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 2010 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 €1,995,329,601.31 for 2010, compared with €1,841,772,283.85 at December 31st, 2009,

- the 2010 consolidated financial statements,

the main details of which are set out in the 2010 Annual Report, together with the main information included in the file for calling the Annual General Meeting on April 22nd, 2011.

The Board of Directors proposes to the Annual General Meeting a net dividend of €1.80 per share, representing an increase of 20% compared with the net dividend for 2009.

The dividend for the 2010 financial year would be paid to the shareholders on Wednesday May 4th, 2011.

Renewal of tenures as Director
[fourth to sixth resolutions]

Three 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 reviews 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 of which the roles have been enlarged.

L'Oréal has a well-balanced Board comprising 14 members at February 10th, 2011: 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: Mrs. Annette Roux, Mr. Charles-Henri Filippi, Mr. Xavier Fontanet, Mr. Bernard Kasriel, Mr. Marc Ladreit de Lacharrière and Mr. Louis Schweitzer.

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 three Directors that are due to expire in 2011.

It is thus suggested to the Annual General Meeting that it renew the tenure as Directors of Mrs. Liliane Bettencourt, Mrs. Annette Roux and Mr. Charles-Henri Filippi for a term of four years.

Presentation of the Directors whose term of office is proposed for renewal

Liliane Bettencourt (88 years of age), daughter of Eugène Schueller, L'Oréal's founder, created the Bettencourt Schueller Foundation in 1987, which she chairs. Liliane Bettencourt has been a L'Oréal Board member since 1995. Everyone is aware of her lifelong attachment to L'Oréal, and her respect for the company's men and women and all the shareholders. Her presence on the Board is an incitement to pursue the task of helping L'Oréal to grow.

Annette Roux (68 years of age) became the head of the Benéteau family business in 1964, and proved her ability to build an international group, a leader in its market sector. She was the Chairperson and Managing Director from 1976 to 2005, and has been Vice-Chair of the Supervisory Board since that time. Embodying one of the biggest success stories in French industry, Annette Roux, as a member of the L'Oréal Board of Directors since 2007, has strengthened and enriched the Board with her skills, her experience and her independence. She is also President of the Bénéteau Corporate Foundation.

Charles Henri Filippi (58 years of age), who worked for the French government from 1979-1987, and then from 1987-2008 with the CCF bank, which became HSBC France in 2000. He was appointed Chief Executive Officer of CCF in 1995, member of the HSBC Group Executive Committee 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 L'Oréal Director 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 Directors of Nexity. He was appointed as non-executive Chairman of Citigroup for France as from January 1, 2011. It is noted that Citigroup does not have, and has never had, a significant position with regard to L'Oréal's banking transactions. Nevertheless, Charles Henri Filippi is under the *obligation of notifying the L'Oréal Board of Directors of all situations constituting a conflict of interest, even if such* *conflict is only potential, and must refrain from participating in the corresponding deliberations.*[1] Furthermore, at Citigroup, he will not take part in the work that is liable to concern L’Oréal. Charles Henri Filippi is an independent director, free of interests, available and competent. Chairman of the L’Oréal Audi Committee, he harmoniously and effectively supplements the Board’s expertise in the field of finance.

For information purposes, if the Annual General Meeting votes in favour of the renewals proposed to it in 2011, 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**			
	2012	**2013**	**2014**	**2015**
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. 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	**4**	**3**	**4**	**3**

[1] See the Internal Rules of the Board of Directors, chapter 4. “Rights and obligations of directors”, 4.2 “Respect for the interests of the Company”.

Setting of the amount of attendance fees
[seventh resolution]

Preparation and holding of Board meetings and meetings of its Committees require increasing availability and growing investment by the directors and lead the Board of Directors to propose an increase in the maximum authorised amount of attendance fees which will be allocated among the directors in strict compliance with the rules set by the Internal Rules of the Board of Directors.

