 2010)	10% of share capital on the date of cancellation per 24-month period	3,808,000 shares(i.e. 0.63% of the capital at the time of the transaction)	14	26 months (June 27th, 2012)	10% of share capital on the date of cancellation per 24-month period
Cancellation of shares purchased by the company within the scope of Article L. 225-208 of the French Commercial Code	April 22nd, 2008 (8th)	26 months (June 22nd, 2010)	500,000 shares	162,600 shares	14	26 months (June 27th, 2012)	500,000 shares
Stock options and free grants of shares							
Allocation of share purchase or subscription options (no discount with regard to exercise price)	April 16th, 2009 (12th)	26 months (June 16th, 2011)	2% of share capital on the date of the decision to allocate the options	3,650,000 share subscription options			None
Free grant of existing shares or shares to be issued to employees	April 16th, 2009 (13th)	26 months (June 16th, 2011)	0.2% of share capital on the date of the decision to make the grant	270,000 shares			None

At December 31st, 2009, 26,547,600 share subscription options were allocated, all being granted within the framework of authorisations prior to that voted by the Annual General Meeting of April 16th, 2009. All these options are exercisable on the basis of one new share per option, and are therefore liable to lead to the creation of the same number of shares.

Accordingly, the potential share capital of the company amounts to €125,104,002.00 divided into 625,520,010 shares with a par value of €0.20 each.

The company has not issued any securities which grant indirect entitlement to shares in the capital.

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2.6.3. Changes in the share capital over the last five years

Date	Nature of the transaction	Amount of the change in share capital	Share premiums	Amount of the share capital on completion of the transaction	Number of shares created or cancelled	Number of shares on completion of the transaction
12.31.2004	-	-	-	€135,212,432	-	676,062,160
04.26.2005	Cancellation of shares	-€3,460,000	-	€131,752,432	- 17,300,000	658,762,160
04.27 to 12.31.2005	Exercise of share subscription options	€1,500	€433,750.00	€131,753,932	7,500	658,769,660
01.01 to 04.24.2006	Exercise of share subscription options	€5,600	€1,683,395.00	€131,759,532	28,000	658,797,660
04.25.2006	Cancellation of shares	-€3,845,850	-	€127,913,682	-19,229,250	639,568,410
04.26 to 12.31.2006	Exercise of share subscription options	€9,600	€2,906,710.00	€127,923,282	48,000	639,616,410
01.01 to 02.14.2007	Exercise of share subscription options	€250	€78,525.00	€127,923,532	1,250	639,617,660
02.14.2007	Cancellation of shares	-€2,698,150	-	€125,225,382	-13,490,750	626,126,910
02.15 to 08.30.2007	Exercise of share subscription options	€11,290	€3,516,221.50	€125,236,672	56,450	626,183,360
08.30.2007	Cancellation of shares	-€1,645,020	-	€123,591,652	-8,225,100	617,958,260
08.31 to 12.31.2007	Exercise of share subscription options	€3,470	€1,090,637..00	€123,595,122	17,350	617,975,610
02.13.2008	Cancellation of shares	-€1,437,400	-	€122,157,722	-7,187,000	610,788,610
02.14 to 08.27.2008	Exercise of share subscription options	€6,920	€2,087,532.00	€122,164,642	34,600	610,823,210
08.28.2008	Cancellation of shares	-€1,682,080	-	€120,482,562	-8,410,400	602,412,810
08.29 to 12.31.2008	Exercise of share subscription options	€600	€185,572.50	€120,483,162	3,000	602,415,810
02.16.2009	Cancellation of shares	-€794,120	-	€119,689,042	-3,970,600	598,445,210
02.17 to 12.31.2009	Exercise of share subscription options	€105,440	€31,026,370.50	€119,794,482	527,200	598,972,410

2.6.4. Legal entities or individuals exercising control over the company to the company's knowledge

The Bettencourt family, on the one hand, and Nestlé S.A., on the other hand, are shareholders of the company and have declared that they are acting in concert (see *Changes in allocation of the share capital and voting rights* and *Shareholders' agreements relating to shares in the company's share capital* hereafter).

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2.6.5. Changes in allocation of the share capital and voting rights over the last three years

Over the last three years, the allocation of the share capital and the voting rights has changed as follows:

	12.31.2007				12.31.2008				12.31.2009			
	Number of shares	% of capital	% of voting rights [3]	% of voting rights [4]	Number of shares	% of capital	% of voting rights [3]	% of voting rights [4]	Number of shares	% of capital	% of voting rights [3]	% of voting rights [4]
Bettencourt family [1] [2]	185,661,879	30.04	30.04	31.19	185,661,879	30.82	30.82	31.84	185,661,879	31.00	31.00	31.75
Nestlé S.A. [2]	178,381,021	28.87	28.87	29.96	178,381,021	29.61	29.61	30.59	178,381,021	29.78	29.78	30.51
Company savings plan	3,511,015	0.57	0.57	0.59	3,870,953	0.64	0.64	0.66	4,307,998	0.72	0.72	0.74
Public	227,756,758	36.85	36.85	38.26	215,226,615	35.73	35.73	36.91	216,384,762	36.12	36.12	37.00
Treasury stock	22,664,937	3.67			19,275,342	3.20			14,236,750	2.38		
Total	**617,975,610**	**100.00**	**96.33**	**100.00**	**602,415,810**	**100.00**	**96.80**	**100.00**	**598,972,410**	**100.00**	**97.62**	**100.00**

(1) Including 185,654,833 L'Oréal shares held in absolute or beneficial ownership by Téthys, a French Société par actions simplifiée (simplified joint-stock company) of which Mrs. Liliane Bettencourt is the Chairwoman and of which she holds almost all the shares and attached ownership in beneficial ownership. Mrs. Françoise Bettencourt-Meyers holds 76,440,541 L'Oréal shares in bare ownership L'Oréal, the beneficial ownership of which is held by Téthys.
(2) The Bettencourt family and Nestlé S.A. act in concert (see Shareholders' agreements relating to shares in the company's share capital hereafter).
(3) Calculated in accordance with Article 223-16 of the General Regulation of the Autorité des marchés financiers.
(4) At Annual General Meetings: it should be noted that, pursuant to the Articles of Association, each share grants entitlement to one vote at Annual General Meetings and that, pursuant to French law, shares of treasury stock are deprived of voting rights.

To the company's knowledge, at December 31st, 2009, the members of the Management Committee directly held less than 1% of the share capital.

The number of shares held by each of the members of the Board of Directors is set out in the notes to the Management Report in the section concerning the Corporate officers on pages 109 to 119 of this document.

The company is authorised to trade in its own shares on or off the Stock Exchange in accordance with Articles L. 225-209 *et seq.* of the French Commercial Code, within the limits and in accordance with the purposes defined by the authorisations that are granted to it by its Annual General Meeting. At December 31st, 2009, the company held, on this basis, 14,236,750 of its own shares (2.38% of the share capital), which, if they were to be valued at their purchase price, represented €1,071.6 million, and after provisions, €1,048.7 million, all allocated to covering the existing stock option plans for the purchase of shares allocated to employees and corporate officers of Group companies.

2.6.6. Employee share ownership

The employees of the company and its affiliates held 4,307,998 shares as at December 31st, 2009, that is 0.72% of the share capital, through the company savings plan.

At that date, this stake in the capital is held by 9,689 employees participating in the Group company savings plan.

2.6.7. Disclosures to the company of legal thresholds crossed

During 2009, the company was not informed of any crossing of the legal thresholds with regard to the holding of its shares or voting rights.

2.6.8. Shareholders' agreements relating to shares in the company's share capital

The company is not aware of any shareholders' agreements relating to shares in its share capital other than the agreement described below.

A memorandum of agreement was signed on February 3rd, 2004 between Mrs. Liliane Bettencourt and her family, and Nestlé, providing for the merger of Gesparal into L'Oréal. It contains the following clauses:

2.6.8.1. Clauses relating to the management of the L'Oréal shares held

Clause limiting the shareholding:

The parties agreed not to increase their shareholdings or their voting rights held in L'Oréal, either directly or indirectly, in any manner whatsoever, for a minimum period of three years as from April 29th, 2004, and in any case not until six months have elapsed after the death of Mrs. Bettencourt.

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Lock-up clause

The parties agreed not to transfer any or all of their L'Oréal shares either directly or indirectly, for a period of five years as from April 29th, 2004.

Exceptions to the undertaking to limit the shareholding and the lock-up clause

a) The undertaking to limit the shareholding does not apply if the increase in the shareholding results from a reduction in the number of L'Oréal shares or voting rights, the acquisition by the company of its own shares, or the suspension or removal of the voting rights of a shareholder.

b) The undertaking to limit the shareholding and the lock-up clause will no longer apply in the event of a takeover bid for L'Oréal shares, as from the date of publication of the clearance decision (avis de recevabilité) and up until the day after the publication of the notice of results (avis de résultat).

c) In the event of an increase in the share capital of L'Oréal, the parties may, provided that the other party has voted in favour of the capital increase, acquire shares or subscribe for new shares, in order to maintain their holding at the percentage existing prior to the said transaction.

d) The parties are free to carry out transfers of L'Oréal shares, in the case of individuals, in favour of an ascendant, descendant or spouse in the form of a gift, and in the case of individuals or legal entities, in favour of any company in which the individual or legal entity carrying out the transfer holds over 90% of the share capital or voting rights.

Pre-emption clause

The parties have reciprocally granted each other a pre-emption right concerning the L'Oréal shares they hold since the date of the merger, and those they will hold after such date.

This pre-emption right will come into force on expiry of the lock-up clause for a period of five years; as an exception, it will come into force before the expiry of the lock-up period in the event of a takeover bid for L'Oréal shares for a period beginning on the day of the clearance decision and ending the day after the publication of the notice of results.

"No concert party" provision:

The parties have agreed for a period of ten years from the effective date of the merger not to conclude an agreement with any third party and not to form a concert party relating to the shares making up the share capital of L'Oréal.

Breach of such undertaking entitles the other party to exercise its pre-emption right with regard to the shareholding of the party having committed such breach, for a price per share equal to the average of the share prices for the last thirty trading sessions prior to notification of exercise of the pre-emption right.

2.6.8.2. Board of Directors

The memorandum of agreement did not provide for any change to the composition of the Board of Directors as compared to its composition at the date of signing, but did stipulate an undertaking by the parties to vote in favour of the appointment as directors of three members proposed by the other party.

The Bettencourt family and Nestlé also agreed to vote in favour of the appointment of two Vice-Chairmen of the Board of Directors, one proposed by the Bettencourt family, and the other by Nestlé.

The parties provided for the creation of a Strategy and Implementation Committee on the Board of Directors of L'Oréal, which has six members, and is chaired by the Chairman of the Board of Directors of L'Oréal and composed of two members proposed by the Bettencourt family, two members proposed by Nestlé and one other independent director. The committee meets six times a year.

2.6.8.3. Term

Unless otherwise stipulated, the memorandum of agreement will remain in force for five years from April 29th, 2004, and in all cases until a period of six months has elapsed after the death of Mrs. Bettencourt.

2.6.8.4. Concerted action between the parties

The parties have declared that they will act in concert for a period of five years from April 29th, 2004 onwards.

On April 9th, 2009, the Bettencourt family and Nestlé published the following press release:

"On February 3rd, 2004, the Bettencourt family and Nestlé signed an agreement organising their relationship and the management of their stakes within the L'Oréal company.

The agreement is public and remains unchanged. It foresees the non-transferability of their respective stakes in the capital of L'Oréal until April 29th, 2009, the other clauses (in particular, limitation on the shareholding, pre-emption, escrow, prohibition on constituting a concert party with any third party, composition of the board of directors and setting up of the Strategy and Implementation Committee) continue to be effective until the expiry date mentioned in the 2004 deed.

The Bettencourt family and Nestlé will continue on acting in concert with regard to the L'Oréal company beyond April 29th, 2009."

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2.6.9. Buyback by the company of its own shares

2.6.9.1. Information concerning share buybacks during the 2009 financial year

In 2009, the Company did not buy back any of its own shares. It did not therefore make any use of the authorisation voted by the Annual General Meeting of April 16th, 2009.

At its meeting on February 16th, 2009, the Board of Directors proceeded to cancel 3,808,000 shares which had been bought back in 2008, within the framework of the authorisation voted by the Annual General Meeting of April 22nd, 2008 and falling within the scope of Article L. 225-209 of the French Commercial Code.

The table set out below summarises the transactions carried out within this framework, and the use made of the shares bought back:

Date of authorisation of the Annual General Meeting	April 22nd, 2008 (7th resolution)	April 16th, 2009 (10th resolution)
Expiry date of the authorisation	October 22nd, 2009	October 16th, 2010
Maximum amount of authorised buybacks	10% of the capital on the date of the share buybacks (i.e. at 02.13.2008: 61,078,861 shares), for a maximum amount of €7,900 million	10% of the capital on the date of the share buybacks (i.e. at 02.16.2009: 59,844,521 shares), for a maximum amount of €7,800 million
Maximum purchase price per share	€130	€130
Authorised purposes	Cancellation Share purchase options Free grants of shares Liquidity and market stabilisation External growth	Cancellation Share purchase options Free grants of shares Liquidity and market stabilisation External growth
Board of Directors' meeting that decided on the buybacks (maximum amount)	June 19th, 2008 (€1,250 million)	None
Purpose of buybacks	Cancellation	Not applicable
Period of buybacks made	June 20th – December 31st, 2008	Not applicable
Number of shares purchased	6,433,000	None
Average purchase price per share	€68.08	None
Use of shares purchased	Cancellation: 6,433,000[1] Other: none	Not applicable

(1) 2,625,000 shares cancelled by the Board of Directors at its meeting of August 28th, 2008, and 3,808,000 shares cancelled by the Board of Directors at its meeting of February 16th, 2009.

2.6.9.2. Transactions carried out by L'Oréal with respect to its shares in 2009

Percentage of share capital held by the company directly and indirectly at December 31st, 2009:	2.38%
Including:	
• those intended to cover existing share purchase option plans	2.38%
• those intended for cancellation	0.00%
Number of shares cancelled during the last 24 months:	19,568,000
Number of shares cancelled during the last 24 months at 12/31/2009:	14,236,750
Net book value of the portfolio at 12/31/2009:	€1,048.7 million*
Market portfolio value at 12/31/2009:	€1,110.5 million

* *After provision.*

	Total gross transactions	
	Purchases	Sales/Transfers*
Number of shares	None	1,067,992
Average transaction price	Not applicable	
Average exercise price		€60.34
Amounts	None	€64.4 million

* *Including the exercise of 1,064,242 stock options for the purchase of shares granted to employees and corporate officers of Group companies.*

There is no open purchase or sale position at December 31st, 2009.

2.6.9.3 Renewal by the Annual General Meeting of the authorisation given to the Board to trade in the company's shares

By voting a new resolution, the Annual General Meeting will be able to provide the Board of Directors with the means to enable it to continue its share buyback policy.

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This authorisation would be given for a maximum period of 18 months as from the date of the Annual General Meeting and the purchase price per share could not exceed €130.

The company would be able to buy its own shares for the following purposes:

- their cancellation;
- their allocation to employees and corporate officers;
- stabilisation of the share price;
- retaining them and subsequently using them as payment in connection with external growth operations.

The authorisation would concern up to 10% of the share capital for a maximum amount of €7,786.6 million, it being specified that the company may never at any time hold over 10% of its own share capital. In light of the number of its own shares held by the company at December 31st, 2009 representing 2.38% of the capital, i.e. 14,236,750 shares, the maximum percentage of share buybacks that may be made as at December 31st, 2009 amounts to 7.62%, i.e. an amount of €5,935.9 million on the basis of a maximum purchase price of €130 per share.

Share purchases made within the scope of this authorisation may be made by any available means, either on or off the stock market and, in particular, in whole or in part through transactions involving blocks of shares or the use of derivatives.

2.7. Employee and Environmental Information

2.7.1. Human resources

In 2009, the Human Resources teams found the right balance between L'Oréal's long-term ambitions and its short-term constraints in terms of adaptation and organisation. The various Group entities, the teams and employees that work for them were efficiently supported. Despite economic constraints, long-term priorities with regard to hiring of young graduates, international job mobility and building career momentum were maintained, clearly displaying L'Oréal's confidence in the future.

2.7.2. L'Oréal parent company employee information

2.7.2.1. Number of employees and number of persons hired

Total number of employees at 12.31.2009

L'Oréal had a total of 5,804 employees at December 31st, 2009. L'Oréal hired 131 persons on permanent contracts, 279 on fixed-term contracts and 147 persons on work and training contracts (92 apprenticeship contracts and 55 contracts offering professional experience). In addition, 273 persons were hired on a short-term basis during the holiday period or for a single season.

2009	Men	Women	All
Executives	1,316	1,553	2,869
Supervisors and technical staff	448	1,593	2,041
Administrative staff	125	208	333
Manual workers	169	102	271
Sales representatives	174	116	290
Total	**2,232**	**3,572**	**5,804**

The total number of Group employees (including all consolidated Group companies worldwide) was 64,643 as of December 31st, 2009. See details in the Human Resources chapter in volume 1 on pages 90 to 93.

Difficulties in recruiting

L'Oréal does not have any problems in recruiting either executives or other categories of staff.

Redundancies or dismissals

In 2009, there were no redundancies for economic reasons.

Out of a total of 5,804 employees, 24 were dismissed for personal reasons including 4 dismissals for physical incapacity.

Overtime

L'Oréal does not require its employees to work much overtime. The total number of hours of paid overtime in 2009 was 23,546 for a gross amount of €470,924, representing the equivalent of 14.85 persons, that is 0.25 % of the total number of employees.

Temporary workers

Temporary workers at L'Oréal represent 2.24% of the total number of employees on average, for an average monthly total of 146 temporary workers and an average length of contract of 13.51 days.

Information relating to workforce reduction plans and job preservation schemes, efforts to find alternative positions for employees, rehiring and employment assistance measures

No workforce reduction plan took place at L'Oréal in 2009.

Following the acquisition of YSL Beauté in July 2008, 24 employees joined the L'Oréal parent company through internal mobility.

2.7.2.2. Work organisation

L'Oréal applies the National Collective Bargaining Agreement for the Chemical Industries and various company-level agreements, of which the most recent, dated June 30th, 2000, was concluded in application of the French Law on the adjustment and reduction of working time.

Working week

The average working week for all full-time employees is 35 hours, except for executives receiving a flat-rate salary for a given number of days' work per year.

Working week for part-time employees

Some employees across all categories have chosen to work part-time. Out of the total of 543 part-time employees, the great majority work for 4/5 of the working week, primarily on the basis either of parental leave or absence on Wednesdays

Reasons for absenteeism

Reasons for absenteeism	No of working days' absence	No of working days normally worked	% absenteeism
Sick leave	35,550	1,440,620	2.47%
Accidents in the workplace/on the way to work – occupational diseases	2,540	1,440,620	0.18%
Maternity leave – Adoption	19,262	1,440,620	1.34%
Family events	6,046	1,440,620	0.42%
Other absences	217	1,440,620	0.02%
Total	**63,615**	**1,440,620**	**4.4%**

% absenteeism:

$$\frac{\text{Number of working days' absence} \times 100}{\text{Number of working days normally worked or public holidays}}$$

2.7.2.3. Remuneration: trends and professional equality

Average monthly remuneration

Average monthly remuneration of ongoing employees

These are employees (excluding senior managers) on permanent contracts, who have been present for two consecutive years.

	2008			2009			
In euros	Men	Women	All	Men	Women	All	Change
Executives	5,933	4,938	5,394	6,030	5,056	5,498	+4.9%
Supervisors and technical staff	2,862	2,844	2,848	2,951	3,000	2,931	+4.0%
Administrative staff	2,171	2,039	2,089	2,247	2,110	2,162	+4.2%
Manual workers	2, 405	2,285	2,364	2,456	2,378	2,428	+4.2%
Sales representatives	4,004	3,497	3,815	4,058	3,562	3,864	+3.6%

Employer payroll contributions

Total employer payroll contributions for 2009 amounted to €151,670,789.

Application of Title IV of Book IV of the French Labour Code: Incentives and employee profit-sharing arrangements

Incentives

The incentive system is governed by French law but is a non-mandatory system. It was set up as part of a Group agreement in France in 1988 and was renewed in 2009. The incentive amount is proportional to the pre-tax profit on ordinary operations after exceptional items, and weighted on the basis of the salary/value added ratio.

The incentive amount is available immediately, but may also be frozen in the company savings plan for five years and benefit from a corresponding tax exemption.

Changes in incentive amounts paid in France for all companies covered

€ thousands	2006*	2007*	2008*
Group in France	89,141	94,986	99,799
Of which the L'Oréal parent company represents	48,137	51,766	55,236

* *Paid the following year.*

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For an annual gross salary of:	The gross incentive amount for 2008 paid in 2009 represented:
€25,000	€6,415 i.e. 3.1 months
€32,000	€7,247 i.e. 2.7 months
€45,000	€8,791 i.e. 2.4 months
€60,000	€10,573 i.e. 2.1 months

Employee profit-sharing

Profit-sharing is a mandatory system under French Law, set up in 1968 for all profit-making companies with over 50 employees. The profit-sharing agreement was renewed in June 2009.

The L'Oréal Group has made adjustments to the legal formula that are more favourable for employees:

- the agreement is made at Group level: all the employees of companies having signed this agreement, whatever their sector of activity or earnings, receive the same profit share;
- it provides for addition to the taxable profit of royalties derived from licenses for patents, inventions and technical processes developed in France, which creates a direct relationship with the Group's international development;
- provisions are stipulated to limit the consequences of exceptional events on the calculation of the profit-sharing amount.

Profit-sharing amounts under the mandatory system are available immediately but may be blocked for 5 years in the company savings plan or the frozen current account, or invested until retirement in the collective retirement savings plan, which allows them to benefit from a tax exemption.

Changes in employee profit-sharing in France for all companies covered

€ thousands	2006*	2007*	2008*
Group in France	31,211	34,872	38,150
Of which the L'Oréal parent company represents	17,292	19,489	21,612

* *Paid the following year.*

Profit-sharing for 2008 paid in 2009 represented the equivalent of 0.9 month's salary.

L'Oréal company savings plan and funds

L'Oréal offers its employees a wide range of funds and thus great freedom of choice. It is possible for employees:

- to invest profit-sharing amounts in a frozen current account on which L'Oréal will pay interest at the average rate of yield of bonds in private companies (TMOP) in accordance with Article D. 3324-33 of the French Labour Code;
- to invest, since 2004, profit-sharing amounts in a collective retirement savings plan (PERCO) and receive an additional employer contribution of +50%;
- to invest profit-sharing and incentive amounts in a company savings plan (PEE) consisting of eight investment funds offering a wide range of possibilities and great flexibility of use. Five of the funds are diversified (money market, bonds, shares, French and international securities, etc.) and three are funds consisting entirely of L'Oréal shares. One of the funds is only intended to receive incentive payments and an additional employer contribution of +25% is paid. Another fund may receive, under the terms of the 35-hour working week agreement, a voluntary payment of the equivalent amount of days off that were in fact worked to which an employer contribution of +100% is added.

In 2009, the employees of L'Oréal in France invested €31,633,426.57 and €1,322,691.39 respectively, net of the compulsory social levies – CSG (the general social contribution) and CRDS (the contribution to reimbursement of the French social security debt) – in the two funds that consist entirely of L'Oréal shares, "L'Oréal Intéressement" and "L'Oréal à Versements Personnels Protégés". The employer contributions added to these payments were respectively €7,253,389 and €1,221,176 which, at the opening trading price for the L'Oréal share on the date of each of these employer contributions, namely €53.26 on April 30th, 2009 for "L'Oréal Intéressement" and €50.71 on Februar 27th, 2009 for "L'Oréal à Versements Personnels Protégés", represents the equivalent of 160,269 L'Oréal shares. As the total net amount of incentives allocated in 2009 was €92,070,340.86, L'Oréal therefore proposed nearly 400,000 shares free of charge to its employees in France in 2009, in the form of this additional employer's contribution.

Company savings plan and frozen current account

Amounts for all companies covered

€ thousands	2006	2007	2008	2009
Company savings plan and frozen current account	514,112	620,743	496,447	650,968

At December 31st, 2008, 50% of the savings of L'Oréal employees were invested in L'Oréal shares, and 9,689 Group employees in France were shareholders of L'Oréal through the savings plan.

Incentive schemes worldwide

Application of Title IV of Book IV of the French Labour Code: Incentives and employee profit-sharing arrangements

Since 2001, L'Oréal has implemented, outside France, a worldwide incentive scheme that is related to the results of its subsidiaries (WPS – Worldwide Profit Sharing program). Compliance with the principles of the programme is ensured by a Corporate Coordination Committee, while it is implemented locally.

Within the scope of the WPS 2008, L'Oréal paid out €38.2 million in 2009, which represents approximately 1.9 weeks' salary on average for each employee (for all subsidiaries combined).

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Professional equality

Undertakings to promote professional gender equality

For many years, L'Oréal has been conducting an active employment policy in favour of professional equality between men and women and developed very early on parental benefits making it possible to offer favourable conditions to achieve a better balance between family life and professional life.

The comparison between the general conditions of employment and training of men and women in the company is presented once a year to the works council of each establishment within the scope of the commission on "Professional Training and Employment".

Professional equality is also dealt with in a report reviewed each year as part of the compulsory annual salary negotiation process. This report, drawn up in accordance with the requirements of Article L. 2323-57 of the French Labour Code, considers the respective position of men and women with regard to hiring, training, promotion, qualifications and classification, effective remuneration and working conditions for each professional category (executives, supervisors, administrative staff, manual workers and sales representatives).

In 2008, L'Oréal's management decided to make formal commitments in favour of professional equality between men and women in a company-level agreement signed on December 4th, 2008 with all the trade union organisations.

To show their shared desire to comply with the principle of equal treatment between men and women and make sure that maternity and parental leave are situations which should not adversely affect the career progression of men and women within the company, this agreement defines the principles of professional equality between men and women which L'Oréal intends to guarantee. It also provides a contractual framework for the benefits or measures that already existed at L'Oréal in this area and formally provides for new commitments with the aim of favouring a better balance between professional and private life and advancing the principles of professional equality.

Five intercompany day nurseries (including 3 which are dedicated to L'Oréal parent company) are the last measure in the parental policy developed in the L'Oréal group for over 30 years. They comprise 75 cots, 54 of which are reserved for L'Oréal parent company employees.

2.7.2.4. Professional relations and list of collective agreements

Professional relations

The high quality of labour relations at L'Oréal is the result of an ongoing dialogue between the management, employees and their representatives.

The representational structure is highly decentralised in order to keep in touch with issues faced at the local sites.

Composition of Central Works Council by category

Since 2005, as no unanimous agreement could be reached between the trade union organisations, the local French Employment and Professional Training authority provided for the composition of the Central Works Council in strict accordance with the legal provisions, whereas it was previously three times bigger.

Number of elected representatives by category	2009
Executives	2
Supervisors and technical staff/ Sales representatives	1
Administrative staff/Manual workers	1

Number of meetings of the Central Works Council and its commissions: 9

List of collective agreements

Dates of signature and subject matter of the agreements signed in the company

Employment of Older Workers

L'Oréal is attentive to career evolution and changes in the working conditions of its employees and endeavours to develop a Human Resources management policy that is suited to each period of professional life, whatever the employee's age.

Through the signature on December 3rd, 2009 of a company-level agreement with regard to the employment of older workers, L'Oréal intends to continue with this approach.

L'Oréal's ambition is promote a global, proactive Human Resources management policy promoting continued employment for all its employees and particularly older workers.

Through this agreement signed by the CFE-CGC and CFDT trade unions, L'Oréal wanted to provide for a contractual framework for the benefits and measures existing in the company in favour of older workers, make better known certain existing provisions particularly regarding pre-retirement arrangements, and formally set out new commitments with the aim of promoting continued employment of older workers in the company.

A large number of provisions such as voluntary professional career assessments, mentoring and coaching of young employees and passing-on know-how, more widespread use of telecommuting, facilities for adjustments at the end of employees' careers … give all older workers an opportunity to develop and continue their professional life under the best possible conditions, according to their individual aspirations.

Profit sharing and incentive schemes

- Special Group profit sharing agreement for 2009-2010-2011 signed on 06.12.2009.
- Group incentive agreement for 2009-2010-2011 signed on 06.12.2009.
- Supplemental agreement No. 2 to the company savings plan signed on 06.12.2009.

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- Supplemental agreement No. 4 to the company retirement savings plan signed on 06.12.2009.
- Supplemental agreement No. 4 to the L'Oréal time savings account agreement signed on 06.24.2009.
- Supplemental agreement No. 5 to the L'Oréal time savings account agreement signed on 12.04.2009.
- Supplemental agreement No. 1 to the agreement with regard to the conversion into time of retirement indemnities or indemnities for compulsory retirement on the company's initiative signed on 12.04.2009.
- Supplemental agreement No. 6 to the agreement on pre-retirement arrangements signed on 12.04.2009.

Provident schemes

- Supplemental agreement 2 signed on June 29th, 2009 to the agreement entered into on December 17th, 2007 with regard to the provident scheme applicable to the employees of L'Oréal who fall within the scope of Article 36 of Appendix 1 to the AGIRC agreement of March 14th, 1947.
- Supplemental agreement 2 signed on June 29th, 2009 to the agreement entered into on December 17th, 2007 with regard to the provident scheme applicable to Executives and similar employees of L'Oréal who fall within the scope of Articles 4 and 4 bis of the AGIRC agreement of March 14th, 1947.

2.7.2.5. Occupational health and safety

In application of the French decree of November 5th, 2001 relating to occupational risks, L'Oréal has prepared a single document for the evaluation of occupational risks in the company.

In 2009, 87 meetings of the CHSCTs (health, safety and working conditions committees) were held, in the 13 such committees that exist at L'Oréal.

Five occupational doctors are present on all the company's sites and 7,504 medical examinations were conducted in 2009 (medical examinations upon hiring, return to work after sick leave or regular medical examinations).

In 2009, there were 42 lost-time accidents.

Measures taken to improve safety

Preserving the health and safety of employees is a fundamental goal, which forms an integral part of the company's human resources and social policy. It is based on risk prevention, both at individual level, through medical screening tests which enables close and specifically adapted individual monitoring of employees, and at collective level, through the evaluation and control of occupational risks.

The health and safety programme forms part of an overall approach, implemented in close conjunction with occupational doctors, safety managers and the health, safety and working conditions committees.

2.7.2.6. Training

Percentage of total salaries allocated to continuing education in 2009

Amount allocated to training (€ thousands)	11,810
% of total salaries	3.6%

Number of persons receiving training in 2009: 4,100 i.e. 71% of the total number of employees at 12.31.2009.

Number of training units in 2009: 7,957 or 2 units of training on average per person trained.

Number of hours of training in 2009: 113,502 hours

Number of employees who made use of the Individual Training Entitlement (Droit Individuel à la Formation - "DIF"): 151

The L'Oréal Human Resources intranet site provides employees with comprehensive information on the possibilities of professional training offered and their Individual Training Entitlement.

2.7.2.7. Employment and job opportunities for disabled workers

The number of disabled workers was 145 at December 31st, 2009, as compared with 132 persons at December 31th, 2008. Subcontracting to special workshops for disabled workers and occupational therapy centres represented an amount of approximately €300,000.

2.7.2.8. Welfare

Breakdown of the company's expenses

€ thousands	2009
Accommodation	1,438
Transport	303
Catering	7,004
Miscellaneous*	1,445
Total	**10,191**

* *On the basis of the same scope of consolidation as in 2008, and including the cost of protective clothing for employees, this amount would be 1,861.*

Payment to the L'Oréal Central Works Council and to the three works councils at its establishments:1,494 thousand

2.7.2.9. Amount of subcontracting

€ thousands	2009
Subcontracting purchases	5,046
Special contract work	247,125

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How the company promotes the provisions of the fundamental conventions of the International Labour Organisation (ILO) to its subcontractors and ensures that its subsidiaries comply with these fundamental conventions

In June 2003, L'Oréal signed the United Nations Global Compact, undertaking to uphold and implement, in its sphere of influence, the ten fundamental principles relating to human rights, labour standards, the environment and anti-corruption.

L'Oréal refers to the Fundamental Conventions of the International Labour Organisation (ILO) which cover freedom of association, the elimination of forced labour, the abolition of child labour and the elimination of discrimination in respect of employment. L'Oréal wants to contribute to abolition of child labour and forced labour and particular attention is paid to these subjects. L'Oréal has chosen to set a minimum age of 16 for all its staff, a minimum age limit which is higher than that provided for in the Fundamental Conventions of the International Labour Organisation. L'Oréal respects the right of its employees to join the associations they choose and encourages a constructive dialogue. The struggle against discrimination is one of the priorities of L'Oréal's diversity policy.

L'Oréal also wishes its business partners to share and enforce these values.

This is why the Group makes sure that human rights are respected throughout its logistics chain. All L'Oréal's suppliers and subcontractors are asked to comply with the Group's General Purchasing Conditions, which require them to respect the Fundamental Conventions of the International Labour Organisation and comply with local legislation in particular with regard to minimum wages, working time and health and safety. Regular audits are performed to check on this compliance: nearly 436 supplier audits were performed in 2009. Besides L'Oréal's vast programme of audits with regard to supplier and subcontractor labour standards, the Group has also decided to carry out independent audits in all its factories and distribution centres.

L'Oréal's values are laid down in the Ethics Charter, which is available on the www.loreal.com website.

2.7.2.10. Territorial impact on employment and regional development

L'Oréal's establishments are situated in the Paris region: Paris, Clichy-la-Garenne, St Ouen, Asnières, Aulnay-sous-bois, Chevilly-Larue, Marly-la-Ville and Mitry-Mory.

Over the past three years on all these sites, L'Oréal has hired 1,837 employees on permanent and fixed-term contracts and has thus contributed to regional development.

L'Oréal promotes partnerships with local authorities with regard to employment.

For example, in 2009, the Aulnay Chanteloup site organised a Forum on Employment and Diversity and a special one-day event on "Workshops, Women, Trades".

In 2009, an amount of €18,103 thousand was paid in business tax.

2.7.2.11. Relations with educational establishments and associations

Educational establishments

For over 30 years, L'Oréal has been building close partnerships with universities, business schools and with engineering and research establishments.

L'Oréal offers students the possibility of discovering the company during their courses by offering them internships across all its professions each year.

In 2009, 663 students joined L'Oréal under this type of internship scheme. L'Oréal also offers conferences, factory visits and case studies.

516 young people on work and training contracts (302 apprenticeship contracts and 214 contracts offering professional experience) were present in the Group in France at December 31st, 2009, 201 of whom worked at L'Oréal.

Over 85% of the apprentices are preparing for qualifications at "bac+2" level (equivalent to a 2-year course after "A levels") or higher. Their pass rate is 80%.

A qualitative assessment of the apprentice training centres is carried out each year.

L'Oréal paid €1,598 thousand in apprenticeship tax in 2009.

Environmental defence associations

L'Oréal has undertaken to reduce its environmental impacts by half over a period of 5 years. Furthermore, L'Oréal actively contributes to environmental protection through its commitments in associations or companies at national level (e.g. Eco-Emballages, the French eco-packaging organisation), European level (e.g. Europen) and international level (e.g. the World Business Council for Sustainable Development).

L'Oréal is also involved in a large number of working Groups, which play a crucial role in the exchange of expertise and advice.

2.7.2.12. Regional development and local populations

As L'Oréal's business is at the heart of people's everyday lives and their well-being, the Group plays an active role in the life of the communities in which its activities take place.

L'Oréal is committed to demonstrating good corporate citizenship through its behaviour and to making a contribution to projects which are useful to the wider community.

As a general rule, L'Oréal's establishments and those of its subsidiaries build good relations with the communities in the areas in which they operate, and make every effort to limit the impact of their activities on the environment and to provide exemplary working conditions for their employees.

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In the internal Environment, Health and Safety competitions, prizes are awarded for civic initiatives in recognition of the efforts made by a site (factory, distribution centre or administrative office) which demonstrates its commitment, mobilisation and involvement in the community in which it operates. Awards are made to the best local initiatives conducted each year in partnership with local authorities, local residents and schools in the fields of solidarity, education or the environment.

By these initiatives, L'Oréal is eager to demonstrate its good citizenship, and to show that it firmly respects the ethical values of the surrounding community.

2.7.3. Presentation of the stock option plans for the purchase or subscription of shares and plan for the conditional grant of shares to employees

Policy

For several years, L'Oréal has set up stock option plans in favour of its employees and corporate officers in an international context.

It pursues a dual objective:

- motivating and associating those who make big contributions to future development in the Group's results;
- increasing solidarity and the sentiment of belonging among its managers by seeking to foster their loyalty over time.

L'Oréal decided to enlarge its policy in 2009 by introducing a mechanism for the conditional grant of shares to employees.

The objective is:

- to provide a long-term incentive offering greater motivation to all those who only received stock options occasionally or in limited numbers;
- to reach out to a broader population of potential beneficiaries, particularly internationally, in a context of increased competition with regard to talents.

