2018 Annual Report

ORIFLAME
SWEDEN

Content

Important information concerning IFRS

- Oriflame has implemented IFRS 15 Revenue from Contracts with Customers from 1 January 2018. Early adoption of IFRS 16 Leases has been carried out to allow all changes to be implemented at the same time.
- The application of IFRS 15 has impacted the income statement at different levels in the form of a one-off adjustment and a reclassification of costs. In order to facilitate an analysis of the company's underlying performance and minimise the impact of the one-off adjustment, Oriflame has decided to recognise the new IFRS 15 standard in applying the cumulative effect method on the date of initial application, with no re-statement of the comparative period presented.
- To facilitate s comparison with the 2017 figures, the company has prepared fully adjusted 2018 figures in the first section of the annual report (pages 1–65), excluding the impact of IFRS 15, IFRS 16 and related accounting alignments. The fully adjusted figures are comparable with the figures already recognised for 2017.
- Please note that due to accounting principles and the chosen implementation options of the new IFRS standards, the consolidated financial statements and related notes in the annual report have been calculated in accordance with IFRS (following the adoption of IFRS 15 and IFRS 16). These figures are not comparable with the figures already recognised for 2017.
- Unless otherwise stated, the figures, graphs and comments in this annual report are based on the fully adjusted 2018 figures to facilitate a comparison with the 2017 figures.

Our Formula

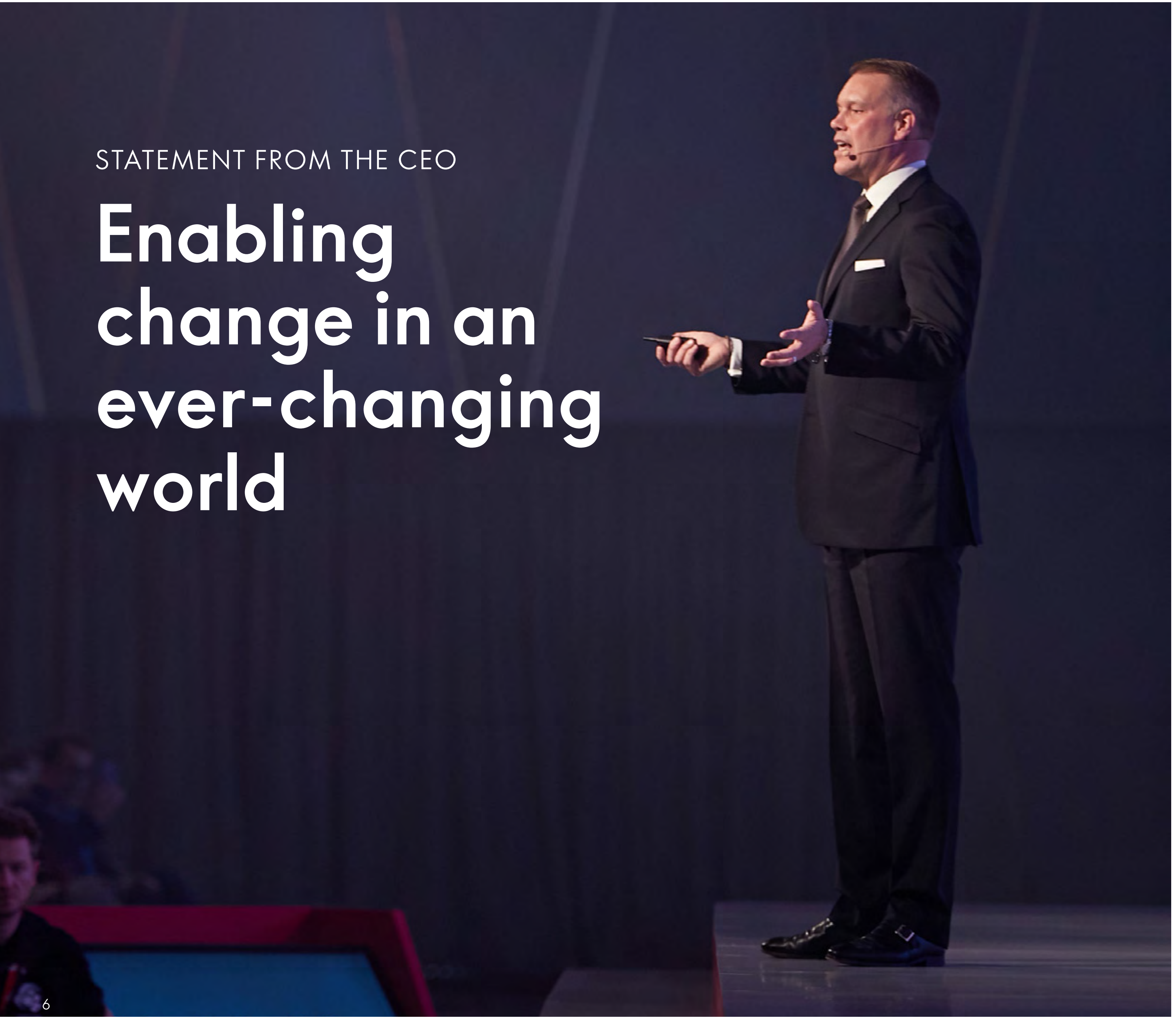
Oriflame's business success is built on a simple formula: combine people's natural desire to improve their lives with the right opportunity, and create real, positive change.

We are proud to offer people all over the globe the opportunity to make that change. If they share our passion for beauty and wellness, we can help them bring more of it into the world. For most people, this means saving money while enjoying our responsible beauty and wellness products. For others, it means using our direct-selling model to earn an income or to build a business.

Oriflame has a proven business model, perfect for the modern networking world. It is flexible, digital and powered by millions of trusted relationships and recommendations. With low risk we offer "entrepreneurship in a box".

By accelerating our business, we have a positive impact on people and communities around the world. The value of local entrepreneurship in our global society is well recognised, from the jobs it generates to the skills it nurtures.

More than 50 years in, Oriflame is the choice of three million people. Looking ahead, we are committed to continuing to build on this simple formula – empowering people and enabling positive change around the world.



STATEMENT FROM THE CEO

Enabling change in an ever-changing world

For Oriflame, 2018 will be remembered as a year of financial stability, but beneath the surface there was a great deal of turbulence, with completely altered roles and developments in our geographical platform. On the one hand, there were challenging market conditions in some of our most important growth markets; on the other hand, we witnessed a turnaround in most of our more mature markets. In light of currency headwinds, a thoroughly altered geographical mix and difficult comparables to the 50th Anniversary year 2017, we are pleased to report a year of healthy profitability and financial stability.

At this time a year ago, I said, "we see immense potential in both our more mature and our growth markets. What we know for certain is that the geographical balance will continue to vary over time." Still, I must admit that, looking forward at that point in time, I absolutely did not expect such a complete turnaround of the company's geographical balance. In hindsight, we can see that our strongest growth markets in the past have had a tough year. This is not only due to macro factors beyond our control, such as a 7-percentage-point currency headwind, but also to launches and campaigns with less than stellar results, mainly during the second half of the year. On the other hand, many of our previously weaker markets have experienced a turnaround. To me, this is an incredible sign of strength and demonstrates Oriflame's capacity to continuously find new solutions.

To highlight a few changes in particular, I would like to mention the positive momentum we have seen in CIS, the turnaround in Latin America and Europe & Africa as well as the transformation in India – a country at the heart of this year's most turbulent region, Asia and Turkey. 2018 was also a year of extreme weather events and the Intergovernmental Panel on Climate Change (IPCC) Special Report on 1.5°C showed an urgent need for climate action. I am therefore proud to say that Oriflame now has 100% renewable electricity at all Oriflame operated sites and has committed to set company-wide emission targets that align with climate science for 2030.

Oriflame's ability to create change

Yet again it must be stated: to Oriflame, change and challenges are a fact of life. Year after year, our business model has proved itself to be strong. We have made a swift digital transformation and now combine social selling with digital tools. 2018 was no exception – online activity increased, 96 percent of the company's global orders were placed online, and the share of orders placed using mobile devices reached over 50 percent.

We have a clear growth strategy. Although we are evaluating every step forward and calibrating our stakes in every market, the direction is clear. We aim for 10-percent average annual local currency growth and a 15-percent operating margin. Essentially, it is about finding the right offer or income opportunities for our Consultants. Key to this process is the focus on our strategic product categories (Skin Care and Wellness), which accounted for an increased share of our turnover. These product categories comprise high-value and high-margin products that drive profitable growth and create brand value and loyalty – thereby supporting the growth of the company as well as the earnings opportunities for our Consultants.

"Year after year, our business model has proved itself to be strong."

"What creates success for our Consultants, creates success for us."

Oriflame's capacity for finding new solutions

Oriflame's idea is to give people around the world the opportunity to change their lives by offering entrepreneurship and personal development. In order to succeed, we need to be relevant for those who are most relevant to us – our Consultants. What creates success for them, creates success for us. Flexibility, development and the ability to control one's own time are becoming increasingly important for the Consultants and customers of tomorrow.

We must always be on our toes, in order to face a future with ever-growing competition that is increasingly taking place online. This is why we developed a model for our more mature markets that is more advanced and more adapted to today's digital communication channels. The model clearly targets customers who are consumers of Oriflame products, VIP customers, as well as those for whom Oriflame is a part-time or primary earnings source. Our goal is for them to be able to earn as much as a school teacher within a period of 12–18 months. The Mature Market Model was launched in Finland in 2018, and the reception has been positive. Next in line are markets such as the United Kingdom and the Netherlands. To keep developing, we cannot solely strive to do new things – we must also do things in new ways. Sometimes, this can mean taking a step back. During 2018, we vitalised the Oriflame Way, which encapsulates our heritage, history and company culture. These have been important success factors during our first 50 years, and will remain important for the next 50.

Going forward

From an operational standpoint, our main focus going forward is to secure growth in Asia, as fast as we can. We are taking measures to achieve this aim, while maintaining our ambition to return to long-term, sustainable growth. From a strategic standpoint, we will make sure that necessary investments are made to become an even more digital company than we are today. I look forward to continuing the roll-out of our Mature Market Model, making new progress with respect to Skin Care and Wellness routines in order to strengthen our Consultants' earnings opportunities and loyalty. Our commitment to sustainability stands firm and in 2018 we updated our Sustainability Strategy, to reflect our continous focus of efforts in the areas of Opportunity for Consultants, Respect for Nature and Passion for People. These focus areas well represents what matters most to our stakeholders.

To illustrate the passage of time, I would like to look back at my closing words from 2017: "A changeable world and an unpredictable future are simply part of our everyday lives. We have a strong platform to stand on, with a business model that has proven to be adaptable, and a genuine corporate culture. Our main focus now is on raising our Consultants to new levels and helping customers to find the right products. Our task is to ensure that we create value – for our Consultants, our employees, our shareholders and our surroundings."

Magnus Brännström, CEO & President

5 questions regarding Oriflame in 2018

1. How would you describe 2018 in brief?

2018 was a year of stable development for the Group, but beneath the surface it was also quite turbulent, with a thoroughly altered geographical mix that placed considerable demands on our organisational flexibility but also shows the strength of our business model.

2. What was the most satisfying development in 2018?

I would have to say our turn-around in the whole of Europe.

3. What was the most surprising development in 2018?

The pervasive change in our geographical platform towards the end of the year. Many of the countries that previously struggled are now doing well – and conversely, those that used to do well are now struggling.

4. Can you point to any specific event during the year that speaks to what Oriflame represents?

The launch of our Mature Market Model in Finland, among other countries. This launch shows our capacity to continuously find new solutions.

5. What will Oriflame focus on in 2019?

Securing continued growth in Asia and becoming an even more digital company than today – with social relationships and entrepreneurship as a foundation.

How Oriflame creates value

Resources

Financial capital
Capital provided by investors

Social and relationship capital
Three million Consultant relationships

Human capital
A skilled and diverse workforce

Manufactured capital
Manufacturing sites, support offices and offices in more than 60 markets.

Intellectual capital
Strong product development process with a Global R&D and Skin Care Research Institute, a solid success plan and a unique Swedish brand.

Natural capital
Raw materials

The Oriflame business

Beauty and wellness offering

Business opportunity

Corporate culture, brand and values

Flexible and asset-light business

Value created 2018

Oriflame's business model delivers financial value
- Operating margin: 11.3%
- Net debt at hedged values/EBITDA: 0.3*Shareholder dividend proposal to the 2019 AGM: €90m, 94% of net profit for 2018
- Consultant bonus and performance discounts: €370m
- Social security, pension and corporate income tax expenses**: €74.4m

*EBITDA is adjusted for the impact of IFRS 15 (around €4m) and IFRS 16 (around €25m) in order to make it comparable with 2017 EBITDA.