It is proposed that the Annual General Meeting set the maximum amount of the annual attendance fees allocated to the Board of Directors at €1,300,000, until it makes another decision in this respect. This authorisation would replace that given by the Annual General Meeting of April 26th, 2005, and not revised since that date, which set the maximum annual amount of attendance fees at €1,100,000.

Authorisation for the Company to buy back its own shares
[eighth resolution]

It is proposed that you give the Board of Directors a new authorisation to buy back shares of the Company.

During 2010 and up until February 10th, 2011, the Board of Directors did not buy back any shares.

As the existing authorisation is due to expire in October 2011, 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 2010 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, 60,137,723 shares for a maximum amount of €7.8 billion at February 10th, 2011, it being stipulated that the Company may at no time hold over 10% of its own capital.

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
[ninth resolution]

It is proposed that the Annual General Meeting 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 €120,275,447, being increased to over €180,000,000, corresponding to a maximum increase of €59,724,553 compared to the current capital, i.e. an increase of 49.65% 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 to the Board of Directors to grant stock options to purchase and/or subscribe for L'Oréal shares to employees and corporate officers
[tenth 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 corporate officers and employees with key responsibilities, including in particular the members of the Executive Committee who, through their abilities and their commitment, contribute the most to the Group's performance.

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 0.6% 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 of the shares by the beneficiaries will be set without a discount, on the date when the stock options are granted; this price may not be lower than either the average of the closing trading prices on the NYSE-Euronext Paris market for the twenty trading days prior to the date when 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 subscription price of the shares by the beneficiaries would be set without a discount, on the date when the stock options are granted; this price may not be lower than the average of the closing trading prices on the NYSE-Euronext Paris market for the twenty trading days prior to the date when the options are granted.

Except in special circumstances, the options will be granted each year, after publication of the financial statements for the previous financial year.

Any allocations of stock options will be decided by the Board of Directors, on the basis of the proposals of the Human Resources and Remuneration Committee, after assessment of their performance.

The quantities of options that may be exercised will depend on fulfilment of performance conditions.

These conditions will take into account:

- partly the growth in L'Oréal's sales as compared to a panel of competitors, and

- partly the growth in L'Oréal's operating profit.

The calculation will be based on the average for the full financial years of the lock-up period;

The value of the stock options granted to the corporate officers during a given financial year pursuant to the tenth resolution together with the value of the shares granted free-of-charge to corporate officers during such financial year pursuant to the eleventh resolution may not represent over 10% of the total value of all the stock options granted and shares granted free-of-charge during such financial year pursuant to these two resolutions. The value of the options and the value of the shares shall be the estimated fair value for preparation of the Company's consolidated financial statements under IFRS.

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.

Corporate officers who are beneficiaries of stock options to purchase and/or subscribe for shares must, not hedge their risks.

A corporate officer may not be granted stock options to purchase and/or subscribe for shares at the time of his departure.

These provisions are in line with the AFEP-MEDEF Code of Corporate Governance of December 2008 to which L'Oréal has chosen to refer.

If the Annual General Meeting votes in favour of this tenth resolution, any allocations of stock options for the purchase or subscription of shares will be decided by the Board of Directors on the basis of the proposals by the General Management examined by the Human Resources and Remuneration Committee.

This 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 to the Board of Directors to make free grants of existing shares and/or shares to be issued to employees and corporate officers
[eleventh 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, to employees and corporate officers of the Company and French or foreign affiliates as defined by Article L.225-197-2 of the French Commercial Code, or certain categories of such employees or corporate officers.

Up until now, with regard to long-term incentives, the corporate officers and the employees holding key responsibilities including Executive Committee members were only rewarded through the granting of stock options. In order to develop a more balanced policy between the various instruments granted to motivate and foster loyalty among the employees and corporate officers, it is proposed that part of these stock options should be replaced in future by free grants of shares.