These grants are made on an annual, bi-annual or tri-annual basis, according to eligibility criteria related to the position held and the size of the entity or the country of attachment, in order to ensure an equitable balance at an international level.

L'Oréal's main senior managers throughout the world are exclusively rewarded through stock options in order to encourage an entrepreneurial spirit. The other eligible employees are rewarded by a mix of stock options and conditional grants of shares, or solely by conditional grants of shares depending on their position in the organisation. The decision with regard to each individual grant is, in every case, contingent on the quality of the performance rendered at the time of implementation of the plan.

Since 2009, the plans are now proposed by the General Management to the Board of Directors after publication of the financial statements for the previous financial year, in accordance with the AFEP-MEDEF recommendation.

The General Management and Board of Directors stress the importance that is given in this way to bringing together the interests of the beneficiaries of stock options and conditional grants of shares and those of the shareholders themselves.

The employees and corporate officers who are the beneficiaries share with the shareholders the same confidence in the strong steady growth of the company with a medium- and long-term vision. This is why stock options are granted for a period of 10 years including a 5-year lock-up period, and conditional grants of shares for a period of 4 years followed by a 2-year waiting period for France during which these shares cannot be sold.

In all, nearly 2,200 employees (i.e. approximately 12% of the senior managers throughout the world) benefit from at least one currently existing stock option plan or plan for the conditional grant of shares.

The Board of Directors draws the attention of the beneficiaries of stock options and conditional grants of shares to the regulations in force concerning persons holding "privileged" information. The beneficiaries of stock options and conditional grants of shares undertake to read the code of ethics of the stock exchange which is attached to the regulations for the stock option plans or the plans for the conditional grant of shares from which they benefit and to comply with the provisions thereof.

2.7.4. Stock option plans to purchase or subscribe to L'Oréal parent company shares

2.7.4.1. Authorisation of the Ordinary and Extraordinary General Meeting of April 24th, 2007

The Ordinary and Extraordinary General Meeting of April 24th, 2007 gave the Board of Directors the authorisation to grant options to purchase existing shares of the company or to subscribe for new shares to employees or certain corporate officers of the company and its French or foreign affiliates under the conditions of Article L. 225-180 of the French Commercial Code.

This authorisation was granted for a period of twenty-six months.

The total number of options that may be granted may not grant entitlement to subscribe for or purchase a total number of shares representing more than 2% of the share capital on the date of the Board of Directors' decision.

The subscription price for the shares is set by the Board of Directors, without any discount, on the day the options are granted.

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2.7.4.2. Stock options granted in 2009 (Plan of March 25th, 2009)

The share capital as of March 25th, 2009 consisted of 598,445,210 shares, which offered the possibility to distribute approximately 11,968,000 options within the scope of the authorisation of April 24th, 2007.

As 4,000,000 options had already been distributed under the November 30th, 2007 plan, this meant that a plan could be implemented for 7,968,000 options.

At its meeting on March 25th, 2009, the Board of Directors granted 3,650,000 options at a unit price of €50.11, namely a price equal to 100% of the average of the opening share prices for the twenty trading days before the date of their allocation to 634 beneficiaries. The fair unit value of these options amounts to €12.16.

The Chief Executive Officer stated that he would decline, for 2009, any potential offer made by the Board of Directors such that no stock option was granted to him in 2009.

It was decided to make the exercise of the options granted to the members of the Management Committee subject to achievement of performance conditions taking into consideration:

- for half the amount, the growth in comparable cosmetics sales as compared to the market growth rate;
- and for half the amount, the ratio between the contribution before advertising and promotion expenses (operating profit + advertising and promotion expenses) and reported cosmetics sales,

calculated at the end of the lock-up period on the basis of the average for the four full financial years from 2010 to2013.

2.7.4.3. Authorisation of the Ordinary and Extraordinary General Meeting of April 16th, 2009

A new authorisation was given to the Board of Directors by the Ordinary and Extraordinary General Meeting of April 16th, 2009. This authorisation was given for a new period of twenty-six months as of such date.

The Board of Directors can thus, within the scope of this new authorisation, decide where applicable to grant stock options for the purchase or subscription of shares in 2010.

In accordance with the recommendations of the AFEP-MEDEF Code of Corporate Governance of December 2008:

- any grants will be decided by the Board of Directors after assessment of the performance of the corporate officers;
- exercise by the corporate officers of all the options will be linked to performance conditions to be met, which will take into account partly the growth in L'Oréal sales as compared to the market growth rate and partly the ratio between the contribution before advertising and promotion expenses (operating profit + advertising and promotion expenses) and cosmetics sales, all the above being assessed on the basis of the average for the last full financial years prior to the end of the lock-up period;
- the number of options granted to the corporate officers may not represent more than 10% of the total number of options granted by the Board for this 26-month period;
- the corporate officers will be obliged to retain a certain number of the shares resulting from the exercise of the stock options in registered form until the termination of their duties. This has been set by the Board of Directors at a number of shares corresponding to 50% of the *balance of the shares resulting from the exercise of the stock options*. The methods of calculation of this balance are described in the Management Report of the Board of Directors;
- a corporate officer may not be granted stock options at the time of his departure.

2.7.4.4. Currently existing L'Oréal parent company share purchase or subscription options[1]

The main features of the plans that existed at December 31st, 2009 are included in the tables set out hereafter:

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AGM authorisation date	**06.01.1999**	**06.01.1999**	**06.01.1999**	**06.01.1999**	**06.01.1999**	**06.01.1999**	**06.01.1999**	**06.01.1999**	**05.22.2003**
Date of Board of Directors' meeting	**04.05.2000**	**09.28.2000**	**12.07.2000**	**03.28.2001**	**09.18.2001**	**10.08.2001**	**03.26.2002**	**09.04.2002**	**12.03.2003[2]**
Total number of beneficiaries	234	707	109	521	441	109	410	394	693
Total number of shares that may be subscribed or purchased	1,200,000	3,800,000	450,000	2,500,000	2,500,000	225,000	2,500,000	2,500,000	5,000,000
Of which may be subscribed or purchased by the corporate officers:									
Sir Lindsay Owen-Jones	0	150,000	0	200,000	300,000	0	0	0	1,000,000
Start date for exercise of the options	04.06.2005	09.29. 2005	12.08. 2005	03.29. 2006	09.19. 2006	10.09. 2006	03.27.2007	09.05.2007	12.04.2008
Date of expiry	04.05. 2010	09.28. 2010	12.07. 2010	03.28. 2011	09.18. 2011	10.08. 2011	03.26.2012	09.04.2012	12.03.2013
Subscription or purchase price *(in euros)*	65.90 (A)	83.00 (A)	89.90 (A)	79.60 (A)	77.60 (A)	76.50 (A)	81.65 (A)	76.88 (A)	63.02 (S) 71.90 (A)
Number of stock options exercised at 12.31.2009	710,100	801,700	18,000	573,400	470,500	35,500	414,450	505,500	266,250
Of which shares subscribed	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*181,500*
Total number of options for subscription or purchase of shares that have been cancelled or lapsed	204,000	707,000	99,000	379,500	440,000	45,000	349,500	259,000	568,500
Number of shares remaining to be subscribed or purchased at year-end	285,900	2,291,300	333,000	1,547,100	1,589,500	144,500	1,736,050	1,735,500	4,165,250

AGM authorisation date	**05.22.2003**	**05.22.2003**	**05.22.2003**	**05.22.2003**	**04.25.2006**	**04.25.2006**	**04.24.2007**	**04.24.2007**
Date of Board of Directors' meeting	**03.24.2004**	**12.01.2004**	**06.29.2005**	**11.30.2005[3]**	**04.25.2006**	**12.01.2006**	**11.30.2007**	**03.25.2009**
Total number of beneficiaries	257	274	3	771	1	788	839	634
Total number of shares that may be subscribed or purchased	2,000,000	4,000,000	400,000	6,000,000	2,000,000	5,500,000	4,000,000	3,650,000
Of which may be subscribed or purchased by the corporate officers:								
Sir Lindsay Owen-Jones	0	1,000,000	0	1,000,000	2,000,000			
Mr. Jean-Paul Agon						500,000	350,000	0
Start date for exercise of the options	03.25.2009	12.02.2009	06.30.2010	12.01.2010	04.26.2011	12.02.2011	12.01.2012	03.26.2014
Date of expiry	03.24.2014	12.01.2014	06.29.2015	11.30.2015	04.25.2016	12.01.2016	11.30.2017	03.25.2019
Subscription or purchase price *(in euros)*	64.69 (S)	55.54 (S)	60.17 (S)	61.37 (S) 62.94 (A)	72.60 (S)	78.06 (S)	91.66 (S)	50.11 (S)
Number of stock options exercised at 12.31.2009	123,000	358,200	0	74,500	0	8,500	0	0
Of which shares subscribed	*123,000*	*358,200*	*0*	*52,150*	*0*	*8,500*	*0*	*0*
Total number of options for subscription or purchase of shares that have been cancelled or lapsed	119,000	144,750	0	209,500	0	187,750	101,900	0
Number of shares remaining to be subscribed or purchased at year-end	1,758,000	3,497,050	400,000	5,716,000	2,000,000	5,303,750	3,898,100	3,650,000

(1) There are no share purchase or subscription option plans at subsidiaries of L'Oréal.

(2) The stock option plan of December 3rd, 2003 is divided into two halves: a share subscription option offer at a price of €63.02 (S) and a share purchase option offer at a price of €71.90 (A). Each beneficiary received an offer comprising share subscription and purchase options, in equal parts.

(3) The stock option plan of November 30th, 2005 is composed, for 70%, of a share subscription option offer at a price of €61.37 (S) and, for 30%, of a share purchase option offer at a price of €62.94 (A). Each beneficiary received an offer comprising share subscription and purchase options, in the above proportions. There were no fractional share rights.

NB: The number of stock options and the acquisition prices indicated take into account the adjustments relating to the financial transactions carried out with regard to the share capital, such as the ten-for-one share split in 2000.

These grants of stock options do not have any impact in terms of dilution, inasmuch as the Board of Directors authorised the company to buy back its own shares to cancel them.

Outstanding options granted by the Board of Directors within the scope of the authorisations voted by the Annual General Meetings and not yet exercised were 40,051,000 options at December 31st, 2009, at an average price of €70.86, namely 6.69% of the shares making up the share capital at such date, including 6,500,000 options, at an average price of €70.34, granted to the corporate officers during their term of office.

2.7.4.5. Main grants of stock options to employees other than corporate officers of L'Oréal and the exercise of such options

In response to the recommendations made by the AMF in table No. 9 of their recommendations, the following information is provided:

The total number of options granted, in 2009, to the ten employees other than corporate officers who received the largest number of stock options amounts to 1,040,000 share subscription options at an average price of €50.11 per share, 940,000 of which were granted to 9 members of the Management Committee.

The ten employees other than corporate officers who exercised the largest number of stock options in 2009 exercised a total of 236,800 share purchase or share subscription options at an average price of €59.21 per share, 75,800 of which were exercised by three members of the Management Committee, at an average price of €59.39 per share.

2.7.5. Plan for the conditional grant of shares to employees

2.7.5.1. Authorisation of the Ordinary and Extraordinary General Meeting of April 24th, 2007

The Ordinary and Extraordinary General Meeting of April 24th, 2007 gave the Board of Directors the authorisation to carry out free grants of existing shares or shares to be issued of the company to employees of the company and of its French or foreign affiliates under the conditions of Article L. 225-197-2 of the French Commercial Code.

This authorisation was granted for a period of twenty-six months.

The total number of shares that may be granted may not represent more than 0.2% of the share capital on the date of the Board of Directors' decision.

In accordance with the Board of Directors' report on the draft resolution submitted to the Extraordinary General Meeting of April 24th, 2007, the corporate officers and the members of the Management Committee do not receive such grants of shares.

The free grant of shares is performance-related.

2.7.5.2 Conditional Grants of Shares to Employees in 2009 (Plan of March 25th, 2009)

Within the scope of the authorisation of April 24th, 2007, the number of conditional grants of shares that could be made amounted to 1,196,890 shares on March 25th, 2009.

The Board of Directors used this authorisation for the first time at its meeting of March 25th, 2009, by granting 270,000 free shares to 752 beneficiaries, the fair unit value of these shares amounting to €43.

Vesting of the shares is subject to a dual condition:

- of presence: the shares granted will only finally vest after a period of 4 years at the end of which the beneficiary must still be an employee of the Group (save the exceptions provided for by law or provided for by the Plan regulations).
- of performance: the number of shares that finally vests at the end of the four-year period will depend on the rate of achievement of a twofold objective:
  - for half the amount, the growth in comparable cosmetics sales for financial years 2010, 2011 and 2012 as compared to growth in the cosmetics market;
  - and for half, the ratio over the same period of operating profit as compared to reported cosmetics sales.

At the end of the vesting period, beneficiaries who are French residents at the date of grant of the shares shall be obliged to retain the shares that have vested for an additional period of 2 years during which these shares are non-transferable.

2.7.5.3. Authorisation of the Ordinary and Extraordinary General Meeting of April 16th, 2009

A new authorisation was given to the Board of Directors by the Ordinary and Extraordinary General Meeting of April 16th, 2009. This authorisation was given for a further period of twenty-six months as from that date.

Within the scope of this new authorisation, he Board of Directors can thus decide where applicable on a new Plan for conditional grants of shares to employees in 2010.

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2.7.5.4. Existing conditional grants of shares to employees

The main features of the plan for the conditional grant of shares of March 25th, 2009 are included in the table set out below:

Date of authorisation by the Annual General Meeting	04.24.2007
Date of grant by the Board of Directors	03.25.2009
Total number of shares conditionally granted	270,000
Of which the ten employees other than corporate officers granted the largest number of shares (1)	*5,000*
Number of beneficiaries	752
Performance conditions: 50% growth in comparable sales as compared to growth in the cosmetics market 50% ratio of operating profit from cosmetics as compared to reported cosmetic sales	
Date of final vesting for French tax residents at the date of grant	03.25.2013
Date of final vesting for non-French tax residents at the date of grant	03.25.2013
End of the waiting period for French tax residents at the date of grant	03.25.2015

(1) No conditional grants of shares are made to corporate officers or to members of the Management Committee.

2.7.5.5. Shares granted to the ten employees other than corporate officers to whom the largest number of shares have been granted

The highest number of shares granted is 500 shares. 103 beneficiaries received 500 shares.

Accordingly, the total number of shares granted in 2009, to the ten employees other than corporate officers who received the highest number of shares amounts to 5,000 shares.

2.7.6. Employee retirement obligations and additional benefits

All over the world, depending on the legislation and practices in each country, L'Oréal adheres to pension schemes, pre-retirement arrangements and employee benefit schemes offering a variety of additional coverage for its employees.

Employee pension schemes in France

In France, L'Oréal has supplemented its retirement plan by creating on January 1st, 2001 a defined benefit scheme with conditional entitlements based on the employee's presence in the company at the end of his/her career. Then, on September 1st, 2003, a defined contribution scheme with accrued entitlements was introduced.

Defined benefit scheme

In order to provide additional cover, if applicable, to compulsory pensions provided by the French Social Security compulsory pension scheme, the ARRCO or AGIRC (mandatory French supplementary pension schemes), L'Oréal introduced on January 1st, 2001, a defined benefit scheme with conditional entitlements, the "Retirement Income Guarantee for former Senior Managers". Prior to this, on December 31st, 2000, L'Oréal closed another defined benefit scheme, also with conditional entitlements, the "Pension Cover of the Members of the *Comité de Conjoncture*".

Access to the "Retirement Income Guarantee for former Senior Managers", created on January 1st, 2001, is open to former L'Oréal Senior Managers who fulfil, in addition to having ended their career with the company, the condition of having been a Senior Manager within the meaning of Article L. 212-15-1 of the French Labour Code for at least ten years at the end of their career.

This scheme provides entitlement to payment to the beneficiary retiree of a Life Annuity, as well as, after his/her death, the payment to the beneficiary's spouse and/or ex-spouse(s) of a surviving Spouse Pension and, to the children, of an Orphan Pension, subject to the children fulfilling certain conditions. The calculation basis for the Guaranteed Income is the average of the salaries for the best three years out of the seven calendar years prior to the end of the Senior Manager's career at L'Oréal. The Guaranteed Income is calculated based on the beneficiary's number of years of professional activity in the company at the date of the end of his/her career at L'Oréal, and limited to a maximum of 25 years. At this date, the gross Guaranteed Income may not exceed 50% of the calculation basis for the Guaranteed Income, nor exceed the average of the fixed part of the salaries for the three years used for the calculation basis. A gross annuity and gross Lump Sum Equivalent are then calculated taking into account the sum of the annual pensions accrued on the date when the retiree applies for his/her pension as a result of his/her professional activity and on the basis of a beneficiary who is 65 years of age. The Life Annuity is the result of the conversion into an annuity at the beneficiary's age on the date he/she applies for his/her pension of the gross Lump Sum Equivalent, less the amount of all payments due as a result of termination of the employment contract, excluding any paid notice period and paid holiday and less all salaries paid under an early retirement leave plan, if such lump sum equivalent is the result of these operations. Around 400 Senior Managers are eligible for this scheme, subject to their fulfilling all the conditions after having ended their career with the company.

Access to the Pension Cover for Members of the "*Comité de Conjoncture*" has been closed since December 31st, 2000.

This former scheme grants entitlement to payment to the beneficiary retiree, after having ended his/her career with the company, of a Life Annuity as well as, after his/her death, the payment to the spouse and/or ex-spouse(s) of a surviving Spouse Pension and, to the children, of an Orphan Pension, subject to the children fulfilling certain conditions. The calculation basis for the Pension Cover is the average of the salaries for the best three years out of the seven calendar years prior to the end of the beneficiary's career at L'Oréal. The Pension Cover is calculated on the basis of the beneficiary's number of years' service and limited to a maximum of 40 years. The Pension Cover may not exceed 40% of the calculation basis for the Pension Cover, plus ½% per year for the first twenty years, then 1% per year for the following twenty years, nor exceed the average of the fixed part of the salaries of the three years used for the calculation basis. Around 120 Senior Managers are eligible for this scheme subject to the condition, for those in active employment, of fulfilling all the conditions after having ended their career with the company.

Defined contribution scheme

In September 2003, L'Oréal set up a "defined-contribution pension scheme".

A new agreement was signed in December 2007, with effect from January 1st, 2008, as well as an amendment agreement applicable as from January 1st, 2009.

All executives and sales representatives affiliated with the IRPVRP are beneficiaries of this scheme.

The basis for contributions, which remains unchanged, amounts to between once and 6 times the French social security ceiling, with a contribution of 4% since January 1st, 2008 , shared by the company and the employee.

This scheme grants entitlement to the payment to the beneficiary retiree, after he/she has applied for his/her pension entitlement from the French Social Security compulsory pension scheme, of a Life Annuity as well as after his/her death, the payment to the spouse and/or ex-spouse(s) of a surviving Spouse Pension. The Life Annuity is calculated on the basis of the capital formed by the contributions made and the financial income on such contributions at the end of the employee's career. The employer's commitment is limited to the payment of the contributions stipulated.

	12.31.2007	12.31.2008	12.31.2009 *
Number of members	10,088	11,157	11,806
Total net contributions	€5,118,997	€6,949,480	€7,497,479

**Estimated.*

Pre-retirement arrangements

L'Oréal pays particular attention to the retirement conditions of its employees and pre-retirement arrangements that have been in force at L'Oréal for a number of years, which have been confirmed and improved within the scope of the agreement on the employment of older workers, signed on December 3rd, 2009, which provides in particular for the introduction of a time savings account for older employees.

- The early retirement leave (C.F.C.): this pre-retirement arrangement consists of exempting employees from the requirement to perform their activities; but during this period, they remain employees of L'Oréal, continue to receive their remuneration (within the limit of €9,047/month) as well as Mandatory profit-sharing, incentive bonuses and paid leave.
- Early retirement leave under the time savings account: This arrangement, linked to the 35-hour working week agreement and the Time Savings Account (Compte Epargne Temps – C.E.T), enables an employee who has saved 3 days' leave per year each year since 2001 under the C.E.T., to benefit from the possibility to terminate his/her activities at least 3 months earlier than scheduled (6 months for sales representatives), and this possibility can be combined with the early retirement leave.
- Retirement Indemnities: The more favourable of the following two schedules is applied: the L'Oréal schedule and that of the French National Collective Bargaining Agreement for the Chemical Industries.

  Thus, when he/she retires, an employee may benefit from retirement indemnities ranging from one month's salary for five years' service, to 7.5 months' salary for 40 years' service.

  In order to increase the special leave prior to retirement, the employee may opt to convert his retirement indemnities into time, or he/she may choose to receive payment of the retirement indemnities which will be made at the time when he/she leaves the company.

	12.31.2007			12.31.2008			12.31.2009		
	M	W	Total	M	W	Total	M	W	Total
Early retirement leave	67	148	215	60	117	177	77	109	186
Compulsory retirement on the company's initiative			29			27			37
Voluntary retirement			307			247			187

(Source: HR France statistics: 2007, 2008 and 2009)

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These commitments are guaranteed partly by external financial cover aimed at gradually building up funds resulting from premiums paid to external organisations.

The commitments net of funds invested and the actuarial differences are booked as a provision in consolidated balance sheet liabilities.

The evaluation method adopted to calculate the retirement and pre-retirement benefit commitments is the retrospective method and based on estimated calculations of the final salary.

These commitments take into account the employer's contribution to the healthcare schemes for retirees.

€ millions	12.31.2007	12.31.2008	12.31.2009
Provision for pension commitments in consolidated balance sheet liabilities	525.2	448.6	585.9

(Source: HR France statistics 2007, 2008 and 2009)

Employees Benefit schemes in France

In addition to the compulsory Lump Sum Death Benefit for executives under Articles 4 and 4bis of the French National Collective Bargaining Agreement of 1947 (1.5% of Bracket A of income as defined by the French Social Security) and the guarantees accorded under the French National Collective Bargaining Agreement for the Chemical Industries, L'Oréal has set up, in France, under an agreement, an employee benefit scheme providing additional collective guarantees to its employees.

All these guarantees are based on the gross income up to eight times the Social Security ceiling, except for the education annuity which is limited to up to four times the ceiling. They are generally financed on Brackets A, B and C of income as defined by the French Social Security, except for the Education Annuity which is based on Brackets A and B, and the surviving Spouse Pension which is based on Brackets B and C.

This Employee Benefit scheme provides guarantees in the event of:

- temporary disability: for all employees, 90% of their gross income limited to eight times the French Social Security ceiling, net of all deductions, after the first 90 days off work;
- permanent disability: for all employees, a fraction, depending on the extent of the disability, ranging up to 90% of their gross income, limited to eight times the French Social Security ceiling, net of all deductions;
- death,

a) for all employees, the payment of a Lump Sum Death Benefit, increased depending on the employee's family status. The amount of this Benefit is doubled in the event of accidental death,

b) for executives and comparable categories of employees, the payment of a Spouse Pension to the surviving spouse. This ensures the spouse has an income similar to the Spouse Pension that would have been paid by AGIRC if death had occurred at the age of 65,

c) for executives, comparable categories of employees, and sales representatives, the payment of an Education Annuity to each dependent child, according to an age-based schedule. For the other employees, this guarantee is optional and, if chosen, replaces part of the Lump Sum Death Benefit.

The total amount of the Lump Sum Equivalent for these guarantees may not exceed 2.3 million euros per event.

The capital for the Spouse Pension is the first to be applied, followed by the Education Annuity; the balance of the basic scheme is then used to calculate the Lump Sum Death Benefit, possibly increased by the minimum guaranteed Lump Sum Death Benefit.

In euros	12.31.2007	12.31.2008	12.31.2009
Net employee benefit contributions	8,470,736	8 ,718,317	8,850,000 (1)

(1) Estimated.

Minimum guaranteed Lump Sum Death Benefits

Since December 1st, 2004, and January 1st, 2005 for sales representatives, L'Oréal has put in place an additional guaranteed Lump Sum Death Benefit that supplements, where applicable, for all employees, the Lump Sum Death Benefits to the extent of three years' average income. A maximum limit is set for this guarantee.

The total amount of the capital needed to fund the surviving Spouse Pension and Education Annuity, the Lump Sum Death Benefits and the minimum guaranteed Lump Sum Death Benefit is also subject to a ceiling.

Healthcare expenses

The employees of L'Oréal parent company and its French subsidiaries benefit from additional schemes covering healthcare costs.

These schemes are generally optional and personal and usually financed by the company and the employees in equal shares.

Employees have the option of including their family members in these schemes.

The healthcare expenses scheme is compulsory for all the employees of L'Oréal and its French subsidiaries.

Retirees can generally continue to benefit from the healthcare expenses scheme, with a contribution by L'Oréal, subject to a membership duration clause.

The scheme for L'Oréal retirees has been specified in the regulations for the additional defined-benefit pension scheme applicable as fro m January 1st, 2008.

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Pension and Employee Benefit schemes outside France

In 2002, L'Oréal set up a supervisory committee for pension and employee benefit schemes offered by its subsidiaries. This committee ensures the implementation and the monitoring of L'Oréal's pension and employee benefits policy as defined by the L'Oréal Executive Committee.

This policy provides for general principles in the following areas: definition and implementation of schemes, relations with employees, financing and cost of the schemes, and management of the schemes. Approval must first be obtained from the Supervisory Committee prior to the introduction of any new scheme or the modification of any existing scheme. The Supervisory Committee works in collaboration with the operational departments of the Divisions and Zones.

The characteristics of the pension schemes and other pre-retirement benefits offered by the subsidiaries outside France vary depending on the applicable law and regulations as well as the practices of the companies in each country.

In many countries, L'Oréal participates in establishing additional retirement benefits for its employees through a whole series of defined benefit schemes and/or defined contribution schemes (e.g. United States, the Netherlands, Belgium, Canada, and Latin American countries). In some cases, the defined benefit schemes have been closed to new recruits who are offered defined contribution schemes (Germany, Belgium and the United Kingdom). This series of defined benefit and defined contribution schemes makes it possible to share the financial risks and ensure improved cost stability. In defined contribution schemes, the company's commitment mainly consists in paying a percentage of the employee's annual salary into a pension plan each year.

The defined benefit schemes are financed by payments into specialist funds or by setting up provisions, in accordance with the accounting standards adopted by L'Oréal. The performance of the managers of the main funds established, as well as the financial stability rating of the custodians, is regularly reviewed by the Supervisory Committee.

2.7.7. Environmental information

In accordance with Article L. 225-102-1 of the French Commercial Code, L'Oréal includes in this Management Report information about the way the company monitors the environmental consequences of its activity. As the L'Oréal parent company is part of the L'Oréal Group , it applies the Group's rules, norms and standards. The L'Oréal parent company is made up of administrative offices, laboratories and distribution centres.

The environmental impact of the activities of the L'Oréal parent company is very limited. In 2009, it consisted mainly of the following (annual data):

2009	Total
Transportable waste (tonnes)	2,406
Recycled waste (tonnes)	2,404
Recycling ratio (%)	99.9
Direct CO_2 (tonnes)	6,224
SO_2 (tonnes)	0.105
Discharges to soil	0
Water consumption (m^3)	144,939
Electricity (MWh)	51,843
Gas (MWh)	32,871
Fuel oil (MWh)	298
Energy consumption (MWh)	85,012

Note: The reporting scope includes 6 administrative offices and Research Centres.

The Group data are provided in the "Sustainable Development - Environment" chapter of Volume 1 of the Annual Report (pages 24 to 25). With regard to all the Group's factories and distribution centres (excluding recent acquisitions), the main data are as follows:

2009	Total
Transportable waste (tonnes)	131,388
Recycled waste (tonnes)	124,237
Recycling ratio (%)	95
Direct CO_2 (tonnes)	78,186
SO_2 (tonnes)	42.7
Discharges to soil	0
Water consumption (m^3)	2,840,700
Electricity (MWh)	370,460
Gas (MWh)	391,709
Fuel oil (MWh)	27,211
Energy consumption (MWh)	789,380

The transportable waste is directly related to the activities at the site. For a factory, for example, these consist of raw material packaging waste or packaging items, waste oil or wastewater treatment unit sludge.

Transportable waste does not include exceptional waste which is related to work on an exceptional scale carried out at sites resulting in tonnage of waste which would completely disrupt the routine handling of waste on these sites.

This environmental information is part of a broader sustainable development policy, in which L'Oréal participates. This policy involves reassertion of the values of integrity, social responsibility and respect for people and the environment. Concrete, measurable actions are conducted by L'Oréal as part of this policy and it has in particular set major environmental objectives for its factories and distribution centres. L'Oréal is also seeking to make progress with this policy by sharing and reinforcing the company's principles of social responsibility. All the information relating to these actions is set out in the Group's Sustainable Development Report available online at www.loreal.com.

The Board of Directors

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2.8. Annexe: Subsidiaries and holdings

Investments and advances (Main changes including shareholding threshold changes)

Headings	Situation at 12.31.2008		Acquisitions		Subscriptions		Sales		Situation at 12.31.2009	
€ thousands	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Beauté, Recherche et Industries	0.0	0.00	20,311.0	100.00					20,311.0	100.00
Biotherm Distribution et Compagnie	472.3	99.90	0.2	0.10			472.4	100.00 [1]	(0.0)	0.00
Boucheron (Usa)	0.0	0.00	15,261.0	100.00			15,261.0	100.00	0.0	0.00
Club Créateurs Beauté Belgique	250.9	99.99			3,570.0	99.99			3,820.9	100.00
Club Créateurs Beauté Japon	2,972.6	100.00					2,972.6	100.00	0.0	0.00
L'Oréal Australia	18,443.4	100.00			15,073.0	100.00			33,516.4	100.00
L'Oréal Canada	144,225.7	100.00			2,291.8	100.00			146,517.4	100.00
L'Oréal Deuschland	67,259.3	100.00			5,000.0	100.00			72,259.3	100.00
L'Oréal Spain	228,809.2	63.86			70,345.0	100.00			299,154.2	63.86
L'Oréal France	0.0	0.00			37.0	100.00			37.0	100.00
L'Oréal India	59,207.5	100.00			9,259.3	100.00			68,466.7	100.00
L'Oréal Kazakhstan	0.0	0.00			500.0	100.00			500.0	100.00
L'Oréal Golden	41,149.4	100.00					4,149.4	100.00	0.0	0.00
L'Oréal Luxe Producten Nederland	1,515.2	100.00					1,515.2	100.00	0.0	0.00
L'Oréal Nederland	2,170.8	100.00			1,515.2	100.00			3,686.0	100.00
L'Oréal Pakistan	0.0	0.00			116.1	99.99			116.1	99.99
L'Oréal Portugal	2,224.2	98.35	2,680.8	1.65	1,384.0	100.00			6,289.0	100.00
L'Oréal Produits de Luxe France	45.6	74.33	1,411.5	16.50					1,457.1	90.83
L'Oréal UK Ltd	0.0	0.00			41,149.4	99.99			41,149.4	99.99
L'Oréal USA	3,411,931.7	100.00			157,725.0	100.00			3,569,656.7	100.00
L'Oréal Vietnam	74.6	100.00			2,999.7	100.00			3,074.4	100.00
Laboratoire Inneov	16,800.0	50.00			2,000.0	50.00			18,800.0	50.00
Masrelor LLC	10.5	99.87			1,821.0	99.87			1,831.4	99.87
Nihon L'Oréal KK	377,699.6	100.00			37,430.6	100.00			415,130.2	100.00
Prestige et Collections	18.1	56.67	3,805.2	25.00					3,823.4	81.67
SCPCI	30.5	100.00					30.5	100.00 [1]	0.0	0.00
Roger & Gallet	0.0	0.00	109,693.0	100.00					109,693.0	100.00
YSL Beauté	0.0	0.00	299,622.0	89.80					299,622.0	89.80
YSL Beauté Aebe	0.0	0.00	4,857.9	100.00					4,857.9	100.00
YSL Beauté Australia	0.0	0.00	15,073.0	100.00 [2]			15,073.0	100.00 [2]	0.0	0.00
YSL Beauté Benelux	0.0	0.00	50,441.0	100.00					50,441.0	100.00
YSL Beauté Canada	0.0	0.00	2,291.8	100.00 [2]			2,291.8	100.00 [2]	0.0	0.00
YSL Beauté Holding	1,100,020.0	100.00					1,100,020.0	100.00 [1]	0.0	0.00
YSL Beauté Hong Kong	0.0	0.00	6,405.0	100.00					6,405.0	100.00
YSL Beauté Inc.	0.0	0.00	142,464.0	100.00 [2]			142,464.0	100.00 [2]	0.0	0.00
YSL Beauté Italia	0.0	0.00	64,665.0	100.00					64,665.0	100.00
YSL Beauté Limited	0.0	0.00	98,203.0	100.00					98,203.0	0.00
YSL Beauté Middle East	0.0	0.00	8,638.7	83.38					8,638.7	83.38
YSL Beauté (NZ) Limited	0.0	0.00	5,486.0	100.00					5,486.0	100.00
YSL Beauté S.A.	0.0	0.00	1,384.0	100.00			1,384.0	100.00	0.0	0.00
YSL Beauté Singapour	0.0	0.00	336.2	100.00					336.2	100.00
YSL Beauté S.L.	0.0	0.00	70,345.0	100.00			70,345.0	100.00	0.0	0.00
YSL Beauté Suisse	0.0	0.00	38,334.0	100.00					38,334.0	100.00
YSL Beauté Vostok o.o.o.	0.0	0.00	2,802.3	99.48					2,802.3	99.48
Total	**5,475,330.9**		**964,511.5**		**352,216.9**		**1,392,978.8**		**5,399,080.52**	

(1) Transfert of all the assets and liabilities (to the company's sole shareholder).
(2) Merger.

2.9. Annexe: Five-year financial summary

L'Oréal parent company (excluding subsidiaries)

€ millions (except for earnings per share, shown in euros)	2005	2006	2007	2008	2009
I. Financial position at financial year-end					
a) Share capital	131.8	127.9	123.6	120.5	119.8
b) Number of shares	658,769,660	639,616,410	617,975,610	602,415,810	598,972,410 (1)
c) Number of convertible bonds	0	0	0	0	0
II. Overall results of operations					
a) Net pre-tax sales	1,856.6	2,003.4	2,073.8	2,115.2	2,051.1
b) Pre-tax profit before depreciation, amortisation, provisions and reversals of provisions (including provision for investment and profit sharing reserve)	1,403.0	1,484.4	2,841.7	1,713.4	1,766.3
c) Income tax	-58.8	-54.5	-68.7	-143.4	-114.9
d) Net profit	1,589.6	1,690.3	2,822.4	1,552.1	1,841.8
e) Amount of distributed profits	658.8	738.8	842.9	861.8	898.9 (2)
III. Results of operations per share					
a) Profit after tax and profit sharing, but before depreciation, amortisation and provisions	2.20	2.38	4.68	3.05	3.11
b) Net profit	2.41	2.64	4.57	2.58	3.07
c) Dividend paid on each share (not including tax credit)	1.00	1.18	1.38	1.44	1.50 (2)
IV. Personnel					
a) Number of employees	5,759	5,793	5,862	5,848	5,855
b) Total salaries	339.2	345.4	370.3	381.1	403.8
c) Amount paid for welfare benefits (social security, provident schemes, etc.)	138.8	142.3	158.7	159.3	172.8

(1) The share capital comprises 598,972,410 shares with a par value of €0.2, following the cancellation of 3,970,600 shares of treasury stock held by the company as of February 16th, 2009 and the subscription of 527,200 shares of treasury stock by means of exercise of stock options.
(2) The dividend will be proposed to the Annual General Meeting of April 27th, 2010.

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2009 Report of the Chairman of the Board of Directors of L'Oréal – Corporate governance

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* *This information forms an integral part of the Annual Financial Report as provided for in Article L. 451-1-2 of the French Monetary and Financial Code.*

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3.1. Summary of the principles

3.1.1. The French Commercial Code

Under the terms of Article L. 225-37, paragraph 6, of the French Commercial Code, the Chairman is required to present a supplementary Report, attached to the Management Report:

"The Chairman of the Board of Directors gives an account, in a Report attached to the Report mentioned in Articles L. 225-100, L. 225-102, L. 225-102-1 and L. 233-26, of the Board's composition, of the ways in which the Board's work is prepared and organised, and on the internal control and risk management procedures put in place by the company, describing in particular those of its procedures that relate to the preparation and processing of accounting and financial information for the parent company financial statements and, where applicable, for the consolidated financial statements. Without prejudice to the provisions of Article L. 225-56, the Report also indicates any limitations that the Board of Directors imposes on the powers of the Chief Executive Officer".

This same article of the French Commercial Code states that:

"Where a company voluntarily refers to a code of corporate governance drawn up by organisations representing businesses, the report […] also specifies the provisions which have not been applied and the reasons for this non-application."

In accordance with paragraph 9 of Article L. 255-37 of the French Commercial Code, the information provided for in Article L. 225-100-3 also of the French Commercial Code is published in the Management Report.

Pursuant to the last paragraph of the same Article L. 225-37 of the French Commercial Code, the Board of Directors of L'Oréal has approved this report.