** Excludes taxes withheld from Consultants, suppliers and employees.

Oriflame enables people to change their lives for the better
Personal benefits of direct selling – strongly agree/tend to agree (Source Seldia):
- It is a good way to earn additional income: 81%
- It enables me to meet new people: 85%
- It has helped me to improve my self-esteem and confidence: 70%
- It has helped me to improve my business management and sales skills: 66%

Oriflame builds a diverse and safe workforce
- Women represent 40% of the global management team
- 39 nationalities in the six global support offices
- 5.1 occupational injuries per million hours worked in manufacturing.
- 2.4 occupational injuries per million hours worked in non-manufacturing

Oriflame creates products that bring beauty and wellbeing
- No. of products: ~1000
- Pairs of lips made beautiful by Oriflame lipsticks: ~6 billion.
- No. of days started with a vitamin- and mineral supplement intake: ~50 million.

Oriflame develops new products and builds a strong brand
- Share of new products in total product portfolio: ~1/3
- Oriflame brand tracking (Consultants): 793 (closest competitor at 100, measured on prioritised associations).

Oriflame's improved environmental footprint
- GHG emission development per sales vs 2010: -27%
- Paper packaging, product leaflets and catalogues that came from credible certified or recycled sources: 96%
- Certified sustainable palm oil by physical supply chain/ RSPO Book & Claim Credits: 39%/61%
- Renewable electricity at all Oriflame-operated sites: 100%
- Waste that avoided landfill (manufacturing): 99%

Highlights in 2018

Financial highlights

2018 was a year of mixed performance for Oriflame. On the one hand, the company faced challenging market conditions in some of its key markets and difficult comparables in 2017, which included various 50th anniversary activities. On the other hand, the strategic categories – Skin Care and Wellness – continued to increase their share of overall sales and online activities remained at a high level. While Asia & Turkey displayed a weaker development during the second half of the year, improved sales momentum was seen in most other regions. Despite currency headwinds and a changed geographical mix, Oriflame reported healthy profitability for the year and the financial position remained solid.

- Local currency sales increased by 3% and euro sales decreased by 3% to €1,318.9m (€1,363.1m). Euro sales amounted to €1,278.8m* in accordance with IFRS.
- The operating margin was 11.3% (11.7%), negatively impacted in an amount of 220 bps from currencies, and operating profit was €149.3m (€159.0m). The operating margin was 12.0%* and operating profit was €153.1m* in accordance with IFRS.
- Net profit was €96.1m (€92.6m) and diluted EPS amounted to €1.69 (€1.62). Net profit was €95.4m* and diluted EPS amounted to €1.68* in accordance with IFRS.

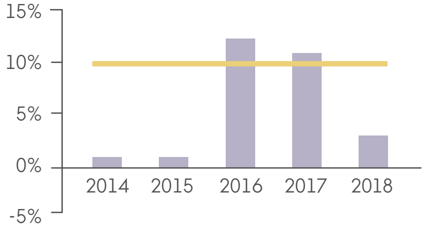
*Figures following the adoption of IFRS 15 and IFRS 16.

Long-term financial targets

Comments on the year's outcome

Local currency sales growth

Oriflame aims to achieve local currency sales growth of approximately 10% per annum.

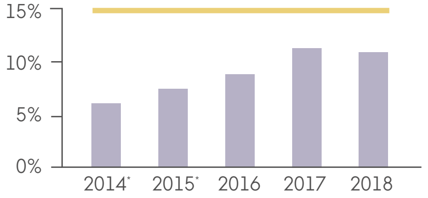


In 2018, local currency sales increased by 3%, which was below the company's long-term financial target.

Local currency sales growth — Target

Operating margin

Oriflame aims to achieve an operating margin of 15%.



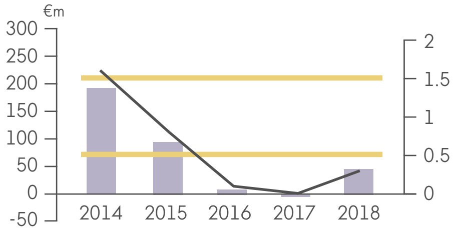
The operating margin decreased to 11.3%, down from 11.7% the year before. The operating margin was negatively impacted in an amount of 220 bps from currencies.

Operating margin — Target

*Adjusted operating margin

Net debt/ EBITDA

Oriflame's target range is a net debt at hedged values/EBITDA of 0.5 to 1.5



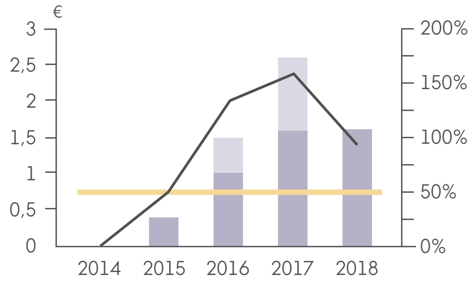
Net interest-bearing debt at hedged values amounted to €48.4m. The net debt at hedged values/EBITDA ratio was 0.3*.

Net debt at hedged values*
Net debt at hedged values*/EBITDA LTM
Corridor low-level/Corridor high-level

*EBITDA is adjusted for the impact of IFRS 15 (around €4m) and IFRS 16 (around €25m) in order to make it comparable with 2017 EBITDA.

Dividend policy

Absent changes in the Company's operations or capital structure, Oriflame intends to distribute, over the long-term, at least 50% of the Company's annual profit after tax as dividend.



The Board of Directors will propose to the 2019 AGM a total dividend of €1.60 per share for 2018, corresponding to 94% of the net profit.

Dividend/share
Extraordinary dividend/share
Dividend as % of net profit
Dividend policy

Key figures

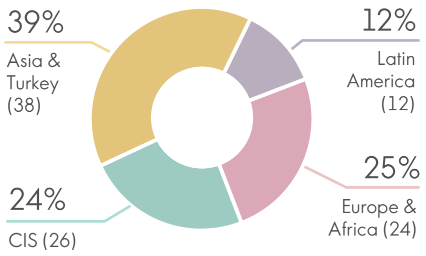
€m unless stated otherwise	2018*	2018**	2017	Change %**
Sales	1,278.8	1,318.9	1,363.1	-3%
Gross profit	885.1	957.4	994.6	-4%
Gross margin, %	69.2	72.6	73.0	
Operating profit	153.1	149.3	159.0	-6%
Operating margin, %	12.0	11.3	11.7	
Net profit	95.4	96.1	92.6	4%
Diluted EPS, €	1.68	1.69	1.62	4%
Net interest-bearing debt	154.1	72.4	23.5	208%
Net interest-bearing debt at hedged values / EBITDA	0.7	0.3***	0.0	N/A
Registered actives, ´000	3,105	3,105	3,067	1%

*Figures following the adoption of IFRS 15 and IFRS 16.

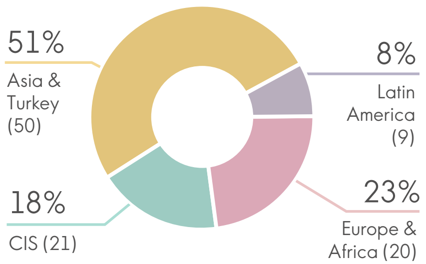
**Figures excluding the impact of IFRS 15, IFRS 16 and related accounting alignments. The numbers are fully comparable with the figures recognised for 2017.

***EBITDA is adjusted for the impact of IFRS 15 (around €4m) and IFRS 16 (around €25m) in order to make it comparable with 2017 EBITDA.

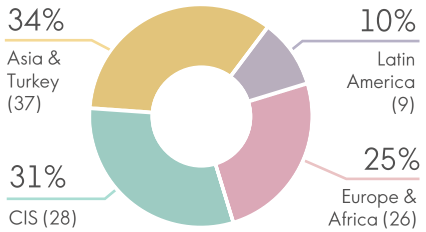
Regional sales



Regional operating profit



Registered actives



Sales in over **60** countries

€1.3b in sales

Founded in **1967**

6,143 full-time equivalent employees

3.1m registered actives

11.3% operating margin

96% of all orders placed online

6 different product categories

~1,000 products

Sustainability highlights

During the year, Oriflame's sustainability work continued to progress within three focus areas: Opportunity for Consultants, Respect for Nature and Passion for People. The company continued to distribute bonuses and other forms of recognition to its Consultants. In 2018, more than €370m was distributed.

The aim of Oriflame's Responsible Paper Sourcing Commitment is to source 100% of paper and board packaging and catalogues from either credibly certified and/or recycled origin by 2020. During 2018, a result of 96% was reached. Oriflame will keep working to ensure that 100% of its paper is proven acceptable under the paper commitment.

Oriflame has been working to reduce its climate impact since 2010. By 2020, the goal is to reduce the company's greenhouse gas emissions by 50% since 2010. The company's emissions have so far decreased by 27%. The decrease in 2018 was mainly due to the purchase of traceable renewable electricity in all markets.

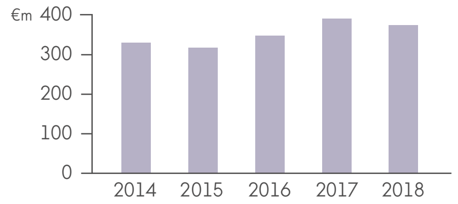
Oriflame believes that a mix of genders, nationalities and cultures performing on equal terms leads to better decisions, ideas and products. By 2020, the goal is to ensure that the minority gender represents no less than 40% in management teams. This target was achieved in 2018, with 40% women and 60% men in management positions.

Further examples of sustainability achievements are available in the Sustainability Report at www.oriflame.com.

Opportunity for Consultants

Target

Continue to grow the business in order to increase the total amount paid out to Consultants annually.



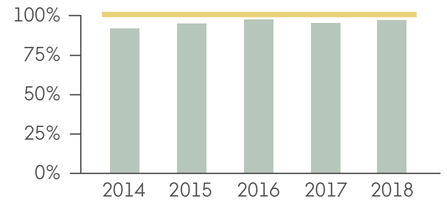
Comment

During 2018, Oriflame distributed €370m directly to its Consultants through bonuses and other forms of recognition, a decrease from €390m in 2017.

Respect for Nature

Target

Source 100% of paper from credible certified or recycled sources by 2020.



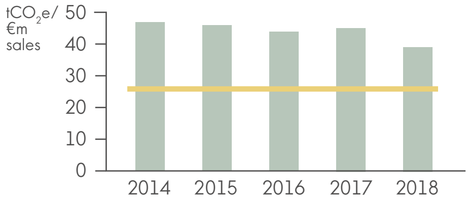
Comment

Oriflame will keep working to ensure that 100% of its paper is proven acceptable under the paper commitment.

Target (100%)

Target

Reduce greenhouse gas emissions per sales by 50% from 2010 to 2020.



Comment

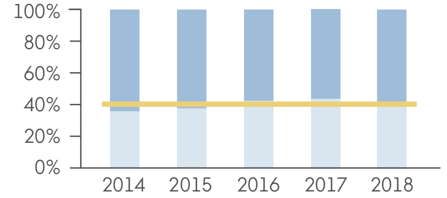
The decrease in emissions for 2018 was mainly due to the purchase of renewable electricity at all Oriflame-operated sites.

Target (<26.6)

Passion for People

Target

Ensure equal opportunities for all women and men, with the minority gender representing no less than 40% in management teams by 2020.



Comment

The target was achieved for 2018 and work will continue to ensure equal opportunities for women and men.

Men Women

Target (minority gender no less than 40%)

Product highlights

During the year, the strategic product categories of Skin Care and Wellness increased their share of the full-year sales. The main initiatives within Skin Care were the introduction of NovAge Men as well as the Chinese launch of the premium and multi-benefit Skin Care routine Innoage Youth Preserve. The growth in Wellness was primarily driven by set sales, and the Wellness by Oriflame Probiotic supplement was one of the key launches.

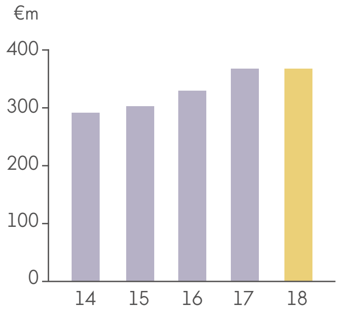
In Colour Cosmetics, The ONE Wonderlash Mascara XXL was introduced and the best-selling lipstick Colour Stylist Ultimate Lipstick was re-launched. Under the Giordani Gold brand, the foundation Mastercreation was added to the portfolio.

The performance in the Fragrance category was primarily driven by new products. Key launches during the year included Lucia Bright Aura, Eclat Mon Parfum and Men´s Collection Intense Oud.

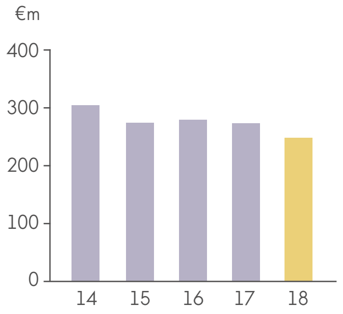
In Personal and Hair Care, an upgraded collection of Swedish Spa products was introduced, consisting of seven products.

