REPORT OF THE BOARD OF DIRECTORS ON THE DRAFT RESOLUTIONS

ORDINARY PART

Approval of the annual financial statements, allocation of the company's net income for 2008 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 €1,552.1 million for 2008 compared with €2,822.4 million at December 31st, 2007,

- the 2008 consolidated financial statements,

the main details of which are set out in the 2008 Annual Report, together with the main information included in the file for calling the Annual General Meeting on April 16th, 2008.

The Board of Directors proposes to the Annual General Meeting a net dividend of €1.44 per share, representing an increase of 4.35% compared with the net dividend for 2007.

The dividend for the 2008 financial year will be detached from the share on Tuesday April 21st, 2009 and will be payable in cash as from Friday April 24th, 2009 on positions established as of the evening of Thursday April 23rd, 2009.

Regulated agreements and regulated commitments
[fourth resolution]

No regulated agreement or commitment referred to in articles L.225.38 and L.225-42-1 of the French Commercial Code was entered into in 2008.

A special report by the Statutory Auditors specifying the absence of any new regulated agreement or commitment for 2008 has been prepared in accordance with CNCC standard No. 5-103 §25 and presented to the Annual General Meeting requested to decide with regard to this report pursuant to Article L.225-40 of the French Commercial Code.

The performance of agreements and commitments approved by the Annual General Meeting for previous financial years continued:

- treatment of Mr Jean-Paul Agon as equivalent to a senior manager for all the elements linked to his remuneration, particularly with regard to pension or provident schemes (Board of Directors' meeting of April 25th, 2006 and Annual General Meeting of April 24th, 2007);
- agreement providing for the departure indemnities that will be due to the Chief Executive Officer (Board of Directors' meeting of February13th, 2008 and Annual General Meeting of April 22nd, 2008), it being specified that the sum of the indemnities due pursuant to the employment contract, on the one hand, and his corporate office on the other, may not exceed the maximum limit of two years' remuneration (fixed and variable elements) provided for by the AFEP-MEDEF Code of Corporate Governance of December 2008.

Renewal of the tenure as director of Mr Werner Bauer
[fifth resolution]

The Annual General Meeting is asked to renew the tenure as director of Mr Werner Bauer for a period of three years.

This tenure is shorter than the term of office of four years set by the company's Articles of Association.

The Board of Directors is thereby complying with the 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."*

This possibility to provide for tenures that are shorter than the term of office of four years provided for by the Articles of Association is conditional on amendment of the provisions of Article 8 paragraph 2 of the Articles of Association of the company provided for by the fifteenth resolution put to the vote of the Annual General Meeting.

This tenure will then expire at the end of the Annual General Meeting to be held in 2012 to review the financial statements for the previous financial year.

Renewal of the tenure as director of Ms Françoise Bettencourt Meyers
[sixth resolution]

The Annual General Meeting is asked to renew the tenure as director of Ms Françoise Bettencourt Meyers 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.

Renewal of the tenure as director of Mr Peter Brabeck-Letmathe
[seventh resolution]

The Annual General Meeting is asked to renew the tenure as director of Mr Peter Brabeck-Letmathe 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.

Renewal of the tenure as director of Mr Jean-Pierre Meyers
[eighth resolution]

The Annual General Meeting is asked to renew the tenure as director of Mr Jean-Pierre Meyers for a period of three years, on the condition precedent of approval of the fifteenth resolution with regard to amendment of the Articles of Association as mentioned above.

This renewal for a tenure that is shorter than the current term of office of four years set by the Articles of Association falls within the scope of the staggering of the directors' terms of offices (see above, regarding the renewal of the term of office of Mr Werner Bauer).

This tenure will then expire at the end of the Annual General Meeting to be held in 2012 to review the financial statements for the previous financial year.

Renewal of the tenure as director of Mr Louis Schweitzer
[ninth resolution]

The Annual General Meeting is asked to renew the tenure as director of Mr Louis Schweitzer 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.

