

L'OREAL

**STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED
AGREEMENTS AND COMMITMENTS WITH THIRD PARTIES**

(Year ended December 31, 2008)

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**STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS
AND COMMITMENTS WITH THIRD PARTIES**

(Year ended December 31, 2008)

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 is 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.

L'Oreal
14 rue Royale
75008 Paris

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby present our report on regulated agreements and commitments with third parties.

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.

**Regulated agreements and commitments with third parties relating to the year ended
December 31, 2008**

We hereby inform you that, with the exception of the agreement approved on February 13, 2008, communicated in our Statutory Auditors' special report dated February 27, 2008 and which remained in force during the year as described on page 2 of this report, we have not been informed of any agreement and commitment signed during the year and governed by Article L.225-38 of the French Commercial Code (*Code de commerce*).

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Regulated agreements and commitments approved in prior years which remained in force during the year

Pursuant to the French Commercial Code, we were informed that the following agreements and commitments approved in prior years remained in force during the past year.

Agreements and commitments related to Mr Jean Paul Agon

- Granting Jean-Paul Agon the same status as a senior executive during his term of office, in particular for the purpose of pension and employee benefits, so that he can continue to enjoy the same benefits as those received before his appointment as corporate officer (Board of Directors meeting of April 25, 2006).

As of the date hereof, this scheme provides entitlement to the payment of a life annuity (with a surviving spouse pension and, under certain conditions, an orphan pension) as well as benefits in the event of temporary disability, definitive disability or death.

- Agreement providing for the termination benefits of the Managing Director (Board of Directors Meeting of February 13, 2008).

- in the event of non-renewal or removal from his corporate office, except for gross misconduct or gross negligence, Mr Jean-Paul Agon will be entitled to an indemnity for termination of his corporate office equal to 3 months' remuneration (solely his fixed remuneration) per year of performance of the corporate office of Chief Executive Officer, as from 2006 inclusive, and limited to a maximum of 12 months of the fixed part of the last remuneration received in respect of his corporate office, subject to fulfillment of performance conditions.

This indemnity will be added to the indemnities payable, where applicable, in the event of subsequent termination of his resumed employment contract calculated on the basis of the applicable collective bargaining agreement.

- in the event of retirement at the Company's request or voluntary retirement which takes place at the time of termination of his corporate office or thereafter, Mr Jean-Paul Agon will be entitled to a departure or retirement indemnity determined in accordance with the same terms and conditions as those applicable to a senior manager of L'Oréal, namely, on the basis of his total length of service accrued pursuant to his employment contract and his corporate office, an amount of 6 months' average remuneration (fixed + variable portions) over the 12 months prior to the month of his departure, subject to fulfillment of performance conditions.

This indemnity may not be lower than the departure or retirement indemnity to which he would be entitled pursuant to his resumed employment contract, and will not be received cumulatively with either such a departure or retirement indemnity or with an indemnity due to non-renewal or removal from his corporate office.

The performance conditions mentioned above and decided on by the Board of Directors are assessed as follows: one-half will be based on the rate of growth in L'Oréal's consolidated

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sales as compared to the market growth rate while the other-half will be based on the change in earnings per share (diluted net earnings per share excluding non-recurrent items, after minority interests); both these conditions will be assessed for the last four financial years prior to the year in which the corporate office ends.

Depending on the level of fulfillment of such conditions, the amount of each component of the indemnity will be reduced or may even amount to zero.

Were an event to occur which would be likely to lead to a significant reduction in earnings per share during the financial year, then the Board of Directors would reserve the right to include the year then in progress in the four years taken into account in order to calculate the performance condition.

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.

Neuilly-sur-Seine, February 25, 2009

The Statutory Auditors

PricewaterhouseCoopers Audit

Deloitte & Associés

Etienne Boris

Etienne Jacquemin