Sales by product category

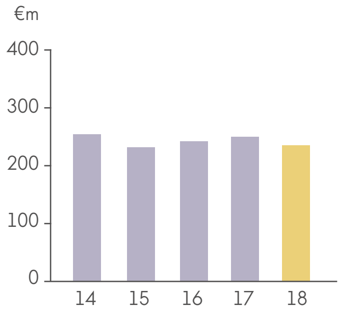
Skin Care



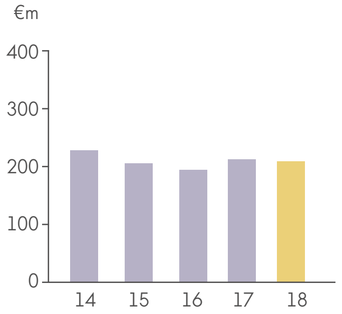
Colour Cosmetics



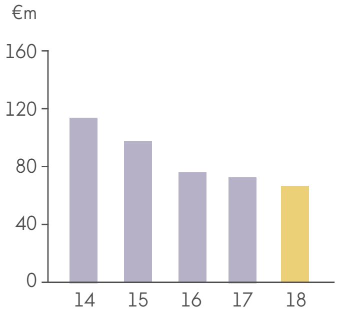
Fragrances



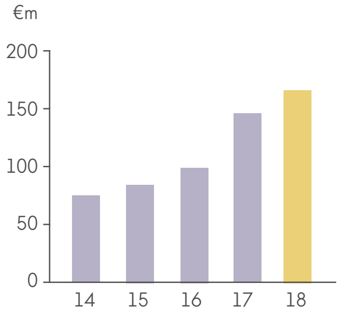
Personal & Hair Care



Accessories



Wellness



Strategic direction

This is Oriflame

Why buy?

Beauty as a way of life; your healthy lifestyle, beautiful skin and personal expression

Why join?

Make money today and fulfil your dreams tomorrow

Our brand positioning

Beauty by Sweden

What makes Oriflame unique is its Swedish approach to offering beauty and business to people around the world.

Our Swedish attributes

Accessible, Natural, Progressive, Trustworthy

Oriflame is proud of its Swedish heritage, as it plays a vital role in what makes the company unique and has helped to define how the company operates. Sweden is a country with many positive associations and, as the only Swedish brand in the global beauty arena selling direct, Oriflame holds a unique position.

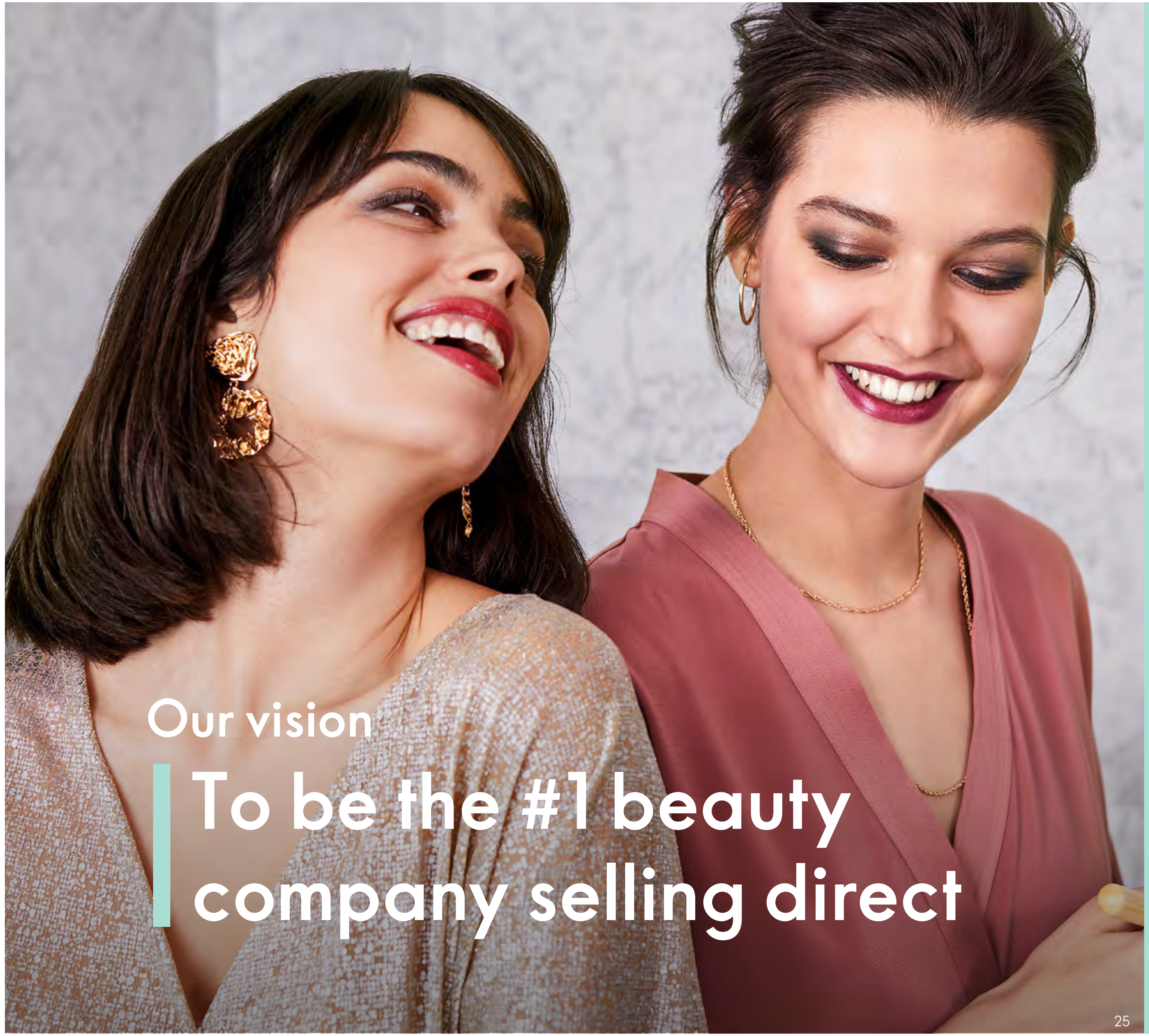
Our values

Togetherness, Spirit, Passion

The Oriflame community is united by the shared values of Togetherness, Spirit and Passion. These three words have guided the company for a long time and will continue to guide Oriflame in the future. The values are infused into everything the company does and living by these values guides the culture and the decisions made.

Our mission

To fulfil dreams



Our vision

To be the #1 beauty company selling direct

Growth strategy

Further penetration of existing markets

Oriflame will focus on further penetration of the markets in which it currently operates, with an emphasis on its six strategic markets: Mexico, Russia, Turkey, India, China and Indonesia. Oriflame aims to achieve local currency sales growth of approximately 10% per annum, with approximately 5% driven by growth in the number of registered actives and 5% by productivity growth.

Efficiency measures

Oriflame aims to further improve the capacity utilisation in manufacturing through various supply-chain efficiency measures:

1. Insourcing external volumes
2. Adding new technologies
3. Reaching new target customer groups in other distribution channels and geographies

Price/mix

The main part of Oriflame's operations are conducted in emerging markets and the company is used to mitigating currency movements. Oriflame's strategy is to offset devaluations primarily through price increases. Furthermore, Oriflame aims to continue to drive a positive mix effect across the business. The mix will be a combination of geographical and product mix, mainly driven by the focus on Skin Care and Wellness.

Entering new markets

Over time, Oriflame will expand into new geographical markets, primarily through organic expansion. During the first years after a new market entry, there is normally only limited growth in absolute numbers.

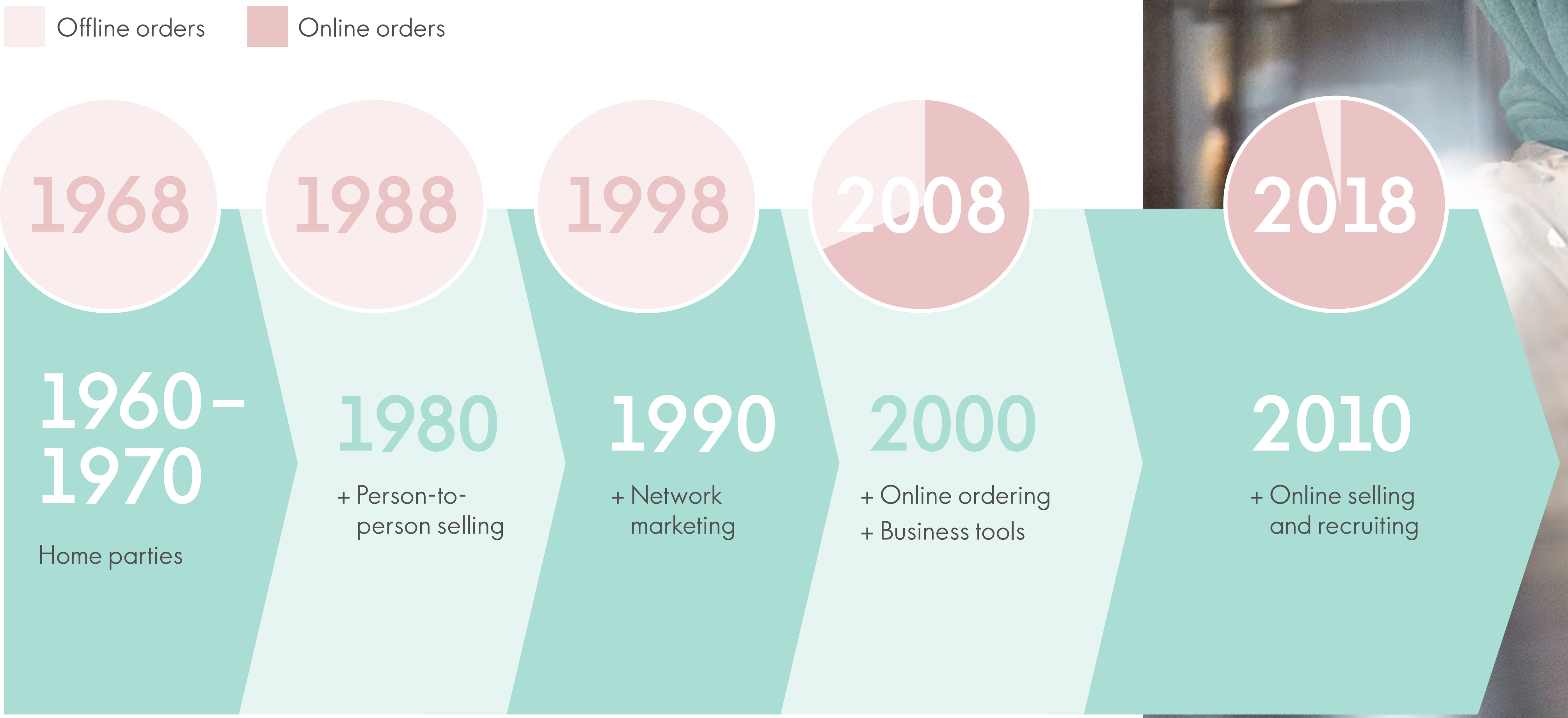
Leverage on assets and overhead costs

Through a combination of organic sales growth and cost control, Oriflame aims to achieve further leverage on its assets and overhead costs.

Driving a sustainable business with a strong corporate culture

The Oriflame business model

THE TRANSFORMATION THROUGH THE YEARS



> “A recommendation from a friend is trusted by 83% of people”

Source: Nielsen Global Trust in Advertising 2015

Social selling

BENEFITS OF A TRUST-BASED PURCHASE

Retail (bricks and mortar, online)

Manufacturer → 1 → Wholesaler → 2 → Advertiser/ influencer → 3 → Retailer → Consumer

Social selling

Manufacturer → 1 → Consumultant/ micro influencer → Consumer

Oriflame’s social selling model structured for the 21st century

- 96% of purchases online
- Consultants use the latest online tools to deliver personalised recommendations
- Consultants help consumers find the right products

Consumer benefits

- Direct contact with the seller, resulting in trust-based personal purchase
- Personal advice tailored to customer needs
- Online orders and home delivery

Consultant benefits

- Earning opportunity in a changing world
- Opportunity to run own business at minimum cost/low risk
- Freedom to choose when to work and how much to work
- Social contact and personal development

Company benefits

- No retail property, rent or rates
- Effective “socially-based” distribution channel
- Less need for traditional advertising
- No requirement for high capital investment
- Low cost and effective method to enter new markets

Beauty entrepreneurship

The basis for Oriflame has always been social selling. As part of the global digital transformation, Oriflame's business model is evolving and now largely comprises an online model.

Oriflame's digital strategy has a consultant-centric approach, which means that the initiatives are shaped from the perspective of how the Consultants are empowered to sell, recruit and manage their business using the latest digital tools. This also means that Oriflame aims to reach the online beauty shopper segment mainly through its Consultants, thereby leveraging the power of personal recommendation online. This can, for example, take the form of a Consultant sharing inspiring and insightful beauty content with their friends through social media that is connected to a relevant and attractive product. The product can then either be delivered personally by the Consultant or shipped directly to the customer by Oriflame.