To accompany the change in this long-term incentive policy, the number of shares that could be granted free-of-charge pursuant to this authorisation may not represent over 0.6% of the share capital at the time 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, subject to satisfaction of the other conditions set at the time of grant, for all or part of the shares granted:

1. either at the end of a minimum vesting period of four years, in such case without any minimum holding 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 hold these shares for a minimum period of two years after the date of final grant thereof.

The Board of Directors will have the possibility, in any case, to set longer vesting or holding periods than these minimum periods, including in the event that the minimum holding period is abolished, 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 final vesting of all or part of the shares.

These performance conditions will take into account:

- partly the growth in L’Oréal’s sales as compared to a panel of competitors, and

- partly the growth in L’Oréal’s operating profit.

The calculation will be based on the average for the full financial years of the lock-up period.

These performance conditions will apply to all the individual grants of more than 200 free shares per plan, with the exception of those for the corporate officers and the Executive Committee, to which they will apply in full.

The free grant of shares may be carried out without any performance condition within the scope of a grant made (i) to all the employees and corporate officers of the Company and, where applicable, affiliates as defined by Article L.3332-14 of the French Labour Code or Article 217 *quinquies* of the French Tax Code, or (ii) to employees and corporate officers of foreign companies subscribing to an increase in capital carried out pursuant to the twelfth resolution of the Annual General Meeting or participating in an employee share ownership transaction through the sale of existing shares or (iii) to employees who are not members of the Executive Committee for no more than 200 of the shares that are granted to them free-of-charge within the scope of each of the plans decided by the Board of Directors.

Except in specific circumstances, the free shares will be granted each year, after the publication of the financial statements for the previous financial year.

Any grants of shares to the corporate officers will be decided by the Board of Directors, on the basis of the proposals of the Human Resources and Remuneration Committee, after assessment of their performance.

The value of the stock options granted to the corporate officers during a given financial year pursuant to the tenth resolution together with the value of the shares granted free of charge to corporate officers during such financial year pursuant to the eleventh resolution may not represent over 10% of the total value of all the stock options granted and shares granted free-of charge during such financial year pursuant to these two resolutions. The value of the options and the value of the shares shall be the estimated fair value for preparation of the Company’s consolidated financial statements under IFRS.

The corporate officers will be obliged to retain 50% of the free shares that will be definitively granted to them at the end of the vesting period in registered form until the termination of their duties.

A corporate officer may not be granted free shares at the time of his departure.

These provisions are in line with the AFEP-MEDEF Code of Corporate Governance of December 2008 to which L’Oréal has chosen to refer.

If the Annual General Meeting votes in favour of the eleventh resolution, any free grants of shares will be decided by the Board of Directors on the basis of the proposals by the General Management examined by the Human Resources and Remuneration Committee.

The authorisation requested of the Annual General Meeting would be granted for a period limited to 26 months as from the decision by the Annual General Meeting. This time limit would coincide with the end of the authorisation to grant stock options for the purchase and subscription of shares also put to the vote of the Annual General Meeting.

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

The delegation of authority granted 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 be higher than the average of the trading prices on the NYSE-Euronext Paris market for the twenty trading days prior to the date of the decision setting the opening date of the subscription period. It also may not be over 20% lower than this average, it being specified that the Board of Directors, or the person to whom it delegates, if it deems it appropriate, is expressly authorised to reduce or eliminate the discount, in particular to take into account legal and tax regimes applicable in the countries of residence of the beneficiaries of the capital increase.

The Annual General Meeting is therefore asked to delegate to the Board of Directors the authority to decide to carry out this increase in capital for a period of 26 months and within the limit of 1% of the share capital, namely for information purposes at February 10th, 2011, an increase in share capital of a maximum amount of €1,202,754 through the issue of 6,013,772 new shares; it is specified that the amount of the increases in capital that may be carried out pursuant to the twelfth resolution will be deducted from the total ceiling for increases in capital provided for in the ninth resolution presented to this Annual General Meeting.

Powers for formalities
[thirteenth resolution]

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