

L'OREAL

**STATUTORY AUDITORS' SPECIAL REPORT
ON THE SHARE CAPITAL INCREASE
RESERVED FOR EMPLOYEES OF THE COMPANY**

**Ordinary and Extraordinary Shareholders' Meeting of April 16, 2009
(14th resolution)**

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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.

L'OREAL
14, rue Royale
75008 Paris

To the Shareholders,

In our capacity as Statutory Auditors of your Company and in accordance with the engagement set forth in Articles L. 225-135 et seq. of the French Commercial Code (*Code de commerce*), we hereby present you with our report on the proposal to delegate to the Board of Directors the authority to perform a share capital increase, on one or several occasions, reserved for employees (or former employees) of the Company or affiliated companies, as defined by Article L.225-180 of the French Commercial Code, who are members of a L'Oréal Group corporate savings plan as well as any mutual funds via which such issued shares would be subscribed by such employees.

This proposed share capital increase is submitted to you for approval pursuant to Articles L. 225-129-6 of the French Commercial Code and Article L.3332-18 et seq. of the French Labor Code (*Code du travail*).

The total number of shares likely to be issued, on one or several occasions, pursuant to this delegation, cannot exceed 1% of the Company's share capital existing as of the date of this Ordinary and Extraordinary Shareholders' Meeting.

On the basis of its report, the Board of Directors asks you to delegate, for a period of twenty-six months, the authority to decide one or several share capital increases and to cancel your preferential share subscription rights to the shares issued. Where appropriate, the Board of Directors shall set the terms and conditions of the share capital increases.

It is the role of the Board of Directors to prepare a report in accordance with Articles R. 225-113 and R. 225-114 of the French Commercial Code. It is our role to comment on the fair presentation of financial data taken from the accounts, on the proposed cancellation of preferential subscription rights and on certain other information concerning the issue, presented in this report.

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We performed the procedures that we deemed necessary with regard to French professional standards in relation to this engagement. These procedures consisted in verifying the content of the Board of Directors' report in respect of this transaction and the terms and conditions for determining the share issue price.

Subject to the subsequent review of the terms and conditions of each share capital increase that the Board of Directors may decide in connection with this delegation, we have no comment to make on the terms and conditions for determining the share issue price as set forth in the Board of Directors' report.

As the share issue price has not yet been set, we can express no opinion on the final terms and conditions under which the share capital, or several share capital increases, would be performed. As a result, we do not express an opinion on the cancellation of your preferential share subscription rights which the Board of Directors has proposed.

In accordance with Article R.225-116 of the French Commercial Code, we shall prepare an additional report for each share capital increase that your Board of Directors may decide to perform.

Neuilly-sur-Seine, February 25, 2009

The Statutory Auditors

PricewaterhouseCoopers Audit

Deloitte & Associés

Etienne Boris

Etienne Jacquemin