The Consultants are compensated for the actual sales volumes generated by them and their network. Consultants can use personal links when recommending Oriflame on digital platforms. Any lead that uses such a link as a point of contact with Oriflame will be attributed to the appropriate Consultant when registering or making a purchase. Oriflame never bypasses the Consultants and in cases of drop-in registrations where no Consultant can be identified, a fair share allocation algorithm is used to ensure that the commission is still distributed to the Consultants.

As the digital transformation continues, Oriflame is focusing on the needs of tomorrow, developing new tools and new ways of thinking. In order to better understand the behaviour of the Consultants and thus be able to communicate in a relevant way, Oriflame is also pursuing analytical segmentation and marketing automation.

China WeChat sharing

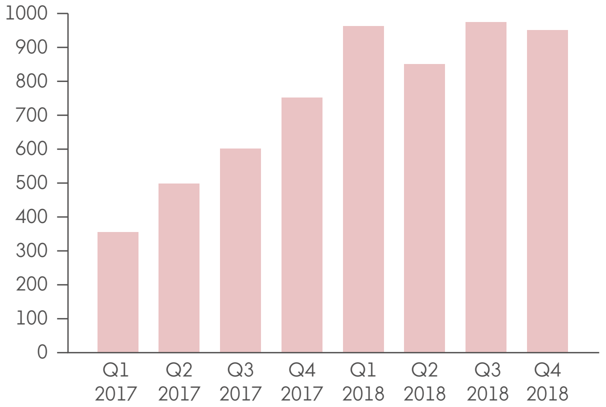
Oriflame's business in China is to a large extent conducted via WeChat, a multipurpose messaging, social media and mobile payment app. Consultants use WeChat to promote and sell products as well as to recruit and train their network.

Consultant endorsing a new product by sharing her user experience

Consultant sharing personal QR code for potential recruitment

The use of Oriflame mobile apps continued to increase during the year.

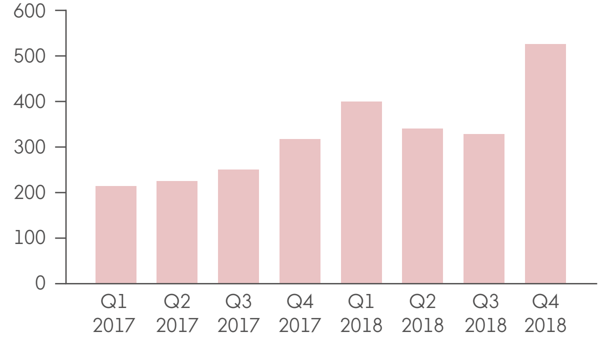
The Oriflame app*



Active monthly users (thousands)

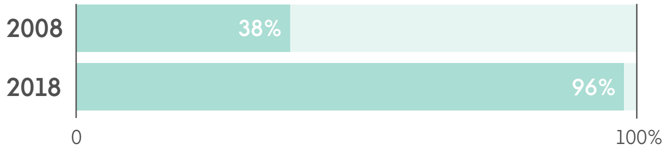
*Figures also include the a app tailored for Chinese infrastructure and market preferences

The Oriflame Business app

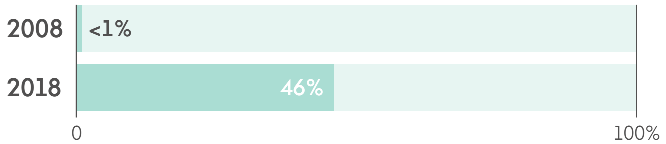


Active monthly users (thousands)

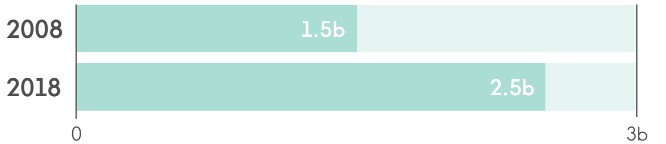
Orders online



Orders using mobile devices

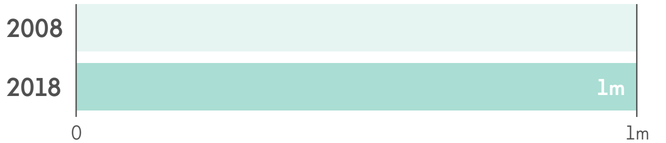


Page views



Unique users

Monthly app users



The business opportunity

Since the very beginning, Oriflame has made entrepreneurship accessible. With an attractive joining fee and no need to invest in product inventory, Consultants have the opportunity to start using and selling Oriflame products and making money from day one.

Oriflame acknowledges the importance of offering an attractive earnings proposition that is trustworthy, simple and easy to understand. This is supported by an increased focus on selling more per customer contact by presenting daily routines offered in sets at good value, as well as an integrated suite of attractive and modern business tools that help the Consultants to manage and develop their business.

Oriflame distinguishes itself by taking a human-touch approach in all of its interactions with Consultants. Oriflame aspires to be known as a company in which Consultants feel seen, appreciated and recognised. Personal and professional development is another important part of the consultant value proposition. Oriflame aims to provide the Consultants with a rewarding journey and delivers on this by offering world-class tools, training, conferences and events, but equally important are the daily activities and interactions within the networks.

Why join Oriflame?

- Low risk
- Significant earnings potential
- Training/conferences
- Changing employment landscape
  - Demand for new ways of earning money
  - Demand for flexible/part-time work
  - Desire to be self-employed/"own boss"

"I knew from the start that with Oriflame's success plan, I can earn money and build a brighter future."

Rengthangpuii Sailo
Director, India

"Because of the fantastic business opportunity to build my network online. I also enjoy planning my own schedule."

Milan Matis
Manager, Slovakia

Why did you join Oriflame?

"To fulfill my dreams of travelling the world."

Dianarose Bardo Mwanyika
Senior Gold Director, Tanzania

"We were dreaming about a European lifestyle, a good income and the opportunity to travel."

Olga and Victor Kukushovy
Executive Directors, Russia

"To develop personally and professionally and be the strong woman that I dreamed to be."

Yousra Abed
Senior Manager, Algeria

Beauty by Sweden

Oriflame offers a wide and dynamic assortment of high-quality products that combine the best of nature with advanced science, and use safe eco-ethically screened ingredients. The portfolio includes everything for a healthy lifestyle, beautiful skin and personal expression. It spans six complementary categories: Skin Care, Colour Cosmetics, Fragrance, Personal and Hair Care, Accessories and Wellness.

The beauty offering is developed with the Consultants in mind, supporting the Oriflame recommendation model and thereby driving activity and retention. The products should be easy to buy and recommend to others because of their high quality, great product stories and unique product benefits – providing a compelling and relevant proposition. All products serve a specific purpose in the product portfolio and across various sales tools and methods. Some products may play the role of door-openers and activity-drivers and are well suited for the catalogue. Some may be designed to create a buzz that attracts customers via social media, while others are intended to strengthen the brand and the product culture.

Skin Care and Wellness are strategic product categories that drive sales and profitability, create brand value and loyalty, and increase productivity and income opportunities for the Consultants. These are also categories that customers often need more help navigating and where the Consultants can add value by helping the customers to identify the products that meet their individual needs. Skin Care and Wellness daily routines are a key element in the beauty offering, clearly reflecting Oriflame's belief in the synergy effect of combining products to obtain the best individual results.

Skin Care and Wellness accounted for 42% of FY 2018 sales and are expected to account for about 50% in the medium term

Why focus on Skin Care and Wellness sets and routines?

- Customer: Best result for skin and health
- Consultant: Added value and income opportunity
- Leader: Business growth and profitability
- Company: Profitable growth, brand and loyalty

Six product categories with different roles within the portfolio:

Skin Care

Earning opportunity + Loyalty + Activity

Wellness

Business and earning opportunity + Loyalty

Colour Cosmetics

Point of entry + Activity

Fragrances

Earning opportunity + Loyalty

Personal and Hair Care

Point of entry + Activity + Add-on sales

Accessories

Add-on sales + Point of entry

Oriflame's sustainability strategy

Oriflame has a vision to become a sustainable company. The sustainability strategy is there to help the business succeed while also enabling Oriflame to contribute to a more sustainable planet.

This long-term commitment to becoming a sustainable company is also echoed through the Swedish brand attributes and the focus on using ingredients from nature.

Oriflame started updating its sustainability strategy in 2018. Overall, it's about increasing the company's positive impact whilst reducing the negative. This combination is absolutely fundamental and has helped to create the three core areas: Opportunities for Consultants, Respect for Nature and Passion for People. By establishing a more explicit strategy than in the past, Oriflame aims to capture the core of its business model – how the opportunities given to the Consultants translate into real positive change. This can range from a simple increase in disposable income and the social impact this has on a family, to increased business skills, improved self-esteem and confidence as well as a newly acquired sense of belonging. The company's efforts to reduce its impact focus on actions in areas that offer the greatest opportunities and possibilities to achieve change. The newly set target to reduce the company's environmental footprint per unit of product by 50% by 2030 demonstrates Oriflame's serious commitment to eliminating the negatives of the business.

Becoming a sustainable company is a journey with a moving target. Recent developments in relation to climate change and biodiversity loss indicate that the need to achieve fundamental change has become even more urgent.

There has also been an increased interest in sustainability among employees, investors and Consultants. Being able to meet their expectations of Oriflame as a company is naturally very important. In fact, for all of the reasons mentioned above, delivering on the sustainability strategy could not be more important.

Oriflame's updated strategy has three focus areas:

1. Opportunity for Consultants
2. Respect for Nature
3. Passion for People

These three core areas are underpinned by 12 subareas which contain 47 targets with different time horizons. Most new targets are set for 2025. Oriflame has also created a number of 2030 targets in order to push itself even further, and to align the company with the UN Sustainable Development Goals.

Opportunity for Consultants

Oriflame's business reaches around three million consultants and an estimated seven million customers every year, giving Oriflame a unique opportunity to touch people's lives. This is a core part of Oriflame's business model and is at center of the updated sustainability strategy.

Social selling gives people – most often women – a real opportunity to earn a flexible income stream that is easily combined with other work or occupations including childcare, studies or working from home. Flexibility and freedom are critical in many of the countries where Oriflame operates. Furthermore, when people become part of the Oriflame family, they gain access to a network, to training, to meetings and to conferences. They also earn recognition, which boosts their abilities, self-esteem and confidence.

All these benefits enable sustainable development in both a social and economic sense, in areas where it is often mostly needed. To keep moving forward, Oriflame will measure how people are touched by the business and what that does for them socially and economically.

Oriflame's vision is to become the #1 beauty company selling direct. To reach this goal, the business opportunity will need to become even more accessible to people around the world.

Passion for People

Oriflame is a people's company. At Oriflame, both the employees and the Consultants like moments of sharing, recognition, enjoyment and celebration. This section of the strategy covers the targets that relate to people. This includes Oriflame's employees as well as the Consultants, customers and those employed by Oriflame's suppliers. Hence we address issues such as human rights, consumer safety, diversity and inclusion, corruption, and employee health and safety.

Respect for Nature

Respecting nature starts by truly valuing its contributions. This includes valuing the services nature provides, such as clean air and water, a stable climate and much more.

Of course, Oriflame is already on the path towards sustainability, and is always finding new ways to accelerate this journey. In practice, this for example means finding ways to preventing deforestation, avoiding the pollution of air, land and waterways, decarbonising the demand for energy, fuel and ingredients, safeguarding animal welfare, and driving demand for environmentally responsible packaging and formulas.

By 2030, Oriflame aims to reduce its environmental footprint per unit of product by 50%.

For more information about Oriflame's sustainability achievements, please see the Sustainability Report available at www.oriflame.com.

Value chain

At Oriflame, the main focus throughout the value chain is on driving efficiencies and delivering on the promises to the Consultants. Oriflame believes in an adaptable and sustainable supply chain that creates value for the Consultants, factories, employees and communities. This is achieved through enhanced processes and planning platforms, reduced lead times, and an optimised logistics platform.

Research and development

With over 100 scientists working from Dublin and Stockholm, Oriflame R&D is at the forefront of cutting-edge science and innovation. Significant resources are spent to ensure that every product is safe to use and to protect consumers from potentially harmful ingredients. Oriflame R&D rigorously screens all raw materials, restricting many beyond European requirements, whilst also conducting independent product testing with healthy, human volunteers to safeguard customer health.

R&D's dedicated team of scientists and experts ensure seamless delivery of effective, safe and high-quality cosmetic and wellness products, applying their experience and expertise in a number of disciplines encompassing clinical testing and evaluation, ingredient extraction and analysis, biotechnology, chemistry, skin biology, pharmacology, toxicology and nutraceuticals.

R&D continued to represent Oriflame in the industry throughout 2018, speaking at global, industry events and publishing research papers and articles at the forefront of formulation innovation and skin research.

Product development

Today, Oriflame offers approximately 1,000 products, with newly introduced products accounting for about one third of this amount each year. Skin Care and Wellness remain the focus for Oriflame R&D. The first dedicated Wellness by Oriflame formulation and testing laboratory was fully installed in 2018, which further strengthens our capability in Wellness product development, ensuring R&D is prepared to meet the demands created by the fast growth and expansion of this strategic category.