3.1.2. AFEP-MEDEF Code

The Board of Directors considers that the recommendations of the AFEP-MEDEF Code of Corporate Governance for listed companies of December 2008 fall within the company's approach to corporate governance. Accordingly, this is the code referred to by the company to prepare this Report of the Chairman, approved by the Board at its meeting on Monday February 15th, 2010.

The section of this Report on the ways in which the Board's work is prepared and organised (corporate governance), identifies those provisions of the AFEP-MEDEF Code which have not been applied and explains the reasons for this choice in accordance with Article L. 225-37 of the French Commercial Code.

In addition, the information referred to in Article L. 225-100-3 of the French Commercial Code is published in the Management Report. See paragraph 2.6.8. on pages 86 *et seq.*

3.2. Report of the Chairman of the Board of Directors on the ways in which the Board's work is prepared and organised

The composition of the Board of L'Oréal, the rules it applies to its work, its modus operandi, and the work that it has carried out in the year, evaluated on an annual basis since 1996 by the directors, as well as the decisions made, are dealt with in this Report. The L'Oréal Board of Directors wishes to point out that it carries out its work above all on a collective basis, in accordance with ethical principles and in compliance with the legal provisions, regulations and recommendations.

3.2.1. Method of general management chosen: separation of the duties of Chairman from those of the Chief Executive Officer

In 2006, the Board decided to separate the roles of Chairman and Chief Executive Officer with a clear definition of the responsibilities of each of them, as described in the Internal Rules of the Board of Directors (see pages 131 *et seq.* of this document).

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At its meeting on Monday February 15th, 2010, the Board decided to continue with this separation of roles and to renew the duties of Sir Lindsay Owen-Jones as Chairman and Mr. Jean-Paul Agon as Chief Executive Officer at its meeting to be held at the close of the Annual General Meeting of April 27th, 2010, subject to renewal of their terms of office as directors.

The Board has chosen to continue with this practice after observing from the annual evaluation of the Board's modus operandi that the separation of their duties has given complete satisfaction.

3.2.2. Independence of Directors

At its meeting on November 27th, 2009 and at the time of the evaluation of its modus operandi, the Board of L'Oréal reviewed the situation of each of its members on a case-by-case basis, in particular in light of the independence criteria provided for in the AFEP-MEDEF Code.

A member of the Board is considered as independent when he does not maintain any relationship of any kind with the company, its Group or its general management which may interfere with its freedom of judgment.

In this spirit, the criteria which guide the Board in determining whether a member can qualify as independent are the following criteria specified by the AFEP-MEDEF Code:

- the member must not be an employee or corporate officer of the Company, an employee or director of its parent company or a company which it consolidates in its financial statements, and must not have held any of these positions during the previous five years;
- the member must not be a corporate officer of a company in which the company directly or indirectly holds the office of director or in which an employee designated as such or a corporate officer of the company (either currently or having performed such duties within the last five years) holds an office as director;
- the member must not be a customer, supplier, investment banker or financial banker:

– which is important for the Company or its Group,

– or for which the Company or its Group represents a significant portion of activities;

- the member must not have any close family links with a corporate officer;
- the member must not have been the company's auditor over the five previous years.

The Board failed to adopt one of the criteria specified by the AFEP-MEDEF Code as it considers that the fact that a member has performed a term of office for over 12 years does not lead to such member losing his independent status. Indeed, the quality of a director is also measured on the basis of his experience, his skills, his authority and his good knowledge of the Company, which are all assets that make it possible to conduct a long-term strategy.

L'Oréal's Directors come from different backgrounds. They complement one another due to their different professional experience and their skills; they have good knowledge of the company. The Directors are present, active and closely involved. These are all assets which contribute to the quality of the Board's deliberations and the preparation of its decisions. The Directors are independently minded. They have a duty of vigilance and exercise complete freedom of judgment. This freedom of judgment enables them in particular to participate, in complete independence, in the decisions or work of the Board and its Review Committees.

The Board of Directors of L'Oréal comprises 14 members: the Chairman and the Chief Executive Officer, six directors appointed from the majority shareholders, three of whom are appointed from Mrs. Bettencourt's family group and three from Nestlé (the two Vice-Chairmen of the Board being chosen from among these members) and six independent directors: Ms. Annette Roux, Mr. Charles-Henri Filippi, Mr. Xavier Fontanet, Mr. Bernard Kasriel, Mr. Marc Ladreit de Lacharrière and Mr. Louis Schweitzer. Mr. Ladreit de Lacharrière has been a Director of L'Oréal for over 12 years but his professional experience and his freedom of judgment, combined with his good knowledge of the company, make a big contribution to the Board's discussions and decisions.

The proportion of independent directors is thus at least one third and is in line with the provisions of the AFEP-MEDEF Code. Under these conditions, the Board's responsibilities are carried out with the necessary independence and objectivity. All the directors take into account the interests of all the shareholders.

3.2.3. Members of the Board of Directors

3.2.3.1. Staggering of renewal of terms of office

It was proposed to the Annual General Meeting of April 2009 to renew the tenure of two directors for a term of three years. This term of office is less than the term of four years previously set by the company's Articles of Association.

In this respect, the Board of Directors wanted to comply with AFEP-MEDEF Code of Corporate Governance of December 2008: *"The staggering of the terms of office must be organised in order to avoid renewal all at once and favour the harmonious renewal of the directors"*. To avoid sometimes being required to renew too many directors at the same Annual General Meeting of L'Oréal, it has therefore been proposed to vary the length of the terms of office to make it possible to find a harmonious pace of renewals. In order to have this possibility to provide for terms of office that are equal or less than four years, the company's Articles of Association have been amended in a resolution adopted by the Annual General Meeting in April 2009. Two directors, Mr. Werner Bauer and Mr. Jean-Pierre Meyers, who had volunteered, were renewed for a period of three years.

3.2.3.2. Renewal of the tenure as director of Mr. Werner Bauer in 2009

Mr. Werner Bauer is Executive Vice-President of Nestlé, responsible for Innovation, Research, Development and Technologies. He is a great scientist, who began his professional career as a chemistry professor then a professor of food biotechnology. He joined the L'Oréal Board in 2005, and his unique experience and expertise make him a highly valued director.

The Annual General Meeting renewed Mr. Werner Bauer's tenure as director for a period of three years. This tenure will expire at the end of the Annual General Meeting to be held in 2012 to review the financial statements for the previous financial year.

3.2.3.3. Renewal of the tenure as director of Mrs. Françoise Bettencourt Meyers in 2009

Mrs. Liliane Bettencourt's daughter, granddaughter of Eugène Schueller who founded L'Oréal a hundred years ago, Mrs. Françoise Bettencourt Meyers has been a director since 1997. She unfailingly attends all Board meetings, showing her attachment to the company.

The Annual General Meeting renewed the tenure of Mrs. Françoise Bettencourt Meyers as director for a period of four years. This tenure will expire at the end of the Annual General Meeting to be held in 2013 to review the financial statements for the previous financial year.

3.2.3.4. Renewal of the tenure as director of Mr. Peter Brabeck-Letmathe in 2009

Mr. Peter Brabeck joined Nestlé in 1968, he was appointed Executive Vice President in 1992, CEO in 1997 then also Chairman in 2005. He has been Chairman of the Board of Directors since 2008. For fifteen years or so, he has therefore had operational responsibility on a worldwide scale for the growth strategy of Nestlé, whose success and reputation are well known. He has strong international experience and also has good knowledge of all countries and all the issues related to the creation of brands and products.

The Annual General Meeting renewed Mr. Peter Brabeck-Letmathe's tenure as director for a period of four years. This tenure will expire at the end of the Annual General Meeting to be held in 2013 to review the financial statements for the previous financial year.

3.2.3.5. Renewal of the tenure as director of Mr. Jean-Pierre Meyers in 2009

Mr. Jean-Pierre Meyers is the husband of Mrs. Françoise Bettencourt Meyers. A Director of L'Oréal since 1987, he participates with a high level of commitment, dependability and attentiveness not only on the Board but also in the prior work of the Board Committees and contributes in this way to the in-depth preparation of Board meetings.

The Annual General Meeting renewed the tenure of Mr. Jean-Pierre Meyer as director for a period of three years. This tenure will expire at the end of the Annual General Meeting to be held in 2012 to review the financial statements for the previous financial year.

3.2.3.6. Renewal of the tenure as director of Mr. Louis Schweitzer in 2009

After beginning his career with the French civil service, Mr. Louis Schweitzer spent most of his professional career at Renault which he joined in 1986 to later become Chairman and CEO of the car industry group from 1992 to 2005 then Chairman of the Board of Directors until 2009. Very active on the Board of L'Oréal, Mr. Schweitzer brings to the Board his experience and broad professional skills, his strategic vision, but also his constant attentiveness to the application of best corporate governance practices.

The Annual General Meeting renewed Mr. Louis Schweitzer's tenure as director for a period of four years. This tenure will expire at the end of the Annual General Meeting to be held in 2013 to review the financial statements for the previous financial year.

3.2.3.7. Presentation of all the directors

A detailed list of the offices and directorships held in any company, in 2009 and during the last five years, by each of the corporate officers and directors, is set out hereafter:

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3.3. Corporate Officers and Directors

LIST OF OFFICES AND DIRECTORSHIPS HELD BY CORPORATE OFFICERS AND DIRECTORS DURING THE LAST FIVE YEARS

Sir Lindsay Owen-Jones		**Expiry date of term of office**
Director since 1984 Chairman of the Board Chairman of the Strategy and Implementation Committee Professional address: L'Oréal - 41 rue Martre - 92117 Clichy cedex Holds 3,029,005 L'Oréal shares		2010
Other corporate offices and directorships held		
French companies		
Alba Plus SASU	Chairman	
Sanofi-Aventis S.A	Director	
Foreign companies		
Ferrari S.p.A. (Italy)	Director *(Amministratore)*	
L'Oréal U.K. Ltd (United Kingdom)	Chairman & Director	
L'Oréal USA Inc. (United States)	Chairman & Director	
Other		
Fondation d'Entreprise L'Oréal	Chairman of the Board Director	
Corporate offices and directorships over the last five years that have expired		**Expiry date of term of office**
French companies		
L'Air Liquide S.A.	Vice-Chairman of the Supervisory Board Vice-Chairman of the Board of Directors	May 2006 May 2009
L'Oréal S.A.	Chief Executive Officer	April 2006
BNP Paribas S.A.	Director	December 2005
Foreign company		
Galderma Pharma (Switzerland)	Director	May 2006

Jean-Paul Agon		**Expiry date of term of office**
Director since 2006 Chief Executive Officer Professional address: L'Oréal - 41 rue Martre - 92117 Clichy cedex Holds 11,500 L'Oréal shares		2010
Other corporate offices and directorships held		
Foreign companies		
Galderma Pharma S.A. (Switzerland)	Director	
L'Oréal USA Inc. (United States)	Director	
The Body Shop International PLC (United Kingdom)	Vice-Chairman and Director	
Other		
Fondation d'Entreprise L'Oréal	Director	
Main corporate offices and directorships (1) over the last five years that have expired		**Expiry date of term of office**
French company		
L'Oréal S.A.	Deputy Chief Executive Officer	April 2006
Foreign companies		
Galderma Pharma S.A. (Switzerland)	Chairman of the Board	May 2008
L'Oréal Canada (Canada)	Director and Chairman of the Board	June 2005
L'Oréal USA Inc. (United States)	President & Chief Executive Officer	June 2005

(1) Mr. Jean-Paul Agon has also held various corporate offices and directorships over the last five years in Group companies that are subsidiaries of L'Oréal USA where he was President and Chief Executive Officer until June 2005.

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Jean-Pierre Meyers		**Expiry date of term of office**
Director since 1987 Vice-Chairman of the Board of Directors Member of the Audit Committee Member of the Strategy and Implementation Committee Member of the Appointments and Governance Committee and the Remuneration Committee Professional address: Téthys - 27-29 rue des Poissonniers - 92200 Neuilly-sur-Seine Holds 15,332 L'Oréal shares		2012
Other corporate offices and directorships held		
French company		
Téthys SAS	Chief Executive Officer Member of the Supervisory Board	
Foreign company		
Nestlé S.A.	Director	
Other		
Fondation Bettencourt Schueller	Vice-Chairman of the Board	
Corporate offices and directorships over the last five years that have expired		**Expiry date of term of office**
French company		
Gespral S.A.	Director	July 2007
Other		
Fondation Ophtalmologique Adolphe de Rothschild	Director	October 2007

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Peter Brabeck-Letmathe		**Expiry date of term of office**
Director since 1997 Vice-Chairman of the Board of Directors Member of the Strategy and Implementation Committee Member of the Appointments and Governance Committee and the Remuneration Committee Holds 27,500 L'Oréal shares		2013
Main corporate office held outside L'Oréal		
Nestlé S.A. (Switzerland) Professional address: Avenue Nestlé, 55 - CH 1800 Vevey - Switzerland	Chairman of the Board	
Other corporate offices and directorships held		
Foreign companies		
Credit Suisse Group (Switzerland)	Vice-Chairman of the Board Director	
Roche Holding S.A. (Switzerland)	Director	
Uprona (Canada) Ltd (Canada)	Director and Chairman	
Delta Topco Limited (Jersey)	Director	
Other		
Forum Economique Mondial (Switzerland)	Member of the Foundation Board President of the IBC (Internat. Business Council) [since 2009]	
Table Ronde des Industriels Européens (Belgium)	Member of the Executive Committee Chairman of the Working Group on External Economic Relations [since 2009]	
Main corporate offices and directorships over the last five years that have expired		**Expiry date of term of office**
Foreign companies		
Alcon, Inc. (Switzerland)	Vice-Chairman of the Board	May 2006
Dreyer's Grand Ice Cream Holdings, Inc. (United States)	Vice-Chairman of the Board	March 2006
Credit Suisse (Switzerland)	Vice-Chairman of the Board	April 2005
Credit Suisse First Boston (Switzerland)	Vice-Chairman of the Board	April 2005
Credit Suisse Group (Switzerland)	Vice-Chairman of the Board	April 2005
Nestlé S.A. (Switzerland)	CEO *"Administrateur délégué"*	April 2008
Winterthur Insurance Company (Switzerland)	Vice-Chairman of the Board	April 2005
Winterthur Life (Switzerland)	Vice-Chairman of the Board	April 2005
Other		
Cereal Partners Worldwide (Switzerland)	Co-Chairman of the Supervisory Board	April 2008
ECR Europe (Belgium)	Co-Chairman of the Executive Board	May 2008
Fondation pour la Fédération Internationale des sociétés de la Croix-Rouge et du Croissant-Rouge (Switzerland)	Board Member	November 2005
Prince of Wales International Business Leaders Forum (United Kingdom)	Deputy Chairman	March 2005

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Liliane Bettencourt		Expiry date of term of office
Director since 1995 Member of the Strategy and Implementation Committee Professional address: Téthys - 27-29 rue des Poissonniers - 92200 Neuilly-sur-Seine 5,633 L'Oréal shares held in absolute ownership and 185,654,833 L'Oréal shares held in absolute ownership or beneficial ownership by Téthys, a company of which Mrs. Bettencourt is the Chairwoman and of which she holds almost all the shares and attached voting rights in beneficial ownership		2011
Other corporate offices and directorships held		
French companies		
Clymene SAS	Chairwoman	
Eugène Schueller SARL	Managing Director	
Téthys SAS	Chairwoman Chairwoman of the Strategy Committee Chairwoman of the Supervisory Board	
Other		
Fondation Bettencourt Schueller	Chairwoman	
Main corporate offices and directorships over the last five years that have expired		**Expiry date of term of office**
French companies		
Compagnie Nouvelle d'Investissement S.A.	Director	June 2005
Gespral S.A.	Chairwoman of the Board	July 2007

Françoise Bettencourt Meyers		Expiry date of term of office
Director since 1997 Professional address: Téthys - 27-29 rue des Poissonniers – 92200 Neuilly-sur-Seine Holds 283 L'Oréal shares in absolute ownership and 76,441,672 shares in bare ownership		2013
Other corporate offices and directorships held		
French companies		
Société Immobilière Sebor SAS	Chairwoman	
Téthys SAS	Member of the Supervisory Board	
Other		
Fondation Bettencourt Schueller	Director	
Main corporate offices and directorships over the last five years that have expired		**Expiry date of term of office**
French company		
Gespral SA	Director	July 2007

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Werner J. Bauer		**Expiry date of term of office**
Director since 2005 Holds 2,165 L'Oréal shares		2012
Main corporate office held outside L'Oréal		
Nestlé S.A. (Switzerland) Professional address: Avenue Nestlé, 55 - CH 1800 Vevey - Switzerland	Executive Vice-President	
Other corporate offices and directorships held		
Foreign companies		
Alcon, Inc. (Switzerland)	Director	
Life Ventures S.A. (Switzerland)	Director Chairman of the Board [since August 31st, 2009]	
Nestlé Deutschland AG (Germany)	Member of the Supervisory Board Chairman of the Supervisory Board	
Nutrition-Wellness Venture AG (Switzerland)	Director Chairman of the Board [since August 31st, 2009]	
Sofinol S.A. (Switzerland)	Director Chairman	
Uprona (Canada) Ltd. (Canada)	Director	
Other		
Cereal Partners Worldwide (Switzerland)	Member of *the Supervisory Board*	
Bertelsmann Foundation (Germany)	Member of the Board of Trustees	
Bertelsmann Verwaltungs-Gesselschaft (BVG)	Member [since April 24th, 2008]	
Société Suisse des Industries Chimiques (Switzerland)	Member of the Board	
Corporate offices and directorships over the last five years that have expired		**Expiry date of term of office**
Foreign companies		
Hans Rychiger AG (Switzerland)	Director	February 2007
Life Ventures S.A. (Switzerland)	Vice-Chairman of the Board	August 2009
Nestlé Nespresso S.A. (Switzerland)	Director, Chairman of the Board	March 2009
Nutrition-Wellness Venture AG (Switzerland)	Vice-Chairman of the Board	August 2009

Francisco Castañer Basco		**Expiry date of term of office**
Director since 1998 Member of the Audit Committee Member of the Strategy and Implementation Committee Holds 3,500 L'Oréal shares		2010
Main corporate office held outside L'Oréal		
Nestlé S.A. (Switzerland) Professional address: Avenue Nestlé, 55 - CH 1800 Vevey - Switzerland	Executive Vice-President [until December 31st, 2009]	
Other corporate offices and directorships held		
Foreign companies		
Alcon, Inc. (Switzerland)	Director Vice-Chairman	
Galderma Pharma S.A. (Switzerland)	Director Chairman of the Board	
Nestlé España	Director and Chairman of the Board	
Uprona (Canada) Ltd. (Canada)	Director	
Corporate offices and directorships over the last five years that have expired		**Expiry date of term of office**
Foreign company		
Galderma Pharma S.A. (Switzerland)	Chairman of the Board	May 2006

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Charles-Henri Filippi		Expiry date of term of office
Chairman of the Audit Committee Director since 2007 Holds 1,000 L'Oréal shares		2010
Main corporate office held outside L'Oréal		
Octagones (parent company) and Alfina (subsidiary) Professional address: 20 rue Quentin-Bauchart - 75008 Paris	Chairman	
Other corporate offices and directorships held		
French companies		
Euris	Member of the Supervisory Board	
France Telecom	Director	
Nexity	Observer	
Piasa S.A.	Director	
Foreign company		
CVC Capital Partners ("CVC")	Senior Advisor	
Other		
Centre National d'Art et de Culture Georges Pompidou	Director	
Association des Amis de l'Opéra Comique	Chairman	
Corporate offices and directorships over the last five years that have expired		**Expiry date of term of office**
French companies		
Altadis	Director Member of the Executive Commission	February 2008
Galeries Lafayette	Member of the Supervisory Board	May 2005
HSBC Asset Management Holding	Director	June 2006
HSBC France	Chief Executive Officer Chairman of the Board	September 2007 December 2008
HSBC Private Bank France	Chairman of the Supervisory Board	June 2007
Foreign companies		
HSBC Bank plc (United Kingdom)	Director	December 2008
HSBC Private Banking Holdings (Suisse) S.A	Director	December 2008
HSBC Holdings plc (United Kingdom)	Group Managing Director and member of Group Management Board	September 2007
HSBC Trinkaus & Burkhardt AG (Germany)	Member of the Supervisory Board	September 2007
Seita	Director	April 2005
Other		
Association des Amis du Festival d'Automne à Paris	Director	September 2009

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Xavier Fontanet		**Expiry date of term of office**
Director since 2002 Holds 1,050 L'Oréal shares		2010
Main corporate office held outside L'Oréal		
Essilor International S.A. Professional address: 147, rue de Paris - 94227 Charenton Cedex	Chairman of the Board of Directors [since January 1st, 2010]	
Other corporate offices and directorships held		
French companies		
Crédit Agricole S.A.	Director	
Fonds Stratégiques d'Investissement S.A.	Director	
Foreign companies		
EOA Holding Co. Inc. (United States)	Director Chairman	
Essilor Amico (L.L.C) (United Arab Emirates)	Director [since September 10th, 2009]	
Essilor India PVT Ltd (India)	Director	
Essilor of America Inc. (United States)	Director	
Essilor Manufacturing India PVT Ltd (India)	Director	
Nikon Essilor Co. Ltd (Japan)	Director	
Shanghai Essilor Optical Company Ltd (China)	Director	
Transitions Optical Holding B.V. (Netherlands)	Director	
Transitions Optical Inc. (United States)	Director	
Corporate offices and directorships over the last five years that have expired		**Expiry date of term of office**
French companies		
Chantiers Bénéteau S.A.	Director	January 2005
Essilor International S.A.	Chairman and Chief Executive Officer	January 2010
Other		
IMS – Entreprendre pour la Cité	Director	October 2005

Bernard Kasriel		**Expiry date of term of office**
Director since 2004 Member of the Strategy and Implementation Committee Chairman of the Appointments and Governance Committee and the Remuneration Committee Holds 1,525 L'Oréal shares		2012
Main corporate office held outside L'Oréal		
LBO France Professional address: 148 rue de l'Université - 75007 Paris	Partner	
Other corporate offices and directorships held		
French companies		
Lafarge S.A.	Director	
Arkema S.A.	Director	
Foreign company		
Nucor (United States)	Director	
Main corporate offices and directorships over the last five years that have expired		**Expiry date of term of office**
French companies		
Lafarge S.A.	Chief Executive Officer	December 2005
LBO France	Member of the Management Board	January 2010
Foreign companies		
Blue Circle North America (United States)	Director	December 2006
Lafarge North America (United States)	 Vice-Chairman of the Board	December 2005 November 2006
Lafarge Roofing GmbH (Germany)	Aufsichtsratsvorsitzender (Member of the Supervisory Board)	July 2006
Sabelfi (Belgium)	Director	May 2006
Sonoco Products Company (United States)	Director	February 2007

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Marc Ladreit de Lacharrière		**Expiry date of term of office**
Director since 1984 Holds 40,040 L'Oréal shares		2010
Main corporate office held outside L'Oréal		
F. Marc de Lacharrière (Fimalac) Professional address: 97, rue de Lille – 75007 Paris	Chairman and Chief Executive Officer	
Main corporate offices and directorships over the last five years that have expired		
French companies		
Agence France Museums	Chairman of the Board	
Casino	Director	
Fimalac Participations Gilbert Coullier Productions SAS	Managing Director Director [since October 2009]	
Groupe Marc de Lacharrière	Chairman of the Management Board	
Renault S.A.	Director	
Renault SAS	Director	
Foreign companies		
Fitch Group (United States)	Chairman	
Fitch (United States) Ratings	Chairman	
Other		
Banque de France	Member of Consultative Council	
Comité National des Conseillers du Commerce Extérieur de la France	Honorary Chairman	
Conseil Artistique des Musées Nationaux	Member	
Fondation d'Entreprise Culture et Diversité	Member	
Fondation Bettencourt Schueller	Member	
Fondation d'Entreprise L'Oréal	Director	
Fondation des Sciences Politiques	Member	
Institut de France	Member	
Musée des Arts Décoratifs	Member	
Corporate offices and directorships over the last five years that have expired		**Expiry date of term of office**
French company		
Groupe Marc de Lacharrière	Managing Director	December 2006
Foreign companies		
Algorithmics (Canada)	Director	2009
Director Cassina (Italy)	Director	June 2005
Fitch Group Holdings (United States)	Chairman	2006
Other		
Conseil Stratégique pour l'Attractivité de la France	Member	March 2005
Musée du Louvre	Member	March 2005

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Annette Roux		**Expiry date of term of office**
Director since 2007 Holds 1,000 L'Oréal shares		2011
Main corporate office held outside L'Oréal		
Bénéteau S.A.[(1) (3)] Professional address: Les Embruns 16 boulevard de la Mer - 85800 Saint-Gilles-Croix-de-Vie	Vice-Chairwoman of the Supervisory Board	
Other corporate offices and directorships held		
French companies		
Beri 21 S.A.	Chairwoman of the Supervisory Board	
Beri 3000 S.A.	Chairwoman and Chief Executive Officer	
Construction Navale Bordeaux S.A.[(3)]	Director	
O'Hara S.A.[(3)]	Director	
SPBI SAS[(2) (3)]	Director [since January 31st, 2009]	
Foreign company		
Beneteau España[(3)]	Director	
Other		
Fondation d'Entreprise Bénéteau	Chairwoman	
Corporate offices and directorships over the last five years that have expired		**Expiry date of term of office**
French companies		
Bénéteau S.A.	Chairwoman of the Board	January 2005
Caisse Régionale de Crédit Maritime Mutuel de Vendée "La Vendéenne" SC	Director	December 2006
Fédération des Industries Nautiques	Chairwoman	March 2009

(1) Company listed on compartment B of Eurolist.
(2) Chantiers Bénéteau S.A. and Chantiers Jeanneau S.A. were merged into SPBI SAS on January 31st, 2009.
(3) Companies controlled by Beri 21 S.A.

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Louis Schweitzer		Expiry date of term of office
Director since 2005 Holds 2,000 L'Oréal shares		2013
Main corporate office held outside L'Oréal		
Haute Autorité de Lutte contre les Discriminations et pour l'Egalité Professional address: 11 rue Saint-Georges – 75009 Paris	Chairman	
Other corporate offices and directorships held		
French companies		
BNP Paribas	Director	
Veolia Environnement	Director	
Le Monde (Impa, Imsa, sem)	Chairman of the Supervisory Board	
Foreign companies		
AB Volvo (Sweden)	Director	
Allianz AG (Germany)	Member of the Consultative Council	
AstraZeneca (United Kingdom)	Director Chairman of the Board	
Other		
Banque de France	Member of the Consultative Council	
Comité des Salons	Chairman	
Festival d'Avignon	Chairman	
Fondation Nationale des Sciences Politiques	Member of the Board	
Institut Français des Relations Internationales	Member of the Board	
Musée du Quai Branly	Director	
Société des Amis du Musée du Quai Branly	Chairman	
Corporate offices and directorships over the last five years that have expired		**Expiry date of term of office**
French companies		
Electricité de France	Director	April 2008
RCI Banque (formerly Renault Crédit International)	Director	February 2005
Renault	Chief Executive Officer Chairman of the Board	April 2005 April 2009
Foreign companies		
Philips (Netherlands)	Vice-Chairman of the Supervisory Board	April 2008
Renault-Nissan B.V (Netherlands)	Chairman of the Management Board	April 2005
Other		
Le Cercle de l'Orchestre de Paris	Chairman of the Board	June 2008
Medef	Member of the Executive Committee	October 2005
Medef International	Chairman	November 2005
Musée du Louvre	Member of the Board	May 2008

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Other information required pursuant to Annex I of European Regulation No. 809/2004

Family relationships existing between the corporate officers or directors (Article 14.1 of the Annex)

Mrs. Françoise Bettencourt Meyers is Mrs. Liliane Bettencourt's daughter and Mr. Jean-Pierre Meyers' wife.

No conviction or incrimination of the corporate officers and directors (Article 14.1 of the Annex)

To the company's knowledge, over the last five years, the corporate officers and directors have not been convicted for fraud, associated with a bankruptcy, receivership or liquidation, or the subject of any official public incrimination or sanction imposed by statutory or regulatory authorities (including designated professional bodies) or a decision by a court disqualifying them from acting as a member of an administrative, management or supervisory body or from acting in the management or conduct of the business of any issuer.

Potential conflicts of interest between the duties of the corporate officers and directors with regard to L'Oréal, and their private interests and/or other duties (Articles 14.2 and 18.3 of the Annex)

Point 3.2.2. of the Report of the Chairman (on page 107 of this Volume 2) reviews the situation of each of the directors with regard to the independence criteria provided for in the AFEP –MEDEF Code.

The method of organisation and *modus operandi* adopted by the Board would allow it, where applicable, to prevent any wrongful exercise of control by a shareholder, in particular due to the presence of six independent directors on the Board of Directors.

See also point 2.6.8. of the Management Report (page 86 of this Volume 2) which concerns agreements relating to shares in the company's share capital.

Information on service contracts with members of the administrative bodies (Article 16.2 of the Annex)

No corporate officers or directors have a service contract with L'Oréal or any of its subsidiaries providing for the granting of benefits upon termination of such contract.

3.4. Information on Board Meetings: best practices

The Board constantly strives to apply a *modus operandi* that strictly complies with legal requirements, and is also conducive to good corporate governance. Appointed by shareholders, the directors control the economic and financial management of the Group and participate in determining its strategy. They review and approve the main lines of action adopted by the General Management, which implements them.

The Board met six times in 2009, with an average attendance rate of 92%. The directors all attended the Annual General Meeting. In 2009, the Board of Directors spent a whole day analysing components of strategy. The presentations made to it and the discussions which followed, in the presence of several senior managers, were enriched through a visit to a L'Oréal factory in relation with industrial strategy and a shopping centre to assess the presence of the Group's brands in all distribution channels.

Moreover, further improvements have been noted in the *modus operandi* of the Board Committees, whose files and preparatory work are more and more substantial and detailed. A description of the main work carried out by each Committee is set out below; this makes it possible to identify the main topics that are then handled at Board meetings.

The rate of attendance of each of the directors at Board meetings is set out in the table showing the breakdown of attendance fees in the chapter of the Management Report on the remuneration of the corporate officers, on pages 77 *et seq.*

3.4.1. Evaluation of the Board of Directors: a Board that regularly reviews its modus operandi and assesses its organisation and the quality of its work

Every year, the Board reviews its composition, its organisation and its *modus operandi*.

On the basis of a summary of prior individual interviews between the director and the Secretary of the Board, the Board considers the avenues of progress that still remain open and, at the end of the discussion that takes place, adopts the improvement measures that it considers appropriate.

This review is carried out within the framework of the AFEP-MEDEF Code, to which the Board refers as stated in a news release of November 2008.

The directors again exercised their complete freedom of judgement in 2009. This freedom of judgement allowed them to participate, in total independence, in the work and collective decisions of the Board, and, where applicable, in conducting preparatory work and making proposals through the Board Committees. The Board considered that the quality of its meetings has continued to improve. It takes a more wide-ranging look at strategy in accordance with the wishes of directors who feel that they have a better knowledge of businesses, markets and competition. The Board regularly assesses the various strategic challenges faced by the Group and takes the necessary decisions.

In order to participate in the discussions and to make well-informed decisions, each director must be provided with the documents and information required for the accomplishment of his or her duties and for the appropriate collective organisation of the Board's work.

In 2009, the Board received significant, regular, reliable information on the Group's activities and, at the end of the year, the directors made new proposals of topics to be put on the agenda for their meetings in 2010.

The Board, in conjunction with General Management, has contributed to setting up a Stock Market Code of Ethics within the Group. On the basis of the legal provisions, regulations and recommendations, this code points out that confidential information must only be passed on and used for professional purposes. Confidential information is precise information of a non-public nature, which, if made public, could have a significant influence on the share price. Such confidential information may, in particular, fall into one of three main categories: strategic, linked to the definition and application of the Group's growth strategy; recurring, linked to the annual schedule for production and publication of annual and interim financial statements, regular releases or periodic meetings devoted to financial information; exceptional, linked to a specific programme, project or financial transaction.

The Stock Market Code of Ethics states that any person in possession of confidential information must proceed with the greatest caution when trading in or enabling others to trade in L'Oréal shares, and emphasises that any misconduct in this area may result in criminal proceedings. The Internal Rules of the Board point out specifically that a director, who has permanent insider status, is requested to refrain from trading in L'Oréal shares in certain periods and when he has access to confidential information, as a result of his particular functions.

Lastly, directors are required to notify the AMF (the French financial markets authority) of each transaction carried out by themselves or their close relatives and friends relating to L'Oréal shares. The company reminds them regularly of this obligation.

3.4.2. Summary of trading by the corporate officers in L'Oréal shares in 2009

See the Management Report, page 83.

3.4.3. The Internal Rules of the Board of Directors

The Board conducts its work in accordance with Internal Rules (published below) designed to supplement legal, regulatory and statutory rules upheld by the Board as a whole and by each director individually. The Internal Rules define the *modus operandi* of the Board, in the interest of the company and all its shareholders, as well as that of its Committees made up of directors to which it gives preparatory assignments with regard to its work.

These Internal Rules may be amended by the Board of Directors to reflect the changes in the laws and regulations, but also those made in its own *modus operandi*. In this case, the new Internal Rules are made public as soon as possible, initially via the company's website.

These Rules were initially updated in 2006, when the Board decided to separate the roles of Chairman and Chief Executive Officer, in the context of which it appeared appropriate to specify the duties and roles of each of them.

The Internal Rules were again updated in 2008, notably after the split-up of the Management and Remuneration Committee and the creation by the Board of two new review committees : the Remuneration Committee and the Appointments Committee.

Finally, the Internal Rules were amended at the end of 2009 to incorporate the new recommendations made by the AFEP-MEDEF Code of Corporate Governance for listed companies of December 2008, particularly with regard to the modus operandi of the Board committees, and also the provisions of the 8th Directive on statutory audits of accounts and the Audit Committee.

See the full text of the Internal Rules, attached to this Report on pages 130 *et seq*.

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3.4.4. Provision of information to the Board on the financial position, the cash situation and the company's commitments

The financial position and the cash situation are reviewed twice a year at Board meetings, at the time of closing of the annual financial statements and the review of the interim financial statements.

The company's commitments are examined at the time of annual renewal of the authorisations given to the Chief Executive Officer and the delegations of authority that he grants.

3.4.5. Committees of the Board of Directors that actively prepare for its meetings and for the decisions to be made by it

The growing place occupied by corporate governance matters on the agenda for Appointments Committee meetings has led to the Board of Directors changing the Committee's name to the Appointments and Governance Committee and adding to its remit (see below).

The Board's discussions and decisions are assisted by the preparatory work performed by its Review Committees, which report to it after each of their meetings. The Committees were again given responsibility by the Board for preparing its deliberations in 2009. The membership of these Committees is set out in the introduction to the Reference Document (Volume 1, page 9); their remits are set out in the Internal Rules of the Board of Directors, and their work in 2009 is described in detail in this Report.

The Board Committees act strictly within the framework of the remits given to them by the Board. They prepare actively for its work and make proposals but they do not have any decision-making powers.

3.4.5.1. The Strategy and Implementation Committee

This Committee clarifies, through its analyses, the strategic orientations submitted to the Board of Directors and monitors the implementation and progress of significant operations in progress. It ensures that the main financial balances are preserved. Within this framework, the Committee reviews the main strategic lines of development, options and projects presented by the General Management, and their economic and financial consequences, acquisition opportunities, and financial transactions liable to significantly change the balance sheet structure.

The Committee is composed of six L'Oréal directors, of whom two represent the Bettencourt family (Mrs. Liliane Bettencourt and Mr. Jean-Pierre Meyers) and two represent Nestlé (Mr. Peter Brabeck Letmathe and Mr. Francisco Castañer Basco).

It is chaired by the Chairman of the Board of Directors (Sir Lindsay Owen-Jones); moreover, an independent director also serves on this committee (Mr. Bernard Kasriel). These directors participate actively in Committee meetings, with complete freedom of judgement and in the interest of all the shareholders.

The Strategy and Implementation Committee met five times in 2009. Besides an attentive review of business activities and an analysis of the market context and competitors, at the beginning of 2009, the Committee took note of the toughening economic conditions and placed on record the strategic decisions taken at a very early stage to deal with a delicate economic climate. At the Committee's recommendation, the Board encouraged the General Management to pursue the implementation of innovation which was made easier, the creation of major products, market share wins in the field and control over industrial, administrative and commercial costs. The increase in 2009 of the driving forces represented by research and advertising & promotion expenses, which are essential for the lasting support and sustainable development of the company's brands, was approved.

The Committee reported to the Board on all its work.

3.4.5.2. The Audit Committee

Without prejudice to the areas of authority of the Board of Directors, this Committee is responsible in particular for monitoring the process for preparation of financial information, the effectiveness of the internal control and risk management systems, the statutory audit of the annual and consolidated accounts by the statutory auditors and finally the statutory auditors' independence.

Furthermore, if in the course of its work the Committee detects a substantial risk, which in its view is not adequately dealt with, it warns the Chairman of the Board accordingly. The Committee can also, in agreement with the General Management, consult other people who may be able to help it carry out its duties, particularly managers with economic and financial responsibilities and those in charge of processing financial information.

