

# With solid governance, true to its values, L'Oréal is maintaining its course

A year ago, I told you we were looking forward to 2008 with confidence. As it turned out, nothing could predict the force and scale of the economic crisis which has spared no sector of the economy.

And yet, in the eye of the storm, L'Oréal is staying on course and further strengthening its worldwide leadership. The group is confirming its investment in research, actively supporting the development of its brands, and continuing to expand its global reach. Resolutely focused on the long-term, it accepts the constraints of the present while concentrating its efforts, in priority, on preparing for the future.

Although sales growth slowed in 2008, it remained, given the economic environment, at a good level and profits have continued to increase, despite the headwinds of currency fluctuations and the price of raw materials. The balance-sheet structure is extremely healthy.

This achievement reflects both the group's remarkable capacity for resilience and the quality of the management of Jean-Paul Agon and his teams.

## The loyalty of our shareholders is an asset

Convinced that the confidence and loyalty of our shareholders are essential to implement this long-term strategy, we are particularly attached to the continuity of our dividend policy.

The proposal at the Annual General Meeting to pay a dividend of 1.44 euro per share is thus an expression of both our confidence in the solidity of L'Oréal, and our legitimate concern to maintain the right balance.

“L'Oréal is staying on course and further strengthening its worldwide leadership.”

As L'Oréal prepares to celebrate its centenary, the Board of Directors has also chosen to propose to the Annual General Meeting a resolution enabling the payment of a dividend, increased by 10% for all registered shareholders of at least two years standing, as from the dividend payment in 2012 and limited to 0.5% of the nominal capital.

We believe that, in a period of turbulence, encouraging stability is a modern approach which is in the interest of all the shareholders.

## Taking care to continually improve governance

I have often expressed here the need for careful monitoring of best practices in corporate governance and our determination to make constant progress.

All the Board's committees—the Remuneration Committee, the Appointments Committee, the Audit Committee and the Strategy and Implementation Committee—have thoroughly prepared for the Board's deliberation.

The Board has taken note of the recommendations made by AFEP and MEDEF concerning the remuneration of corporate officers of listed companies. The Board considers that these recommendations are in line with the company's corporate governance policy. The Code of AFEP and MEDEF, completed in this way, serves as reference for the company for all relevant matters.

L'Oréal's directors, individuals with a very diverse range of professional backgrounds and experience, are regular and active contributors. They are vigilant, closely monitoring all the activities and businesses; they play an active part in reviewing the group's strategy, as in the case of the major acquisition of Yves Saint Laurent Beauté, an exceptional opportunity thanks to which L'Oréal is now number 1 in luxury products in its distribution channel.

The Board has also given due consideration to the impact of the financial crisis in the cosmetics market and has in particular validated the strategy of powerfully supporting the brands, to drive growth in the group's positions.



“The centenary of L'Oréal is a symbol of continuity and confidence.”

## Deepening our values

In 2008, L'Oréal also made progress in areas outside the financial sphere, particularly in the expression of its values.

The L'Oréal Corporate Foundation, created a year ago, has expanded its initiatives. Its flagship “For Women in Science” programme celebrated its 10<sup>th</sup> anniversary. In the space of a decade, this programme has been built up step by step and is now a benchmark in its field worldwide. This is a source of immense pride for all those who believed in it from the start, and who have supported it with the ambition of making a useful contribution to progress both for women and science.

Furthermore, L'Oréal is increasing the scope of its action in other fields: business ethics, for which the group has drawn up a new and more explicit charter, and also diversity in its teams, which is firmly anchored at the heart of our business practices. Its initiatives in this field have moreover received broad international acclaim. Lastly, L'Oréal is continuing its long-standing efforts to be ever more respectful of the environment.

Excellence, respect and integrity. These values, which have been held at L'Oréal since the very beginning, are the bedrock of the company. They are at the heart of the relationship between the group and all its stakeholders. They provide the support for our long-term vision which is necessary in such turbulent times.

## Inaugurating a new century of beauty

The group has weathered storms in the past.

L'Oréal has numerous assets:

L'Oréal can draw on the unique richness of its brand portfolio, the most comprehensive in the industry; on the inventiveness of its research, the most powerful in the sector; on the quality of its international teams, stimulated by the adverse conditions of the moment, and driven by a remarkable spirit of conquest. Lastly, the group has an extremely solid financial structure.

The force of its convictions has enabled our company to achieve an outstanding performance in its first century. The centenary of L'Oréal, which we are celebrating this year, is a symbol of continuity and confidence. Continuity in our business model, and confidence in our managers and in our ability to reinvent ourselves every day.

L'Oréal's teams share the same culture, which has been forged over a century around a constant quest for innovation, a taste for excellence, a passion for talent and diversity, and a sense of openness to the world.

On my own behalf and also on behalf of the Board of Directors, I would like to express my confidence in the ability of L'Oréal to successfully inaugurate a new century of beauty.

**Sir Lindsay Owen-Jones**  
Chairman