In 2018, Oriflame filed a patent application for an anti-urban darkening skin Signature Technology. This patent is the culmination of a newly designed SRI discovery process, combining digital-driven research with a targeted in vitro testing approach. This signature technology is a blend of biotechnology and a traditional plant extract. SRI sought to further enhance its research capabilities in 2018, through an "outside-in" approach, investigating potential partnerships and external collaborations for strategic projects.

Oriflame's signature research project, Age Reflect, was brought to China in 2018. This research is committed to understanding the ageing footprint of consumers, and is tailored for China, with the aime to identify key environmental and lifestyle factors that affect ageing within the Chinese population. This will provide crucial insights into Chinese consumers, their skin needs and anti-ageing requirements. These insights will drive the development of future, intelligent Skin Care ranges, attuned to the specialised needs of the Chinese market.

Sourcing and manufacturing

Oriflame has six factories located in China, India, Poland and Russia, two of which are LEED® certified. Close to 60% of the product volumes are manufactured in-house, up from less than 50% in 2015. Through its wholly owned manufacturing entity, Cetes Cosmetics AG, Oriflame is taking various initiatives to achieve more efficient manufacturing and capacity utilisation. This includes insourcing external volumes, adding new technologies and leveraging the manufacturing assets with external volumes. The production set-up is based on a centralised supply chain network, automated pick and pack operations, and regional hubs. Oriflame's quality assurance team works with both in-house manufacturing operations and subcontracted suppliers to achieve consistent compliance with the high quality, safety, ethical and environmental standards set by the company. Products must comply with stringent international regulatory requirements and are extensively tested to ensure optimum safety, efficiency and quality. Oriflame has one quality standard regardless of where the product is manufactured and the Global Supplier Evaluation programme is a way to improve sustainability across the value chain.

Go-to-market

Oriflame has around 6,000 full-time equivalent employees around the world with the same mission: to give support to the Consultants and their businesses. Unlike retail companies, Oriflame spends a limited amount on traditional marketing as its key marketing channel is the company's Consultants. The sales teams within Oriflame work closely with the Consultants to develop efficient sales tools for the needs of tomorrow. The Oriflame catalogue is still an important sales tool, both the offline and online version, and the transition towards other online tools and apps is reaching record levels. By providing customers with the ultimate shopping experience at their chosen time and place, Oriflame's sales tools support the business opportunity of the Consultants. The planning and preparation of various marketing activities are gradually becoming more integrated between the regions and global functions, while each country is responsible for adaptation and implementation in its respective market.

Consultants and customers

Oriflame's business model creates value by offering people around the world the chance to improve their lives: enabling entrepreneurial opportunities for Oriflame Consultants and a unique shopping experience for customers. In 2018, Oriflame had approximately three million registered actives in over 60 countries, generating annual sales of around €1.3 billion. Anyone can become an Oriflame Consultant, as long as they live in one of Oriflame's markets around the world. They can choose either to save money on the products they purchase for themselves and their families or to earn a little extra money through part-time income or a full-time career. In addition to the approximately 20% commission Consultants can earn by selling products, Oriflame distributed around €370m in bonuses and other forms of recognition in 2018. The majority of the Oriflame Consultants are women who live in developing countries where this kind of income can make a big difference to their lives – increasing their purchasing power and giving them more independence. Besides improving people's lives, the company uses the power of the networks to facilitate social and environmental progress.

Read more about the sustainability processes in the value chain on the next page

Sustainability in the value chain

WHAT IT LOOKS LIKE IN PRACTICE FOR A LOVE NATURE SHAMPOO

Research and development

- 100% natural extracts and natural origin scrubs.
- Developed with biodegradable formulas. The product was independently tested to ensure compliance with the OECD testing protocol for biodegradability.
- All raw materials have been screened to assess their naturalness, environmental impact and ethicalness.

Product development

- Packaging developed with more sustainable materials, such as 40% post-consumer recycled (PCR) plastic and recyclable packaging.
- Rigorous safety testing undertaken by independent laboratories to confirm consumer safety.
- Developed without intentional genetically modified organisms (GMO's).

Sourcing and manufacturing

- Manufactured with 100% renewable electricity.
- Purchased palm oil and palm kernel oil-based derivates are either Mass Balance certified or covered with Book & Claim Credits from Roundtable on Sustainable Palm Oil (RSPO).
- Suppliers are a part of a global supplier evaluation programme to improve sustainability performance.

Go-to-market

- Catalogue paper suppliers are assessed to ensure claims of credible certification or recycled paper.

Consultants and customers

- Sustainability initiatives are communicated to the Consultants through customer-friendly stories – inspiring Oriflame Consultants and customers to make their own contributions towards a better world.

Oriflame's employee strategy

BECOMING THE #1 COMPANY FOR PEOPLE WHO ACT ON THEIR DREAMS

Oriflame believes in putting the dreams and desires of its employees at the heart of their careers and professional growth. When Oriflame plays a critical role in that journey, the company earns their passion and commitment. In 2018, Oriflame continued to work hard to implement this employee-centric approach; in all introductions and career and development discussions.

Supporting culture and desire to grow

During the year, Oriflame emphasized cultural communication through its ongoing Oriflame Moments campaign and improved the company's induction training. The new Oriflame Academy, consisting of various training courses, covering the company's history, business and culture as well as leadership, is now being rolled out across the organisation. Oriflame has also increased the company's on-demand learning capabilities by giving its employees access to LinkedIn Learning, one of the world's largest e-learning platforms.

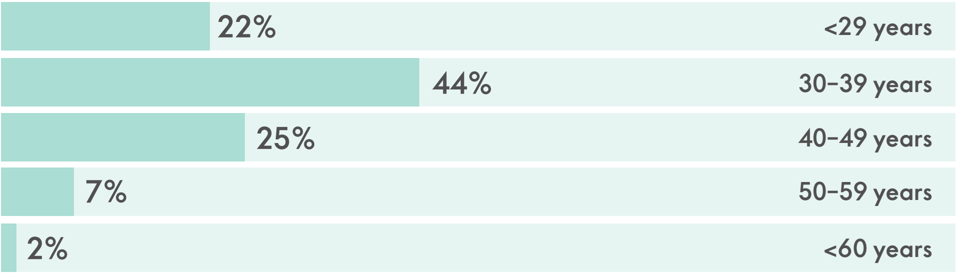
Delivering on diversity

Oriflame believes that a mix of genders, nationalities and cultures performing at equal terms leads to better decisions, ideas and products. Diversity is about celebrating, respecting and harnessing the value of the differences amongst employees and the talent Oriflame wants to attract.

Number of nationalities

Functional distribution

Age distribution



37 Average age

Average tenure 6.1 years

Employment contract

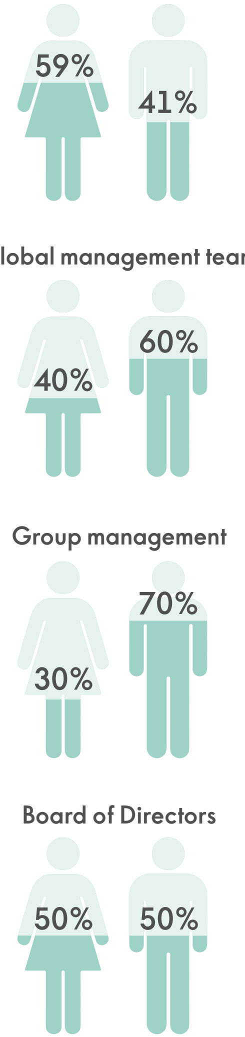
Employee turnover

28% <29 years
21% 30–39 years
13% 40–49 years
10% 50–59 years
30% >60 years

Absentee rate*

*Covering all types of unplanned absences per eight-hour workday

Gender balance



Key global trends influencing Oriflame

1 Purposeful brands

Today's successful companies have brands with a clear purpose, demonstrated through actions beyond the product offering. Products and services are tied to the **company values** and carefully bundled together with **stories** and **experiences**. This leads to a loyal long-term customer relationship that precedes the first transaction and extends well beyond. Customers will prioritise brands offering a **social identity**, emotional effect and a sense of belonging, and will choose companies that are **good corporate citizens** and have a clear sense of purpose.

2 Total beauty

Consumers all over the world are increasingly viewing beauty in the broader context of a **personalised healthy lifestyle**, inner **well-being**, ageing well and long-term safety from harmful substances. Feeling good is becoming the essence of looking good and is an ambition with universal appeal across genders, ages and cultures. Beauty commerce is therefore turning from offering a beautiful skin to offering a beautiful life.

3 You economy

Personal and professional beliefs and preferences of the young generation are changing while digital tools are offering flexible ways of **tailoring work life to individual needs**. Whether wanting a little extra income on the side or pursuing a dream of becoming an entrepreneur, people will increasingly turn to companies that offer flexibility in engagement, from a source of extra income to a **toolbox for life-changing entrepreneurship**. Direct sales is an area that stands to gain a lot of ground as the appeal of a regular job is diminishing.

4 Lifelong learning

Education has changed from an early-life activity to a **lifelong activity of personal development**. People are engaging in more **flexible modes of learning** that fit in around their busy lives. Brands are now stepping in as partners in this continuing process of self-improvement.

5 Socialisation of beauty

A significant shift is taking place where **stories**, not stuff, **are becoming essential** to the business plan to create an experience in which **customers feel inspired and connected**. From beauty content on social platforms to product storytelling, user experience and package design, storytelling plays a role in driving sales and recruitment whilst increasing the reach of new customers.

The direct selling industry

Benefits of direct selling – according to the World Federation of Direct Selling Associations

Direct selling offers important benefits to people who want an opportunity to earn income and build a business of their own, to consumers as an alternative to retail stores, and a cost effective way for business to bring products to market. Consumers benefit from direct selling because of the convenience and service it provides, including personal demonstration and explanation of products, home delivery, and generous satisfaction guarantees.

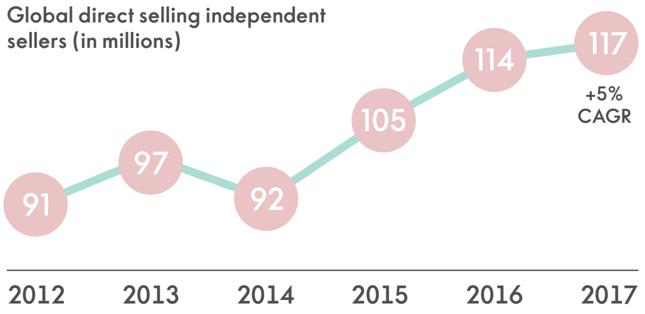
Direct selling offers an alternative to traditional employment for those wanting a flexible opportunity to supplement household income, or whose circumstances don't allow regular employment. Direct selling opportunities can develop into a fulfilling career for those who achieve success and choose to pursue their independent direct selling business on a full time basis. Start-up costs in direct selling are typically low. Usually, a modestly priced sales kit is all that's needed to get started, and there is little or no inventory or other cash commitment to begin. This stands in contrast to other businesses with the cost and risk associated with larger outlays.

Direct selling offers a distribution channel for businesses with innovative or distinctive products that for cost or other reasons are not suited to other retailing. External socio-economic impact studies for various markets show that direct selling is a positive impact to the economies and people where direct selling companies operate.

Source: WFDSA, https://wfdsa.org/

Direct selling as a sales method may seem best suited to emerging markets without a developed retail sector. Lately, however, new trends in customer behaviour have been putting traditional retail to the test, including growing demand for home delivery, personal shoppers and, in particular, online shopping. As competition for customers' attention and confidence increases, direct selling offers a unique way of gaining loyal customers. Today, key sources of customer information include word of mouth, dissemination in social media, blogs, fan clubs and informal gatherings with friends, particularly for purchasing beauty products. Many customers prefer advice based on personal experience, confirmed by a broad and well-known reference network. The direct seller is a familiar and trustworthy source of information about the product, brand, company, industry and supplier.