Three directors are members of the Committee: Mr. Charles-Henri Filippi, an independent director who has recognised financial expertise and who has been the Chairman of the Committee since April 2008, Mr. Jean-Pierre Meyers and Mr. Francisco Castañer Basco, both of whom have been members of the Committee since it was created in 1999. In ten years' practice, the two latter directors have acquired good knowledge of the Group's accounting and financial procedures. These three directors participate actively in Committee meetings, with complete freedom of judgement and in the interest of all the shareholders.

The provision of the AFEP-MEDEF Code that recommends that two-thirds of the directors should be independent has not been adopted inasmuch as the company is controlled by two main shareholders.

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The Audit Committee met four times in 2009, in every case in the presence of the Statutory Auditors. The necessary accounting and financial documents, particularly within the scope of the closing of the annual financial statements and the review of the interim financial statements, were provided to it prior to the meetings concerned.

In 2009, the Committee interviewed the Vice-President of the Administration and Finance Division, the Director of Economic Affairs, the Director of Financial Operations and Treasury Transactions, the Head of the Legal Department, the Director of the Internal Control Department and the Director of Organisation and Information Systems.

The Committee considered that the work by the Internal Audit Department and the internal control process put in place, which it reviewed on several occasions particularly with regard to the risk aspects, are continuing to improve in quality.

The Committee reviewed an update of the brochure on the "Fundamentals of Internal Control", which provides information to all the Group's French and foreign subsidiaries on the policy and rules in force and raises awareness in different countries and among L'Oréal's various teams with regard to good internal control practices.

At the time of the closing of the annual and interim financial statements, the Committee analysed in detail the changes in the main items of the profit and loss account and balance sheet.

The Committee reviewed the conditions of application of the 8th Directive on statutory audits of accounts and noted, in this respect, that its modus operandi was in line with the French ordinance of December 2008.

The Committee also reviewed the legal risks and the litigation situation within the scope of the accounts closing. No major event liable to have an impact on L'Oréal's financial position and its assets and liabilities was noted by the Committee.

Furthermore, in accordance with a formal evaluation process, the Committee interviewed the Statutory Auditors within the context of the renewal of their terms of office by the Annual General Meeting of the shareholders in 2010.

The Committee reported to the Board on all its work.

3.4.5.3. The Appointments and Governance Committee

The remits of the Appointments and Governance Committee involve enlightening the decisions made by the Board with regard to the conditions of performance of General Management and the status of the corporate officers, discussing the classification of independent director which is reviewed by the Board every year, preparing for the Board's decision with regard to the updating of its Internal Rules, making proposals to the Board for the choice of directors, issuing an opinion on proposals made by the Chairman of the Board of Directors for appointment of the Chief Executive Officer, ensuring the implementation of a procedure for the preparation of succession plans for the corporate officers in the event of an unforeseen vacancy and conducting the reflection process with regard to the Committees that are in charge of preparing the Board's work.

Three directors are members of this Committee: Mr. Bernard Kasriel, an independent director and Chairman of the Committee, Mr. Jean-Pierre Meyers and Mr. Peter Brabeck Letmathe.

These directors actively participate in Committee meetings, with complete freedom of judgement and in the interest of all the shareholders.

The provision of the AFEP-MEDEF Code that recommends that a majority of the directors should be independent has not been adopted inasmuch as the company is controlled by two main shareholders.

The Appointments and Governance Committee met three times in 2009, in the presence of all its members. The Chairman of the Board is associated with its work, except with regard to all the topics that may concern him in any way.

Like in 2008, the Committee proposed to the Board to review, on a case-by-case basis, the situation of each of the directors with regard to their independence based on the criteria set out in the AFEP-MEDEF Code. In the 2009 Reference Document (Volume 1 page 22 and Volume 2 pages 109 to 118), the independent directors are clearly classified, in light of the criteria adopted by the Board.

In addition to the amendment to the Articles of Association adopted in 2009 which now provides that the terms of office of directors may cover a period of four years or less, the Committee once again looked at the question of how best to ensure harmonious renewal of the Board of Directors.

It proposed a mechanism which was accepted by the Board and simply gave rise to the updating of its Internal Rules in November 2009.

Furthermore, it is now accepted by Board members that all directors will tender their resignation to the Board prior to the Annual General Meeting following their 73rd birthday and that they should no longer apply for renewal of their tenure if this rule does not enable them to perform their office for at least two years. In any event, in accordance with French law and the Articles of Association, the total number of directors who are over 70 years of age may not exceed one third of the directors in office. The Internal Rules have also been updated in this respect.

The Committee also monitored the changes in the Group's Management Committee.

The Committee reported to the Board on all its work.

3.4.5.4. The Remuneration Committee

The main remits of the Remuneration Committee, in relation with the Board of Directors' work, are in particular to make proposals notably with regard to the remuneration of the Chairman of the Board of Directors and that of the Chief Executive Officer, the total amount of the directors' fees to be

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submitted to the Annual General Meeting and their method of distribution, the implementation of long-term incentive schemes such as for example, stock option plans or plans for free grants of shares.

Three directors are members of this Committee: Mr. Bernard Kasriel, an independent director and Chairman of the Committee, Mr. Jean-Pierre Meyers and Mr. Peter Brabeck Letmathe. These directors actively participate in Committee meetings, with complete freedom of judgement and in the interest of all the shareholders.

The provision of the AFEP-MEDEF Code that recommends that a majority of the directors should be independent has not been adopted inasmuch as the company is controlled by two main shareholders.

The Remuneration Committee met four times in 2009, in the presence of all its members, and with complete independence. The Chairman of the Board is associated with its work, except with regard to all the subjects concerning him.

After the closing of the 2008 accounts, in accordance with the recommendations of the AFEP and the MEDEF, the Committee made proposals to the Board of Directors with regard to the remuneration of the corporate officers and, following on from the authorisations voted by the Annual General Meeting in 2007, with regard to the implementation, in March 2009, of a stock option plan and plan for the conditional grant of shares to employees for a large number of people. The Board accepted the Committee's proposals.

In 2009, like in 2008, the Chairman of the Board of Directors declined all allocation of stock options that could have been made to him and the Chief Executive Officer refused an allocation of stock options made to him by the Board. This decision does not in any way call into question the principles of allocation of stock options to the corporate officers.

Furthermore, the Committee continued with its work of studying, in great detail, the issue of the concurrent holding of an employment contract and corporate office by the Chief Executive Officer.

The Committee reported to the Board on all its work.

3.4.6. Remuneration of the corporate officers

The principles and rules adopted by the Board of Directors to determine the remuneration and benefits of all kinds granted to the corporate officers are set out in full in the Management Report of the Board of Directors, pages 77 *et seq.*:

- **remuneration of the members of the Board.**
- **remuneration of the corporate officers:**

– remuneration of the Chairman,

– remuneration of the Chief Executive Officer.

- **commitments made with regard to executive officers:**

– commitments made with regard to the Chairman,

– commitments made with regard to the Chief Executive Officer.

The stock options and free grant of shares are dealt with in full in the Management Report, pages 77 *et seq.*

- **Authorisation granted to the Board of Directors in 2007 to grant share purchase and/or subscription options.**
- **Currently existing L'Oréal parent company share purchase or subscription option plans.**
- **Stock options granted to employees other than corporate officers of L'Oréal and the exercise of such options.**
- **Stock options exercised by the corporate officers appointed by the Board.**
- **Stock options granted to the corporate officers appointed.**
- **Authorisation granted to the Board of Directors in 2007 to make free grants of shares.**

3.4.7. Financial rating

The L'Oréal Group is rated by the credit rating agencies Standard & Poors, Moody's and Fitch Ratings, which respectively gave it the following short-term credit ratings: A1+ (Standard & Poors – October 2009), Prime 1 (Moody's – July 2009) and F1+ (Fitch ratings – June 2009). These ratings are unchanged as compared with 2008.

3.4.8. Annual General Meeting and the terms and conditions of participation of the shareholders

It is to be noted, in accordance with Article 12 of the Company's Articles of Association, that the terms and conditions of participation by the shareholders in Annual General Meetings are those provided for by the regulations in force, and that any shareholder may, if the Board of Directors so decides when calling the Annual General Meeting, participate in the meeting by videoconference or by any telecommunication or remote transmission means including the Internet, under the conditions provided for by the applicable regulations at the time of their use. Where applicable, this decision is communicated in the meeting notice published in the *Bulletin des Annonces Légales et Obligatoires* (B.A.L.O.), the official French gazette.

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3.5. Report of the Chairman of the Board of Directors on Internal Control

At the request of the Chairman of the Board of Directors and the Chief Executive Officer, the Administration and Finance Division compiled the information contained in this Report based on the different types of work carried out by departments working on Internal Control within the Group.

For the preparation and drafting of this Report and the definition of Internal Control, we used the Reference Framework recommended by the French financial markets authority (the *Autorité des Marchés Financiers*) on January 22nd, 2007.

3.5.1. Definition and objectives of Internal Control

In L'Oréal, Internal Control is a system that applies to the company and its consolidated subsidiaries ("the Group") and aims at ensuring that:

- economic and financial targets are achieved in compliance with the laws and regulations in force;
- the orientations set by General Management are followed;
- the company's assets are valued and protected;
- the Group's financial and accounting information is reliable and provides true and fair statements.

By contributing to preventing and managing the risks to which the Group is exposed, the Internal Control system enables the Group's industrial and economic development to take place in a steady and sustainable manner in a control environment appropriate for the Group's businesses. However, no absolute guarantee can be given that these objectives will be met.

3.5.2. Components of the system

3.5.2.1. The Internal Control organisation and environment

The control environment, which is critical to the Internal Control system, good risk management and the application of procedures, is based on people, behaviour and the organisational structure. In L'Oréal, it forms part of a culture of rigour and commitment communicated by senior management and is also in line with the Group's strategic choices.

The Group's values

L'Oréal has built up its business on the basis of strong values that have guided its development and contributed to making its reputation: integrity, loyalty, confidence and transparency, together with respect for the individual and diversity.

The Code of Business Ethics provides insight into how these values need to be reflected in the behaviour and actions of its employees through simple rules and a description of concrete situations to which they may be exposed. This document, which exists in 43 different languages, has been issued to all employees throughout the world and a copy is also given to each new employee. The Director of Ethics, who reports directly to the Chief Executive Officer, has specific responsibility for ensuring that the Code of Business Ethics is duly complied with. An intranet site featuring additional information on ethics is available to employees. Furthermore, In order to help Country Heads ensure that the Code of Business Ethics is complied with, a network of Ethics Correspondents has been set up and already covers 20 of the Group's main Countries.

A widespread ethics training campaign was conducted in 2008 and continued in 2009. In particular, a training module on ethics is included in a seminar attended by all newly hired executives. Ethics modules have been incorporated into the 9 existing training programmes intended in particular for country heads, factory managers, purchasers, recruiters and other categories of senior management.

A practical tool for ethical risk assessment and analysis has been made available to the Group's entities. This tool is currently being rolled out to Country Heads and Factory Managers.

Employees are now able to contact the Group's Director of Ethics through the L'Oréal Ethics Open Talk website. This website offers a secure information reporting mechanism.

Responsibilities

The Group is organised into worldwide Divisions and geographical zones, which are fully responsible, with the management of each country, business unit or industrial entity, for the achievement of the objectives approved by the General Management with regard to Internal Control. The Functional Divisions bring their expertise to all operational employees.

Worldwide responsibilities for Internal Control of the activities of their division or department are entrusted to each of the members of the Management Committee. The process for granting formal delegations of authority and responsibilities is continuing. The powers of the legal representatives of

Group companies and of their delegatees are limited and controlled, notably in accordance with the provisions of the Legal Charter.

Specialists in financial control, information systems, human resources or industrial and logistics techniques provide support to operational employees at all levels of the organisation, which makes it easier to diffuse best practices of Internal Control.

The Supply Chain Department, which is part of the Operations Division, continued to put in place organisations and processes aimed at managing product and information flows. The implementation of dashboards and leadership initiatives have been strengthened in each geographic zone.

In addition, the reorganisation and pooling of all categories of purchases within the Operations Division since 2008 were carried out as the result of a strong willingness to reinforce our relationships with suppliers and enhance our purchasing conditions, and also to gain better command over the entire purchasing processes.

Human resources policy

The quality and skills of male and female employees are key components of the Internal Control system. Human resources policy within L'Oréal is defined by the constant search for excellence in recruitment and by the development of talent within the Group, so as to ensure that it has the required level of skills in all areas. These activities also form part of the Group's diversity policy, which seeks to value and respect difference throughout the organisation. Management Development Centres offer programmes in technical areas or to help employees with integration or management; such programs are tailored to different job profiles and aimed at providing mastery of different skills in all areas of activity.

Information systems

Strategic choices in terms of systems are determined by the Administration and Finance Division, which is responsible for harmonisation of a single ERP (Enterprise Resource Planning), management software application for the great majority of subsidiaries, and which issues instructions regarding system security. The worldwide roll-out of the integrated software package also contributes to strengthening the reliability and the security of the process of production of information, notably accounting and financial information. In pursuit of the same objective, the Operations Division is continuing the deployment of an integrated production and management solution in the Group's industrial entities.

The procedures and standards governing the activities

Each Functional Division has responsibility, in its own specific field, for defining the principles and standards applicable to all the consolidated entities. In order to make it easier for employees to take onboard all these principles and standards, the key points have been summarised in the "Fundamentals of Internal Control".

This guide is a reference framework for the Group's operational activities, and is presented in the form of an information sheet for each area. Each information sheet refers to the detailed Charters, Codes and standards of the Group. The information sheets were updated and supplemented in 2007 and again in 2009, then validated by the experts in each area of expertise and presented to the Group Management Committee. A questionnaire per operational function is proposed to subsidiaries so that they can make an assessment with regard to their entity, make their own diagnosis with regard to Internal Control and determine the areas of improvement within their own scope of activity.

3.5.2.2. Communication of information inside the Group

Sharing of information

The brochure "Fundamentals of Internal Control" has been circulated individually to the Managing Directors and Finance Directors in charge of all the consolidated subsidiaries, including the industrial entities. Furthermore, the Fundamentals, self-diagnosis questionnaires, Charters and standards, together with the information related to the organisation, changes and instructions from the Functional Divisions are made permanently available to the subsidiaries on the Group's intranet sites.

The other means of internal communication

Meetings are regularly organised aimed at passing on information about orientations of the General Management to managers of the subsidiaries. The Functional Divisions also coordinate their networks of experts through seminars and training sessions.

3.5.2.3. Risk management

In order to ensure the sustainability of its development and the achievement of its objectives, the Group strives to anticipate and manage the risks to which it is exposed in its different areas of activity. These risks have been identified in the paragraph 2.3. on *Risk factors* on pages 72 *et seq.* of the Management Report and the systems put in place to better anticipate and handle risks are mentioned. In addition, the Internal Rules of the Board of Directors specify the role played by the Audit Committee which "must make sure that the General Management has at its disposal the means to enable it to identify and manage the economic, financial and legal risks facing the Group inside and outside France in carrying out its routine and exceptional operations."

An analysis of the main accounting and financial risks in relation to subsidiaries' processes has made it possible to identify the improvements required in terms of Internal Control, particularly in the fields of sales, purchases, inventories, fixed assets and payroll management. These topics were assigned to a Working Group with responsibility for updating Group standards in the above fields (see *Management standards* in paragraph 3.5.4.2. hereafter).

3.5.2.4. Control activities

The measures recommended by the Group

In each area of activity, the recommended measures with regard to the key control points are determined by the Functional Divisions concerned.

- In the area of Human Resources, the requirements related to personnel management specify the documents to be provided to employees, the way to book and report headcount and personnel charges, the procedures for recruitment, training and appraisal and the rules to be observed in the field of payroll management.
- In the legal area, the Legal Charter reaffirms the obligation to comply with local legislation and notably sets out the internal principles for signature on behalf of the company, the general and specific rules relating to contracts, trademark law, intellectual property law, company law and competition law.

  The Insurance Charter issues a reminder that the Group mainly uses integrated worldwide programmes to cover all its entities against third party liability, damage to property and operating losses resulting from an insured event. The Group's choice is to only have recourse to first-rate insurers and to give preference to insurance of its customer risk. The results of audits performed by insurance companies in factories and distribution centres are used to improve the Internal Control of these entities.
- In the area of safety and quality, procedures relating to the protection of persons, property and data, including in particular the internal rules issued by the Group's Operations Division, set out the principles for covering industrial and logistical risks relating to organisation and safety. In addition, production quality standards define rules governing the quality of products, for all stages from creation to production and distribution. Almost all the factories are ISO 9001-certified as far as their production is concerned, ISO 14001-certified for their environmental policy and OHSAS 1800-certified for their safety policy.
- In the area of purchasing, the Purchasing Code of Ethics provides guidelines for the behaviour to be followed with regard to the management of suppliers. The standard for "Management of suppliers" and tender procedures specify the conditions for competitive tendering and for the registration of the main suppliers. The general terms of purchase are used as the framework for transactions with suppliers. The "Purchase Commitments and Order Management" standard, which requires an approval prior to commitment, is aimed at facilitating and strengthening control of the spending and investments of Group entities.
- In the area of the Supply Chain, the main assignments consist in defining and applying the sales planning process, customer demand management, customer service, and management of physical operations, notably through the general terms of sale, the follow-up of orders, management of customer returns and customer disputes as well as accounts receivable collection procedures, and secondly the management of distribution centres and inventories, subcontracting, product traceability, business continuity plan, transport and above all the rate of customer service.
- In the area of finance and treasury, the Financial Charter and the exchange risk management standard specify, in particular, the principles to be applied by Group entities to ensure that management of exchange risk is both prudent and centralised. In addition, the Stock Market Code of Ethics referred to above in the section concerning the way in which the Board's work is prepared and organised, is applicable to all employees.
- In the area of consolidation, financial control and information systems, the control activities are described in the paragraph 3.5.4. relating to accounting and financial Internal Control.

3.5.2.5. Ongoing supervision of the Internal Control system

The supervision carried out by the Functional Divisions

Through their network of specialists or via regular audits, the Functional Divisions review the functioning of their respective areas of responsibility: in this way, the Purchasing Department is responsible for the oversight with regard to suppliers and their working conditions, the Environment, Health & Safety Department is responsible for checks related to site safety and environmental compliance while the Quality Department measures performance and the progress made by the industrial entities with regard to the quality of production. Indicators and reporting procedures enable the regular monitoring of the local activities of each of these Functional Divisions.

The role of the Internal Audit Department

The Internal Audit Department is a central team that reports directly to the Vice-President of the Administration and Finance Division and carries out regular assignments to audit major processes and check on the application of Group principles and standards.

Internal Audit assignments are submitted to the General Management and the Audit Committee for their approval and, with their agreement, are included in an annual audit plan. The choice of assignments notably takes into account the assessment of the risks identified. The size, the contribution to key economic indicators, the history of the entities together with the pattern of their development, are factors that are also taken into consideration.

The Internal Audit Department carried out 45 assignments in 2009. These audits concerned 35 commercial entities representing approximately 29% of the Group's sales and 5 factories; the audited factories represent around 10% of the worldwide production in units. Furthermore, 5 other assignments were carried out with regard to specific topics. Internal Audit assignments systematically lead to the preparation of a report comprising a presentation of the findings and related risks and making recommendations regarding the action plan to be put in place by the audited entity.

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The Internal Audit Department relies on the support of the Group's integrated ERP software package for the performance of its work and has developed a certain number of specific transactions that contribute to increasing the efficiency of its work. Since 2007, complementary assignments aimed at verifying certain key Internal Control points in the configuration of the ERP software have been performed with the participation of a systems expert. The Internal Audit Department carried out 8 such assignments in 2009.

The action plans decided on further to the audits are followed up regularly by the Internal Audit Department, which measures the rate of implementation of the recommendations, weighted by the risk levels applied. The summary of performance and results of the assignments and the progress of the action plans are presented to the Audit Committee.

The Internal Audit Department shares the results of its audits with the Group's Statutory Auditors. Conversely, the remarks made by the external auditors within the scope of their annual audit, are also taken into consideration.

3.5.3. The players

The main players involved in monitoring Internal Control are:

- the General Management, and in particular the Management Committee;
- the Audit Committee;
- the Functional Divisions, including the Internal Control Department and the Internal Audit Department.

General Management and the Management Committee

The role of the General Management is to define the general principles regarding Internal Control and to ensure that they are correctly put in place.

Within the scope of their worldwide Internal Control responsibilities, the members of the Management Committee rely on operational and functional managers, according to their respective areas of expertise. These managers must ensure implementation of these general principles and ensure the correct functioning of procedures enabling the level of Internal Control required by General Management to be attained.

The Audit Committee

The Board of Directors has always asserted the importance that it attributes, together with General Management, to Internal Control and to its main areas of application. Since its creation, the Audit Committee has been responsible for monitoring actions undertaken in the area of Internal Control and it reports thereon to the Board of Directors. Its remits are defined the Internal Rules of the Board of Directors in paragraph 3.6.3.1. on page 132 of this document.

Each year, the Committee performs a review of the principles and methods, the programme, the objectives and the general conclusions of Internal Audit assignments. Major Internal Control projects and initiatives are also presented to it. The Committee then prepares a report with its own remarks for the Board of Directors.

The Audit Committee's work with regard to accounting and financial information is described in paragraph 3.5.4.2. *Audit Committee* of this report.

The Functional Divisions

The Functional Divisions each define guidance and procedures for their own areas, which they communicate to the different countries and entities.

The Administration and Finance Division

This Division's main role is to assist and control the operational employees in their administrative, financial and legal activities. In order to do so, it sets the operating rules that apply to all entities in these areas and is responsible for the definition and promotion of tools, procedures and best practices, particularly in the following areas: financial control, accounting and consolidation, financing and treasury, tax, legal affairs, financial communication, information systems, and insurance. An Internal Control Committee was created in 2008 with the aim of taking all measures to promote the proper understanding and the proper application of the Group's Internal Control rules and also to monitor progress on important Internal Control projects.

The Internal Control Department

This department is separate from Internal Audit and ensures the distribution and updating of the "Fundamentals of Internal Control" guide. Frequent actions at seminars and during training cycles help to increase knowledge of these tools and to improve their application and use by operational employees.

The task of this Department is to coordinate the work decided by the Internal Control Committee with the experts in each area. The updating of the standards mentioned in paragraphs 3.5.2.3. *Risk management* and 3.5.4.2. *Management standards* is one example of this work.

In addition, the Internal Control Department also monitors compliance with regulatory Internal Control obligations on an ongoing basis.

The Internal Audit Department

In addition to its role of supervision of application of the Internal Control system (see paragraph 3.5.2.5. above), the Internal Audit Department carries outs cross-functional analyses with regard to possible Internal Control weaknesses based on findings noted during their assignments. These analyses make it possible to orient the work of the Internal Control Committee and to identify areas for improvement and strengthening of procedures.

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The Operations Division

This Division comprises the Quality, EH&S (Environment, Health and Safety), Purchasing, Information Systems (production), Human Resources (production), Supply Chain, Production Organisation, Industrial Management and Real Estate Departments. It defines standards and methods in the areas of production quality, safety and the environment. It assists operational employees in the definition and implementation of their manufacturing and logistics policies.

The other Functional Divisions

The Divisions involved in Internal Control are the Human Resources Department, the Research and Innovation Department which is responsible in particular for cosmetovigilance and the quality of the formulae used in product composition, and the Communications and External Relations Department, which co-ordinates communications initiatives, prepares crisis management principles and ensures that they are applied. This department is also responsible for the co-ordination of sustainable development initiatives.

3.5.4. Internal Control system relating to the preparation and processing of financial and accounting information

For the preparation of this Report, we based ourselves on the "Application Guide for Internal Control of accounting and financial information published by issuers", which is part of the AMF Reference Framework. A detailed review of all the key principles and points of analysis that are described in that guide was carried out at the end of 2007. This approach is part of an overall process aimed at making continual progress and improving the Internal Control system that has already been set up.

3.5.4.1. Definition, scope and objectives

Internal Control of accounting and financial fields covers the processes that contribute to accounting data: i.e. the process of production of financial information, the process of accounts closings and actions of financial communication.

The Internal Control system with regard to accounting and financial aspects aims to ensure:

- compliance with accounting standards and regulations and the correct application of the principles on which the financial statements are based;
- application of the guidelines set by the General Management with regard to financial information;
- protection of assets;
- quality of the reporting that contributes to the preparation of the published financial statements and the reliability of their centralised treatment by the Group with a view to their distribution and their use for monitoring purposes;
- control of the production of financial, general and management accounting information including fraud prevention.

The scope of application of Internal Control procedures relating to the preparation and processing of financial and accounting information encompasses the parent company and all subsidiaries included in the consolidated financial statements ("the Group").

3.5.4.2. Monitoring process for the organisation of the accounting and finance functions

Organisation of the Finance Divisions

Dedicated teams of specialists ensure the implementation of accounting and financial monitoring, under the supervision of the General Management, in the following areas: accounting, consolidation, financial control, financial services and treasury.

In the Administration and Finance Division, the preparation of the Group's consolidated results is the responsibility of the Economic Affairs Department. The presence of a financial controller at each level of the organisation contributes to the strengthening of the Internal Control system. This network of subsidiary financial controllers is co-ordinated by the Economic Affairs Department.

Processing and pooling of cash flows and hedging of exchange and interest rate risks is carried out by the Financial Services Department, which is in charge of identifying commitments and enabling their proper booking.

General accounting standards

The Group has put in place a set of accounting policies and standards, which all consolidated subsidiaries are required to apply and which enable reliable financial information to be provided.

These accounting policies are regularly updated, taking into account the changes in regulations with regard to accounting principles.

- Accounting standards set out the principles required for harmonised accounting treatment of transactions. They specify in particular the methods of recording balance sheet items and of identification and valuation of off-balance sheet commitments.

  They are in accordance with IFRS standards, the accounting standards used to prepare the consolidated financial statements since 2005. The Group's Accounting Department monitors, on an ongoing basis, new accounting standards currently under preparation, in particular IFRS, with a view to alerting the General Management as to their effects on the Group's financial statements, and anticipating such impacts as far as possible.
- The chart of accounts provides the definitions and the methodology for the preparation of the reporting required for the preparation of the financial statements.

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Management standards

Management standards not only specify the rules applicable to the valuation of certain significant accounts in the Balance Sheet and the Profit and Loss Account but also the controls and validations applicable to the key processes.

The major initiative undertaken since 2008 involves the review and improvement of the management standards and the related Internal Control procedures. The purpose of this work is both to take action in response to the findings of the Internal Audit Department and to cover the areas corresponding to the accounting and financial risks of subsidiaries referred to in paragraph 3.5.2.3. on *Risk management* above. This work has also been carried out from the perspective of bringing our approach more closely into line with the "Application Guide relating to Internal Control of accounting and financial information" of the AMF Reference Framework, and is thus part of the ongoing improvement process.

Organisation and security of information systems

Decisions with regard to the choices of software that is adapted to the Group's financial and accounting requirements are made jointly by the Economic Affairs Department and the Information Systems Department.

At the level of information systems, the teams work on strengthening the procedures for the separation of tasks and improved control of access rights.

The Information Systems Security Charter, with the confidentiality precautions and the management of business continuity plans, contains rules providing for the proper use of workstations, the management and administration of the servers and the choice of software tools. The Framework Security Policy in line with the ISO 17799 standard has been formally laid down and distributed to all Group entities together with a methodology guide and a self-diagnosis tool.

Management tools

The system for monthly reporting of various economic indicators enables the monitoring of the evolution of the performance of each subsidiary in a continuous and harmonised manner. It also enables assurance to be obtained that such performance is in line with the objectives set for the entities.

The reporting and consolidation system, used by all entities, ensures the consistency and reliability of figures at the level of each subsidiary, through blocking controls that operate before the financial data is uploaded to Group level. In this regard, the operating profit and loss account by destination, which is common to both management and general accounting, contributes to strengthening the control of accounts in the financial statements through the use of an identical reference framework for both areas.

In addition, the Group's organisation, which is based on reporting from each subsidiary that is provided directly to the parent company by each country, without any intermediate aggregates, enables optimisation of the data transfer and the completeness of the information, and in particular enables the checking of the accuracy of the exchange conversion rates.

The Chief Executive Officer and the Finance Director of each subsidiary make a joint commitment with regard to the quality, reliability and completeness of the financial information they have prepared and sent to the Group's Economic Affairs Department, through a representation letter that they jointly sign.

The Audit Committee

The role and tasks of the Audit Committee are described above in the paragraph 3.4.5. entitled *Committees of the Board of Directors that actively prepare for its meetings and for the decisions to be made by it* on page 121 of this report. These tasks are in compliance with the French ordinance of December 2008 on the conditions of application of the 8th European directive on statutory audits of accounts.

3.5.4.3. Processes used to prepare accounting and financial information

Operational processes contributing to accounting figures

All of the processes that contribute to accounting figures, particularly sales and purchases, and management of inventories and fixed assets, are covered by specific procedures, follow-up checks and rules for validation, authorisation and booking operations.

Investment plans are thus approved by the Management Committee when the strategic plans are prepared and all subsequent changes as compared to the amounts accepted that are made at the time of the budget or during a financial year must obtain prior specific authorisation by the Administration and Finance Division.

Closing of the accounts, consolidation and Management Reporting information

The accounts closing process is governed by precise instructions and is based on a detailed time schedule circulated to all the subsidiaries to make sure that deadlines are met and the financial statements are prepared in a consistent manner. For the preparation of the consolidated financial statements, validation procedures apply to each stage of the process of reporting and processing information. On a half-yearly basis, their purpose is to verify in particular that:

- intercompany transactions are correctly adjusted and eliminated (these are reported on a monthly basis);
- consolidation operations are checked;
- standards are correctly applied, in particular the rules for setting aside provisions for liabilities;
- the consolidated published accounting and financial data is harmonised and properly determined and that, in particular, general accounting data and Management Reporting figures used in the preparation of the financial information are consistent.

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Financial communication

Managers in charge of financial communication prepare a precise timetable for publication of up-to-date information on the Group to the financial markets. This timetable is communicated within the Group and complies with the requirements of market authorities. These managers ensure, with the assistance of the Legal Department, that communications are made within the required deadlines and in accordance with laws and regulations, which they constantly monitor. Their role is also to convey, precisely and accurately, the information provided by the Economic Affairs Department and the Legal Department. All material information provided to the financial community reflects with truth and transparency the situation and activity of the Group and is carried out in accordance with the principle of equal provision of information to all shareholders.

The Statutory Auditors

All accounting and financial information prepared by consolidated subsidiaries is, at a minimum, subjected to a limited review at the time of the half-year closing process and to an audit at year-end, by the external auditors. Twice a year, the Managing Director and the Finance Director of each consolidated subsidiary make a joint commitment as to the quality, reliability and completeness of the financial information by jointly signing a representation letter.

Audit assignments in the countries in which the Group operates are almost all entrusted to members of the networks of the two Statutory Auditors who, after having jointly performed the review of all the Group's accounts and the manner in which they were prepared, are responsible for issuing an opinion on the Group's consolidated financial statements. The Statutory Auditors issue an opinion as to whether the consolidated financial statements and parent company financial statements give a true and fair view. They are kept informed from the early stages of preparation of the financial statements and present an overview of their work to the Group's accounting and finance managers and to the Audit Committee at the time of the half-year and annual closing.

The Chairman of the Board of Directors

3.6. Annexe: Complete text of the Internal Rules of the Board of Directors

Preamble

These Rules are applicable to all present and future directors, and are intended to complement the legal, regulatory and statutory rules in order to state accurately the modus operandi of the Board of Directors and its Review Committees, in the best interests of the company and of its shareholders.

L'Oréal's Board of Directors refers to the principles of corporate governance as presented by the AFEP-MEDEF Code.

3.6.1. Duties and authority of the Board of Directors

3.6.1.1. Board of Directors

The Board of Directors determines the company's business strategy and oversees the implementation thereof.

Subject to the powers expressly conferred during General Shareholders' meetings and within the limit of the company's purpose, the Board deals with all matters regarding the smooth running of the company and settles issues concerning the company by virtue of its decisions.

The Board of Directors is a collegial body which collectively represents all the shareholders and which is required to act in all circumstances in the interest of the company.

The Board of Directors carries out the controls and verifications it considers appropriate.

The company's Chairman or Chief Executive Officer must provide each director with all of the documents and information required to carry out his/her duties.

The Board of Directors may entrust one or more of its members or third parties with special assignments or projects with a view, inter alia, to examining one or more specific topics.

It can decide to set up Committees responsible for examining matters submitted by the Board or its Chairman for their opinion.

The directors of the company:

- provide their expertise and professional experience;
- are required to act with due care and attention, and have complete freedom of judgement.

This freedom of judgement enables them in particular to participate, in total independence, in the decisions and work of the Board, and, where appropriate, of its Review Committees.

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In principle, it is agreed by the Board members that all directors will tender their resignation to the Board prior to the Annual General Meeting following their 73rd birthday and that they will no longer apply for renewal of their tenure if this rule does not enable them to perform their office for at least two years.

In any event, in accordance with French law and the Articles of Association, the total number of directors who are over 70 years of age may not exceed one third of the directors in office.

The staggering of the terms of office is organised in order to avoid renewal of too many directors all at once and favour the harmonious renewal of the directors.

3.6.1.2. Chairman of the Board of Directors

The Board of Directors must elect a Chairman from among its members.

The Chairman of the Board of Directors organises and oversees the Board's work and reports thereon to the Shareholders' Annual General Meeting. The Chairman is actively involved in defining the company's growth strategy and encourages and strengthens, inter alia, links between the company and the main market players.

The Chairman oversees the work of the company's bodies responsible for corporate governance and ensures, in particular, that the directors are able to perform their duties. He may ask for any document or information that is likely to assist the Board of Directors in preparing for its meetings.

The Chairman of the Board of Directors must use his best efforts to promote the values and image of the company at all times. The Chairman expresses his views in that capacity.

He is provided with the material resources required to perform his duties.

3.6.1.3. Form of general management

The Board of Directors determines the form of the company's General Management.

General Management of the company is carried out, under his responsibility, by either the Chairman of the Board of Directors or by another individual appointed by the Board of Directors with the position of Chief Executive Officer.

The Board of Directors chooses one of these two forms of General Management upon the appointment or renewal of the tenure of the Chairman of the Board or the Chief Executive Officer.

The Board of Directors consistently aims to ensure the ongoing and continued implementation by the General Management of the strategic orientations defined by the Board.

To this end, the Board entrusts its Chairman with the task of developing and maintaining an ongoing, trusting relationship between the Board of Directors and the Chief Executive Officer.

3.6.1.4. Powers of general management

The Chief Executive Officer, who may be the Chairman of the Board of Directors or another individual, is vested with the broadest powers to act in all circumstances in the name of the company. He must exercise these powers within the limit of the company's purpose subject to the powers expressly granted by French law to shareholders' meetings and the Board of Directors.

However, transactions which may materially impact the scope of consolidation of the company, in particular, transactions involving an amount in excess of €150,000,000, and all new transactions which are outside the normal course of business, must be submitted to the Board.

In any event, the Board of Directors must be informed of the conclusion and implementation of all transactions.

The Chief Executive Officer represents the company in its dealings with third parties.

Upon a proposal by the Chief Executive Officer, the Board of Directors may appoint one or more individuals responsible for assisting the Chief Executive Officer, who will hold the corporate office of Deputy Chief Executive Officer(s).

3.6.2. Modus operandi of the Board of Directors

3.6.2.1. Convening the board

The Board is convened by any appropriate means, and may even be convened verbally. Notices convening a meeting may be transmitted by the Board Secretary. Except in special circumstances notices convening a meeting are sent in writing at least eight days before each meeting. The notices specify the venue of the meeting, which may be the registered head office or any other venue.

3.6.2.2. Informing directors

All the documents that are necessary to inform the directors about the agenda and about any questions submitted to the Board for review are enclosed with the notice convening the meeting or are sent or provided to them within a reasonable period of time, prior to the meeting.

With regard to the decisions to be taken, the director must ensure that he has at his disposal the information he considers essential for the Board or the Review Committees to carry out their work satisfactorily. If this is not the case, or if he considers it is not the case, he must request that the situation is rectified. His requests should be made to the Chairman of the Board, who is required to ensure that the directors are in a position to fulfil their mission.

The Company provides its directors with useful information at any time in the life of the company between Board meetings, if this is required due to the importance or urgent nature of the information. This ongoing information process also

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includes all relevant information, including criticism, with regard to the Company, and in particular press articles and financial analysis reports.

The Board is regularly given the opportunity to meet the company's main senior managers.

3.6.2.3. Board meetings

The Board meets as often as required in the best interest of the company, and at least 5 times per year.

The dates of the Board meetings for the following year are set no later than the beginning of the summer, except in the case of extraordinary meetings.

3.6.2.4. Participation by videoconference or telecommunication facilities

In accordance with the legal and regulatory provisions and with Article 9 §2 of the Articles of Association, directors who take part in Board meetings by means of videoconference or telecommunication facilities are deemed to be present for the purpose of calculating the quorum and the majority.

