

A PERFECTLY SMOOTH TRANSITION THE SUCCESSION IS SECURE

2006 was an important milestone in the history of L'Oréal. As I had proposed, the functions of Chairman and Chief Executive Officer were separated. A young management team is now in place, personified by Jean-Paul Agon. Enjoying the full confidence of the staff, with experience in all the geographical Zones and Divisions and with a successful track record in the group, Jean-Paul Agon immediately took over operational control without any interruption or loss of impetus of the business. The transition was smooth and harmonious, without L'Oréal missing a single heartbeat. I am particularly pleased that this milestone in the life of the group has taken place exactly as I had announced to you, and just as we had planned.

Generating dynamism in our businesses all over the world is an immense task. With his excellent interpersonal skills and knowledge of operational realities, Jean-Paul Agon brings to the group's management exceptional energy and enthusiasm, as well as natural team leading talent.

For my part, in my own new position, I am focusing my efforts on good corporate governance and the group's growth strategy. In a Board of Directors where debates are of high quality and where decisions are taken collectively, my experience enables me to contribute positively to choices about the main directions the group should take.

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The outstanding quality of the 2006 results is a reflection of this harmonious transition. In a dynamic market, L'Oréal continued to strengthen its worldwide position significantly, delivering strong sales' growth and substantially increased results of remarkable quality. This enables us to propose to the Annual General Meeting a substantial increase (+18%) in the dividend and a significantly higher payout ratio. In so doing, we are demonstrating our respect for our shareholders who, through their loyalty, give the company the resources it needs to carry out its long-term strategy.

It is my job to interact with General Management, so as to open up new strategic approaches. With Jean-Paul Agon and the support of the Board of Directors, we take the key decisions about the future of the group together, just as we did with the acquisition of The Body Shop. We do so in a spirit of complete and mutual confidence, both to ensure continuity and to further the group's interests.

The long standing values and the principles that guide our actions, such as respect for ethical principles, diversity, respect for the environment and caring for communities: these values help make L'Oréal a well respected group. The long term commitment of our people is also important, for it is their creativity and responsiveness, which make the implementation of our long-term strategy possible.



This long term approach in no way rules out our ability to regenerate, to break some of the taboos of our business, to open up new avenues, so as to meet aspirations for beauty worldwide. There is no doubt that in this area Jean-Paul Agon and his management team bring a fresh approach to our vision.

The succession is secure. The determination, imagination and vitality at the head of the company make me confident as I look forward, not just to 2007 but also much further ahead: to women and men ready to make their dreams a reality and to make sure that L'Oréal's heart always beats to the rhythm of success.

Sir Lindsay Owen-Jones
Chairman of L'Oréal

“The women and men of L'Oréal also provide a guarantee of continuity.”