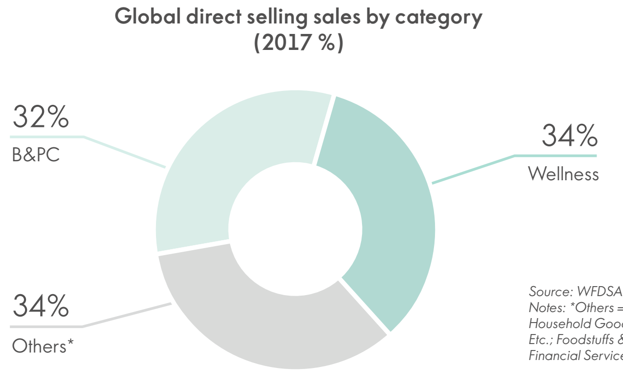
Direct selling continues to attract people globally



Source: WFDSA, June 2018 edition (2014–2017) and previous years editions (2012–2013)

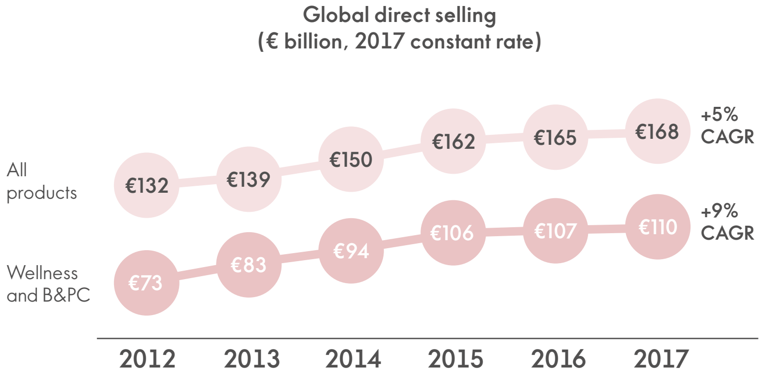
Wellness and Beauty & Personal Care are the most attractive categories within direct selling

Oriflame has the right product focus – with Beauty & Personal Care and Wellness accounting for nearly two thirds of the global direct selling industry.



Source: WFDSA, June 2018 edition (2014–2017).
*Notes: *Others = Clothing & Accessories; Home Care; Household Goods/Home Durables; Books, Toys, Stationary, Etc.; Foodstuffs & Beverages; Home Improvement; Utilities; Financial Services; Other Products & Services.*

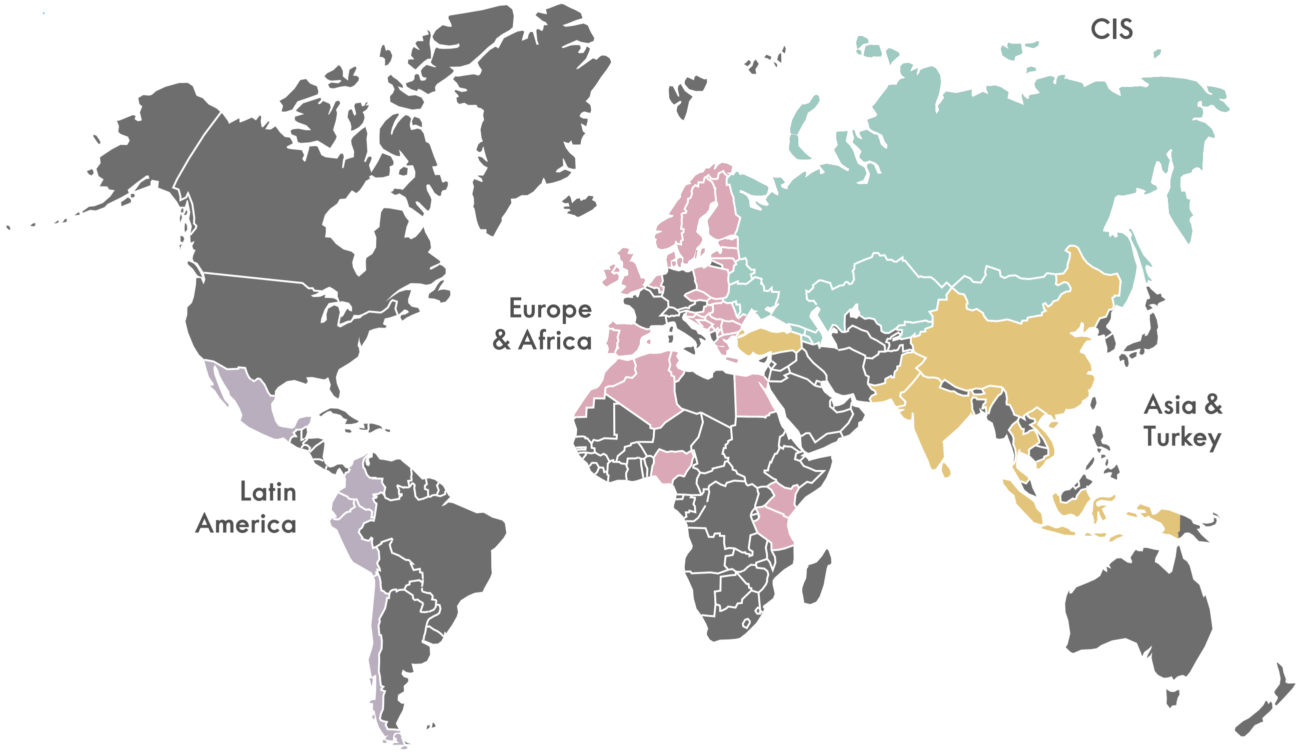
These product categories have also outgrown the overall direct selling industry in recent years.

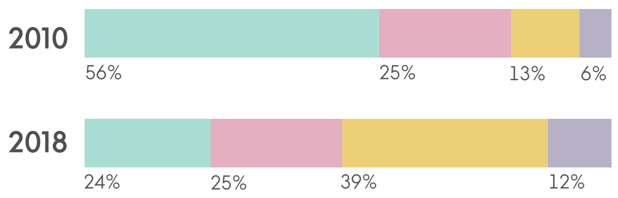


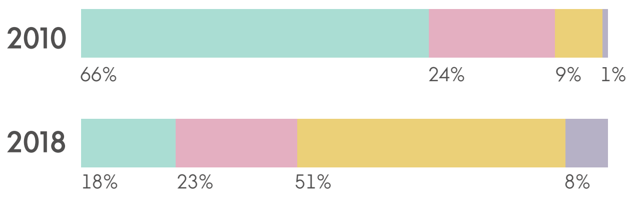
Source: WFDSA, June 2018 edition (2014–2017) and previous editions (2012–2013) in USD, translated to EUR using Oriflame's 2017 exchange rate

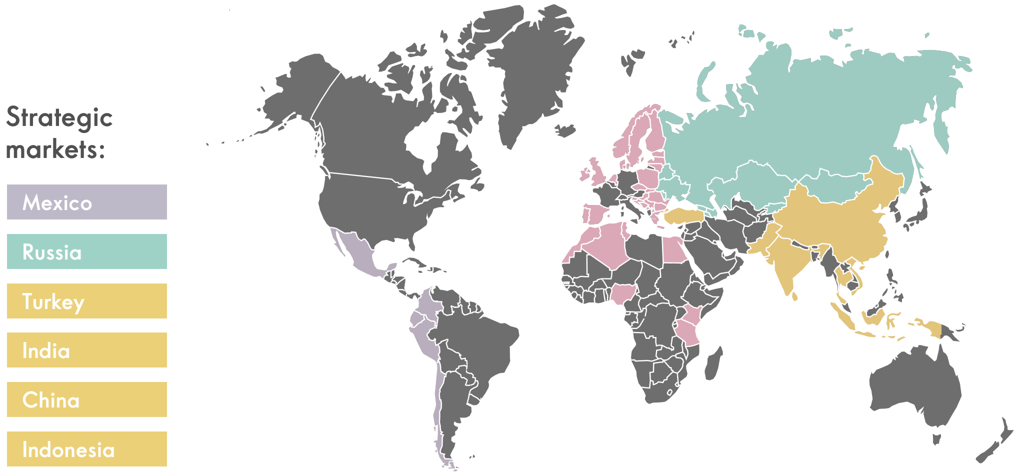
2018 markets

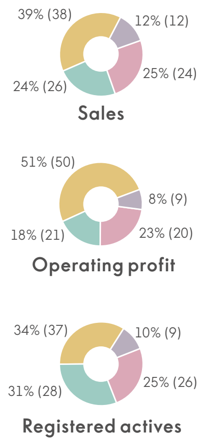
Rapid shift in geographical footprint











Group

Oriflame is currently present in more than 60 markets, including markets operated by franchisees. Six of these have been identified as strategic markets, where the company will focus its resources and investments in order to grow its global business going forward.

2018 development in brief

- Local currency sales rose by 3% and euro sales decreased by 3%
- Registered actives increased by 1% to 3.1 million Oriflame Consultants
- The operating margin was 11.3% (11.7%)

2018 was a year of mixed performance for Oriflame. While Asia & Turkey displayed a weaker performance during the second half of the year, improved sales momentum was seen in most other regions. Despite currency headwinds and a changed geographical mix, Oriflame reported healthy profitability for the year and the financial position remained solid.

Operations

Production

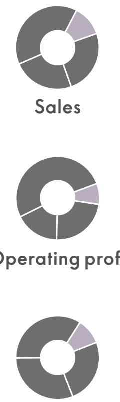
Six production facilities in four countries.

Group Distribution Centres

Four Group Distribution Centres in four countries.

Offices

- Corporate Office in Schaffhausen (Switzerland)
- Group Support Offices in Dublin (Ireland), Luxembourg (Luxembourg), Stockholm (Sweden), Stuttgart (Germany) and Warsaw (Poland)
- Global IT Centre of Excellence in Olomouc (Czech Republic)
- GS Finance Centre of Excellence in Warsaw (Poland)



1. Mexico
Sales 2018 (€m): 83.6
Share of business area sales: 55%
Share of Group sales: 6%

2. Colombia

3. Peru

Latin America

Chile, Colombia, Ecuador, Mexico, Peru

2018 development in brief

- Local currency sales rose by 2% and euro sales decreased by 3%
- Registered actives increased by 9% to 0.3 million Oriflame Consultants
- The operating margin was 11.5% (13.2%)

The development in Mexico was weak during the first half of 2018 as the implemented price increases dampened activity and recruitment. An improved performance could be seen in the market during the fourth quarter as a result of successful recruitment campaigns. Colombia, Ecuador and Peru recorded healthy growth, while the situation in Chile was weak.

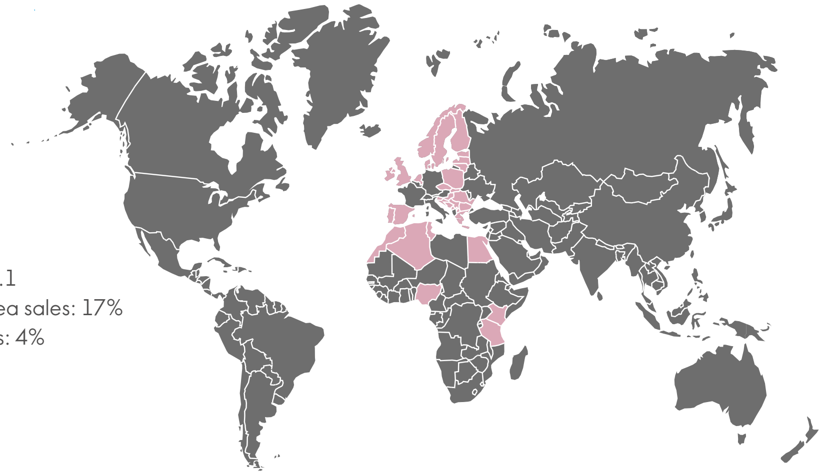
Operations

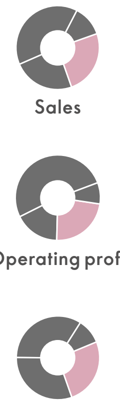
Offices

Regional Office in Mexico City (Mexico).

Catalogue creation and printing

Created in the regional office in Mexico City. Printed in Mexico and Ecuador for all Latin American markets.





1. Poland
Sales 2018 (€m): 57.1
Share of business area sales: 17%
Share of Group sales: 4%

2. Romania

3. Morocco

Europe & Africa

Algeria, Bosnia, Bulgaria, Croatia, Czech Republic, Denmark, Egypt, Estonia, Finland, Greece, Holland, Hungary, Kenya, Kosovo, Latvia, Lithuania, Macedonia, Montenegro, Morocco, Nigeria, Norway, Poland, Portugal, Romania, Tanzania, Tunisia, Serbia, Slovakia, Slovenia, Spain, Sweden, UK/Ireland

2018 development in brief

- Local currency sales rose by 1% and euro sales increased by 1%
- Registered actives increased by 1% to 0.8 million Oriflame Consultants
- The operating margin was 14.5% (13.9%)

The growth in Central Europe was modest during the year, with the performance driven by the main markets of Poland and Romania. The development in Western Europe was weak while Africa recorded healthy growth, as a result of strong productivity levels in Egypt and Nigeria.

Operations

Production

- WARSAW (POLAND) – Global factory supplying all regions. Skin Care, Body Care/Toiletries, Colour Cosmetics (colour emulsions) and Toothpaste.