However, these facilities may not be used when the Board is deliberating on any of the following points:

- the closing of the parent company financial statements and the consolidated financial statements;
- the preparation of the Management Report, including the Group Management Report.

The technical characteristics of the videoconference facilities must enable the uninterrupted broadcasting of the debates.

Before the deliberations begin, a check must be carried out to ensure the absence of all third parties, microphones and all other items that could compromise the confidential nature of the deliberations.

3.6.2.5. Minutes

The draft minutes of the previous Board meeting are sent or provided to all directors at the latest on the day on which the following meeting is convened.

The minutes of the meeting also mention the participation of directors by means of videoconference or telecommunication facilities. The minutes also indicate whether any technical incidents occurred during a meeting held by means of videoconference or telecommunication facilities, if such incidents disrupted the course of the meeting.

For each site other than the venue of the meeting, the director participating in the Board meeting by means of videoconference or telecommunication facilities will initial an attendance sheet on his own behalf and, where applicable, on behalf of the director that he represents. The Board Secretary will attach the attendance sheet to the attendance register, and will gather wherever possible any items constituting material evidence of the meeting held by videoconference or telecommunication facilities.

3.6.3. Review committees

If the Board of Directors sets up any Review Committees, the Board will appoint the members of these Committees and determine their duties and responsibilities.

The Committees act within the remit granted to them by the Board and therefore have no decision-making power.

The Board may entrust the Chairman of the Committee or one or more of its members with a special assignment or project to carry out specific research or study future possibilities.

The designated individual will report on this work to the Committee concerned such that the Committee may deliberate on this work and in turn report thereon to the Board of Directors.

In relation with the performance of their duties, the review committees may contact the company's main senior managers after informing the Chairman of the Board of Directors and provided that they report to the Board in this respect.

The Committees may in no event take over the powers of the General Management as set out in paragraph 3.6.1.4. of these rules.

3.6.3.1. Audit committee

3.6.3.1.1. Remit

The Audit Committee, acting under the exclusive, collective responsibility of the members of the Board of Directors, is responsible for monitoring issues relating to the preparation and control of accounting and financial information.

The Audit Committee must make sure that the General Management has at its disposal the means to enable it to identify and manage the economic, financial and legal risks facing the Group inside and outside France in carrying out its normal and exceptional operations. This is in order to avoid the possibility of any impairment of the value of the company's assets.

Without prejudice to the areas of authority of the Board of Directors, this Committee is responsible in particular for monitoring:

- the process for preparation of financial information;
- the effectiveness of the internal control and risk management systems;
- the statutory audit of the annual and, where applicable, the consolidated accounts by the statutory auditors;
- the statutory auditors' independence.

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It makes a recommendation with regard to the statutory auditors proposed to the Annual General Meeting for appointment.

This audit enables the Committee to issue recommendations, if necessary, concerning the improvement of existing procedures and the possible setting up of new procedures.

The Audit Committee can be consulted for all questions relating to procedures for controlling risks of an unusual nature, particularly when the Board or the General Management considers it appropriate to submit such questions to it.

3.6.3.1.2. Work organisation

The Audit Committee is composed of at least three members, who are non-executive directors of the company.

The Chairman of the Audit Committee issues guidelines for the Committee's work each year, based on his judgement concerning the importance of the specific types of risk faced, in agreement with the General Management and the Board.

The Committee meets when convened by its Chairman, each time the Chairman or Board considers this appropriate, and at least three times per year.

The agenda of the meetings is set by the Chairman of the Committee, in relation with the Board if the latter initiated the convening of the meeting. The agenda is sent to the Committee members before the meeting, together with the information which is useful for their debates.

The secretarial work of the Committee is performed by the Board Secretary.

To carry out its mission, and if it considers it appropriate, the Audit Committee consults the Statutory Auditors and the senior managers of the company, in particular those responsible for preparing the financial statements and for the Internal Audit, outside the presence of General Management.

It reviews the principles and methods, the programme and the objectives and the general conclusions of the operational control missions of the Internal Audit Department.

The statutory auditors inform the Audit Committee of:

- their general work programme implemented as well as the various sampling tests they have carried out;
- the changes which they consider should be made to the financial statements to be closed off or other accounting documents, making any appropriate observations on the valuation methods used to prepare them;
- the irregularities and inaccuracies they may have discovered;
- the conclusions resulting from the above observations and rectifications with regard to the results for the period compared to those for the previous period.

The statutory auditors also assess, with the Audit Committee, the risks with regard to their independence and the protective measures taken to mitigate these risks.

They inform the Committee of significant internal control weaknesses, with regard to the procedures for preparation and processing of accounting and financial information, and provide it with the documents required by law every year.

The Committee can also, in agreement with the General Management, consult other people who may be able to help it carry out its mission, particularly executives with economic and financial responsibilities, and those in charge of processing information.

3.6.3.1.3. Activity report

The Audit Committee regularly reports to the Board on the performance of its missions and takes note of the Board's observations.

The Committee informs the Board without delay of any difficulty encountered.

In its report, the Audit Committee makes the recommendations it considers appropriate with regard to:

- the suitability of the various procedures and of the system as a whole in terms of achieving the objective of managing information and risk;
- the effective application of the procedures in place, and where appropriate the means implemented to achieve this aim.

It also formulates in its report all recommendations and proposals aimed at improving the effectiveness of the various procedures and the overall system, or at adapting them to a new situation.

If during its work the Committee detects a substantial risk which in its view is not adequately taken into account, it warns the Chairman of the Board accordingly.

Each year the Audit Committee carries out a review of its modus operandi and, taking into account any remarks made to it by the Board and the General Management, formulates within the framework of its remit all proposals aimed at improving the quality of its work.

3.6.3.2. Appointments and Governance Committee

3.6.3.2.1. Remit

The main missions of the Appointments and Governance Committee, within the context of the work of the Board of Directors, are to:

- enlighten the decisions made by the Board with regard to the conditions of performance of General Management and the status of the corporate officers;
- make proposals to the Board for the choice of directors;

- discuss the status of independent director which is reviewed by the Board every year prior to publication of the annual report;
- issue an opinion on proposals made by the Chairman of the Board of Directors for appointment of the Chief Executive Officer;
- ensure the implementation of a procedure for the preparation of succession plans for the corporate officers in the event of an unforeseen vacancy;
- conduct the reflection process with regard to the Committees that are in charge of preparing the Board's work;
- prepare for the decisions by the Board with regard to updating its Internal Rules.

3.6.3.2.2. Work organisation

The Appointments and Governance Committee is composed of at least three members, who are non-executive directors of the company.

The Committee meets when convened by its Chairman, each time the Chairman or Board considers this appropriate.

The agenda of the meetings is set by the Chairman of the Committee, in relation with the Board if the latter initiated the convening of the meeting.

The Committee may meet at any time it considers to be appropriate, for example to assess the performance of the company's senior managers.

The Chairman of the Board is associated with its work, except with regard to all the topics concerning him personally.

3.6.3.2.3. Activity report

The Committee must regularly report on its work to the Board and makes proposals to the Board.

3.6.3.3. Remuneration committee

3.6.3.3.1. Remit

The Board of Directors freely determines the remuneration of the Chairman, the Chief Executive Officer and the Deputy Chief Executive Officers.

Within this framework, the main missions of the Remuneration Committee, within the context of the work of the Board of Directors, are to make proposals with regard to the following in particular:

- the fixed and variable remuneration of the Chairman of the Board and any other benefits he receives;
- the fixed and variable remuneration of the Chief Executive Officer and any other benefits he receives (pension, termination indemnities, etc.);
- the total amount of attendance fees to be submitted to the Annual General Meeting and the method of distribution of such fees;
- the implementation of long-term incentive plans, such as for example, those that could provide for the distribution of stock options or for free grants of shares.

3.6.3.3.2. Work organisation

The Remuneration Committee is composed of at least three members, who are non-executive directors of the company.

The Committee meets when convened by its Chairman, each time the Chairman or Board considers this appropriate, and at least three times per year.

The agenda of the meetings is set by the Chairman of the Committee, in relation with the Board if the latter initiated the convening of the meeting.

The Committee may meet at any time it considers to be appropriate, for example to assess the performance of the company's senior managers.

The Chairman of the Board is associated with its work, except with regard to all the topics concerning him personally.

3.6.3.3.3. Activity report

The Committee must regularly report on its work to the Board and makes proposals to the Board.

3.6.3.4. Strategy and implementation committee

3.6.3.4.1. Remit

The remit of the Strategy and Implementation Committee is to throw light, through its analyses and debates, on the Group's strategic orientations as submitted to the Board of Directors and to monitor the implementation and advancement of significant operations in progress.

The Committee examines:

- the main strategic lines of development, options and projects presented by the General Management, and their economic and financial consequences;
- opportunities for acquisitions or investments which involve significant amounts or which represent a departure from the Group's usual business operations, and the conditions relating to their implementation;
- financial transactions liable to significantly change the balance sheet structure.

More generally, the Committee debates all questions considered essential for the future strategy of the Group and for preserving its main financial balances.

3.6.3.4.2. Work organisation

The Strategy and Implementation Committee is composed of six L'Oréal directors. It is chaired by the Chairman of the Board of Directors.

It meets when convened by the Chairman of the Committee whenever he or the Board considers this appropriate, and no less than six times annually.

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The agenda of the meetings is set by the Chairman of the Committee, in conjunction with the Board of Directors if the Board initiates the meeting.

3.6.3.4.3. Activity report

The Strategy and Implementation Committee reports on its work to the Board whenever necessary, and at least once a year.

3.6.4. Rights and obligations of directors

The directors must demonstrate total moral integrity.

3.6.4.1. Awareness of and compliance with regulatory texts

Each of the members of the Board declares that he is aware of:

- the company's Articles of Association;
- the legal and regulatory texts that govern Sociétés Anonymes with a Board of Directors under French law, especially: the rules on limiting the number of directorships held, the rules relating to agreements and transactions concluded between the director and the company;
- the definition of the powers of the Board of Directors;
- and the rules relating to the holding and use of privileged information, which are set out below in 3.6.4.6.

3.6.4.2. Respect for the interests of the company

The directors are required to act in all circumstances in the interest of the company and all its shareholders.

The directors are under the obligation of notifying the Board of all situations constituting a conflict of interest, even if such conflict is only potential, and must refrain from participating in the corresponding deliberations.

3.6.4.3. Obligation of diligence

The director must devote the necessary time and attention to his duties.

He must limit the number of offices held so as to ensure his availability.

Each Board member undertakes to be diligent:

- by attending all Board meetings, where necessary by means of videoconference or telecommunication facilities, except in the case of a major impediment;
- by attending, wherever possible, all the Shareholders' General Meetings;
- by attending the meetings of the Review Committees of which he is a member.

3.6.4.4. Training of directors

Each director may benefit, on his appointment or throughout his directorship, from the training programmes which he deems necessary for the exercise of his office.

The training programmes are organised and provided by the company, and are at its expense.

3.6.4.5. Obligation of reserve and confidentiality

The directors undertake not to express themselves individually other than in the internal deliberations of the Board on questions raised at Board meetings. Outside the company, only collegial expression is possible, particularly in the form of releases intended to provide the markets with information.

With regard to information not in the public domain to which the director has access as a result of his duties, the director must consider himself to be bound by strict professional confidentiality, which is more demanding than the mere obligation of discretion stipulated in Article L. 225-37, paragraph 5, of the French Commercial Code.

It should be noted that the obligation of discretion applies to all persons called on to attend Board meetings, and covers all information of a confidential nature and all information presented as confidential by the Chairman of the Board.

3.6.4.6. Rules governing insider trading

3.6.4.6.1. Principles

Privileged information must only be used by the director in the exercise of his office. Such information must in no case be communicated to a third party other than in the exercise of the director's duties, and for any other purpose or any other activity than those for which it is held.

It is the duty of all directors to refrain from trading in, having others trade in, and enabling others to trade in the securities of the company on the basis of this information until such time as the information has been made public.

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It is the personal responsibility of each director to determine whether the information he holds is privileged or not, and accordingly whether he may or may not use or transmit any of the information, and whether he may or may not trade or enable trading in the company's securities.

3.6.4.6.2. Periods of abstention

In addition to the period preceding the publication of any privileged information to which directors have access, during which insiders must by law refrain from all trading in L'Oréal securities, it is recommended that directors refrain from all trading in the company's securities for the 30 days preceding:

- the release concerning the annual results;
- the release concerning the first-half results.

3.6.4.6.3. Insider trading

The director has been informed of the provisions in force relating to the holding of privileged information and insider trading: Article L. 465-1 of the French Monetary and Financial Code and Articles 621-1 et seq. of the General Regulations of the French financial markets supervisory authority (AMF).

3.6.4.6.4. Obligation of declaring trading in the securities of the company

In accordance with the applicable regulations, the directors and individuals closely related to them, as defined by decree, must inform the AMF of all acquisitions, sales, subscriptions or exchanges involving the company's financial instruments and of transactions involving related instruments where the cumulative amount of such transactions is higher than €5,000 for the calendar year in progress.

The directors and individuals closely related to them must submit their declaration to the AMF by e-mail (declarationdirigeants@amf-france.org) within five trading days following completion of the transaction.

These individuals must simultaneously provide a copy of this notice to the Secretary of the company's Board of Directors.

The declarations are then posted on the AMF's website and are mentioned in an annual summary set out in the company's Management Report.

3.6.4.7. Holding of a minimum number of shares

Each director owns at least 1,000 shares in the company.

The decision as to whether or not all or some of the shares held by the director should be registered is the responsibility of the director.

3.6.5. Remuneration of the corporate officers

The directors receive attendance fees in the amount approved by the vote at the Ordinary General Meeting, and which are allocated as decided by the Board.

The attendance fees are divided between the directors as follows:

- an equal share allocated to each director, comprising a fixed part and a part that varies according to the degree of regularity in attending meetings;
- an additional share for Review Committee members, which amount is doubled for the Committee's Chairman.

The Board of Directors may award the directors special remuneration for specific assignments or projects entrusted to them.

3.6.6. Annual review of the Board's modus operandi

Once a year the Board carries out a formal review of its modus operandi, and where appropriate takes all steps considered appropriate to improve it. The Board informs the shareholders accordingly in the Annual Report.

3.6.7. Amendments to the internal rules

These Rules may be amended by a decision of the Board.

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4 2009 Parent Company Financial Statements *

* *This information forms an integral part of the Annual Financial Report as provided for in Article L. 451-1-2 of the French Monetary and Financial Code.*

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4.1. Compared profit and loss accounts

€ millions	Notes	12.31.2009	12.31.2008	12.31.2007
Revenue		**2,197.2**	**2,238.3**	**2,179.2**
Sales	2	2,051.1	2,115.2	2,073.8
Reversals of provisions and transfers of charges		24.4	20.9	20.9
Other revenue	3	121.7	102.2	84.5
Expenses		**-2,102.8**	**-2,116.5**	**-2,040.1**
Purchases and change in inventories		-187.2	-218.3	-227.7
Other purchases and external charges		-1,085.3	-1,133.9	-1,070.3
Taxes and similar payments		-70.8	-75.7	-70.0
Personnel costs	4	-576.6	-540.4	-529.0
Depreciation, amortisation and charges to provisions	5	-106.3	-81.9	-77.7
Other charges		-76.6	-66.3	-65.4
Operating profit		**94.4**	**121.8**	**139.1**
Net financial revenues	6	1,597.1	1,511.8	1,247.4
Net charges to (-)/reversals of (+) provisions and transfers of charges	6	106.9	-225.5	10.8
Exchange gains and losses		-8.0	9.2	-11.1
Net financial income		**1,696.0**	**1,295.5**	**1,247.1**
Profit before tax and exceptional items		**1,790.4**	**1,417.3**	**1,386.2**
Exceptional items	7	**-42.8**	**13.0**	**1,386.6**
Employee profit-sharing		-20.7	-21.6	-19.1
Income tax	8	114.9	143.4	68.7
Net profit		**1,841.8**	**1,552.1**	**2,822.4**

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4.2. Compared balance sheets

Assets

€ millions	Notes	12.31.2009	12.31.2008	12.31.2007
(net amounts)				
Intangible assets	11	496.6	450.9	444.1
Tangible assets	12	251.9	242.3	231.9
Financial assets	14	8,872.8	9,197.3	8,437.8
Fixed assets		**9,621.3**	**9,890.5**	**9,113.8**
Inventories		26.7	32.3	33.8
Prepayments to suppliers		19.3	14.7	11.0
Trade accounts receivable	18	299.9	335.8	342.5
Other current assets	18	165.5	171.8	104.3
Marketable securities	16	1,053.0	983.0	1,117.9
Cash and cash equivalents		105.3	213.8	743.3
Current assets		**1,669.7**	**1,751.4**	**2,352.8**
Prepaid expenses		21.0	19.4	22.1
Unrealised exchange losses	22	12.6	8.0	9.3
Total assets		**11,324.6**	**11,669.3**	**11,498.0**

Liabilities and shareholders' equity

€ millions	Notes	12.31.2009	12.31.2008	12.31.2007
Share capital		119.8	120.5	123.6
Additional paid-in capital		996.5	965.5	963.2
Reserves and retained earnings		4,706.4	4,261.2	3,537.9
Net profit		1,841.8	1,552.1	2,822.4
Regulated provisions		60.2	53.8	51.8
Shareholders' equity		**7,724.7**	**6,953.1**	**7,498.9**
Provisions for liabilities and charges	19	**179.4**	**130.9**	**149.3**
Borrowings and debts	20	2,831.9	3,966.2	3,267.3
Trade accounts payable	21	330.9	334.7	300.1
Other current liabilities	21	251.7	270.3	278.0
Other liabilities		**3,414.5**	**4,571.2**	**3,845.4**
Unrealised exchange gains	22	6.0	14.1	4.4
Total liabilities and shareholders' equity		**11,324.6**	**11,669.3**	**11,498.0**

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4.3. Changes in shareholders' equity

The share capital of €119,794,482 comprises 598,972,410 shares with a par value of €0.2 following transactions carried out in 2009:

- cancellation of 3,970,600 treasury shares;
- subscription to 527,200 shares following the exercise of options.

The changes in shareholders' equity are as follows:

€ millions	Share capital	Additional paid-in capital	1976 revaluation reserve	Reserves and retained earnings	Net profit	Regulated provisions	Total
Balance at December 31st, 2006 before allocation of net profit	**127.9**	**958.5**	**46.0**	**4,217.7**	**1,690.3**	**52.9**	**7,093.3**
Changes in share capital	-4.3	4.7		-1,704.4			-1,704.4
Allocation of 2006 net profit				978.6	-978.6		0.0
Dividends paid for 2006					-711.7		-711.7
2007 net profit					2,822.4		2,822.4
Other movements during period						-1.1	-1.1
Balance at December 31st, 2007 before allocation of net profit	**123.6**	**963.2**	**46.0**	**3,491.9**	**2,822.4**	**51.8**	**7,498.9**
Changes in share capital	-3.1	2.3	-0.6	-1,281.4			-1,282.8
Allocation of 2007 net profit				2,005.3	-2,005.3		0.0
Dividends paid for 2007					-817.1		-817.1
2008 net profit					1,552.1		1,552.1
Other movements during period						2.0	2.0
Balance at December 31st, 2008 before allocation of net profit	**120.5**	**965.5**	**45.4**	**4,215.8**	**1,552.1**	**53.8**	**6,953.1**
Changes in share capital	-0.7	31.0		-267.2			-236.9
Allocation of 2008 net profit				712.4	-712.4		0.0
Dividends paid for 2008					-839.7		-839.7
2009 net profit					1,841.8		1,841.8
Other movements during period						6.4	6.4
Balance at December 31st, 2009 before allocation of net profit	**119.8**	**996.5**	**45.4**	**4,661.0**	**1,841.8**	**60.2**	**7,724.7**

The reserves include an amount of €22.0 million in 2009 corresponding to dividends not paid, as a consequence of L'Oréal's retaining some of its own shares, compared with €25.8 million in 2008 and €27.2 million in 2007.

The regulated provisions consist mainly of the provision for investment that amounted to €16.2 million at December 31st, 2009, compared with €13.7 million at December 31st, 2008 and €15.3 million at December 31st, 2007. In 2009, a charge of €5.3 million was made to the provision for investment in respect of employee profit-sharing for 2008 (compared with €3.8 million in 2008 and €2.7 million in 2007). This provision includes the transfer to the company of some of the provisions set aside by our subsidiaries under a Group agreement. There was a reversal in 2009 of a provision of €2.8 million set aside in 2004 (compared with €5.4 million in 2008 and €7.1 million in 2007).

Accelerated tax-driven depreciation at December 31st, 2009 amounted to €44.0 million compared with €40.1 million at December 31st, 2008 and €36.5 million at December 31st, 2007.

Details of share subscription option and free share plans are provided in note 17 and in the Management Report.

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4.4. Cash flow statements

€ millions	Notes	12.31.2009	12.31.2008	12.31.2007
Operating activities				
Net profit		**1,841.8**	**1,552.1**	**2,822.4**
Depreciation and amortisation		84.7	60.4	59.6
Charges to provisions (net of reversals)		-75.0	204.2	9.3
Gains and losses on disposals of fixed assets		-0.2	0.0	-6.4
Capital gain on Sanofi Aventis sale, net of tax				-1,376.5
Gross cash flow		**1,851.3**	**1,816.7**	**1,508.4**
Changes in working capital	25	30.1	-48.7	8.5
Net cash provided by operating activities		**1,881.4**	**1,768.0**	**1,516.9**
Investing activities				
Investments in fixed assets		-90.1	-2,191.7	-1,934.0
Changes in other financial assets	26	-19.9	9.2	344.4
Disposals of fixed assets		3.8	0.4	11.8
Proceeds of Sanofi Aventis sale, net of tax				1,465.5
Net cash used by investing activities		**-106.2**	**-2,182.1**	**-112.3**
Financing activities				
Capital increase		31.1	2.3	4.7
Dividends paid		-839.7	-817.1	-711.6
Changes in financial debt		-1,122.8	710.7	-327.7
Net cash provided (used) by financing activities		**-1,931.4**	**-104.1**	**-1,034.6**
Cash acquired or sold in the period (complete transfer of assets and liabilities)		48.4		
Change in cash and cash equivalents		**-107.8**	**-518.2**	**370.0**
Cash and cash equivalents at beginning of year		212.5	730.7	360.7
Cash and cash equivalents at end of year	27	**104.7**	**212.5**	**730.7**

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4.5. Notes to the parent company financial statements

The following notes form an integral part of the parent company financial statements.

The financial statements are presented in millions of euros; the figures in the tables of subsidiaries and holdings are expressed in thousands of euros.

Detailled list of notes

NOTE 1 Accounting principles

The company's annual financial statements are prepared in accordance with French law and regulations (1999 French Chart of Accounts) and with French generally accepted accounting principles.

The items recorded in the financial statements are valued at historical cost, except for fixed assets revalued in accordance with legal requirements.

French National Accounting Board (*Conseil National de la Comptabilité*) recommendation N° 2008-17, issued on November 6th, 2008, relating to the accounting treatment of stock purchase and stock subscription option plans, was applied in the 2008 financial statements. Its application led to the treasury stock allocated to the November 30th, 2005 stock purchase option plan being reclassified from the *financial assets* caption to the *marketable securities* for its net book value at November 17th , 2008, being €99.8 million.

1.1. Sales

These are comprised of sales of goods (net of rebates and discounts) as well as services (including technological royalties).

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1.2. Advertising and promotion expenses

Expenses relating to the advertisement and promotion of products to customers and consumers are recognised as expenses in the year during which the advertisement or promotion takes place.

1.3. Research and development costs

Research and development costs are recognised in expenses in the period in which they are incurred.

1.4. Income tax

The company has opted for the French tax Group regime. As from 2004, French companies included in the scope of tax consolidation recognise an income tax charge in their own accounts on the basis of their own taxable profits and losses.

L'Oréal, as the parent company of the tax Group, recognises as tax income the difference between the aggregate tax charges recognised by the subsidiaries and the tax due on the basis of consolidated taxable profit or loss of the tax Group.

1.5. Intangible assets

Intangible assets are recorded in the balance sheet at purchase cost.

The value of newly acquired trademarks is calculated based on a multi-criteria approach taking into consideration their reputation and their future contribution to profits.

Application of regulation 2004-06 on assets has made it necessary to identify a number of trademarks as depreciable in accordance with their forecast life cycle.

Non-depreciable brands are subject, at least once a year, to impairment tests on the basis of the valuation model used at the time of their acquisition; this can lead to recognition of a provision for impairment.

Initial trademark registration costs have been recorded as expenses since 2005.

Patents are amortised over a period ranging from 2 to 10 years.

Business goodwill is not amortised.

Software of material value is amortised using the straight-line method over its probable useful life, generally between five and seven years. It is also subject to recognition of accelerated tax-driven amortisation using the declining balance method over a twelve month period.

Other intangible assets are usually amortised over periods not exceeding 20 years.

1.6. Tangible assets

Tangible assets are recognised at purchase cost, including acquisition expenses.

The useful lives of tangible assets are as follows:

	Useful lives
Buildings	20-50 years
Fixtures and fittings	5-10 years
Industrial machinery and equipment	10 years
Other tangible assets	3-10 years

Depreciation, whether calculated using the straight-line or declining balance method, represents depreciation calculated over the period of actual use of the asset. Industrial machinery and equipment is however an exception as it is depreciated using the straight-line method over ten years, with all additional depreciation being considered to be of an accelerated tax-driven nature.

1.7. Financial assets

1.7.1. Investments and advances

These items are recognised in the balance sheet at purchase cost excluding incidental expenses. Their value is assessed annually, by reference to their value in use, which is based in particular on the current and forecast profitability of the subsidiary in question and the share of shareholders' equity owned. If the value in use falls below the purchase cost, a provision for impairment is recognised.

1.7.2. Other financial assets

Loans and other receivables are valued at their nominal amount. Loans and other receivables denominated in foreign currencies are translated at the exchange rate prevailing at the end of the financial year. If necessary, provisions are made against these items to reduce them to their value in use at the end of the financial year.

Treasury stock acquired in the context of buyback programmes is recognised in other fixed asset securities.

At the end of the financial year, other fixed asset securities are compared with their probable sale price, and a provision for impairment is recognised if necessary.

1.8. Inventories

Inventories are valued using the weighted average cost method.

A provision for impairment of obsolete and slow-moving inventories is recognised by reference to their probable net realisable value, which is measured on the basis of historical and forecast data.

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1.9. Trade accounts receivable and other receivables

Trade accounts receivable and other receivables are recorded at their nominal value. Where appropriate, a provision is recognised based on an assessment of the risk of non-recovery.

1.10. Marketable securities

Marketable securities are recognised at purchase cost and are valued at the end of the financial year at their probable sale price.

Treasury stock held that is specifically allocated to employee stock option plans is recognised in marketable securities.

In the case of stock option plans prior to 2000, a provision for impairment has been made to cover the difference between the acquisition price of the shares and the price at which the options may be exercised by the beneficiaries. Since January 1st, 2000, no discount has been granted on the exercise price of the options. Provided that the shares are purchased at a lower price than the exercise price, no provision for impairment is required. However, a provision for impairment is recognised in the event of a decline in the market price below the carrying amount of the treasury stock; the provision is calculated as the difference between the carrying amount of the treasury stock and the average share price over the month preceding the balance sheet date.

1.11. Provisions for liabilities and charges

Provisions for liabilities and charges are recognised to cover probable outflows of resources to the benefit of third parties, without receipt of equivalent consideration by the company. They relate mainly to industrial and commercial contingencies and litigation (legal actions, product returns) and to tax and employee-related contingencies.

They are estimated on the basis of the most likely assumptions or by using statistical methods, depending on the type of provisions.

1.12. Accounting for foreign currency transactions and hedging of exchange rate risks

All receivables and payables denominated in foreign currencies are translated at the exchange rates prevailing at the end of the financial year.

Exchange rate hedging instruments are traded in order to cover commercial transactions recognised in the balance sheet or future transactions that are considered to be highly probable. The losses and gains generated by these instruments are recognised symmetrically with recognition of the hedged items.

Translation differences on operating assets and liabilities and related hedging instruments are recognised in the balance sheet as *Unrealised exchange losses* or *Unrealised exchange gains*. A provision is recognised if the sum of these unrealised exchange gains and losses shows a potential exchange loss based on the overall exchange position of all currencies taken together.

Operating transactions forecasted for the next financial year are already covered by hedges whose impact will be recorded during the same accounting period as the transactions hedged.

1.13. Accounting for interest rate instruments

With regard to the interest rate risk, profit and loss on interest rate swaps and caps hedging financial liabilities are recorded symmetrically with profit and loss on the debts hedged, on a time-proportion basis.

1.14. Employee retirement obligations and related benefits

L'Oréal participates in and provides pensions, early retirement and other benefit schemes for employees and retired employees in accordance with local legislation and regulations. Corporate officers are regarded as employees for all additional benefits relating to their remuneration, and are therefore covered by the same employee benefit schemes.

Partial external hedging has been put in place in respect of these obligations, in order to gradually build up a fund through contributions paid. The contributions are included in the charges for the financial year under the *Other purchases and external charges* caption.

The related obligations are measured using an actuarial valuation method based on the final salary.

Net unfunded obligations are not recognised as a provision in the balance sheet. They remain as off-balance sheet commitments.

Since 2004, the obligation in respect of long-service awards in no longer recognised as an off-balance sheet commitment; instead, a provision, whose amount is based on an actuarial valuation, is recognised in the balance sheet.

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NOTE 2 Sales

€ millions	12.31.2009	12.31.2008	12.31.2007
Goods	781.5	878.6	880.0
Raw materials, packaging	8.0	23.2	27.2
Services (1)	1,053.0	1,026.2	995.4
Rental	39.0	37.7	36.6
Other revenues of ancillary activities	169.6	149.5	134.6
Total	**2,051.1**	**2,115.2**	**2,073.8**

(1) Mainly concerns invoicing of technological assistance.

The amount of sales in France was €1,214.7 million in 2009, compared with €1,300.5 million in 2008 and €1,299.2 million in 2007.

NOTE 3 Other revenue

This account caption mainly includes royalties from brands.

NOTE 4 Breakdown of the average headcount

Average headcount is broken down as follows:

	2009	2008	2007
Executives	2,853	2,744	2,664
Supervisors	2,062	2,114	2,145
Administrative staff	356	386	423
Workers	275	291	311
Sales representatives	309	313	319
Total	**5,855**	**5,848**	**5,862**
of which apprentices	148	152	145
External temporary workers	146	160	180

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NOTE 5 Depreciation, amortisation and charges to provisions

Depreciation, amortisation and charges to provisions are broken down as follows:

€ millions	12.31.2009	12.31.2008	12.31.2007
Depreciation and amortisation	60.4	60.4	59.4
Impairment of fixed assets [(1)]	21.6	-	-
Impairment of current assets	3.6	3.3	3.1
Provisions for liabilities and charges	20.7	18.2	15.2
Total	**106.3**	**81.9**	**77.7**

(1) Of which Sanoflore €14.6 million and Yue Sai €6.9 million.

NOTE 6 Net financial income

Net financial income amounts to €1,597.1 million at December 31st, 2009, compared with €1,511.8 million at December 31st, 2008 and €1,247.4 million at December 31st, 2007, and mainly includes the following items:

€ millions	12.31.2009	12.31.2008	12.31.2007
Dividends received	1,655.4	1,604.9	1,402.2
Revenues on other receivables and marketable securities	1.6	20.3	18.3
Interest expense on loans	-59.1	-176.4	-168.1
Losses paid to partnership entities (SNCs)	-2.6	-3.0	-2.7
Redemption of perpetual loan	-	71.8	-
Other items not broken down in detail	1.8	-5.8	-2.3
Total	**1,597.1**	**1,511.8**	**1,247.4**

During 2008, L'Oréal redeemed the perpetual loan which had been subscribed in 1992 and which matured in 2007. This redemption generated financial income of €71.8 million (note 20).

The *Net (charges to)/reversals of provisions and transfers of charges* caption amounts to €106.9 million at December 31st, 2009 compared with reversals of -€225.5 million at December 31st, 2008, and €10.8 million at December 31st, 2007 and mainly includes:

€ millions	12.31.2009	12.31.2008	12.31.2007
Net charges to (-)/reversals of (+) provisions for impairment of financial assets (excluding treasury stock)	-29.9	-6.2	-32.8
Net charges to (-)/reversals of (+) provisions for impairment of treasury stock	179.4	-205.3	48.8
Net charges to (-)/reversals of (+) provisions for liabilities and charges of a financial nature	-23.3	-4.1	-5.7
Net charges to (-)/reversals of (+) provisions for impairment of other financial assets	-18.0	-9.9	n/s
Other variations not broken down in detail	-1.3	-	0.5
Total	**106.9**	**-225.5**	**10.8**

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NOTE 7 Exceptional items

In 2007 exceptional items included the capital gain on the sale of Sanofi-Aventis shares for €1,400.7 million.

Exceptional items in 2008 notably include reversals of provisions for liabilities and charges.

2009 exceptional items principally include charges to provisions for liabilities and charges.

NOTE 8 Income tax

The tax income for the year breaks down as follows:

€ millions	12.31.2009	12.31.2008	12.31.2007
Tax on profit before tax and exceptional items	95.2	118.2	86.9
Tax on exceptional items and employee profit-sharing	11.3	6.7	6.0
Tax on the Sanofi-Aventis capital gain	-	-	-24.2
Net provisions for taxes	8.4	18.5	-
Income tax	**114.9**	**143.4**	**68.7**

The tax income booked by L'Oréal S.A. takes account of savings of €128.5 million resulting from tax consolidation, compared with €136.6 million in 2008 and €102.4 million in 2007: these savings mainly result from the use of tax losses of member companies.

The application of tax legislation led to an increase in net profit for 2009 of €35.9 million, mainly because of the net charge to regulated provisions and research, sponsorship and family tax credits.

NOTE 9 Increases or reductions in future tax liabilities

	12.31.2007		12.31.2008		Changes		12.31.2009	
€ millions	Asset	Liability	Asset	Liability	Asset	Liability	Asset	Liability
Temporary differences								
Regulated provisions		13.5		15.1	5.0	6.9		17.0
Temporarily non-deductible charges	27.8		101.4		36.8	79.6	58.6	
Charges deducted (or revenue taxed) for tax purposes but not yet recognised in accounts		1.7	2.1		4.8	9.2		2.3
Temporarily non-taxable revenue								
Items deductible								
Tax losses, etc.								
Items potentially taxable								
Special reserve for long-term capital gains		176.8		176.8				176.8

The figures have been calculated taking account of the social contribution of 3.3% which increases both the standard and reduced rates of tax.

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NOTE 10 Research costs

Amounts invested in Research activities in 2009 totalled €537.5 million compared with €515.8 million in 2008 and €502.2 million in 2007.

NOTE 11 Intangible assets

€ millions	12.31.2007	12.31.2008	Acquisition	Disposal	Other movements	12.31.2009
Patents and trademarks	346.6	346.9	1.8	-	-	348.7
Business goodwill	47.7	47.7	65.6	-	-	113.3
Software	111.8	133.2	5.3	-2.9	16.8	152.4
Other intangible assets	78.9	78.9	-	-	-	78.9
Intangible assets in progress	9.5	12.8	21.5	-	-18.2	16.1
Gross value	**594.5**	**619.5**	**94.2**	**-2.9**	**-1.4**	**709.4**
Patents and trademarks	32.9	35.1	2.4	-	-	37.5
Business goodwill	0.3	0.3	-	-	-	0.3
Software	70.6	84.0	20.6	-2.9	-	101.7
Other intangible assets	27.3	29.9	2.5	-	-	32.4
Amortisation	**131.1**	**149.3**	**25.5**	**-2.9**	**-**	**171.9**
Patents and trademarks	15.8	15.8	6.9	-	-	22.7
Other intangible assets	3.5	3.5	14.7	-	-	18.2
Provisions	**19.3**	**19.3**	**21.6**	**-**	**-**	**40.9**
Net book value	**444.1**	**450.9**	**47.1**	**0**	**-1.4**	**496.6**

The increase in business goodwill results from the allocation of the loss generated by the complete transfer of assets and liabilities of YSL Beauté Holding to L'Oréal S.A. on May 29th, 2009. This loss is entirety attributable to the shares previously held by YSL Beauté Holding.

