

7.4. Statutory Auditors' special report on regulated agreements and commitments with third parties

(Year ended December 31st, 2009)

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

Regulated agreements and commitments with third parties authorized during the year ended December 31st, 2009 and up to the date of this report

In accordance with Article L. 225-40 of the French Commercial Code (*Code de commerce*), we have been informed of the following agreements and commitments that received prior authorization of the Board of Directors up to the date of this report.

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.

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.

Board of Directors' meeting of February 15th, 2010

Nature, purpose, terms and conditions

The Board of Directors' meeting of February 15th, 2010 authorized an agreement to be entered into between your Company and its Chief Executive Officer, Mr. Jean-Paul Agon, which provides as follows:

Confirmation of the suspension of Mr. Jean-Paul Agon's employment contract

The Board of Directors decided to maintain the suspension of Mr. Jean-Paul Agon's employment contract during the period of his corporate office.

Elimination of all rights to any indemnity in respect of Mr. Jean-Paul Agon's corporate office

The Board of Directors has decided to eliminate all right to any indemnity in the event of termination of the corporate office.

In the event of departure, and depending on the reasons, Mr. Jean-Paul Agon would only be paid the dismissal indemnities, except in the event of gross misconduct or gross negligence, or retirement indemnities in the event of voluntary retirement or retirement at the company's request due pursuant to the employment contract that has been suspended. These indemnities, which are attached solely to termination of the employment contract and in strict application of the National Collective Bargaining Agreement for the Chemical Industries and the company-level agreements applicable to all L'Oréal executives, are due in any event pursuant to public policy rules. They are not subject to any condition other than those provided for by the National Collective Bargaining Agreement for the Chemical Industries or the above-mentioned company-level agreements. The same applies to the non-competition clause and the related financial consideration.

Remuneration in respect of the corporate office will in no event be taken into consideration for calculation of the indemnities due pursuant to the collective bargaining agreement and the company-level agreements applicable to all L'Oréal executives.

Mr. Jean-Paul Agon will continue to benefit from the defined benefit pension scheme currently applicable to the Group's senior managers.

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 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.

Amendment of certain terms and conditions relating to the suspension of the employment contract

The terms and conditions relating to the suspension of Mr. Jean-Paul Agon's employment contract have been amended as follows:

- the reference remuneration to be used to calculate all the rights attached to the employment contract and in particular to compute the pension under the defined benefit scheme will be based on the amount of remuneration under the employment contract when it was suspended in 2006, namely fixed remuneration of €1,500,000 and variable remuneration of €1,250,000. This reference remuneration is reviewed every year by applying the revaluation coefficient in respect of salaries and pension contributions published by the French State pension fund. As of January 1st, 2010, the fixed remuneration amounts to €1,570,500 and variable remuneration to €1,308,750;
- the length of service applied will take into consideration his entire career, including the years during which he was Chief Executive Officer.

Mr. Jean-Paul Agon will continue to benefit from the status of senior manager throughout the period of his corporate office

Mr. Jean-Paul Agon will continue to be entitled to benefit from the additional social protection schemes and in particular the employee benefit and healthcare schemes available to the company's employees due to the fact that he will be treated as a senior manager throughout the entire period of his corporate office.

This agreement supersedes the agreements and commitments previously authorized by the Board of Directors' meetings of April 25th, 2006 and February 13th, 2008.

Neuilly-sur-Seine, February 19th, 2010

The Statutory Auditors

PricewaterhouseCoopers Audit
Etienne Boris

Deloitte & Associés
David Dupont-Noel