Group Distribution Centres

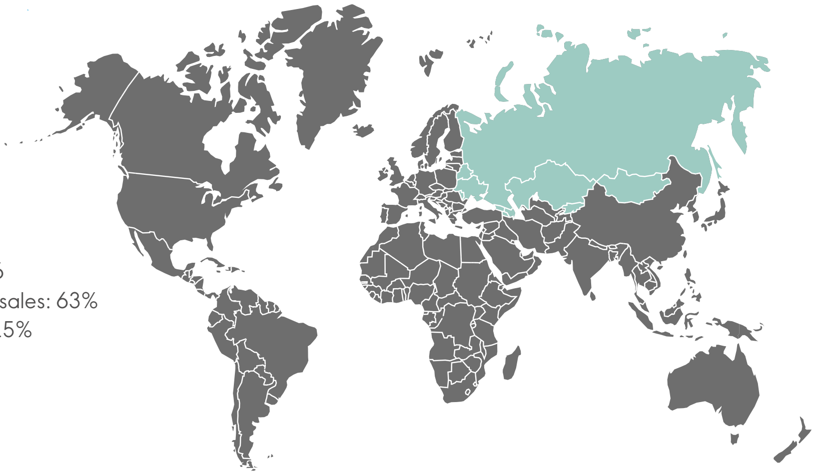
- WARSAW (POLAND) – Serving 11 markets
- BUDAPEST (HUNGARY) – Serving 12 markets

Offices

Regional Office in Warsaw (Poland).

Catalogue creation and printing

Central European, Western European and African catalogue created in Poland. Central European markets printed in Poland and Western European markets in Ukraine. The majority of the African markets are printed locally in each market.



1. Russia
Sales 2018 (€m): 198.6
Share of business area sales: 63%
Share of Group sales: 15%

2. Kazakhstan

3. Ukraine

CIS

Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Russia, Ukraine

2018 development in brief

- Local currency sales decreased by 3% and euro sales decreased by 11%
- Registered actives increased by 12% and amounted to 1.0 million Oriflame Consultants
- The operating margin was 11.5% (12.7%)

The situation in Russia improved during the second half of the year, as the measures implemented to drive sales and recruitment activities in the market gained traction. Ukraine, Kazakhstan and Belarus recorded solid growth throughout the year, driven by successful recruitment.

Operations

Production

- NOGINSK (RUSSIA) – Global factory supplying all regions. Shampoos, deodorants, liquid soaps, lipsticks and lip glosses, other cosmetics products.

Group Distribution Centres

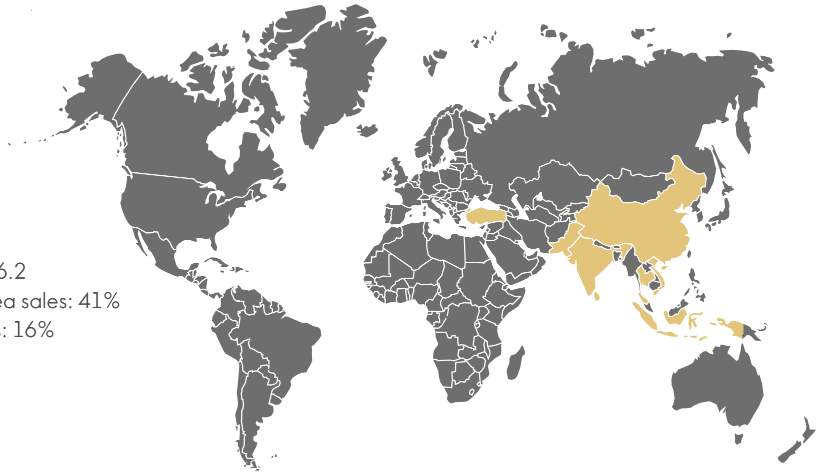
- KIEV (UKRAINE) – Serving the Ukrainian market.
- NOGINSK (RUSSIA) – Serving primarily the Russian and Belarusian markets.

Offices

Regional Office in Moscow (Russia).

Catalogue creation and printing

CIS catalogue created in Russia. Russia and CIS markets printed in Ukraine.



1. China
Sales 2018 (€m): 206.2
Share of business area sales: 41%
Share of Group sales: 16%

2. Indonesia

3. India

Asia & Turkey

China, India, Indonesia, Pakistan, Sri Lanka, Thailand, Turkey, Vietnam

2018 development in brief

- Local currency sales rose by 7% and euro sales decreased by 1%
- Registered actives decreased by 9% to 1.0 million Oriflame Consultants
- The operating margin was 21.3% (21.6%)

Sales growth was slower during the second half of the year as the region was negatively impacted by challenging market conditions in Turkey and Indonesia as well as weaker development in Vietnam. China experienced a slowdown during the fourth quarter while India returned to growth as a result of solid leadership development and higher activity levels.

Operations

Production

- NOIDA (INDIA) – Skin Care, Body Care/ Toiletries, Colour Cosmetics.
- KUNSHAN (CHINA) – Skin Care, Body Care/Toiletries, Colour Cosmetics.
- BEIJING (CHINA) – Wellness.
- RORKEE (INDIA) – Wellness.

Offices

Regional Offices in Jakarta (Indonesia), Shanghai (China), New Delhi (India) and Istanbul (Turkey).

Catalogue creation and printing

The regional catalogues are created and printed locally. Catalogue Development Centres in Shanghai, Jakarta, New Delhi and Istanbul.

Financials

Key figures

THREE-YEAR RECORD

€ million unless stated otherwise	2018 *	2018 **	2017	2016
Sales	1,278.8	1,318.9	1,363.1	1,249.4
Gross profit	885.1	957.4	994.6	882.9
Gross margin, %	69.2	72.6	73.0	70.7
Operating profit	153.1	149.3	159.0	119.2
Operating margin, %	12.0	11.3	11.7	9.5
Net profit	95.4	96.1	92.6	66.7
Return on capital employed, ROCE, %	33.7	35.3	34.7	26.7
Return on operating capital, %	55.9	62.0	57.7	38.0
Equity/assets ratio, %	0.19	N/A	30.3	28.4
Net interest-bearing debt	154.1	72.4	23.5	82.3
Net interest-bearing debt at hedged values/EBITDA	0.7	0.3 ***	(0.02)	0.1
Interest cover	9.1	8.9	11.5	6.6
Diluted EPS, €	1.68	1.69	1.62	1.18
Registered actives, '000	3,105	3.105	3,067	3,006
Sales per registered actives, €	406.2	419.1	439.9	411.9
Average number of full-time equivalent employees	6,143	6,143	6,230	6,233

* Figures following the adoption of IFRS 15 and IFRS 16.
** Figures excluding the impact of IFRS 15, IFRS 16 and related accounting alignments. The numbers are fully comparable with 2017 reported figures.
*** The EBITDA is adjusted for the impact from IFRS 15 (around €4m) and IFRS 16 (around €25m) in order to make it comparable with the 2017 reported EBITDA.

DEFINITIONS

Capital employed
Total assets less non interest-bearing liabilities, including deferred tax liabilities.

EBITDA
Operating profit before financial items, taxes, depreciation, amortisation and share incentive plan.

Interest cover
Adjusted operating profit plus interest income divided by interest expenses and charges.

Net interest-bearing debt
Interest-bearing debt excluding front fees less cash and cash equivalents.

Net interest-bearing debt to EBITDA
Net interest-bearing debt divided by EBITDA.

Operating capital
Total assets less cash and cash equivalents and non interest-bearing liabilities, including deferred tax liabilities.

Return on operating capital
Operating profit divided by average operating capital.

Return on capital employed
Operating profit plus interest income divided by average capital employed.

QUARTERLY FIGURES

	2017				2018			
Sales, €m	Q1	Q2	Q3	Q4	Q1*	Q2*	Q3*	Q4*
Latin America	35.3	40.9	40.4	41.0	34.0	35.5	37.4	44,4
Europe & Africa	81.3	80.3	70.7	92.4	79.3	76.4	70.6	95.9
CIS	99.5	92.9	69.9	94.5	82.2	71.0	62.2	87.7
Asia & Turkey	118.2	130.3	111.7	150.0	128.4	123.2	106.4	126.6
Manufacturing	4.5	1.4	0.8	0.3	5.3	1.4	0.9	2.7
Other	1.3	1.8	1.8	1.9	1.6	1.7	1.9	2.0
Oriflame	**340.1**	**347.6**	**295.3**	**380.1**	**330.8**	**309.2**	**279.4**	**359.3**

* Figures following the adoption of IFRS 15 and IFRS 16.

Operating Profit, €m	Q1	Q2	Q3	Q4	Q1*	Q2*	Q3*	Q4*
Latin America	3.3	6.0	5.9	5.5	5.2	3.7	4.3	5.4
Europe & Africa	10.4	10.4	9.2	15.2	10.3	11.5	8.8	18.2
CIS	11.1	9.7	9.9	14.6	10.1	8.1	6.6	10.9
Asia & Turkey	21.1	28.0	22.1	39.1	29.4	28.5	20.5	31.0
Manufacturing	4.9	4.4	1.3	(1.5)	3.2	2.2	1.9	(0.7)
Other	(21.0)	(18.0)	(15.9)	(16.6)	(23.4)	(15.9)	(12.7)	(14.0)
Oriflame	**29.8**	**40.5**	**32.5**	**56.3**	**34.8**	**38.1**	**29.4**	**50.8**

* Figures following the adoption of IFRS 15 and IFRS 16.

Registered actives, '000	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Latin America	266	284	299	280	264	274	304	306
Europe & Africa	802	734	674	783	750	690	652	791
CIS	889	794	698	859	836	792	727	966
Asia & Turkey	1,034	994	975	1,145	1,184	1,012	976	1,042
Oriflame	**2,991**	**2,806**	**2,646**	**3,067**	**3,034**	**2,768**	**2,659**	**3,105**

Oriflame as an investment

SEVEN REASONS TO INVEST

1

Sustainability is an inseparable part of Oriflame's way of doing business

Sustainability has been an inseparable part of Oriflame's operational framework since the beginning. The focus of Oriflame's sustainability strategy is to create opportunities to improve the lives of the Consultants, to respect nature when bringing beauty and wellness products to the markets, and to truly valuing the people being touched by Oriflame's business. Oriflame has set a range of commitments and time-bound targets designed to improve performance and move the company closer to its long-term vision of becoming sustainable.

2

Business model well suited to modern social networking

Oriflame has a direct selling business model that is well suited to the modern network society – leveraging the power of personal recommendation in the digital environment. With the global retail market in rapid transformation and many markets experiencing decreasing traffic in physical stores, Oriflame has a strong position since the company does not operate retail stores. Instead, it operates through 3.1 million independent Consultants who recommend and sell its products directly to friends, family and followers using digital tools.

3

Balanced geographic footprint with growth potential

Oriflame has a global business footprint with a presence in markets with high growth potential. Oriflame currently operates in over 60 countries, which are primarily markets where consumer spending on beauty products per capita is low but growing in combination with strong growth in GDP per capita. The geographical mix also provides a balanced risk elimination between more mature and emerging markets.

4

Strong growth orientation with a clear strategic direction

Oriflame has a clear strategy with a strong growth orientation. The company sees significant growth opportunities in the markets where it operates, and continuously evaluates its capacity to establish itself in new markets. Oriflame is committed to its long-term financial targets and will continue to deliver on its growth strategy.

5

Focus on continued margin expansion

Oriflame's profitability has improved over the past few years. The company will continue to drive its price/mix, efficiency measures and sales leverage across its business to reach its long-term financial target of an operating margin of 15%.

6

Asset-light company structure, strong cash flow generation and dividend

Oriflame has an asset-light company structure that allows for low and stable maintenance capital expenditures. Combined with effective management of working capital, this results in strong cash flow generation and thereby allows for dividends in accordance with the goal to distribute at least 50% of the annual profit after tax.

7

50-year track record, strong corporate culture and long-term ownership

Oriflame was founded by Jonas and Robert af Jochnick and a former partner with a clear mission. Today, 50 years later, the af Jochnick family is still the largest owner of Oriflame with around 30% of the share capital and voting rights. One of the company's strategic differentiators, and a key to tackling macroeconomic challenges along the way, is the strong entrepreneurial corporate culture that is a natural part of the DNA of the company.

The Oriflame share

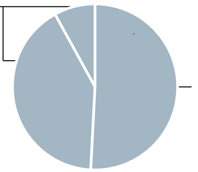
On the 23 June 2015, Oriflame Holding AG was listed on the Nasdaq Stockholm Exchange, following a shares-for-share exchange offer to all SDR and shareholders of the previous top holding company Oriflame Cosmetics SA. Oriflame Cosmetics SA, was introduced on the Nasdaq Stockholm Exchange on 24 March 2004 through an initial public offering of Swedish Depositary Receipts (SDRs). On 31 December 2018, the number of shareholders was 17,293. The last price paid on 28 December 2018 was SEK 215.92, giving Oriflame a total market capitalisation of SEK 12.2 billion. During 2018 an average of 215,062 shares were traded per day on the Nasdaq Stockholm Exchange.