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NOTE 12 Tangible assets

€ millions	12.31.2007	12.31.2008	Acquisition	Disposal	Other movements	12.31.2009
Land	44.9	62.5	0.4	-0.1	-	62.8
Buildings	378.3	387.9	1.1	-3.5	8.0	393.5
Industrial machinery and equipment	163.2	172.3	4.7	-3.8	3.3	176.5
Other tangible assets	85.5	85.2	3.9	-5.6	1.0	84.5
Fixed assets in progress	9.7	12.8	41.6	n/s	-12.6	41.8
Advances and prepayments	2.8	0.9	-	-	-0.6	0.3
Gross value	**684.4**	**721.6**	**51.7**	**-13.0**	**-0.9**	**759.4**
Buildings	260.0	278.9	18.6	-1.0	-	296.5
Industrial machinery and equipment	129.0	137.6	11.2	-3.7	-	145.1
Other tangible assets	63.5	62.8	7.8	-5.3	-	65.3
Depreciation	**452.5**	**479.3**	**37.6**	**-10.0**	**-**	**506.9**
Land	-		0.6			0.6
Provisions	**-**		**0.6**			**0.6**
Net book value	**231.9**	**242.3**	**13.5**	**-3.0**	**-0.9**	**251.9**

Depreciation and amortisation recognised in 2009 on tangible and intangible assets included:

- a charge of €47.6 million on a straight-line basis;
- a charge of €15.3 million on a tax-driven declining balance basis; and
- €0.2 million of exceptional depreciation and amortisation.

NOTE 13 Fixed assets under finance leases

€ millions	Fixed assets under finance leases at 12.31.2009				Balance sheet total including fixed assets under finance leases		
	Cost on initial recognition (1)	Depreciation (2)		Net book Value			
Balance sheet captions		For year	Accumulated		Gross value	Depreciation	Net book Value
Land and buildings	43.1	-1.3	-17.6	25.5	499.4	-314.1	185.3
Industrial machinery and equipment	-	-	-	-	176.5	-145.1	31.4
Total at 12.31.2009	**43.1**	**-1.3**	**-17.6**	**25.5**	**675.9**	**-459.2**	**216.7**
Total at 12.31.2008	34.2	-1.2	-16.3	17.9	656.9	-432.8	224.1
Total at 12.31.2007	41.7	-1.4	-18.8	22.9	628.0	-407.7	220.3

(1) Value of the assets at the date of signature of the leases.
(2) Depreciation charge for year, and accumulated depreciation, that would have been recognised for these assets if they had been acquired-Depreciation method used: straight-line 5% to 2%.

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€ millions	Finance lease commitments						
	Lease payments made		Lease payments outstanding at year end				Residual purchase price under the lease
Balance sheet captions	In the year	Accumulated	Less than 1 year	1 to 5 years	More than 5 years	Total payable	
Land and buildings	4.3	52.2	5.1	20.0	12.6	37.7	1.4
Industrial machinery and equipment	-	-	-	-	-	-	-
Total at 12.31.2009	**4.3**	**52.2**	**5.1**	**20.0**	**12.6**	**37.7**	**1.4**
Total at 12.31.2008	4.0	58.6	3.9	16.6	11.4	31.9	1.4
Total at 12.31.2007	3.9	54.6	3.9	16.4	15.2	35.5	1.4

NOTE 14 Financial assets

€ millions	12.31.2007	12.31.2008	Acquisition/ Subscription	Disposal	Other movements	12.31.2009
Investments *	7,927.0	9,107.0	11.8	n/s	-87.9	9,030.9
Loans and other receivables	92.7	107.8	94.8	-15.9	-16.0	170.7
Treasury stock	678.2	259.4	-	-	-259.4	-
Other	8.6	8.4	0.4	-0.4	-	8.4
Gross value	**8,706.5**	**9,482.6**	**107.0**	**-16.3**	**-363.3**	**9,210.0**
Investments	263.2	270.0	38.6	-8.7	2.8	302.7
Loans and other receivables	0.6	10.6	19.2	-	-	29.8
Treasury stock	-	-	-	-	-	-
Other	4.9	4.7	-	-	-	4.7
Provision for impairment	**268.7**	**285.3**	**57.8**	**-8.7**	**2.8**	**337.2**
Net book value	**8,437.8**	**9,197.3**	**49.2**	**-7.6**	**-366.1**	**8,872.8**

** The change in this caption between 2007 and 2008 mainly results from the acquisition of Yves Saint Laurent shares for €1,100 million.*

In 2009, L'Oréal did not purchase any treasury stock and cancelled 3,808,000 shares held at December 31st, 2008.

In accordance with CNC recommendation n°. 2008-17 (note 1), a total of 1,766,250 shares of treasury stock previously classified as financial assets were reclassified within marketable securities in 2009 for a net book value of €99.8 million.

The *table of subsidiaries and holdings* is presented at the end of the notes to the financial statements.

NOTE 15 Transactions and balances with related entities

€ millions	12.31.2009	12.31.2008	12.31.2007
Financial assets	8,857.9	8,924.2	7,742.7
Trade accounts receivable	203.9	199.6	207.5
Other accounts receivable	4.3	3.2	20.7
Cash and cash equivalents	102.1	190.8	735.6
Borrowings	9.3	9.5	11.9
Trade accounts payable	64.0	71.7	58.8
Other payables	5.7	19.7	0.1
Financial expenses	2.6	9.4	5.4
Financial revenues	1,655.5	1,605.3	1,402.8

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NOTE 16 Marketable securities

This account is broken down as follows:

€ millions	12.31.2009	12.31.2008	12.31.2007
L'Oréal shares	1,071.6	1,151.0	1,107.5
Financial instruments	4.1	23.0	3.9
Premiums paid on options	0.2	15.3	9.7
Gross value	**1,075.9**	**1,189.3**	**1,121.1**
L'Oréal shares	-22.9	-206.3	-3.2
Financial instruments	-	-	-
Premiums paid on options	-	-	-
Provision for impairment	**-22.9**	**-206.3**	**-3.2**
Net book value	**1,053.0**	**983.0**	**1,117.9**

The 14,236,750 L'Oréal shares of treasury stock held in connection with employee stock purchase option plans have a net value of €1,048.7 million, after taking into account a net reversal of €179.4 million from the provision for impairment through profit and loss, and a reversal of €4.0 million through equity corresponding to the shares cancelled, compared with €944.7 million at December 31st, 2008 and €1,104.3 million at December 31st, 2007.

During 2009, stock options were exercised in respect of 1,064,242 shares and 162,600 shares were cancelled.

In 2009, the total market value of treasury stock amounts to €1,087.2 million based on the average share price in December, and to €1,110.5 million at the closing share price on December 31st.

In 2008, the total market value of treasury stock amounted, to €956.8 million based on the average share price in December and to €963.6 million at the closing share price on December 31st.

In 2008, a total of 1,766,250 shares of treasury stock previously recognised in *financial assets* were reclassified into *marketable securities* for a net book value of €99.8 million (in accordance with CNC recommendation n° 2008-17 as described in the accounting principles section).

In 2007, the total market value of treasury stock amounted to €1,408.7 million based on the average share price in December and to €1,430.3 million at the closing share price on December 31st.

NOTE 17 Stock purchase or subscription options – Free shares

17.1 Stock purchase or subscription options

The table below summarises information relating to stock option plans in operation at December 31st, 2009:

Date of grant	Number of options	Number of options not exercised	Exercise period From	To	Exercise price
04.05.2000	1,200,000	285,900	04.06.2005	04.05.2010	65.90
09.28.2000	3,800,000	2,291,300	09.29.2005	09.28.2010	83.00
12.07.2000	450,000	333,000	12.08.2005	12.07.2010	89.90
03.28.2001	2,500,000	1,547,100	03.29.2006	03.28.2011	79.60
09.18.2001	2,500,000	1,589,500	09.19.2006	09.18.2011	77.60
10.08.2001	225,000	144,500	10.09.2006	10.08.2011	76.50
03.26.2002	2,500,000	1,736,050	03.27.2007	03.26.2012	81.65
09.04.2002	2,500,000	1,735,500	09.05.2007	09.04.2012	76.88
12.03.2003	2,500,000	2,039,500	12.04.2008	12.03.2013	63.02
12.03.2003	2,500,000	2,125,750	12.04.2008	12.03.2013	71.90
03.24.2004	2,000,000	1,758,000	03.25.2009	03.24.2014	64.69
12.01.2004	4,000,000	3,497,050	12.02.2009	12.01.2014	55.54
06.29.2005	400,000	400,000	06.30.2010	06.29.2010	60.17
11.30.2005	4,200,000	4,001,200	12.01.2010	11.30.2015	61.37
11.30.2005	1,800,000	1,714,800	12.01.2010	11.30.2015	62.94
04.25.2006	2,000,000	2,000,000	04.26.2011	04.25.2016	72.60
12.01.2006	5,500,000	5,303,750	12.02.2011	12.01.2016	78.06
11.30.2007	4,000,000	3,898,100	12.01.2012	11.30.2017	91.66
03.25.2009	3,650,000	3,650,000	03.26.2014	03.25.2019	50.11

All plans have a 5 year exercise period and no performance conditions, except the March 25th, 2009 plan for the members of the Management Committee. For these managers, the performance conditions associated with this plan concern:

- for 50% of granted options, the increase in comparable Cosmetic revenues for the 2010, 2011, 2012 and 2013 fiscal years in relation with the growth of the cosmetics market;
- for 50% of granted options, the percentage reached, over the same period, of the ratio between the contribution before advertising and promotion expenses, i.e. sum of the operating profit and advertising and promotion expenses, and published Cosmetic revenues.

The calculation will be based on the arithmetic average of the performance in the 2010, 2011, 2012 and 2013 fiscal years and will use a predefined allocation scale based on the performance percentage reached.

The share price retained as the basis for calculating the 10% social contribution on the March 25th, 2009 plan was €12.16.

17.2 Free shares

On March 25th, 2009, the Board of Directors decided to grant 270,000 free shares to employees subject to a number of conditions.

For the conditional grant of shares, the plan provides a 4 year vesting period after which the acquisition is effective and final, subject to meeting the conditions of the plan. After this vesting period, a 2 year mandatory holding period is added for French residents, during which the shares cannot be sold.

The performance conditions concern:

- for 50% of granted shares, the increase in comparable Cosmetic revenues for the 2010, 2011 and 2012 fiscal years in relation with the growth of the cosmetics market;

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- for 50% of granted shares, the percentage reached, over the same period, of the ratio between operating profit and published Cosmetic revenues.

The calculation will be based on the arithmetic average of the performance in the 2010, 2011 and 2012 fiscal years and will use a predefined allocation scale based on the performance percentage reached.

The share price retained as the basis for calculating the 10% social contribution on the March 25th, 2009 plan was €40.23 for free shares.

NOTE 18 Maturities of receivables

€ millions	Less than 1 year	More than 1 year	Gross	Provision for impairment	Net
Loans and other receivables	90.2	80.5	170.7	-29.8	140.9
Other financial assets		8.3	8.3	-4.6	3.7
Trade accounts receivable	**302.8**		**302.8**	**-2.9**	**299.9**
Other current assets, of which	**165.5**		**165.5**		**165.5**
Tax and employee-related receivables	117.5		117.5		117.5
Group and shareholders	3.0		3.0		3.0
Other receivables	45.0		45.0		45.0
Prepaid expenses	**21.0**		**21.0**		**21.0**

Accrual accounts included in receivables amounted to €18.1 million at December 31st, 2009, compared with €16.6 million at December 31st, 2008 and €12.2 million at December 31st, 2007.

NOTE 19 Provisions for liabilities and charges

€ millions	12.31.2007	12.31.2008	Charges	Reversals (provisions used)	Reversals (provisions not used)	12.31.2009
Provisions for litigation	40.9	16.1	0.3	-10.3	-0.3	5.8
Provision for exchange losses	4.9	-	6.6	-	-	6.6
Provisions for charges	27.6	29.5	33.8	-19.5	-1.6	42.2
Other provisions for liabilities (1)	75.9	85.3	53.7	-13.1	-1.1	124.8
Total	**149.3**	**130.9**	**94.4**	**-42.9**	**-3.0**	**179.4**

(1) This caption notably includes provisions for tax risks, and for industrial and commercial risks relating to operations (contracts, product returns) and employee-related liabilities.

The changes in provisions for liabilities and charges impacted different levels of the 2009 profit and loss account as follows:

€ millions	Charges	Reversals (provisions used)	Reversals (provisions not used)
Operating profit	20.7	-16.1	-2.1
Net financial income	31.2	-7.9	-
Exceptional items	42.5	-10.8	-0.6
Income tax	-	-8.1	-0.3
Total	**94.4**	**-42.9**	**-3.0**

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NOTE 20 Borrowings and debts

L'Oréal obtains financing through medium-term bank loans, and by the issue of short-term commercial paper in France. The amount of the programme is €2,600 million. None of the Group's loan agreements contain any early repayment clauses linked to financial ratio triggers.

Liquidity on the commercial paper issues is ensured by confirmed short-term credit facilities with banks for an amount of €2,387.5 million at December 31st, 2009, compared with €2,425.0 million at December 31st, 2008 and €2,625.0 million at December 31st, 2007.

Total borrowings and debts are broken down as follows:

Breakdown by type of debt

€ millions	12.31.2009	12.31.2008	12.31.2007
Bonds	n/s	n/s	n/s
Borrowings and debts due to financial institutions	2,767.4	2,498.0	2,550.8
Perpetual loan	-	-	71.8
Commercial paper	-	1,406.0	567.2
Other borrowings and debts	63.8	61.6	65.6
Overdrafts	0.7	0.6	11.9
Total	**2,831.9**	**3,966.2**	**3,267.3**

The perpetual loan, which matured in 2007, was redeemed in 2008 (note 6). In accordance with OEC recommendation n°. 28, it was recorded under the Borrowings and Debts caption in 2007. A tax impact of €9.7 million was recognised on maturity in 2007.

Breakdown by maturity

€ millions	12.31.2009	12.31.2008	12.31.2007
Less than 1 year	125.4	1,510.8	738.3
1 to 5 years	2,705.2	2,454.1	2,527.8
More than 5 years	1.3	1.3	1.2
Total	**2,831.9**	**3,966.2**	**3,267.3**

During the 2009 financial year, the main changes recognised were as follows:

€ millions	
Borrowings taken out	381.5
Borrowings repaid	1,504.6

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NOTE 21 Maturities of payables

€ millions	Less than 1 year	More than 1 year	Total
Trade accounts payable	**330.9**		**330.9**
Other current liabilities, of which	**251.7**		**251.7**
Tax and employee-related payables	195.6		195.6
Fixed asset related payables	11.5		11.5
Group and shareholders	5.2		5.2
Other payables	39.4		39.4

Accrual accounts included in trade accounts payable and other current liabilities are as follows:

€ millions	12.31.2009	12.31.2008	12.31.2007
Trade accounts payable	**182.3**	**164.5**	**151.8**
Fixed asset related payables	**5.6**	**4.1**	**5.8**
Tax and employee-related payables, of which	**128.0**	**117.4**	**100.9**
Provision for employee profit sharing	20.5	21.6	19.3
Provision for incentives	57.8	54.0	51.1
Other payables	**27.1**	**35.5**	**50.1**
Total	**343.0**	**321.5**	**308.6**

NOTE 22 Unrealised exchange gains and losses

The revaluation of receivables and payables denominated in foreign currencies at exchange rates prevailing at December 31st and taking account of the related financial instruments led to the recognition of the following unrealised exchange gains/unrealised exchange losses:

	Unrealised exchange gains			Unrealised exchange losses		
€ millions	12.31.2009	12.31.2008	12.31.2007	12.31.2009	12.31.2008	12.31.2007
Financial receivables	5.3	0.1	0.4	-	0.9	-
Trade accounts receivable	0.6	3.8	1.8	1.2	1.6	0.2
Borrowings and debts	0.2	0.4	-	-	-	0.1
Trade accounts payable	1.4	0.6	-	0.2	5.0	0.5
Other payables	-	-	-	0.4	0.6	0.1
Derivative financial instruments	5.1	3.1	7.1	4.2	6.0	3.5
Total	**12.6**	**8.0**	**9.3**	**6.0**	**14.1**	**4.4**

In accordance with the accounting principles described above, the overall foreign exchange position at December 31st, 2009 is an unrealised loss of €6.6 million, arising mainly on the Venezuelan Bolivar and the US dollar. This loss was recognised through profit and loss. At December 31st, 2008, the overall foreign exchange position was an unrealised gain of €6.1 million compared with an unrealised loss of €4.9 million recognised through profit and loss at December 31st, 2007.

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NOTE 23 Derivative financial instruments

The derivative financial instruments held to hedge exchange rate risks are mainly related to future transactions, and are broken down as follows:

	Notional			Market value		
€ millions	12.31.2009	12.31.2008	12.31.2007	12.31.2009	12.31.2008	12.31.2007
Currency futures						
Purchase EURO/Foreign currency						
EUR/CNY	109.0	87.9	87.7	1.3	-2.7	3.2
EUR/BRL	84.7	32.8	37.3	-6.9	7.4	-1.0
EUR/USD	29.6	-	-	-1.3	-	-
EUR/CAD	14.5	13.9	15.2	-0.5	1.8	-0.1
EUR/GBP	14.3	8.9	20.2	-	2.1	0.8
EUR/IDR	14.2	-	-	-0.9	-	-
EUR/AUD	9.6	8.7	9.6	-0.6	1.3	0.2
EUR/KZT	8.0	-	-	-0.2	-	-
EUR/PLN	6.8	6.3	8.1	-0.1	1.3	-0.4
EUR/MXN	5.5	3.9	8.0	-0.1	0.8	0.5
EUR/NOK	4.0	3.8	5.0	-0.1	0.7	-
EUR/SEK	4.0	4.3	5.2	-0.1	0.4	0.1
EUR/Other currencies	29.7	30.7	30.1	-0.9	3.2	0.2
Sale EURO/Foreign currencies						
EUR/JPY	10.5	11.1	13.0	-0.4	1.9	-1.2
EUR/USD	-	37.7	53.3	-	2.1	-6.2
EUR/Other currencies	0.9	2.6	2.5	-	0.1	-
Purchase USD/Foreign currencies						
USD/ARS	-	20.2	42.8	-	3.6	-0.3
USD/BRL	43.6	25.8	21.6	-3.3	5.4	-1.9
Sale USD/Foreign currencies						
USD/CNY	16.0	24.3	27.5	-0.3	-0.5	-
USD/IDR	12.7	-	-	0.3	-	-
Other currency pairs	7.6	21.3	10.0	-0.1	2.3	0.3
Currency futures total	**425.2**	**344.2**	**397.1**	**-14.2**	**31.2**	**-5.8**
Currency Options						
EUR/BRL	4.0	24.9	34.8	-	5.6	1.2
EUR/CNY	-	35.6	59.2	-	0.5	1.8
EUR/MXN	1.5	-	-	-	-	-
USD/EUR	-	72.4	71.2	-	1.6	5.5
GBP/EUR	5.1	9.5	4.9	0.2	1.8	0.4
CAD/EUR	-	1.7	3.1	-	0.2	0.1
BRL/USD	-	3.5	-	-	0.7	-
Other currencies/EUR	-	3.8	3.9	-	0.9	0.2
Currency options total	**10.6**	**151.4**	**177.1**	**0.2**	**11.3**	**9.2**
of which call options total	10.6	218.9	186.5	0.2	15.3	9.4
of which put options total	-	-67.5	-9.4	-	-4.0	-0.2
Total instruments	**435.8**	**495.6**	**574.2**	**-14.0**	**42.5**	**3.4**

Total put options correspond exclusively to the resale of previously purchased options when it appeared appropriate to replace them with other hedging instruments.

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Derivative financial instruments held to hedge interest rate risks are as follows:

€ millions	Notional			Market value		
Interest rate derivatives	12.31.2009	12.31.2008	12.31.2007	12.31.2009	12.31.2008	12.31.2007
Interest rate swaps – borrower floating rate						
EUR Euribor/fixed rate	-	69.8	121.8	-	2.2	1.5
Interest rate swaps – borrower fixed rate						
EUR Euribor/fixed rate	-	2.5	2.5	-	n/s	n/s
Interest rate swaps floating/floating						
EUR Euribor/Euribor	-	-	-	-	-	-
Total		**72.3**	**124.3**		**2.2**	**1.5**

NOTE 24 Off-balance sheet commitments

24.1. Lease commitments

Operating lease commitments amount to €65.3 million within less than one year, €188.9 million between 1 and 5 years and €94.8 million after 5 years.

The breakdown of finance lease commitments is provided in note 13.

24.2. Other off-balance sheet commitments

Confirmed credit facilities are set out in note 20.

Other off-balance sheet commitments are broken down as follows:

€ millions	12.31.2009	12.31.2008	12.31.2007
Commitments granted in the area of employee retirement obligations and related benefits (1)	441.7	395.6	461.1
Commitments to buyout minorities	8.5	83.0	64.2
Guarantees given (2)	614.3	674.6	627.0
Guarantees received	9.4	7.6	7.6
Capital expenditure orders	70.5	100.3	69.7
Documentary credits	3.5	5.0	5.1

(1) The discount rate used to measure these commitments at December 31st, 2009 was 5.00% for plans providing for a capital sum and 5.25% for plans providing for an annuity, compared with, respectively, 5.75% and 6.00% at end 2008, and 5.00% and 5.25% at end 2007.
An agreement for the mutualisation of employee-related liabilities was put in place in 2004. This agreement leads to the allocation of commitments among the different French companies in the Group and to organising their financing in proportion to the companies respective payroll costs (personalised by plan) so that the companies are severally responsible for meeting the aforementioned commitments within the limit of the collective funds constituted.
(2) This caption includes miscellaneous guarantees and warranties, including €592.1 million at December 31st, 2009 on behalf of direct and indirect subsidiaries, compared with €665.8 million at December 31st, 2008 and €582.5 million at December 31st, 2007. Warranties regarding liabilities are also included in this amount.

24.3. Contingent liabilities

In its normal course of business, L'Oréal is involved in legal actions and is subject to tax audits, customs controls and administrative audits. The company sets aside a provision wherever a risk is found to exist, and an estimate of its cost is possible.

At the present time, there is no exceptional event or dispute which could materially and with a serious level of probability affect the results, financial situation, assets or operations of the company.

NOTE 25 Changes in working capital

Changes in working capital were €30.1 million at December 31st, 2009, compared with -€48.7 million at December 31st, 2008 and €8.5 million at December 31st, 2007. They are broken down as follows:

€ millions	12.31.2009	12.31.2008	12.31.2007
Inventories	5.2	1.4	5.7
Receivables	50.3	-53.7	-34.8
Payables	-25.4	3.6	37.6
Total	**30.1**	**-48.7**	**8.5**

NOTE 26 Changes in other financial assets

This caption includes flows related to treasury stock in the year, classified in marketable securities.

NOTE 27 Cash and cash equivalents at end of year

Cash and cash equivalents at end of year amount to €104.7 million at December 31st, 2009 compared with €212.5 million at December 31st, 2008 and €730.7 million at December 31st, 2007 and are broken down as follows:

€ millions	12.31.2009	12.31.2008	12.31.2007
Cash	105.3	213.8	743.3
Accrued interest asset	-	-0.9	-1.6
Bank overdrafts (note 20)	-0.7	-0.6	-11.9
Accrued interest liability	0.1	0.2	0.9
Total	**104.7**	**212.5**	**730.7**

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NOTE 28 Other disclosures

Audit fees for 2009 are not presented in the notes to the parent company financial statements but in note 30 of the consolidated financial statements.

NOTE 29 Subsequent events

No events occurred between the balance sheet date and the date the Board of Directors authorised the consolidated financial statements for issue.

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4.6. Table of subsidiaries and holdings at December 31st, 2009

4.6.1. Detailed information

€ thousands	Capital	Reserves and retained earnings before appropriation of profits	% holding	Book value of shares held		Profit or loss in last financial year	Dividends booked during the financial year
				Gross	Net		
A. Main french subsidiaries (holdings of over 50%)							
Areca & Cie	35	1	99.78	35	35	317	*
Banque de Réalisations de Gestion et de Financement (Regefi)	19,250	62,391	100	75,670	75,670	12,508	18,855
Beauté Créateurs	612	-2,914	100	25,385	25,385	-2,101	
Beauté, Recherche et Industries	22,900	4,091	100	20,311	20,311	-15,660	
Centrex	1,800	29	100	3,532	3,532	497	*
Chimex	1,958	34,274	100	21,501	21,501	2,156	4,668
Cosmémique Active France	21	4,334	69.91	130	130	10,252	9,559
Cosmétique Active International	17	3,960	87.94	15	15	-1,916	6,126
Cosmétique Active Production	186	22,110	80.14	5,081	5,081	-1,413	0
Episkin	9,402	0	100	9,402	9,402	173	*
Exclusive Signatures International	10	0	99	10	10	144	*
Fapagau & Cie	15	5,992	79	12	12	2,473	*
Faprogi	15	4,207	59.9	9	9	2,533	*
Finval	2	0	99	2	2	4,269	*
Gemey Maybelline Garnier	50	573	66.61	34	34	39,652	17,421
Gemey Paris-Maybelline New York	35	6,838	99.96	46	46	12,143	27,744
Goldys International	15	0	99.9	15	15	-2	*
Héléna Rubinstein	30	1	99.95	46,661	46,661	4,442	6,522
Holdial	1	0	98	1	1	1,975	*
L & J Ré	1,500	10,729	100	1,500	1,500	389	
La Roche-Posay Laboratoire Pharmaceutique	380	-4,239	99.98	27,579	27,579	6,974	0
Laboratoire Bioexigence	37	-9	100	37	37		
Laboratoire Garnier & Cie	580	2	99.97	5,784	5,784	23,170	16,943
Laboratoires Innéov	650	-1,122	50	18,800	0	-10,074	
Laboratoire Sanoflore	1,122	-407	100	5,197	0	-1,928	
Lancôme Parfums et Beauté & Cie	1,192	0	100	3,235	3,235	44,685	22,669
LaScad	18	0	99.17	18	18	41,366	38,139
Lehoux et Jacque	39	56	100	263	263	35	318
L'Oréal Produits de Luxe France	63	4,078	90.83	1,457	1,457	9,052	15,545
L'Oréal Produits de Luxe International	76	1,633	99.2	76	76	30,384	59,064
Par-Bleue	2	0	99	2	2	-6,422	*
Parfums Cacharel & Cie	1	1	99	2	2	-252	*
Parfums Guy Laroche	332	5,416	100	1,656	1,656	51	150

* *The SNCs (general partnership), GIEs (economic interest groupings) and Sociétés Civiles (non trading companies), that are not tax consolidated, distribute all their profits.*

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€ thousands	Capital	Reserves and retained earnings before appropriation of profits	% holding	Book value of shares held		Profit or loss in last financial year	Dividends booked during the financial year
				Gross	Net		
Parfums Paloma Picasso & Cie	2	0	99	2	2	9	*
Parfums Ralph Lauren	2	0	99	2	2	-461	*
Prestige & Collections International	32	3,952	81.67	3,823	3,823	17,963	7,190
Roger & Gallet	3,034	10,390	100	109,693	109,693	586	
Sicôs & Cie	375	7,647	80	999	999	-2,329	*
Société de Développement Artistique	2	0	99	2	2	(12)	*
Soprocos	8,250	9,723	100	11,904	11,904	3,180	1,441
Soproréal	15	7,284	99.9	15	15	2,451	*
Sparlys	750	1,198	100	3,826	3,826	2,190	1,596
Viktor & Rolf Parfums	2	0	99	1	1	-57	*
YSL Beauté	130,786	-39,886	89.8	299,622	299,622	-10,652	
B. Main french investments (holdings of less than 50%)							
Galderma International	932	60,666	26.67	2	2	37,462	
Innéov France	150	-4,380	n/s	n/s	n/s	-4,008	*
Sanofi-Aventis	2,636,958	**	8.97	423,887	423,887	**	260,100

* *The SNCs (general partnership), GIEs (economic interest groupings) and Sociétés Civiles (non trading companies), that are not tax consolidated, distribute all their profits.*

** *Sanofi-Aventis: - this information is not available;*
- at the balance sheet date, L'Oréal owns 118,227,307 shares. Their total stock market value at the price prevailing at 12/31/2009 is 6,509,596 thousand euros.

€ thousands	Capital	Reserves and retained earnings before appropriation of profits	% holding	Book value of shares held		Profit or loss in last financial year	Dividends booked during the financial year
				Gross	Net		
A. Main foreign subsidiaries (holdings of over 50%)							
Avenamite S.A. (Spain)	242	48	100	6,216	6,216	88	77
Beautycos International Co. Ltd (China)	52,482	11,047	73.46	46,195	46,195	10,416	
Beautylux International Cosmetics (Shanghai) China	5,629	-2,528	100	16,871	16,871	-830	
Beautytech International Cosmetics (Yi Chang) China	3,070	-3,503	100	131,239	131,239	1,293	
Biotherm (Monaco)	152	16	99.8	3,545	3,545	2,822	1,770
Canan Kozmetik Sanayi Ve Ticaret A.S.	6,173	2,875	100	28,439	28,439	3,939	
Canan Tuketim Urunleri Pazarlama A.S.	1,149	-2,505	100	11,128	11,128	-243	
Club des Créateurs de Beauté (Belgium)	81	1	100	3,821	40	-45	
Club des Créateurs de Beauté Co Ltd (Taiwan)	467	-1,716	100	328	0	-17	
Cosmelor Ltd (Japan)	3,554	23,547	100	35,810	35,810	3,801	909
Cosmephil Holdings Corporation (Philippines)	171	-144	100	400	14		
Cosmétique Active Belgilux (Belgium)	3,240	1,323	86.71	3,423	3,423	1,850	1,220
Cosmétique Active Ireland Ltd (Ireland)	82	525	100	732	732	568	1,465
Cosmétique Active Suisse S.A.	32	81	100	4,645	4,645	3,568	3,121
Elebelle (Proprietary) Ltd (South Africa)	806	38,133	100	61,123	46,783	5,032	5,306

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€ thousands	Capital	Reserves and retained earnings before appropriation of profits	% holding	Book value of shares held Gross	Book value of shares held Net	Profit or loss in last financial year	Dividends booked during the financial year
Egyptelor LLC	6		99.8	7	7		
Erwiton S.A. (Uruguay)	739	3,222	100	17	17	4,484	4,746
Galderma Pharma S.A. (Switzerland)	31,388	524,262	50	10,124	10,124	86,376	65,855
Kosmepol Sp. z.o.o. (Poland)	38,844	15,520	99.73	48,965	48,965	14,799	
Lai Mei Cosmetics Int. Trading Shanghai Co Ltd (China)	9,500	4,667	100	11,197	11,197	290	262
L'Oréal Adria d.o.o. (Croatia)	131	1,135	100	1,503	1,503	3,220	3,277
L'Oréal Argentina SA	13,081	3,813	100	81,068	35,154	5,114	7,526
L'Oréal Australia Pty Ltd	2,711	19,063	100	33,867	33,867	31,767	30,664
L'Oréal Balkan d.o.o. (Serbia)	1,241	159	100	1,285	1,285	-506	
L'Oréal Baltic SIA (Latvia)	387	3,776	100	529	529	-1,248	1,618
L'Oréal Belgilux S.A. (Belgium)	10,000	15,996	99.99	35,583	35,583	17,849	22,518
L'Oréal Bulgaria EOOD	102	1,401	100	102	102	2,024	
L'Oréal Canada Inc.	3,979	15,317	100	146,517	146,517	35,526	71,282
L'Oréal Ceska Republika s.r.o (Czech Republic)	5,939	2,983	100	8,678	8,678	3,820	6,206
L'Oréal Chile S.A. (Chilie)	20,888	5,333	100	43,784	43,784	12,941	10,374
L'Oréal China Co. Ltd (China)	38,731	89,835	100	214,494	214,494	99,094	
L'Oréal Colombia S.A. (Colombia)	1,931	2,266	94	6,395	5,715	1,957	306
L'Oréal Danmark A/S (Denmark)	270	6,423	100	8,336	8,336	7,886	11,287
L'Oréal Deutschland GmbH (Germany)	12,647	316,641	100	76,855	76,855	107,495	95,000
L'Oréal Espana S.A. (Spain)	59,911	102,283	63.86	299,154	299,154	24,283	62,628
L'Oréal Finland Oy (Finland)	673	15	100	1,280	1,280	10,404	9,533
L'Oréal Guatemala S.A.	1,044	208	100	2,162	2,162	335	
L'Oréal Hellas S.A. (Greece)	5,196	6,613	83.49	18,715	18,715	16,649	19,397
L'Oréal Hong-Kong Ltd	3	-4,171	99.97	604	604	48,891	57,540
L'Oréal India Private Ltd	49,919	-24,653	100	68,467	27,653	2,698	
L'Oréal Investments B.V. (The Netherlands)	18	0	100	18	18		
L'Oréal Israel Ltd	4,137	8,819	92.97	38,497	33,597	3,136	2,920
L'Oréal Italia Spa	1,680	54,345	100	161,804	161,804	70,504	126,805
L'Oréal Japan Ltd (Japan)	370	-839	100	275	0	215	
L'Oréal Kazakhstan Llp	379	-97	100	500	500	1,730	
L'Oréal Korea Ltd (South Korea)	1,991	-1,973	100	20,794	8,100	8,635	
L'Oréal Liban SAL	3,139	375	99.88	7,698	7,698	4,448	3,391
L'Oréal Magyarorszag Kosmetikai Kft (Hungary)	4,249	701	100	7,815	7,815	-152	1,907
L'Oréal Malaysia SDN BHD (Malaisia)	4,749	1,870	96.53	6,560	6,560	5,553	5,094
L'Oréal Mexico S.A de C.V	2,349	9,612	100	8,443	8,443	45,855	32,035
L'Oréal Middle East (United Arab Emirates)	2,752	-1,407	100	37,284	37,284	20,291	28,747
L'Oréal Nederland B.V. (The Netherlands)	908	1,077	100	6,831	6,831	28,936	23,635
L'Oréal New Zealand Ltd	42	1,686	100	624	624	4,789	4,180
L'Oréal Norge A/S (Norway)	1,384	3,971	100	4,050	4,050	14,393	13,109
L'Oréal Osterreich GmbH (Austria)	2,915	-394	100	3,818	3,818	13,438	14,800
L'Oréal Pakistan private Ltd	106	75	100	116	116	-1,237	
L'Oréal Panama S.A.	159	1,425	100	168	168	3,421	4,416

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€ thousands	Capital	Reserves and retained earnings before appropriation of profits	% holding	Book value of shares held		Profit or loss in last financial year	Dividends booked during the financial year
				Gross	Net		
L'Oréal Peru S.A. (Peru)	2,096	311	100	3,739	3,739	1,035	657
L'Oréal Philippines Inc.	2,062	101	95.38	12,478	707	-791	
L'Oréal Polska Sp. Z.O.O. (Poland)	21,686	4,603	100	38,210	38,210	19,715	34,514
L'Oréal Portugal Lda	495	1,445	100	6,459	6,459	17,752	21,448
L'Oréal Produits de Luxe Belgilux	250	684	99.97	2,885	2,885	2,843	6,518
L'Oréal Produits de Luxe Suisse S.A.	257	236	100	556	556	5,009	4,921
L'Oréal Romania SRL (Romania)	2,187	647	100	5,883	5,883	4,022	5,594
L'Oréal Singapore Pte Ltd (Singapore)	1,165	-5	100	18,991	18,991	4,117	4,740
L'Oréal Slovenija kosmetika d.o.o. (Slovenia)	465	-427	100	856	856	3,555	5,401
L'Oréal Slovensko s.r.o. (Slovakia)	1,598	1,005	100	1,673	1,673	4,446	6,327
L'Oréal Suisse S.A.	193	435	100	116,776	116,776	18,379	19,380
L'Oréal Sverige AB (Sweden)	2,038	432	100	2,247	2,247	11,359	12,651
L'Oréal Taiwan Co Ltd (Taiwan)	16,532	159	100	40,942	40,942	8,455	7,936
L'Oréal Thailand Ltd	3,992	691	100	5,238	5,238	5,959	6,759
L'Oréal Turkiye Kozmetik Sanayi Ve Ticaret Anonim Sirketi	16,235	-4,912	100	22,207	9,665	-10,469	
L'Oréal UK Ltd.	24,740	19,978	100	47,372	47,372	-4,053	53,827
L'Oréal Ukraine	3,802	1,744	100	2,990	2,990	13,079	11,824
L'Oréal Uruguay S.A.	2,262	-1,954	100	5,435	677	431	
L'Oréal USA Inc. ****	4,402	2,146,057	100	3,569,657	3,569,657	169,940	
L'Oréal Venezuela C.A.	1,733	2,520	100	12,502	3,961	-335	
L'Oréal Vietnam Co Ltd	2,963	-1,191	100	3,074	3,074	-1,851	
Masrelor LLC (Egypt)	1,945	-44	100	1,831	1,831		
Maybelline Suzhou Cosmetics Ltd (China)	53,652	-20,714	66.75	49,601	22,336	683	
Nihon L'Oréal KK (Japan)	138,845	25,786	100	415,182	359,812	5,706	4,980
Parbel of Florida Inc. (USA)	40	-2,299	100	100,317	100,317	20,240	32,075
Procosa Productos de Beleza Ltda (Brazil)	102,462	65,564	100	170,243	170,243	41,381	45,147
P.T. L'Oréal Indonesia	1,510	1,946	99	2,305	2,305	-897	
P.T. Yasulor Indonesia	4,769	7,050	99.98	40,854	14,268	1,851	
Scental Limited (Hong-Kong)	5	153	100	8	8		
Seda Plastik Ve Boya San. Ith. Tic. Ldt. Sti	1,206	715	99	1,843	1,843	505	
Sofamo (Monaco)	160	-27,161	99.97	1,851	0	-12,883	
The Body Shop International PLC ***	12,761	802,108	100	992,445	992,445	24,831	13,081
Venprobel (Venezuela)	20	-86	100	2,722	0		
YSL Beauté Benelux Se Belgium	3,768	18,002	100	50,441	50,441	457	
YSL Beauté Aebe Greece	540	1,159	100	4,858	4,858	-142	
YSL Beauté Hong Kong Ltd	0	1,290	100	6,405	6,405		
YSL Beauté Italia Spa	6,864	5,734	100	64,665	64,665	3,032	
YSL Beauté Middle East fzco	5,717	2,963	83.38	8,639	8,639	3,238	

**** The Body Shop: Consolidated figures for the sub-group.*
***** Figures from the sub-consolidation of L'Oréal USA Inc., prepared in accordance with US GAAP.*

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€ thousands	Capital	Reserves and retained earnings before appropriation of profits	% holding	Book value of shares held		Profit or loss in last financial year	Dividends booked during the financial year
				Gross	Net		
YSL Beauté New Zeland Ltd	12	1,706	100	5,486	5,486	46	
YSL Beauté Vostok o.o.o.Russia	2,707	-835	99.48	2,802	0	-2,920	
YSL Beauté Singapore Pte ltd	280	1,199	100	336	336		
YSL Beauté Suisse S.A	934	499	100	38,334	38,334	4,835	11,028
YSL Beauté U.K Ltd	19	13,085	100	98,203	98,203	77,627	
B. Main foreign investments (holdings of less than 50%)							
	n/s	n/s	n/s	n/s	n/s	n/s	n/s

For foreign subsidiaries and investments, the capital, reserves and retained earnings have been translated into thousands of euros on the basis of year-end exchange rates, while profits and losses have been translated at the average rate for 2009.