Authorisation for the company to buy back its own shares
[tenth resolution]

During 2008 and up until February 16th, 2009, the Board of Directors continued with the implementation of its policy of buying back then cancelling shares: 12.787 million shares were bought back, for a total amount of €943.4 million, while 19.568 million shares were cancelled. As the existing authorisation is due to expire in October 2009, a proposal is made to the Annual General Meeting that it should grant the Board a further authorisation enabling it to continue with its share buyback policy, depending on the opportunities that may arise, and except during periods of public offers with regard to the company's capital.

A detailed report on the transactions carried out and a description of the authorisation that is being put to your vote are included in the chapter of the Management Report entitled "Buyback by the Company of its own shares".

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 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.

It is specified that this authorisation would take effect on the date on which the Board of Directors decides on its implementation and will terminate eighteen months at the latest after the Annual General Meeting.

EXTRAORDINARY PART

Delegation of authority to the Board of Directors to increase the share capital either through the issue of ordinary shares with maintenance of preferential subscription rights, or via the capitalisation of share premiums, reserves, profits or other amounts
[eleventh resolution]

It is proposed that the Annual General Meting should give an authorisation to the Board of Directors to increase the share capital either through the issue of ordinary shares with maintenance of preferential subscription rights, or via the capitalisation of share premiums, reserves, profits or other amounts.

The total amount of the capital increases that may thus be carried out immediately and/or in future may not lead to the share capital which currently amounts to €119,689.042, being increased to over €175,000,000, which corresponds to a maximum increase of €55,310,958 compared to the current capital, i.e. an increase of 46.21% of the current capital.
No overallocation option is provided for.

The delegation of authority would be valid for a period of 26 months, as from the date of the Annual General Meeting.

Authorisation given to the Board of Directors to grant stock options to purchase and/or subscribe for shares
[twelfth resolution]

It is proposed that the Annual General Meeting should give an authorisation to the Board of Directors to grant stock options to purchase and/or subscribe for shares.

Stock-options bring the interests of their beneficiaries more closely into line with the interests of the shareholders themselves by having them share the same confidence in the strong and steady growth of the company.

The aim is to give the Board of Directors the means to involve, motivate and foster loyalty particularly among the employees and corporate officers who, through their abilities and their commitment, contribute the most to the group's performance. Stock options also form part of L'Oréal's strategy of encouraging or attracting talented individuals.

The beneficiaries would be employees and certain corporate officers. The total number of stock options that could be granted within the scope of this authorisation may not give entitlement to subscribe for or purchase a total number of shares representing more than 2% of the share capital at the date of the decision made by the Board of Directors.

The exercise price would be calculated as follows:

* the purchase price for the shares paid by the beneficiaries will be set by the Board of Directors, without any discount, on the date when the options are granted; this price may not be less than either the average of the closing prices for the twenty trading days before the day on which the options are granted, or the average purchase price of the shares held by the company pursuant to Articles L.225-208 and L.225-209 of the French Commercial Code,

* the share subscription price paid by the beneficiaries will be set by the Board of Directors, without any discount, on the day the options are granted; this price may not be less than the average of the closing prices for the twenty trading days before the day on which the options are granted

In accordance with the AFEP-MEDEF Code of Corporate Governance of December 2008:

- potential grants of stock options will be decided by the Board of Directors on the basis of proposals by the General Management reviewed by the Remuneration Committee after evaluation of the performance of the corporate officers;

- the 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 rate of growth in L'Oréal's 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;

- the options will be granted, except in special circumstances, each year, after publication of the financial statements for the previous financial year and outside the periods specified by Article L.225-177 of the French Commercial Code and by the Board of Directors;

- a corporate officer may not be granted stock options at the time of his departure.

The authorisation would be granted for a period limited to 26 months as from the date of the decisions made by the Annual General Meeting.

Authorisation given to the Board of Directors to make free grants of existing shares or shares to be issued
[thirteenth resolution]

It is proposed that the Annual General Meeting should authorise the Board of Directors to make, on one or more occasions, free grants of existing shares or shares to be issued.

A free grant of shares offers the advantage of not requiring any payment to be made by beneficiaries. It is being considered as a replacement for, or a means of supplementing, grants of small numbers of stock options as the attractiveness of such a grant may appear limited.

