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 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.

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 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 abovementioned 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.

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;
- 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 z one, 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 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:

Directors	Expiry dates of terms of office			
	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 Castaner Basco		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**

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.

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.

Extraordinary Part

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.

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.