1. REPORT OF THE BOARD OF DIRECTORS ON THE DRAFT RESOLUTIONS SUBMITTED FOR APPROVAL TO THE ANNUAL GENERAL MEETING ON TUESDAY APRIL 22nd, 2008

1.1 ORDINARY PART

1.1.1 Approval of the annual financial statements, allocation of the company's net income for 2007 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 €2,822.4 million for 2007 compared with €1,690.3 million at December 31st, 2006,

- and the 2007 consolidated financial statements, the main details of which are set out in the 2007 Annual Report, together with the main information included in the file for calling the Annual General Meeting on Tuesday April 22nd, 2008.

The Board of Directors proposes to the Annual General Meeting a net dividend of €1.38 per share, representing an increase of 16.9% compared with the net dividend for 2006.

The dividend for the 2007 financial year will be detached from the share on April 25th, 2008 and will be payable in cash as from April 30th on positions established as of the evening of April 29th.

1.1.2 Regulated agreements and regulated commitments
[fourth resolution]

Two regulated commitments referred to in Article L.225-42-1 of the French Commercial Code (*Code de commerce*) that received the prior authorisation of the Board of Directors on February 13th, 2008 are submitted for the approval of the Annual General Meeting:

In this regard, in order to comply with French Law No. 2007-1223 of August 21st, 2007 to promote work, employment and purchasing power (known as the TEPA law) undertakings made by the company to its corporate officers corresponding to elements of remuneration, indemnities or benefits due or that may become due in respect of the termination or change in the duties of the corporate officer or thereafter, must be authorised by the Board of Directors and subject to performance conditions and then approved by the general meeting.

These commitments submitted for approval by the Annual General Meeting are as follows:

- 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 fulfilment 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 length of service, an amount of 6 months' average remuneration (fixed + variable portions) over the 12 months prior to the month of his departure.

  This indemnity will be calculated on the basis of the fixed and variable remuneration received as a corporate officer and the total length of service accrued pursuant to his employment contract and his corporate office, subject to fulfilment 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 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 fulfilment 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.

These commitments are described in the Statutory Auditors' special report.

1.1.3 Ratification of the cooptation as director of Mr Charles-Henri Filippi
[fifth resolution]

Having reviewed the Report of the Board of Directors, the Annual General Meeting is asked to ratify the cooptation decided by the Board of Directors at its meeting on November 30th, 2007, of Mr Charles-Henri Filippi as director to replace Mr Franck Riboud who was resigning, for the remainder of his tenure, that is until the end of the Annual General Meeting to be held in 2010 to review the financial statements for the previous financial year.

1.1.4 Renewal of the tenure as director of Mr Bernard Kasriel
[sixth resolution]

The Annual General Meeting is asked to renew the tenure as director of Mr Bernard Kasriel for a period of four years as provided for by the Articles of Association.

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

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

During 2007 and up until February 13th, 2008, the Board of Directors continued with the implementation of its policy of buying back then cancelling shares: 16.28 million shares were bought back, for a total amount of €1,420 million while 28.9 million shares were cancelled.

As the existing authorisation is due to expire in October 2008, 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 of its own shares by the Company".

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 €7.9 billion, it being stipulated that the company may at no time hold over 10% of its own capital.

1.2 Extraordinary Part

1.2.1 Authorisation for the Board of Directors to cancel shares purchased by the company under Articles L. 225-209 and L. 225-208 of the French Commercial Code
[eighth 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 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 continue with its cancellation policy, within the limits provided for by law.

  This authorisation would be valid for a period of 26 months, as from the date of the Annual General Meeting.

- **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**

  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 is due to expire.

  Certain share purchase options 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 does not allow for these shares to be cancelled, as the legal rules governing their cancellation are different.

  A proposal is made that, for a maximum of 500,000 shares, the shares corresponding to share purchase options 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 26 months, as from the date of the Annual General Meeting.

1.2.2 Powers for formalities
[*ninth resolution*]

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

The Board of Directors