No free grants of shares will be made either to corporate officers or members of the Management Committee of L'Oréal.

The number of shares that may be granted free of charge may not represent over 0.2% of the share capital on the date of the Board of Directors' decision.

It is proposed to the Annual General Meeting that the free grant of shares to beneficiaries should become final and binding:

1. either, for all or part of the shares granted, at the end of a minimum vesting period of four years, in such case without any minimum retention period,
2. or, at the end of a minimum vesting period of two years, it being specified that the beneficiaries will then be required to retain these shares for a minimum period of two years after the date of the final grant thereof.

The Board of Directors will have the possibility, in any event, to set a longer vesting or retention period than these minimum periods, including in the event that the minimum retention period is abolished by the Annual General Meeting, which will make it possible, in particular, to adapt to the various local constraints.

The Board of Directors will determine the identity of the beneficiaries of the free grants of shares and the performance conditions to be met for the definitive grant will be assessed partly on the basis of comparable growth in sales compared to the cosmetics market growth rate, and partly on the ratio of operating profit as compared to published cosmetics sales, all the above being assessed on the basis of the average for the last full financial years prior to the date of definitive grant.

If the Annual General Meeting approves this resolution, any free grants of shares will be decided by the Board of Directors, on the basis of the proposals made by General Management reviewed by the Remuneration Committee.

The authorisation requested from the Annual General Meeting would be granted for a period limited to 26 months as from the date of the decision made by the Annual General Meeting. The expiry date of this authorisation would coincide with the end of the authorisation to grant stock options to purchase or subscribe for shares which is also being put to the vote of the Annual General Meeting.

Corresponding authorisation for the purpose of carrying out a capital increase reserved for employees
[fourteenth resolution]

The delegation of authority to the Board of Directors to increase the share capital, and the authorisations to grant stock options to subscribe for shares and to make free grants of shares to be issued, give rise to a corresponding obligation to submit to the Annual General Meeting a draft resolution enabling a potential capital increase to be carried out reserved for employees.

In accordance with Article L. 3332-19 of the French Labour Code, the issue price may not exceed the average of the closing prices for the twenty trading days before the date of the decision setting the opening date of the subscription period. It may also not be more than 20% lower than this average, unless a blocking period of at least ten years is provided for in respect of the shares subscribed, in which case the issue price may not be more than 30% lower than this average.

The Annual General Meeting is therefore asked to delegate to the Board of Directors, for a period of 26 months, and within a limit of 1% of the share capital, the power to decide to carry out the said capital increase.

Amendment of Article 8 paragraph 2 of the Articles of Association with regard to the length of the terms of office of directors
[fifteenth resolution]

It is proposed that the Annual General Meeting should decide to amend Article 8 paragraph 2 of the Articles of Association in order to organise the harmonious renewal of the terms of office of the members of the Board of Directors (AFEP-MEDEF Code of Corporate Governance of December 2008).

If this resolution is adopted, the Board of Directors will have the power to propose to the Annual General Meeting the renewal of the terms office of the directors for a period of four years, and by way of exception for periods of between one and three years.

A harmonious renewal of the directors may then be made every year for one-fourth of the members of the Board of Directors, for the term of office of four years provided for in the Articles of Association.

Amendment of Article 15 A 3° of the Articles of Association relating to the distribution or allocation of profits (preferential dividend)
[sixteenth resolution]

It is proposed that the Annual General Meeting should decide to amend article 15A 3° of the Articles of Association in order to incorporate the notion of a preferential dividend.

This proposal would make it possible for 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, to benefit from a preferential dividend on the registered shares, equal to 10% of the dividend per share voted by the Annual General Meeting (initial dividend + additional dividend).
The number of shares eligible for these preferential dividends may not exceed, for the same shareholder, 0.5% of the share capital at the end of the past financial year.

The first preferential dividend, in accordance with French law, may not be allocated prior to the end of the second financial year following its inclusion the Articles of Association, that is the dividend of 2011 paid after the AGM of 2012.

Powers for formalities
[seventeenth resolution]

This resolution is intended to grant the powers necessary to carry out all formalities resulting from the holding of the Annual General Meeting.