It is specified that the list of companies set out above is not exhaustive.

4.6.2. Information relating to all subsidiaries and investments

	Subsidiaries		Investments	
	French	Foreign	French	Foreign
Book value of shares held:				
• gross restated	704,219	7,902,752	423,889	1
• net	679,796	7,624,431	423,889	1
Amount of loans and advances granted	119,225	41,646		
Amount of guarantees and security granted	18,165	18,722		
Amount of dividends booked	263,360	1,113,394	260,100	1

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5 2010 Ordinary and Extraordinary General Meeting

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5.1. Report of the Board of Directors on the Draft Resolutions

5.1.1. Ordinary Part

5.1.1.1. Approval of the annual financial statements, allocation of the company's net income for 2009 and declaration of the dividend (first, second and third resolutions)

Having reviewed the Reports of the Board of Directors and the Statutory Auditors, the Annual General Meeting is called on to approve:

- the parent company financial statements, with a profit and loss account which shows net income of €1,841.8 million for 2009, compared with €1,552.1 million at December 31st, 2008;
- the 2009 consolidated financial statements;

the main details of which are set out in the 2009 Annual Report, together with the main information included in the file for calling the Annual General Meeting on April 27th, 2010.

The Board of Directors proposes to the Annual General Meeting a net dividend of €1.50 per share, representing an increase of +4.2% compared with the net dividend for 2008.

The dividend for the 2009 financial year would be paid to the shareholders on Wednesday May 5th, 2010 for the shares they held on Thursday, April 29th, 2010 at the latest.

5.1.1.2. Regulated agreements and commitments related to the status of Mr. Jean-Paul Agon, whose employment contract is suspended (fourth resolution)

Vote by the Annual General Meeting in 2010 in respect of regulated agreements and commitments concerning the Chief Executive Officer in advance of renewal of his term of office by the Board of Directors at the close of this Annual General Meeting.

In 2006, the Board of Directors decided to separate the roles of Chairman and Chief Executive Officer, with a clear definition of the responsibilities of each of them, described in the Internal Rules of the Board of Directors.

At its meeting on February 15th, 2010, the Board decided to continue with this separation of roles and to renew the duties of Sir Lindsay Owen-Jones as Chairman and Mr. Jean-Paul Agon as Chief Executive Officer at its meeting to be held at the close of the Annual General Meeting of April 27th, 2010, subject to renewal of their terms of office as Directors.

The Board has chosen to continue with this practice after observing from the annual evaluation of the Board's *modus operandi* that the separation of their duties has given complete satisfaction.

The Code of Corporate Governance for listed companies, prepared jointly by the AFEP and the MEDEF, to which L'Oréal refers, recommends that companies should put an end to the practice of combining an employment contract with a corporate office (point 19) although it does not impose this as a mandatory requirement. L'Oréal's Board of Directors shares the objectives of this recommendation which aims at avoiding the possibility of concurrently obtaining benefits both from the employment contract and the corporate office and at prohibiting any interference with the possibility of removing corporate officers ad nutum. The Board of Directors therefore intends to formally lay down the methods of application of the objectives of the recommendation, as adapted to the professional context in the L'Oréal Group.

The Board's intention is to use the treatment set out below for Mr. Jean-Paul Agon and, in future, for any new corporate officer appointed who has over 15 years' length of service in the Group at the time of appointment.

L'Oréal's ongoing policy has been to appoint employees who have completely succeeded in the various stages of their careers in the Group as corporate officers. This is how Mr. Jean-Paul Agon, then Deputy Chief Executive Officer, was appointed as Chief Executive Officer of L'Oréal in April 2006, following a brilliant career spanning 27 years within the Group.

The Board of Directors notes that if, in accordance with the AFEP/MEDEF recommendation, Mr. Jean-Paul Agon's employment contract with L'Oréal was to be terminated, Mr. Agon would lose the status he acquired as a result of the twenty-seven years he spent working for the Group as an employee.

The Board does not want Mr. Jean-Paul Agon, who accepted the office of Chief Executive Officer after 27 years working with L'Oréal, to be deprived of the benefits to which he would have continued to be entitled had he remained an employee.

The Board of Directors considers that the objective pursued by the AFEP/MEDEF recommendation can be fully achieved by maintaining the suspension of the employment contract and clearly separating out the benefits related to the employment contract on the one hand from those relating to his corporate office on the other.

The Board of Directors has decided to eliminate all right to any indemnity in the event of termination of the corporate office.

In the event of departure, and depending on the reasons, Mr. Jean-Paul Agon would only be paid the dismissal indemnities, except in the event of gross misconduct or

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gross negligence, or retirement indemnities in the event of voluntary retirement or retirement at the company's request due pursuant to the employment contract that has been suspended. These indemnities, which are attached solely to termination of the employment contract and in strict application of the National Collective Bargaining Agreement for the Chemical Industries and the company-level agreements applicable to all L'Oréal executives, are due in any event pursuant to public policy rules of employment law. They are not subject to any condition other than those provided for by the National Collective Bargaining Agreement for the Chemical Industries or the above-mentioned company-level agreements. The same applies to the non-competition clause and the related financial consideration.

Remuneration in respect of the corporate office will in no event be taken into consideration for calculation of the indemnities due pursuant to the collective bargaining agreement and the company-level agreements applicable to all L'Oréal executives.

Mr. Jean-Paul Agon will continue to benefit from the defined benefit pension scheme which currently applies to the Group's senior managers.

The reference remuneration to be taken into account for all the rights attached to the employment contract is the remuneration on the date of suspension of the contract, namely fixed remuneration of €1,500,000 and variable remuneration of €1,250,000. This reference remuneration is reviewed every year by applying the revaluation coefficient in respect of salaries and pension contributions published by the French State pension fund. As of January 1st, 2010, the fixed remuneration amounts to €1,570,500 and variable remuneration to €1,308,750.

The length of service applied will take into consideration his entire career, including the years during which he was Chief Executive Officer.

Mr. Jean-Paul Agon will continue to benefit from the additional social protection schemes and in particular the employee benefit and healthcare schemes available to the company's employees due to the fact that he will be treated as a senior manager throughout the entire period of his corporate office.

The above will be subject to the procedure applicable to regulated agreements and commitments. The Statutory Auditors will be informed of the provisions and the commitment will be submitted for approval to the Annual General Meeting on April 27th, 2010 when it makes a decision with regard to the special report prepared by the Statutory Auditors.

Inasmuch as the new provisions are tied in with renewal of the Chief Executive Officer's term of office at the close of the Annual General Meeting on April 27th, 2010, the resolution put to the vote of the shareholders will be subject to the condition precedent of renewal of this term of office.

5.1.1.3. Renewal of tenures as Director (fifth to tenth resolutions)

Six tenures as Director are due to expire at the close of this Annual General Meeting, they are submitted for renewal.

L'Oréal's Board of Directors

L'Oréal's Directors come from different backgrounds. They complement one another due to their different professional experience and their skills; they have good knowledge of the company. The Directors are present, active and closely involved. These are all assets which contribute to the quality of the Board's deliberations and the preparation of its decisions of a strategic nature.

The Appointments and Governance Committee has proposed to the Board of Directors that it review on a case-by-case basis the situation of each of the Directors with regard to their independence according to the criteria set out in the AFEP-MEDEF Code.

The Directors are independently minded. They have a duty of vigilance and exercise complete freedom of judgment. This freedom of judgment enables them in particular to participate, in complete independence, in the decisions or work of the Board and its Committees.

L'Oréal has a well-balanced Board comprising 14 members at February 15th, 2010: the Chairman and the Chief Executive Officer, six Directors appointed by the majority shareholders, three of whom are appointed by Mrs Bettencourt's family group and three by Nestlé (the two Vice-Chairmen of the Board being chosen from among these members) and six independent Directors: Ms Annette Roux, Mr. Charles-Henri Filippi, Mr. Xavier Fontanet, Mr. Bernard Kasriel, Mr. Marc Ladreit de Lacharrière and Mr. Louis Schweitzer. Mr. Ladreit de Lacharrière has been a Director of L'Oréal for over 12 years but his professional experience and his freedom of judgment, combined with his good knowledge of the company, make a big contribution to the Board's discussions and decisions.

It is proposed to maintain this balance which is considered to be satisfactory by proposing to the Annual General Meeting to renew the tenures of the six Directors that are due to expire in 2010.

In order to stagger renewal of the terms of office of Directors as required by the AFEP-MEDEF Code to which the company has chosen to refer, specific terms of office of one and two years are proposed in accordance with Article 8 (2) of the Articles of Association which provides that:

"The length of the terms of office of Directors is four years. By way of exception, the Annual General Meeting may appoint a Director for a term of office of one, two or three years, in order to provide for staggered renewal of the Directors' terms of office."

It is thus suggested to the Annual General Meeting that it renew the tenure as Directors of:

- Sir Lindsay Owen-Jones, Mr. Jean-Paul Agon, Mr. Xavier Fontanet and Mr. Marc Ladreit de Lacharrière, for a term of four years;

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- Mr. Francisco Castañer Basco, for a term of two years;
- Mr. Charles-Henri Filippi, for a term of one year.

Presentation of the Directors whose term of office is proposed for renewal:

Sir Lindsay Owen-Jones, 63 years old and a British national, joined L'Oréal in 1969. He began his career in France then successively held the positions of Chief Executive Officer of L'Oréal's Italian subsidiary from 1978 to 1981 and President (CEO) of L'Oréal USA from 1981 to 1984. He was appointed as Director and Chief Executive Officer of L'Oréal in 1984 and then Chairman and Chief Executive Officer in 1988. Since April 25th, 2006, he is the non-executive Chairman of the Group. Sir Lindsay Owen-Jones is also Chairman of the Fondation d'Entreprise L'Oréal and a Director of Sanofi-Aventis and Ferrari (Italy).

Jean-Paul Agon, 53 years old, joined L'Oréal in 1978. Following an international career as General Manager of the Consumer Products Division in Greece and of L'Oréal Paris in France, International Managing Director of Biotherm, General Manager of L'Oréal Germany, Managing Director of the Asia zone, President and CEO of L'Oréal USA, Jean-Paul Agon was appointed as Deputy Chief Executive Officer of L'Oréal in 2005 and then Chief Executive Officer in April 2006. A Director of L'Oréal since 2006, he is also a Director of the Fondation d'Entreprise L'Oréal.

Francisco Castañer Basco, 65 years old, is a Spanish national. With the Nestlé group from 1964 to 2009, he was appointed General Manager in 1997. A Director of L'Oréal since 1998, his tenure was renewed in 2006. He is also a Director and Vice-Chairman of Alcon (Switzerland). He has a very wide variety of skills and, as an Audit Committee member since 1999, his advice is always extremely useful; he is a Director who is very present.

Charles Henri Filippi is 57 years old. From 1979 to 1987 in French government service, then from 1987 to 2008 with CCF, which became HSBC France in 2000, he was appointed Chief Executive Officer of CCF in 1995, member of the Executive Committee of HSBC from 2001 to 2004, Chairman and Chief Executive Officer of HSBC France from 2004 to 2007 and Chairman of the Board of Directors in 2007 and 2008. Chairman of Octagones and Alfina, Charles Henri Filippi has been a Director of L'Oréal since 2007 and is also a Director of France Telecom, a member of the Supervisory Board of Euris and a non-voting member of the Board of Nexity. He is an available, skilled, independent Director, free of interests. Chairman of L'Oréal's Audit Committee, he harmoniously completes the Board's expertise in the financial field.

Xavier Fontanet is 61 years old. He was appointed as Chief Operating Officer of Essilor in 1991, then Vice-Chairman and Chief Operating Officer in 1995 and Chairman and Chief Executive Officer in 1996; he has been Chairman of the Board of Directors since January 1st, 2010. Essilor is a remarkable success, in countries where L'Oréal is also present and this represents an opportunity for very useful exchanges of views on the Board of L'Oréal. Xavier Fontanet has been a Director of L'Oréal since 2002, his term of office was renewed in 2006, and he is also a Director of Crédit Agricole SA and the Fonds Stratégique d'Investissement (FSI).

Marc Ladreit de Lacharrière is 69 years old and is a member of the Institut de France. He worked at l'Oréal from 1976 to 1991 and is former Vice-President in Charge of Administration and Finance, and former Deputy Chief Executive Officer Group Executive Vice-President from 1984 to 1991. He is the Chairman and Chief Executive Officer of Fimalac, Chairman of Fitch (USA) and has been a Director of L'Oréal since 1984; his term of office was last renewed in 2006. Marc Ladreit de Lacharrière is also a Director of the Fondation d'Entreprise L'Oréal, Renault and Casino. In addition to his success in a large number of fields, he is a free spirit who contributes a lot to the Board's debates, with an independent view of L'Oréal.

For information purposes, if the Annual General Meeting votes the renewals proposed to it in 2010, the expiry dates of the terms of office of the 14 Directors of L'Oréal would be as follows:

	Expiry dates of terms of office			
Directors	**2011**	**2012**	**2013**	**2014**
Sir Lindsay Owen-Jones				X
Mr. Jean-Paul Agon				X
Mr. Jean-Pierre Meyers		X		
Mr. Peter Brabeck-Letmathe			X	
Mrs. Liliane Bettencourt	X			
Mrs. Françoise Bettencourt-Meyers			X	
Mr. Werner J. Bauer		X		
Mr. Francisco Castañer Basco		X		
Mr. Charles-Henri Filippi	X			
Mr. Xavier Fontanet				X
Mr. Bernard Kasriel		X		
Mr. Marc Ladreit de Lacharrière				X
Mrs Annette Roux	X			
Mr. Louis Schweitzer			X	
Number of renewals per year	**3**	**4**	**3**	**4**

5.1.1.4. Terms of office of the Statutory Auditors and substitute Statutory Auditors (eleventh and twelfth resolutions)

It is proposed that you renew the terms of office of the two Statutory Auditors and renew and appoint the substitute Statutory Auditors for a period of six financial years.

The Statutory Auditors are appointed for six financial years and their duties expire after the decision of the Annual General Meeting reviewing the financial statements for the sixth financial year.

The term of office of PricewaterhouseCoopers Audit, Statutory Auditor and the term of office of Mr. Yves Nicolas, substitute Statutory Auditor, expire at the close of this Annual General Meeting of April 27th, 2010.

The term of office of Deloitte & Associés, Statutory Auditor and the term of office of Mr. Jean-Paul Picard, substitute Statutory Auditor, expire at the close of this Annual General Meeting of April 27th, 2010.

The Board of Directors chooses the Statutory Auditors proposed to the Annual General Meeting with a view to their appointment and, in 2009, at the end of a formal evaluation process which made it possible in particular to make sure of their independence and objective approach, the Audit Committee issued a recommendation.

It is proposed to the Annual General Meeting:

- to renew the term of office of PricewaterhouseCoopers Audit, Statutory Auditor, and the term of office of Mr. Yves Nicolas, substitute Statutory Auditor, for a term of six financial years namely until the close of the Annual General Meeting which will review the financial statements for the financial year ending December 31st, 2015;
- to renew the term of office of Deloitte & Associés, Statutory Auditor, and to appoint BEAS as substitute Statutory Auditor, for a term of six financial years namely until the close of the Annual General Meeting which will review the financial statements for the financial year ending December 31st, 2015.

5.1.1.5. Authorisation for the company to buy back its own shares (thirteenth resolution)

It is proposed that you give the Board of Directors a new authorisation to buy back shares of the company.

During 2009 and up until February 15th, 2010, the Board of Directors did not buy back any shares.

As the existing authorisation is due to expire in October 2010, it is proposed that the Annual General Meeting give the Board a new authorisation which will enable it to resume its share buyback policy where applicable, depending on the opportunities that may arise, except during periods of public offers with regard to the company's capital.

The description of the authorisation put to your vote is set out in the paragraph entitled *Buyback by the company of its own shares* of the 2009 Management Report.

The authorisation would be granted for a period of 18 months at a purchase price per share that may not be greater than €130. The authorisation would concern no more than 10% of the capital, namely, for information purposes, for a maximum amount of €7.8 billion at February 15th, 2010, it being stipulated that the company may at no time hold over 10% of its own capital.

5.1.2. Extraordinary Part

5.1.2.1. Delegation of authority given to the Board of Directors to reduce the share capital by cancelling shares purchased by the company under Articles L. 225-209 and L. 225-208 of the French Commercial Code (fourteenth resolution)

With regard to the authorisation given to the Board of Directors to cancel shares purchased by the company under Article L. 225-209 of the French Commercial Code

The authorisation given to the Board of Directors in 2008 to cancel shares purchased by the company under Article L. 225-209 of the French Commercial Code is due to expire.

A proposal is made to the Annual General Meeting that it should grant the Board a further authorisation enabling it to cancel shares, within the limits provided for by law.

This authorisation would be granted for a period of twenty-six months, as from the date of the Annual General Meeting of April 27th, 2010 and would render any prior authorisation ineffective.

With regard to the authorisation given to the Board of Directors to cancel shares purchased by the company under Article L. 225-208 of the French Commercial Code

Certain stock options to purchase shares allocated in the past can no longer be exercised, for example as a result of the fact that the beneficiary of such stock options has left the company.

The resolution providing for cancellation of the shares purchased by the Company under Article L. 225-209 of the French Commercial Code, as mentioned above, does not enable these shares to be cancelled, as the legal rules governing their cancellation are different.

The authorisation given to the Board of Directors in 2008 to cancel the corresponding shares, purchased by the company under Article L. 225-208 of the French Commercial Code, is due to expire.

A proposal is made that, for a maximum of 500,000 shares, namely a maximum reduction in the share capital of €100,000, the shares corresponding to stock options to purchase shares that can no longer be exercised should be covered by the cancellation policy currently being conducted by the Board of Directors.

This authorisation would be valid for a period of twenty-six months, as from the date of the Annual General Meeting of April 27th, 2010 and would render any prior authorisation ineffective.

5.1.2.2. Powers for formalities (fifteenth resolution)

This resolution is intended to grant the powers necessary to carry out all formalities resulting from the holding of the Annual General Meeting.

5.2. Draft Resolutions Ordinary and Extraordinary General Meeting of April 27th, 2010

5.2.1. Ordinary Part

First resolution

Approval of the 2009 parent company financial statements

The Annual General Meeting, having reviewed the reports of the Board of Directors and the Statutory Auditors, approves the report of the Board of Directors and the 2009 parent company financial statements showing net income of €1,841,772,283.85, compared with €1,552,103,144.14 for 2008.

Second resolution

Approval of the 2009 consolidated financial statements

The Annual General Meeting, having reviewed the reports of the Board of Directors and the Statutory Auditors, approves the 2009 consolidated financial statements.

Third resolution

Allocation of the company's net income for 2009 and declaration of the dividend

The Annual General Meeting, on the proposal of the Board of Directors, decides to allocate the net income for the 2009 financial year, amounting to €1,841,772,283.85 as follows:

No allocation to the legal reserve which already represents over one-tenth of the share capital	-
An amount of will be allocated to shareholders as a dividend (1)	€898,873,365.00
The balance that is will be allocated to the "Other reserves" item	€942,898,918.85

(1) Including an initial dividend equal to 5% of the amounts paid up on the shares, i.e. the total amount of the share capital.

This amount is calculated on the basis of the number of shares forming the capital at February 15th, 2010, and will be adjusted to reflect the number of shares issued between that date and the date of payment of this dividend following the exercise of stock options with 2009 dividend rights.

The Annual General Meeting therefore declares a dividend to be paid for the financial year of €1.50 per share. The Annual General Meeting decides that this dividend will be paid on Wednesday May 5th, 2010 in respect of the shares they hold on Thursday April 29th, 2010.

The amount of distributable income corresponding to the dividends on treasury shares held by the company will be allocated to the *Ordinary reserve* item.

It is to be noted that for natural persons who have their tax residence in France, the dividend is liable for personal income tax on the basis of the progressive scale of tax rates and is eligible for the tax deduction provided for in Article 158-3-2° of the French Tax Code, unless such natural person otherwise elects, at the time of receipt of the dividends or on income received during the same year, for the fixed levy in final discharge provided for in Article 117 *quater* of the French Tax Code.

The table set out below gives the amounts of the dividends distributed, that were fully eligible for the tax deduction provided for in Article 158-3-2° of the French Tax Code, for the last three financial years:

	2006	2007	2008
Dividend per share	€1.18	€1.38	€1.44

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Fourth resolution

Approval of regulated agreements and commitments relating to the status of Mr. Jean-Paul Agon whose employment contract is suspended

The Annual General Meeting, having reviewed the special report of the Statutory Auditors provided for in Article L. 225-40 of the French Commercial Code, with regard to the agreements and commitments referred to in Articles L. 225-38, L. 225-42-1 and L. 225-22-1 of such Code, approves the commitments made with regard to Mr. Jean-Paul Agon presented in this report.

This decision is made on the condition precedent of renewal of the term of office as Chief Executive Officer of Mr. Jean-Paul Agon by the Board of Directors at its meeting to be held at the close of this general meeting.

Fifth resolution

Renewal of the tenure as Director of Sir Lindsay Owen-Jones

The Annual General Meeting renews the tenure as Director of Sir Lindsay Owen-Jones for a period of four years.

His tenure will expire at the end of the Annual General Meeting to be held in 2014 to review the financial statements for the previous financial year.

Sixth resolution

Renewal of the tenure as Director of Mr. Jean-Paul Agon

The Annual General Meeting renews the tenure as Director of Mr. Jean-Paul Agon for a period of four years.

His tenure will expire at the end of the Annual General Meeting to be held in 2014 to review the financial statements for the previous financial year.

Seventh resolution

Renewal of the tenure as Director of Mr. Francisco Castañer Basco

The Annual General Meeting renews the tenure as Director of Mr. Francisco Castañer Basco for a period of two years.

His tenure will expire at the end of the Annual General Meeting to be held in 2012 to review the financial statements for the previous financial year.

Eighth resolution

Renewal of the tenure as Director of Mr. Charles-Henri Filippi

The Annual General meeting renews the tenure as Director of Mr. Charles-Henri Filippi for a period of one year.

His tenure will expire at the end of the Annual General Meeting to be held in 2011 to review the financial statements for the previous financial year.

Ninth resolution

Renewal of the tenure as Director of Mr. Xavier Fontanet

The Annual General meeting renews the tenure as Director of Mr. Xavier Fontanet for a period of four years.

His tenure will expire at the end of the Annual General Meeting to be held in 2014 to review the financial statements for the previous financial year.

Tenth resolution

Renewal of the tenure as Director of Mr. Marc Ladreit de Lacharrière

The Annual General meeting renews the tenure as Director of Mr. Marc Ladreit de Lacharrière for a period of four years.

His tenure will expire at the end of the Annual General Meeting to be held in 2014 to review the financial statements for the previous financial year.

Eleventh resolution

Renewal of the terms of office of a Statutory Auditor and substitute Statutory Auditor

The Annual General meeting, after placing on record the expiry of the term of office of PricewaterhouseCoopers Audit, Statutory Auditor, and the term of office of Mr. Yves Nicolas, substitute Statutory Auditor, decides to renew their terms of office for a period of 6 financial years, namely until the close of the Annual General Meeting which will review the financial statements for the financial year ending December 31st, 2015.

Twelfth resolution

Renewal of the term of office of a Statutory Auditor and appointment of a substitute Statutory Auditor

The Annual General meeting, after placing on record the expiry of the term of office of Deloitte & Associés, Statutory Auditor, and the term of office of Mr. Jean-Paul Picard, substitute Statutory Auditor, decides:

- to renew the term of office of Deloitte & Associés as Statutory Auditor; and
- to appoint as substitute Statutory Auditor in respect of Deloitte & Associés, BEAS, 7, villa Houssay, 92524 Neuilly-sur-Seine Cedex, and registered with the Nanterre Trade and Companies Registry under number 315 172 445;

for a period of 6 financial years, namely until the close of the Annual General Meeting which will review the financial statements for the financial year ending December 31st, 2015.

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Thirteenth resolution

Authorisation for the company to buy back its own shares

The Annual General Meeting, having reviewed the report of the Board of Directors, authorises the Board of Directors, with the possibility for it to delegate to the Chief Executive Officer, to purchase shares of the company, in accordance with Articles L. 225-209 *et seq* of the French Commercial Code, and subject to the following conditions:

- the purchase price per share may not be greater than €130;
- the number of shares that may be bought by the company may not exceed 10% of the number of shares forming the capital of the company at the time the shares are bought back, that is, for information purposes, as of February 15th, 2010, 59,897,241 shares for a maximum amount of €7.8 billion, it being stipulated that the company may at no time hold over 10% of its own capital.

In the event of any transaction affecting the company's capital, in particular through capitalisation of reserves followed by the issue and grant of bonus shares, and/or share splits or reverse share splits, the amounts indicated above will be adjusted on the basis of the characteristics of the transaction.

The company may buy its own shares for the following purposes:

- their cancellation for purposes of optimising shareholders' equity and net earnings per share by a reduction in the capital, on condition of adoption of the fourteenth resolution set out below;
- their allocation to employees and corporate officers of the company and affiliates, under the terms and conditions provided for by French law, and in particular within the scope of employee profit-sharing schemes, share purchase options, free grants of shares or company savings schemes;
- stabilising the market through a liquidity agreement entered into with an investment services provider;
- retaining them and subsequently using them as payment in connection with external growth transactions.

The purchase of these shares may be carried out by any means, on one or more occasions, on or off the stock markets, including through the acquisition of blocks of shares.

These transactions may be carried out at any time, in accordance with the regulations in force at the time of the transactions concerned, except during periods of public offers with regard to the company's capital.

The Annual General Meeting decides that this authorisation will expire at the end of a period of 18 months following this Annual General Meeting and renders ineffective any prior authorisation for the same purpose.

Full powers are granted to the Board of Directors, with the possibility for it to delegate, for the implementation of this resolution.

5.2.2. Extraordinary Part

Fourteenth resolution

Delegation of authority to the Board of Directors to reduce the share capital by cancelling shares purchased by the company under Articles L. 225-209 and L. 225-208 of the French Commercial Code

The Annual General Meeting, having reviewed the report of the Board of Directors and the special report of the Statutory Auditors:

- authorises the Board of Directors, in accordance with Article L. 225-209 of the French Commercial Code, to cancel, on one or more occasions, the shares held by the company pursuant to Article L. 225-209 of the French Commercial Code, within the limit of 10% of the capital as of the date of cancellation, per twenty-four month period;
- authorises the Board of Directors, in accordance with Articles L. 225-204 and L. 225-205 of the French Commercial Code, to cancel, on one or more occasions, a maximum of 500,000 shares purchased by the company on the basis of Article L. 225-208 of the French Commercial Code to cover stock options to purchase shares which currently correspond, or will correspond in future, to options that are no longer exercisable.

Full powers are given to the Board of Directors, with the possibility for it to delegate, to:

- reduce the share capital by cancelling shares;
- decide on the final amount of the reduction in the share capital;
- set the methods and record the completion of such reduction in the share capital;
- offset the difference between the book value of the shares cancelled and their par value against all reserves and available share premiums;
- amend the Articles of Association accordingly;
- and more generally, do all that is necessary to implement this resolution.

These authorisations are granted for a period of twenty-six months as from the date of this Annual General Meeting and render ineffective as of the date hereof any prior authorisation granted for the same purpose.

Fifteenth resolution

Powers for formalities

The Annual General Meeting grants full powers to the bearer of an original, copy or extract of these minutes to accomplish all legal and administrative formalities, and to make all filings and announcements prescribed by law.

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6 Additional Information

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6.1. General information relating to the company

6.1.1. Share capital

See information on pages 83 to 89 of this Document.

6.1.2. Legal form

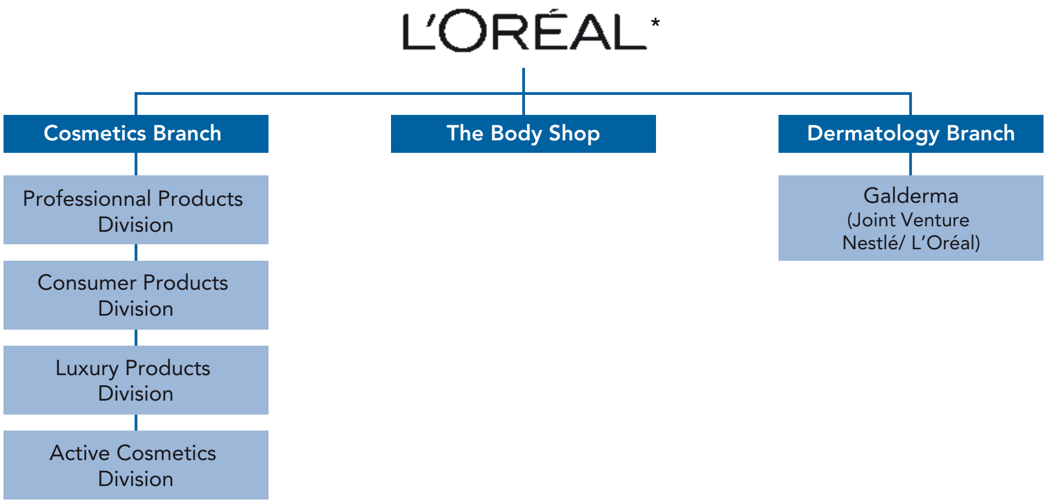
L'Oréal is incorporated in France as a "*société anonyme*".

6.1.3. Law governing the Issuer

French law.

6.1.4. Business activity

The L'Oréal Company, in addition to its role of strategic, scientific and industrial coordination of the Group on a global basis, also functions as a holding company and performs a sales activity that is specific to France. Most of the subsidiaries have a role of development and marketing of the products made in the Group's factories. L'Oréal wholly owns the vast majority of its subsidiaries (see the organisation chart set out below). In the other subsidiaries, minority interests are not material. It also has substantial investments in non-consolidated companies (pages 57 to 61 and pages 160 to 164).



* Almost all subsdiaries are directly attached to L'Oréal S.A. with a holding or control percentage equal to or close to 100%. Their detailled list figures in the annexes of the consolidated and Parent Company financial statements on pages 57 to 61 and 160 to 164 respectively.

6.1.5. Date of Incorporation and term of the company (Article 5 of the Articles of Association)

"The company's term shall be ninety-nine years, which began to run on January 1st, 1963 and which shall thus expire on December 31st, 2061, except in the event of early dissolution or of extension, as provided for in these Articles of Association."

6.1.6. Purpose of the company (extracts from Article 2 of the Articles of Association)

"The company's corporate purpose, both in France and/or at any other location anywhere throughout the entire world, shall be as follows:

- the manufacturing and the sale of cosmetics products in general; of all devices intended for the same uses as the products listed above; of all household maintenance products; of all products and articles relating to feminine and child hygiene and to the embellishment of human beings; the demonstration and advertising of such products; the manufacturing of packaging articles;

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- the filing and acquisition of all patents, licenses, processes and manufacturing trademarks, their exploitation, their assignment and/or their contribution;
- all diversification transactions and all commercial, financial, movable property and/or real property transactions, made in the company's interest, in any form whatsoever;
- the direct or indirect involvement in all transactions such as those listed above, in particular by means of the creation of companies, the contribution to pre-existing companies, the merger or the alliance with such companies."

6.1.7. Company registration number

632 012 100 Paris Trade and Companies Registry.

6.1.8. Consultation of documents relating to the company

The Articles of Association, financial statements, reports and information for shareholders can be consulted at 41 rue Martre, 92117 Clichy, France, preferably by appointment. See also the www.loreal-finance.com website.

6.1.9. General Management (Article 11 of the Articles of Association)

"1. In accordance with legal provisions, the General Management of the Company is assumed, under its responsibility, either by the Chairman of the Board of Directors, or by another natural person appointed by the Board of Directors and bearing the title of Chief Executive Officer.

The choice between these two modes of exercising General Management is made by the Board of Directors each time a Chairman of the Board of Directors or a Chief Executive Officer is appointed or has his tenure renewed. The Board of Directors must inform shareholders and third parties of this choice in accordance with the statutory provisions.

The choice of the Board of Directors concerning the mode of exercise of the General Management is made on the basis of a majority vote of the directors present or represented.

Changing the mode of exercise of the General Management does not involve a modification of the Articles of association.

2. Depending on the choice made by the Board of Directors in accordance with the provisions of § 1 above, the General Management is carried out either by the Chairman, or by a natural person, appointed by the Board of Directors and bearing the title of Chief Executive Officer.

3. The Chief Executive Officer is granted the most extensive powers to act in all circumstances on behalf of the Company. He exercises these powers within the limitations of the object of the Company, and subject to the powers expressly granted by law to Shareholders' Meetings.

The Chief Executive Officer represents the Company in its relations with third parties. The Company is bound even by actions of the Chief Executive Officer which are outside the object of the Company, unless the Company can prove that the third party was aware that the action was outside the object of the Company, or that the third party could not be unaware of this in view of the circumstances, it being stated however that the mere publication of the Articles of association does not constitute such proof.

4. On the proposal of the Chief Executive Officer, whether this office is assumed by the Chairman of the Board of Directors or by another person, the Board of Directors may appoint one or more natural persons in charge of assisting the Chief Executive Officer, with the title of Deputy Chief Executive Officer.

In agreement with the Chief Executive Officer, the Board of Directors determines the extent and duration of the powers granted to the Deputy Chief Executive Officers."

6.1.10. Fiscal year (Article 14 of the Articles of Association)

"Each fiscal year shall have a duration of twelve months, to begin on January 1st and to end on December 31st of each year."

6.1.11. Distribution of profits (Article 15 of the Articles of Association)

"A. From the distributable profits, the following amounts shall be withheld, in the following order:

1. The amount required to pay the "primary dividend" to the shareholders equal to five percent (5%) of the amounts paid up on the unredeemed securities in accordance with calls for funds, provided however that (where the profits for a given year do not allow such dividend to be paid) the shareholders shall not be entitled to claim such dividend from out of the profits of subsequent years.

2. From the available remainder, the Ordinary General Meeting, upon a proposal by the Board of Directors, shall have the authority to resolve to withhold the amounts that it deems appropriate (and even the entire amount of such available remainder), either to be carried forward to the next fiscal year, or to be paid into a "prudential fund" or into one or more ordinary, extraordinary or special reserve funds. Such reserve fund(s), which shall not bear any interest, may be distributed to the shareholders, or allocated to complete the 5% primary dividend for the shareholders, in the event of insufficient results during one or more fiscal years, or to acquire and to cancel shares in the company, or to redeem in whole or in part such shares.

3. The remaining balance (if any) shall be divided up among all the shareholders, without any discrimination, and each share shall entitle its holder to receive the same income.

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However, any shareholder who can prove at the end of a financial year, that shares have been registered in his name for at least two years and that they continue to be registered in his name at the date of payment of the dividend paid for such financial year, will be entitled to a preferential dividend on the shares that are thus registered, equal to 10% of the dividend (initial dividend and additional dividend) paid on the other shares, including in the event of payment of the dividend in new shares, the preferential dividend thus paid being rounded down to the nearest lower cent, if necessary.

Similarly, any shareholder who can prove, at the end of a financial year, that shares have been registered in his name for at least two years and that they continue to be registered in his name at the date of completion of an increase in capital carried out through capitalisation of reserves, profits or share premiums by the distribution of bonus shares, shall be entitled to an increase in the number of bonus shares to be distributed to him, equal to 10%, this number being rounded down to the nearest lower unit in the event of fractional share rights.

The new shares created in this manner will be identical, for the purposes of calculating the rights to the preferential dividend and to the increased share allocations, to the old shares from which they result.

The number of shares eligible for these preferential dividends may not exceed 0.5% of the share capital at the closing date of the past financial year, for the same shareholder.

B. The losses (if any) shall be charged to the retained earnings from preceding fiscal years or to the reserve funds, and the balance shall be booked into a special "carry forward" account."

6.1.12. Annual General Meetings

Annual General Meetings are governed by all the legal provisions and regulations laid down in this connection.

Since the Annual General Meeting of April 29th, 2004, double voting rights have been eliminated.

6.1.13. Statutory share ownership threshold

"Any holder, whether direct or indirect, of a fraction of the company's share capital equal to 1%, or to a multiple of this percentage lower than 5%, is required to inform the company within a period of fifteen days in the event that these thresholds have been passed in either direction" (Article 7, paragraph 2 of the Articles of Association). This provision of the Articles of Association supplements the legal requirements covering disclosures concerning the crossing, upwards or downwards, of thresholds relating to one-twentieth, one-tenth, three-twentieths, one-fifth, one-quarter, one-third, one-half, two thirds, eighteen-twentieths or nineteen-twentieths of share capital or of voting rights (Article L. 233-7 of the French Commercial Code).

"If not disclosed in accordance with the conditions stipulated by law or by the Articles of Association, shares exceeding the fraction which should have been disclosed are deprived of voting rights at Shareholders' Meetings, in accordance with the conditions stipulated in the French Commercial Code, if during a meeting the failure to disclose is noted, and if one or more shareholders together holding at least 5% of the share capital, so request during the meeting" (Article 7, paragraph 3 of the Articles of Association).

See also the complete text of the Articles of Association on the www.loreal-finance.com internet site.

6.2. The L'Oréal share

6.2.1. Information on the L'Oréal share

Isin code: FR0000120321.

Loyalty bonus code: dividend +10% in 2012: FR0010833269

Minimum lot: 1 share.

Par value: €0.2.

Trading on the spot market of the Paris Stock Exchange.

Eligible for the Deferred Settlement Service (SRD).

Unsponsored American Depositary Receipts are freely traded in the United States through certain banks operating in the United States.

6.2.2. Share price

Price at December 31st, 2009	€78.00
High	€79.32 at December 30th, 2009
Low	€46.00 at March 9th, 2009
Annual increase in share price at December 31st, 2009	
• L'Oréal	25.20%
• CAC 40	22.32%
• Euronext 100	25.48%
• DJ Euro Stoxx 50	21.14%
Market capitalisation at December 31st, 2009	€46.72 billion
At December 31st, 2009, the L'Oréal share accounted for:	
• of the CAC 40	2.61%
• of the Euronext 100	2.89%
• of the DJ Euro Stoxx 50	1.15%

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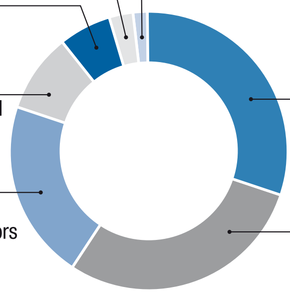
BREAKDOWN OF SHARE OWNERSHIP AS AT DECEMBER 31ST 2009



*In L'Oréal's employee saving plans.

6.3. L'Oréal share market

6.3.1. Trading volume and change in the price of the company's share

According to NYSE-EURONEXT data, the only stock market for which reliable retrospective statistics could be collected.

	Price			Average daily trading volume (€ millions)
Date	High	Low	Average	
2007				
January	81.85	74.25	77.00	118.56
February	83.24	79.10	81.12	112.01
March	82.30	76.40	79.10	131.51
April	89.20	81.42	85.93	142.89
May	88.50	84.07	86.72	143.90
June	90.24	84.85	87.45	127.14
July	88.74	81.11	85.11	135.64
August	88.87	81.17	84.32	143.39
September	93.49	82.89	88.63	135.67
October	94.90	87.90	91.83	117.97
November	95.80	86.50	91.72	118.48
December	99.97	93.30	96.50	115.86

	Price			Average daily trading volume (€ millions)
Date	High	Low	Average	
2008				
January	99.26	74.25	86.62	205.43
February	87.89	77.87	81.85	135.27
March	82.73	75.56	78.72	137.87
April	85.19	72.47	77.70	154.00
May	79.65	76.26	77.81	102.11
June	78.70	66.00	73.06	110.42
July	70.38	60.62	66.51	118.92
August	75.10	66.27	69.99	95.28
September	78.50	67.24	71.84	149.52
October	70.80	53.32	63.39	183.47
November	67.90	57.78	62.10	109.40
December	64.80	58.26	61.86	81.26

	Price			Average daily trading volume (€ millions)
Date	High	Low	Average	
2009				
January	65.40	50.00	56.95	83.78
February	56.00	50.00	52.66	72.18
March	52.50	46.00	50.30	75.75
April	55.61	49.29	52.62	83.90
May	58.50	54.48	56.45	61.83
June	57.05	51.85	54.10	54.33
July	62.68	50.72	54.44	50.99
August	71.00	58.51	61.48	67.78
September	69.05	65.01	67.52	71.02
October	71.46	64.50	68.28	58.35
November	74.75	68.69	72.19	61.16
December	79.32	72.64	76.37	60.77

	Price			Average daily trading volume (€ millions)
Date	High	Low	Average	
2010				
January	80.22	75.60	77.91	61.59
February	77.97	71.90	75.53	84.15

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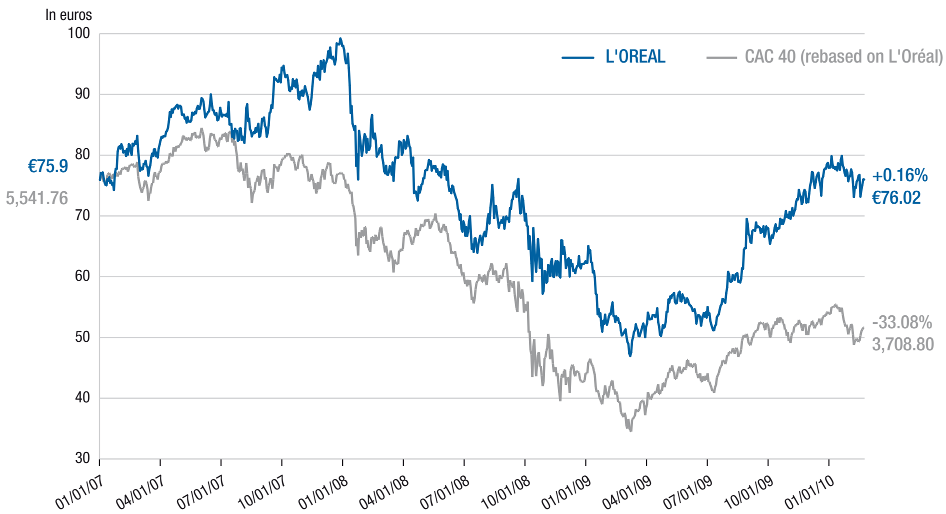
CHANGE IN THE L'OREAL SHARE PRICE COMPARED TO THE CAC 40 INDEX FROM JANUARY 1ST 2007 TO FEBRUARY 26 TH 2010



6.3.2. Total Shareholder Return

Amongst the various economic and financial indicators used to measure shareholder value, L'Oréal has chosen to apply the criterion of Total Shareholder Return (TSR). This indicator takes into account not only the value of the share but also the dividend income received (excluding tax credits).

6.3.2.1. 3-year evolution of a portfolio of approximately €15,000 invested in L'Oréal shares with reinvestment of coupons

Date of transaction	Nature of transaction	Investment (€)	Income (€)	Number of shares after the transaction
12.31.2006	Purchase of 198 shares at €75.90	15,028.20		198
05.03.2007	Dividend: €1.18 per share, excluding tax credit		233.64	198
	Reinvestment: purchase of 3 shares at €86.67	260.01		201
04.30.2008	Dividend: €1.38 per share, excluding tax credit		277.38	201
	Reinvestment: purchase of 4 shares at €76.21	304.84		205
04.27.2009	Dividend: €1,44 per share, excluding tax credit		295.20	205
	Reinvestment: purchase of 6 shares at €52.015	312.09		211
Total		**15,905.14**	**806.22**	
Total net investment		**15,098.92**		

Portfolio value at 12.31.2009 (211 shares at €78.00): €16,458.00.

The initial capital has thus been multiplied by 1.1 over 3 years (3-year inflation rate = 4.6% - Source: INSEE) and the final capital is 1.09 times the total net investment.

The Total Shareholder Return of the investment is thus 2.84% per year (assuming that the shares are sold on December 31st, 2009, excluding tax on capital gains).

NOTE: Any income tax that may be paid by the investor as a result of the successive dividend payments is not taken into account.

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6.3.2.2. 10-year evolution of a portfolio of approximately €15,000 invested in L'Oréal shares with reinvestment of coupons and fractional allocation

Date of transaction	Nature of transaction	Investment (€)	Income (€)	Number of shares after the transaction
12.31.1999	Purchase of 19 shares, at €796.50	15,133.50		19
06.15.2000	Dividend: €3.40 per share, excluding tax credit		64.60	19
	Reinvestment: purchase of 1 share at €825.00	825.00		20
07.03.2000	Ten-for-one share split			200
06.08.2001	Dividend: €0.44 per share, excluding tax credit		88.00	200
	Reinvestment: purchase of 2 shares at €78.15	156.30		202
06.04.2002	Dividend: €0.54 per share, excluding tax credit		109.08	202
	Reinvestment: purchase of 2 shares at €74.95	149.90		204
05.27.2003	Dividend: €0.64 per share, excluding tax credit		130.56	204
	Reinvestment: purchase of 3 shares at €61.10	183.30		207
05.14.2004	Dividend: €0.73 per share, excluding tax credit		151.11	207
	Reinvestment: purchase of 3 shares at €63.65	190.95		210
05.11.2005	Dividend: €0.82 per share		172.20	210
	Reinvestment: purchase of 4 shares at €56.50	226.00		214
05.10.2006	Dividend: €1.00 per share		214.00	214
	Reinvestment: purchase of 3 shares at €72.65	217.95		217
05.03.2007	Dividend: €1.18 per share		256.06	217
	Reinvestment: purchase of 3 shares at €86.67	260.01		220
04.30.2008	Dividend: €1.38 per share		303.60	220
	Reinvestment: purchase of 4 shares at €76.21	304.84		224
04.24.2009	Dividend: €1.44 per share		322.56	224
	Reinvestment: purchase of 7 shares at €52.015	364.11		231
Total		**18,011.86**	**1,811.77**	
Total net investment		**16,200.09**		

Portfolio value at 12.31.2009 (231 shares at €78.00): €18,018.00.

The initial capital has thus been multiplied by 1.19 over 10 years (10-year inflation rate = 18.1% - Source: INSEE) and the financial capital is 1.11 times the total net investment.

The Total Shareholder Return of the investment is thus 1.08% per year (assuming that the shares are sold on December 31st, 2009, excluding tax on capital gains).

NOTE: any income tax that may be paid by the investor as a result of the successive dividend payments is not taken into account.

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6.3.2.3. 20-year evolution of a portfolio of approximately €15,000 invested in L'Oréal shares with reinvestment of coupons and fractional allocation

Date of transaction	Nature of transaction	Investment (€)	Income (€)	Number of shares after the transaction
12.31.1989	Purchase of 20 shares, at €756.91	15,138.20		20
06.29.1990	Dividend: €9.15 per share, excluding tax credit		182.94	20
	Reinvestment: purchase of 1 share at €827.80	827.80		21
07.06.1990	Ten-for-one share split			210
06.28.1991	Dividend: €1.07 per share, excluding tax credit		224.10	210
	Reinvestment: purchase of 3 shares at €87.20	261.60		213
06.26.1992	Dividend: €1.28 per share, excluding tax credit		272.76	213
	Reinvestment: purchase of 2 shares at €140.25	280.51		215
06.25.1993	Dividend: €1.46 per share, excluding tax credit		314.65	215
	Reinvestment: purchase of 2 shares at €167.69	335.38		217
06.28.1994	Dividend: €1.65 per share, excluding tax credit		357.28	217
	Reinvestment: purchase of 3 shares at €167.69	503.07		220
06.28.1995	Dividend: €1.86 per share, excluding tax credit		409.17	220
	Reinvestment: purchase of 3 shares at €185.84	557.52		223
06.28.1996	Dividend: €2.03 per share, excluding tax credit		452.15	223
	Reinvestment: purchase of 2 shares at €260.54	521.08		225
07.01.1996	Issue of bonus shares (1 for 10)			247
07.31.1996	Compensation for 5 unused share attribution rights at €22.86 per right		114.28	247
	Reinvestment: purchase of 1 share at €236.91	236.91		248
07.01.1997	Dividend: €2.13 per share, excluding tax credit		529.30	248
	Reinvestment: purchase of 2 shares at €393.93	787.86		250
06.12.1998	Dividend: €2.44 per share, excluding tax credit		609.80	250
	Reinvestment: purchase of 2 shares at €473.05	946.10		252
06.15.1999	Dividend: €2.82 per share, excluding tax credit		710.72	252
	Reinvestment: purchase of 2 shares at €586.50	1,173.00		254
06.15.2000	Dividend: €3.40 per share, excluding tax credit		863.60	254
	Reinvestment: purchase of 2 shares at €825.00	1,650.00		256
07.03.2000	Ten-for-one share split			2,560
06.08.2001	Dividend: €0.44 per share, excluding tax credit		1,126.40	2,560
	Reinvestment: purchase of 15 shares at €78.15	1,172.25		2,575
06.04.2002	Dividend: €0.54 per share, excluding tax credit		1,390.50	2,575
	Reinvestment: purchase of 19 shares at €74.95	1,424.05		2,594
05.27.2003	Dividend: €0.64 per share, excluding tax credit		1,660.16	2,594
	Reinvestment: purchase of 28 shares at €61.10	1,710.80		2,622
05.14.2004	Dividend: €0.73 per share, excluding tax credit		1,914.06	2,622
	Reinvestment: purchase of 31 shares at €63.65	1,973.15		2,653
05.11.2005	Dividend: €0.82 per share		2,175.46	2,653
	Reinvestment: purchase of 39 shares at €56.50	2,203.50		2,692
05.10.2006	Dividend: €1.00 per share		2,692.00	2,692
	Reinvestment: purchase of 38 shares at €72.65	2,760.70		2,730
05.03.2007	Dividend: €1.18 per share		3,221.40	2,730
	Reinvestment: purchase of 38 shares at €86.67	3,293.46		2,768
04.30.2008	Dividend: €1.38 per share		3,819.84	2,768
	Reinvestment: purchase of 51 shares at €76.21	3,886.71		2,819
04.24.2009	Dividend: €1.44 per share		4,059.36	2,819
	Reinvestment: purchase of 79 shares at €52.015	4,109.19		2,898
Total		**45,752.83**	**27,099.94**	
Total net investment		**18,652.90**		

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Portfolio value at 12.31.2009 (2,898 shares at €78.00): €226,044.00.

The initial capital has thus been multiplied by 14.93 over 20 years (20-year inflation rate = 40.9% - Source: INSEE) and the final capital is 12.12 times the total net investment.

The Total Shareholder Return of the investment is thus 13.94% per year (assuming that the shares are sold on December 31st, 2009, excluding tax on capital gains).

NOTE: Any income tax that may be paid by the investor as a result of the successive dividend payments is not taken into account.

6.3.3. Dividends

The limitation period for dividends is five years. Any dividends for which payment has not been requested are paid to the *Caisse des Dépôts et Consignations*.

6.4. Investment policy

L'Oréal is an industrial company whose development is governed by three types of investment:

1. scientific investments and investments in equipment which are explained at length in several sections of the Annual Report (see, in particular, Volume 1, pages 15 and 89);
2. marketing investments which are made on an ongoing basis and inherent to the Group's activities, particularly in the cosmetics industry. In order to win new market shares, thorough research has to be conducted all over the world, and advertising and promotional expenses have to be incurred which are modulated depending on the familiarity of the brands and their competitive position;
3. financial investments which are strictly occasional. They reflect a strategy of moderate external growth which is implemented essentially with a view to exploiting long term opportunities.

For reasons relating to strategy and competition, L'Oréal cannot therefore answer questions relating to future investments.

Around a third of the Investments of approximately €630 million in 2009 concern production and physical distribution, while marketing investments, including moulds, POS and boutiques, account for 40%. The balance relates to Research and headquarters in different countries. IT investments spread over all these categories represented 20% of total investments. (See note 12 on page 31 and note 14 on page 34 of this document).

6.5. Information policy

Every year, L'Oréal endeavours to improve the quality of information and the dialogue with its shareholders and French and international investors.

In the context of the stock market turbulence in 2009, L'Oréal's Financial Communications Department took care to reinforce and enhance the information provided to shareholders and multiplied the opportunities for meetings and exchanges with the financial community.

High-performing Financial Communication tools:

The Annual Report, the Reference Document and Letters to Shareholders were regularly improved by enriching their content and extending their circulation, particularly with the increase in the number of shareholders holding registered shares. A Shareholder Guide, published in autumn 2009, is proposed to all those who want to learn more about our share and take part in the L'Oréal adventure. A brochure on registered shares was sent to all holders of bearer shares.

More and more shareholder events for a regular, detailed dialogue:

- like it does every year, the Financial Communications Department organised two major financial information meetings for analysts and investors, to which journalists specialising in the cosmetics sector are invited. The presentations of the L'Oréal Group's financial results and the business activities of the operating Divisions are

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broadcast live online on the financial website www.loreal-finance.com, and the information presented is made available on this website on the same day, both for the annual results and the half-year results;

- the Annual General Meeting of April 16th, 2009 voted in favour of an amendment of the articles of association which makes it possible to pay a preferential dividend to L'Oréal shareholders who have held their shares in registered form for at least 2 years. This real "loyalty bonus" for shareholders who accompany the Group's development on a long-term basis, was the object of a targeted communication campaign which proved to be a great success with a large number of shares being registered;
- 10 meetings with shareholders in several large provincial cities in France and also in foreign countries, in collaboration with the French Investment Club Federation (*Fédération Française des Clubs d'Investissement* – FFCI), the Society of Investor Relation Managers in France (*Cercle de Liaison des Informateurs Financiers en France* – CLIFF), shareholder associations and financial newspapers brought together over 3,000 participants;
- participation in the Actionaria Stock Market Fair at the *Palais des Congrès* in Paris on November 20th and 21st, 2009 enabled the many shareholders present to meet representatives of the L'Oréal Group face-to-face and to obtain information on how to register shares in their name. At this Fair, L'Oréal was given the special award for "Corporate Social and Shareholder Responsibility" by the *Mieux Vivre Votre Argent magazine* in recognition of its overall vision of shareholder, social and environmental policy;
- outside France, numerous meetings with institutional investors in the main international financial centres are organised throughout the year;
- finally, the "Rolling panel of shareholders" that L'Oréal has held for many years is being changed into the "Shareholder Consultation Committee" consisting of 16 shareholders (both registered and bearer shareholders) called on to participate, through their reflections and their work, in developing and enriching the Group's Financial Communication.

The financial website www.loreal-finance.com, created in 1997 for the use of international finance professionals and all L'Oréal shareholders was revised and enhanced in 2009. Tens of thousands of visits are made to the site each month.

Finally, a freephone service is available to L'Oréal shareholders calling from France (0 800 66 66 66) or other countries (+33 1 40 14 80 50). An interactive vocal server gives shareholders round-the-clock access to information on the share price and key dates or provides them with a summary of the latest press release. The Shareholder Services Department is also available on this number during opening hours (See also the shareholder pages in Volume 1, pages 96 and 97).

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6.6. Annual information document

This annual information document has been drawn up in application of Article 451-1-1 of the French Monetary and Financial Code and Article 221-1-1 of the General Regulation of the AMF (Autorité des Marchés Financiers). This document lists the information published or made public by L'Oréal from January 1st, 2009 to February 28th, 2010 to meet its legal or regulatory obligations.

Information available on the www.loreal-finance.com website

6.6.1. Press releases

Date	Press releases
February 16th, 2009	2008 Annual Results
February 20th, 2009	Remuneration of L'Oréal Corporate Officers
March 23rd, 2009	Extraordinary and Ordinary General Meeting of April 16th, 2009/2008 Annual Report
April 9th, 2009	Press release of the Bettencourt family and Nestlé S.A.
April 16th, 2009	Extraordinary and Ordinary General Meeting of April 16th, 2009
May 6th, 2009	First quarter 2009 sales
July 30th, 2009	First half 2009 sales
August 27th, 2009	First half 2009 Financial Report
November 5th, 2009	Sales at September 30th, 2009
January 5th, 2010	L'Oréal USA acquires Maly's Midwest and Marshall Salon Services, extending its coverage of American hair salons
February 15th, 2010	2009 Annual Results
February 19th, 2010	Remuneration of the corporate officers of L'Oréal

6.6.2. Reference Document

Date	Type of document
March 20th, 2009	2008 Reference Document no. D. 09-0141 (AMF registration)

6.6.3. "Bulletin des annonces légales et obligatoires"

Date	Issue No.	Publication
March 6th, 2009	28	Published notice of Shareholders' and Equity Interest Holders' Meeting
March 27th, 2009	37	Notice to attend the Shareholders' and Equity Interest Holders' Meeting
May 6th, 2009	54	Approval of 2008 financial statements

6.6.4. Publication of notices in journals of legal notices

Journal of legal notices	Publication date	Purpose of notice
Les Petites Affiches	February 27th, 2009, no. 42	Capital increase, capital reduction, amendment of the Articles of Association
La Gazette du Palais	March 29th - 31st, 2009, page 61	Notice to attend the Shareholders' Meeting

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6.6.5. Information registered with the Paris Commercial Court

Publication date and number	Purpose of notice
03.03.2009, registration no. 19193	Capital increase and capital reduction (extract from the minutes of the Board of Directors' Meeting of February 16th, 2009)
03.03.2009, registration no. 19193	Updated Articles of Association at February 16th, 2009
04.24.2009, registration no. 18604	2008 consolidated annual financial statements
04.24.2009, registration no. 18603	2008 annual parent company financial statements
05.14.2009, registration no. 40340	Capital increase and capital reduction (extract from the minutes of the Board of Directors' Meeting of April 16th, 2009)
05.14.2009, registration no. 40340	Updated Articles of Association at April 16th, 2009

6.7. Recent events and prospects

February 15th, 2010

2009 Annual Results: with solid, good quality results L'Oréal has prepared itself well for a return to growth in 2010.

The full text of this news release is available online and can be consulted on the www.loreal-finance.com website.

To the knowledge of the company, at February 26th, 2010, no event has occurred that could have a significant impact on the financial or commercial situation of the Group since December 31st, 2009.

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6.8. Auditors

2007, 2008 and 2009	Date of first appointment	Term of office	Expiry date
Auditors			
PricewaterhouseCoopers Audit Auditor, member of the "Compagnie Régionale de Versailles", represented by Etienne Boris 63 rue de Villiers 92200 Neuilly-sur Seine (France)	April 29th, 2004	6 years	AGM reviewing the financial statements for 2009 to be held in 2010
Deloitte & Associés Auditor, member of the "Compagnie Régionale de Versailles", represented by David Dupont Noel 185 avenue Charles de Gaulle 92200 Neuilly-sur-Seine (France)	April 29th, 2004	6 years	
Substitute auditors			
Mr Yves Nicolas 63 rue de Villiers 92200 Neuilly-sur-Seine (France)	April 29th, 2004	6 years	
Mr Jean-Paul Picard 47 rue de Courcelles 75008 Paris (France)	May 29th, 2001 (1)	6 years	

(1) Renewed on April 29th, 2004.

6.9. Fees of Auditors and members of their networks charged to the Group

See note 30 to consolidated financial statements on page 56 of this document.

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6.10. Historical financial information included by reference

In accordance with Article 28 of European Regulation EC No. 809-2004 of April 29th, 2004, this 2009 Reference Document contains the following information by reference:

- the consolidated financial statements for the year ended December 31st, 2008, prepared in accordance with IFRS and the related Statutory Auditors' Report presented on pages 4 to 57 and page 188 of Volume 2 of the 2008 Reference Document filed with the *Autorité des Marchés Financiers* on March 20th, 2009 under the number D. 09-0141, and also information extracted from the 2008 Management Report presented on pages 60 to 67 of Volume 2 of the Reference Document;
- the consolidated financial statements for the year ended December 31st, 2007, prepared in accordance with IFRS and the related Statutory Auditors' Report presented on pages 5 to 56 and page 175 of Volume 2 of the 2007 Reference Document filed with the Autorité des Marchés Financiers on March 27th, 2008 under the number D. 08-0153, and also information extracted from the 2007 Management Report presented on pages 59 to 65 of Volume 2 of the Reference Document.

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7 Statutory Auditors' reports and Declaration

* *This information forms an integral part of the Annual Financial Report as provided for in Article L. 451-1-2 of the French Monetary and Financial Code.*

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7.1. Statutory Auditors' report on the financial statements

(Year ended December 31st, 2009)

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31st, 2009, on:

- the audit of the accompanying financial statements of L'Oréal;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the company at December 31st, 2009, and of the results of its operations for the year then ended in accordance with French accounting principles.

Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matter:

Investments have been valued in accordance with the accounting methods described in note 1.7.1 "Accounting policies – Financial Assets – Investments and advances" to the company's financial statements. As part of our audit, we reviewed whether these accounting methods were appropriate and evaluated the assumptions used.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.
This report also includes information relating to the specific verification of information given in the Management Report.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

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Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the other specific verifications required by law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Management Report of the Board of Directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code relating to remuneration and benefits received by corporate officers and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of shareholders and holders of the voting rights has been properly disclosed in the Management Report.

Neuilly-sur-Seine, February 19th, 2010

The Statutory Auditors

PricewaterhouseCoopers Audit
Etienne Boris

Deloitte & Associés
David Dupont-Noel

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7.2. Statutory Auditors' report on the consolidated financial statements

(Year ended December 31st, 2009)

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31st, 2009, on:

- the audit of the accompanying consolidated financial statements of L'Oréal;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements, based on our audit.

Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31st, 2009 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to notes 1.1 "Changes in accounting policies" and 1.2 "Presentation of financial statements" to the consolidated financial statements relating to changes in accounting methods and to the presentation of financial statements from January 1st, 2009.

Justification of our assessments

In accordance with the requirements of Article L. 823-9 of French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- L'Oréal performs impairment tests on goodwill and intangible assets with indefinite useful lives at least once a year and whenever there is an indication that an asset may be impaired, in accordance with the methods set out in notes 1.17 and 13 to the consolidated financial statements. We have reviewed the terms and conditions for implementing these impairment tests as well as the assumptions applied;
- obligations relating to pensions, early retirement benefits and other related benefits granted to employees have been valued and recorded in accordance with the accounting policies described in notes 1.25 and 21 to the consolidated financial statements. We have reviewed and analyzed the valuation methods of these obligations and the data used and the assumptions applied.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group's Management Report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine, February 19th, 2010

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Etienne Boris	David Dupont-Noel

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes explanatory paragraphs discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.
This report also includes information relating to the specific verification of information given in the Group's Management Report.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

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7.3. Statutory Auditors' report, prepared in accordance with Article L. 225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors

(Year ended December 31st, 2009)

In our capacity as Statutory Auditors of L'Oréal and in accordance with Article L. 225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code for the year ended December 31st, 2009.

It is the Chairman's responsibility to prepare and submit to the Board of Directors for approval, a report describing the Internal Control and risk management procedures implemented by the company and providing the other information required by Article L. 225-37 of the French Commercial Code in particular relating to corporate governance.

It is our responsibility:

- to report to you our observations on the information set out in the Chairman's report on Internal Control and risk management procedures relating to the preparation and processing of financial and accounting information; and
- to attest that the report sets out the other information required by Article L. 225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the Internal Control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform procedures to assess the fairness of the information on Internal Control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted of:

- obtaining an understanding of the Internal Control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the Internal Control procedures relating to the preparation and processing of the financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on Internal Control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman's report, prepared in accordance with Article L. 225-37 of the French Commercial Code.

Other information

We attest that the Chairman's report sets out the other information required by Article L. 225-37 of the French Commercial Code.

Neuilly-sur-Seine, February 19th, 2010

The Statutory Auditors

PricewaterhouseCoopers Audit
Etienne Boris

Deloitte & Associés
David Dupont-Noel

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

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7.4. Statutory Auditors' special report on regulated agreements and commitments with third parties

(Year ended December 31st, 2009)

In our capacity as Statutory Auditors of your Company, we hereby present our report on regulated agreements and commitments with third parties.

Regulated agreements and commitments with third parties authorized during the year ended December 31st, 2009 and up to the date of this report

In accordance with Article L. 225-40 of the French Commercial Code (*Code de commerce*), we have been informed of the following agreements and commitments that received prior authorization of the Board of Directors up to the date of this report.

Our responsibility does not include identifying any undisclosed agreements or commitments. We are required to report to shareholders, based on the information provided, on the main terms and conditions of the agreements and commitments that have been disclosed to us, without commenting on their relevance or substance. Under the provisions of Article R. 225-31 of the French Commercial Code, it is the responsibility of shareholders to determine whether the agreements are appropriate and should be approved.

We performed the procedures that we deemed necessary with regard to French professional standards in relation to this engagement. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

Board of Directors' meeting of February 15th, 2010

Nature, purpose, terms and conditions

The Board of Directors' meeting of February 15th, 2010 authorized an agreement to be entered into between your Company and its Chief Executive Officer, Mr. Jean-Paul Agon, which provides as follows:

Confirmation of the suspension of Mr. Jean-Paul Agon's employment contract

The Board of Directors decided to maintain the suspension of Mr. Jean-Paul Agon's employment contract during the period of his corporate office.

Elimination of all rights to any indemnity in respect of Mr. Jean-Paul Agon's corporate office

The Board of Directors has decided to eliminate all right to any indemnity in the event of termination of the corporate office.

In the event of departure, and depending on the reasons, Mr. Jean-Paul Agon would only be paid the dismissal indemnities, except in the event of gross misconduct or gross negligence, or retirement indemnities in the event of voluntary retirement or retirement at the company's request due pursuant to the employment contract that has been suspended. These indemnities, which are attached solely to termination of the employment contract and in strict application of the National Collective Bargaining Agreement for the Chemical Industries and the company-level agreements applicable to all L'Oréal executives, are due in any event pursuant to public policy rules. They are not subject to any condition other than those provided for by the National Collective Bargaining Agreement for the Chemical Industries or the above-mentioned company-level agreements. The same applies to the non-competition clause and the related financial consideration.

Remuneration in respect of the corporate office will in no event be taken into consideration for calculation of the indemnities due pursuant to the collective bargaining agreement and the company-level agreements applicable to all L'Oréal executives.

Mr. Jean-Paul Agon will continue to benefit from the defined benefit pension scheme currently applicable to the Group's senior managers.

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and regulated commitments issued in French and is provided solely for the convenience of English speaking readers. This report on regulated agreements and regulated commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and the report does not apply to those related party agreements described in IAS 24 or other equivalent accounting standards.

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Amendment of certain terms and conditions relating to the suspension of the employment contract

The terms and conditions relating to the suspension of Mr. Jean-Paul Agon's employment contract have been amended as follows:

- the reference remuneration to be used to calculate all the rights attached to the employment contract and in particular to compute the pension under the defined benefit scheme will be based on the amount of remuneration under the employment contract when it was suspended in 2006, namely fixed remuneration of €1,500,000 and variable remuneration of €1,250,000. This reference remuneration is reviewed every year by applying the revaluation coefficient in respect of salaries and pension contributions published by the French State pension fund. As of January 1st, 2010, the fixed remuneration amounts to €1,570,500 and variable remuneration to €1,308,750;
- the length of service applied will take into consideration his entire career, including the years during which he was Chief Executive Officer.

Mr. Jean-Paul Agon will continue to benefit from the status of senior manager throughout the period of his corporate office

Mr. Jean-Paul Agon will continue to be entitled to benefit from the additional social protection schemes and in particular the employee benefit and healthcare schemes available to the company's employees due to the fact that he will be treated as a senior manager throughout the entire period of his corporate office.

This agreement supersedes the agreements and commitments previously authorized by the Board of Directors' meetings of April 25th, 2006 and February 13th, 2008.

Neuilly-sur-Seine, February 19th, 2010

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Etienne Boris	David Dupont-Noel

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7.5. Statutory Auditors' special report on the cancellation of own shares purchased by the company

(Ordinary and Extraordinary Shareholders' Meeting of April 27th, 2010 – fourteenth resolution)

In our capacity as Statutory Auditors of L'Oréal and in accordance with Articles L. 225-204 and L. 225-209 of the French Commercial Code (*Code de commerce*) relating to capital decreases by cancellation of own shares purchased by the company, we hereby report to you on our assessment of the reasons for and the terms and conditions of the proposed share capital decreases.

We have performed the procedures that we deemed necessary with regard to French professional standards in relation to this engagement. Those procedures consist in examining the fairness of the reasons for and the terms and conditions of the proposed capital decreases. Our work consisted in particular of verifying that the capital decrease would not bring the company's share capital below the minimum legal threshold and that it would not violate shareholder equality.

Cancellation of shares held by the company within the scope of Article L. 225-204 of the French Commercial Code

The proposed capital decrease relates to the cancellation by the company of its own shares purchased in accordance with the conditions of Article L. 225-208 of the French Commercial Code.

Shareholders are asked to grant the Board of Directors full powers to cancel, on one or more occasions, a maximum of 500,000 shares purchased by the company to cover share purchase options which currently correspond, or will correspond in the future, to options that are no longer exercisable. These powers would be exercisable for a period of twenty-six months from the Shareholders' Meeting of April 27th, 2010. This share capital decrease would reduce the company's share capital by a maximum of €100,000.

We have no comment to make on the reasons for or terms and conditions of the proposed share capital decrease.

Cancellation of shares held by the company within the scope of Article L. 225-209 of the French Commercial Code

The proposed capital decrease would take place further to the purchase of shares representing a maximum of 10% of the company's capital, in accordance with Article L. 225-209 of the French Commercial Code. Under the thirteenth resolution, the Board of Directors is seeking an eighteen-month authorization from the Shareholders' Meeting to perform this purchase.

Shareholders are also asked to grant the Board of Directors full powers to cancel, on one or more occasions, the shares acquired by the company, within the limit of 10% of the capital as of the date of the cancellation, per twenty-four month period. These powers would be exercisable for a period of twenty-six months from the Shareholders' Meeting of April 27th, 2010.

We have no comment to make on the reasons for or terms and conditions of the proposed capital decrease, the implementation of which depends on the Shareholders' Meeting approving the purchase of the company's shares, as proposed under the thirteenth resolution.

Neuilly-sur-Seine, February 19th, 2010

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Etienne Boris	David Dupont-Noel

This is a free translation into English of the Statutory Auditors' special report on the cancellation of own shares purchased by the company issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

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7.6. Person responsible for the Reference Document and the Annual Financial Report

Mr. Christian Mulliez, Executive Vice-President, Administration and Finance, on the authority of L'Oréal's Chief Executive Officer, Mr. Jean-Paul Agon.

7.7. Declaration by the person responsible for the Reference Document and the Annual Financial Report

"I declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Reference Document is, to the best of my knowledge, in accordance with the facts and that there is no omission likely to affect the fairness of the presentation.

I certify that, to my knowledge, the financial statements have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets and liabilities, financial position and profit or loss of the company and all the other companies included in the scope of consolidation, and that the Management Report on page 64 includes a fair review of the development and performance of the business and the position of the company and all the other companies included in the scope of consolidation, together with a description of the principal risks and uncertainties that they face.

The Statutory Auditors have prepared a report on the consolidated financial statements with regard to the financial year ended December 31st, 2009 presented in this document; this report is set out on page 190 and contains a technical observation with regard to the changes in accounting methods and presentation of the financial statements.

I have obtained a letter of completion of audit from the Statutory Auditors in which they state that they have verified the information relating to the financial position and the financial statements set out in this Reference Document and have read the Reference Document in its entirety."

Clichy, March 19th, 2010

On the authority of the Chief Executive Officer,

Christian Mulliez

Executive Vice-President, Administration and Finance

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The two volumes listed below, together constitute the 2009 Reference Document of the L'Oréal Group, which has been filed with the Autorités des Marchés Financiers, in accordance with Article 212-13 of the General Regulation of the Autorité des Marchés Financiers.

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VOLUME 2: 2009 FINANCIAL STATEMENTS, MANAGEMENT REPORT AND ADDITIONAL INFORMATION

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Reference Document table of concordance

In order to facilitate the reading of this Annual Report, filed as a Reference Document, the following table provides the page references of the main information required by the Annex 1 of Commission Regulation no. 809/2004.

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Annual Financial Report table of concordance

In order to facilitate the reading of Annual Financial Report (Rapport Financier Annuel), the following table provides the page references of the main information required by article L. 451-1-2 of the French Monetary and Financial Code.

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