ORIFLAME HOLDING AG'S TOP 10 SHAREHOLDERS AS AT 31 DECEMBER 2018

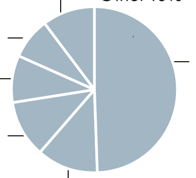
	Shares	Share capital and voting rights, %
af Jochnick Foundation	6,327,001	11.2
Robert & Alexander af Jochnick & family	5,609,263	9.9
Fourth Swedish National Pension Fund (AP4)	5,477,149	9.7
Jonas af Jochnick & Family	4,362,898	7.7
Swedbank Robur Fonder AB	3,888,702	6.9
First Swedish National Pension Fund (AP1)	2,913,841	5.2
Acadian Asset Management LLC.	2,109,547	3.7
M&G Investment Management Ltd.	1,930,682	3.4
JPMorgan Asset Management (UK) Ltd.	1,054,430	1.9
ODIN Forvaltning AS	844,655	1.5
Treasury Shares owned by the company	11,640	0.0
Others	21,912,558	38.8
	56,442,366	**100.0**

Source: Cmi2i

Distribution of shareholder-type 2018

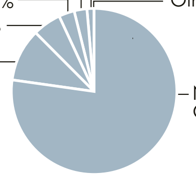


Geographic distribution of shareholders 2018



Source: Cmi2i

Place of share trading 2018



Source: Modular Finance

HISTORY OF SHARE CAPITAL

The table below presents the changes in the company's share capital since 2014

Year	Transaction	Changes in no. of shares	Changes in share capital EUR '000	Total no. of issued shares	Total share capital EUR '000
2014	Initial emission	100,000	124	100,000	124
2015-06-19	New issue	48,391,447	69,468	48,491,447	69,592
2015-07-08	New issue	4,516,596	6,475	53,008,043	76,067
2015-08-14	New issue	1,288,931	1,782	54,296,974	77,849
2015-09-11	New issue	149,049	205	54,446,023	78,054
2015-09-30	New issue	1,262,540	1,734	55,708,563	79,788
2016-06-30	New issue	45,402	62	55,753,965	79,850
2018-02-20	New issue	688,401	895	56,442,366	80,745

OWNERSHIP STRUCTURE AS AT 31 DECEMBER 2018

(Excluding Treasury shares)

Shareholding	No. of shareholder	%	No. of shares	%
1 – 1,000	16,102	93.1	2,058,630	3.6
1,001 – 10,000	966	5.6	2,826,483	5.0
10,001 – 50,000	114	0.7	2,491,410	4.4
50,001 – 500,000	89	0.5	13,187,437	23.4
500,001 – 1,000,000	11	0.1	8,599,774	15.2
1,000,001 –	11	0.1	27,266,992	48.3
Total	**17,293**	**100.0**	**56,430,726**	**100.0**

Source: Euroclear and share register

DIVIDEND POLICY AND DIVIDEND PROPOSAL

The board of directors has adopted a dividend policy to the effect that, absent changes in the company's operations or capital structure, Oriflame intends to distribute, over the long term, at least 50 percent of the company's annual profit after tax as dividends. In May 2014, the Annual General Meeting (AGM) decided that payments will be made on a quarterly basis and that the Board will be given a mandate to decide the timing and size of the quarterly payments.

The Board of Directors will propose to the 2019 AGM a total dividend of €1.60 per share for 2018 (to be compared with 2018 AGM €1.60 ordinary dividend + €1.00 extra ordinary dividend). The dividend is to be paid in equal quarterly instalments of €0.40 respectively starting in the second quarter 2019. The dividend instalments will be distributed out of the Company's Capital Contribution Reserve and are thereby not subject to any Swiss withholding tax.

SHARE TRADE

A total number of 50 million shares were traded on Nasdaq Stockholm during 2018, accounting for 76.61 percent of total turnover in the share. Oriflame's share is also traded in marketplaces outside of Nasdaq Stockholm such as Cboe, Turquoise and Acquis.

SHARE DATA

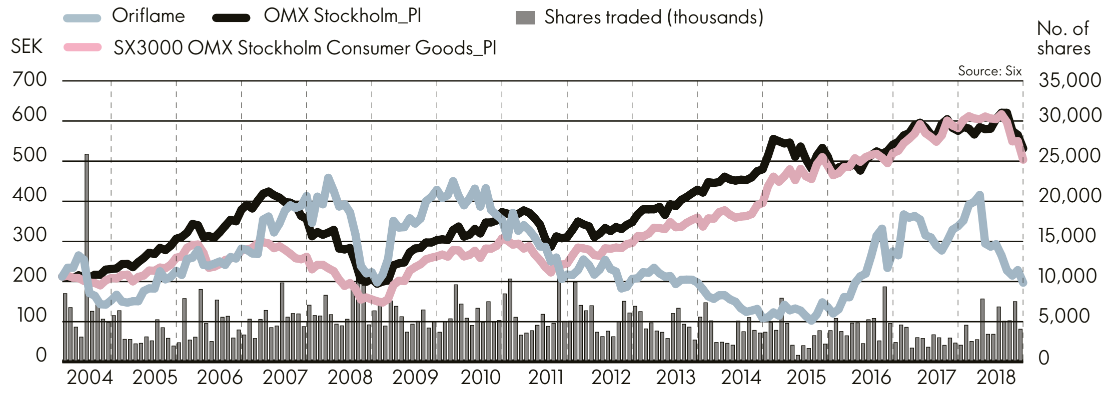
No of shares issued	56,442,366
Earnings per share	1.69
Dividend per share	1.60
Market capitalisation at 28 December 2018	12.2
Ticker code	ORI
ISIN-code	CH0256424794

Source: Euroclear and share register

ANALYSTS FOLLOWING ORIFLAME

Name	Company
Niklas Ekman	Carnegie
Ole-Andreas Krohn	DnB Markets
Nicklas Skogman	Handelsbanken
Stellan Hellström	Nordea
Gustav Sandström	SEB

SHARE PRICE



The Corporate governance report

INTRODUCTION

Corporate governance, management and control of Oriflame are apportioned among the shareholders at general meetings of shareholders, the board of directors of Oriflame Holding AG (the Board), the Board's elected committees and the executive management in accordance with Swiss law, Oriflame Holding AG's articles of association and the organisational regulations implemented by the Board. Oriflame complies with the Swedish Code of Corporate Governance* (the Code) to the extent that the Swedish Code does not conflict with Swiss law or regulations.

In common with most EU corporate governance codes, the Code sets out recommendations rather than mandatory rules. The Code is based on the principle of comply or explain, whereby companies are allowed the freedom to deviate from the Code if they feel alternative solutions better fit their particular circumstances, provided that they report the deviation(s), describe the alternative solution(s) and explain the reasons why. Oriflame's deviations are reported and explained under the heading Comply or Explain.

This corporate governance report has been prepared in accordance with the Code.

COMPLY OR EXPLAIN

OHAG deviates from the Code concerning the appointment of the nomination committee and its tasks: According to Swiss company law the nomination of the members of the board of directors, its chairman, the external auditor as well as appointment of the chair of the general meeting are inalienable tasks of the board of directors. The nominations to the board of directors, chairman of the board and auditor are to be presented by the board of directors to the annual general meeting for approval. The board of directors' proposals to the annual general meeting can be prepared by a committee, provided that such committee only consists of members of the board of directors. In keeping with Swiss company law OHAG has therefore formed a nomination & governance committee consisting solely of OHAG directors. This is a deviation from the Code, which stipulates that the shareholders are to appoint (or specify how to appoint) the nomination committee members and that members of the board of directors can be part of the nomination committee but may not constitute a majority thereof. During 2018 OHAG also deviated from the Code by having the nomination committee consist of only two members (whereas the Code states that the nomination committee shall have no fewer than three members). However, in order to ensure relevant input from shareholders, OHAG's nomination committee consults with, inter alia, OHAG's five largest shareholders who are invited to participate In nomination committee meetings before the nomination committee proposals are finalized and put forward to the board. The nomination committee does furthermore not make any recommendation on auditor's remuneration as, under Swiss law, the remuneration of the auditors is not a shareholders' decision. Nor does the nomination committee of OHAG prepare any recommendations on board and committee remuneration as, in accordance with Swiss law, such recommendations are to be put forward to the annual general meeting by the board of directors, and can only be prepared by the remuneration committee.

OHAG deviates from the Code concerning the appointment of the remuneration committee: While the Code stipulates that the board of directors shall appoint a remuneration committee, the members of OHAG's remuneration committee are, in accordance with Swiss law, appointed by the general meeting.

OHAG furthermore deviates from the Swedish Code by not having its general meetings hosted in the Swedish language: OHAG's general meetings are hosted in English only. As OHAG is a Swiss company the location for general meetings of shareholders is in Switzerland. It has not been deemed warranted from ownership structure point of view to offer simultaneous interpretation of the general meeting into

* The latest version of the Swedish Code of Corporate Governance (effective as of 1 December 2016), including any amendments and instructions issued by the Swedish Corporate Governance Board, is available at www.corporategovernanceboard.se.

other languages than English. OHAG, however, translates the notice and agenda to its general meetings into Swedish (available for download and ordering on OHAG's website).

OHAG also deviates from the Code concerning the shareholders' influence on share and share-price related incentive schemes for the executive management as, under Swiss law, the arrangement of such schemes is one of the inalienable powers of the board. However, OHAG shareholders still have considerable influence on such remuneration schemes: Both the approval of conditional share capital increases, which are usually used to create shares for incentive schemes, as well as the approval of the aggregate amount of variable remuneration (regardless of whether paid out in cash or shares) to the board and executive management, lies within the discretion of the general meeting.

GENERAL MEETINGS

The supreme governing body of a Swiss stock corporation (Aktiengesellschaft) is the general meeting. A general meeting is normally convened by the board of directors. At least one general meeting shall be held per year. The annual general meeting takes place annually within six months of the end of the financial year. The agenda of the annual general meeting shall include the following items: (i) the approval of the management report, the annual financial statements and the consolidated financial statements, as well as the resolution on the appropriation of the profits as shown in the balance sheet, in particular, the declaration of dividends; (ii) the release from personal liability of the members of the board of directors and the persons entrusted with the executive management; (iii) the individual election of the members of the board of directors and the election from among them of the Chairman and the individual election of the members of the Remuneration Committee as well as the election of the independent proxy and the auditors; and (iv) the approval of the remuneration of the board of directors and executive management pursuant to the articles of association.

Extraordinary general meetings may be convened as and when required by the board of directors, the auditors or by a liquidator. Extraordinary general meetings shall be convened by the board of directors upon resolution by a general meeting or at the written request of one or more shareholders with voting rights representing an aggregate proportion of at least 10 per cent of the share capital, specifying the items and proposals to appear on the agenda and, in case of elections, the names of the candidates. General meetings shall be held where the company has its registered office or at such other location determined by the board of directors. OHAG intends to hold its general meetings in Switzerland. Minutes from general meetings will be published on OHAG's website.

The right to participate at general meetings shall accrue to any shareholder who is entered in the share register kept by Euroclear Sweden or the company on the record date determined by the board of directors and who has notified OHAG thereof not later than the date specified in the notice to attend the general meeting. The notice to participate at a general meeting shall be given by the shareholder as specified in the notice to attend the general meeting. Attendance at the general meeting is not a prerequisite for exercising ones rights: Apart from voting on the agenda items electronically, a shareholder who does not personally attend a general meeting may exercise his or her rights at the meeting through a proxy or through the independent proxy. The independent proxy is obligated to exercise the shareholder's vote in accordance with the shareholder's instructions. As stated below, the independent proxy is appointed by the general meeting. Both natural persons and legal entities may be appointed as independent proxy.

Notice to attend a general meeting shall always take place through an announcement in the Swiss Official Gazette of Commerce (the equivalent to the Swedish Official Gazette (Sw. Post- och Inrikes Tidningar)) and may be sent by mail to each registered shareholder. Moreover, OHAG publishes a shortened version of the notice to attend a general meeting in a daily Swedish newspaper. The notice to attend shall be published and sent by mail, as applicable, not later than 20 calendar days prior to the general meeting. Furthermore, the notice to attend must contain a proposed agenda for the general meeting and shall clearly state the matters to be addressed at the general meeting. The notice to attend is also always made public via a press release and published on OHAG's website.

Written requests to convene an extraordinary general meeting may be given by one or more shareholders jointly representing at least ten per cent of the share capital. Such notice shall be sent to the board of directors and shall state the purpose of the general meeting as well as a proposed agenda. Furthermore, shareholders jointly representing shares with a nominal value of CHF 1,000,000 or at least 10 per cent of the share capital may demand that an item be placed on the general meeting agenda. Swiss company law stipulates the following inalienable powers of the general meeting:

- to determine and amend the articles of association;
- to elect individually the members of the board of directors and the external auditor;
- to approve the management report and the consolidated accounts;
- to approve the annual accounts and resolutions on the allocation of the disposable profit;
- to discharge the members of the board of directors;
- to pass resolutions concerning the matters reserved for general meetings by law or the articles of association.

Furthermore, a general meeting of a Swiss company with shares listed in Switzerland or abroad has the following additional inalienable powers regarding:

- election of the chairman of the board;
- election of the members of the Remuneration Committee;
- election of the independent proxy;
- resolutions concerning remuneration of directors and the executive officer as well as the remuneration of the advisory board (if applicable).

As a general rule, a shareholder may exercise his voting rights in proportion to the total nominal value of the shares owned or represented by such a shareholder, unless otherwise prescribed in the articles of association. The articles of association may limit the number of votes allocated to an owner of several shares. However, each shareholder is entitled to at least one vote. The voting rights of the shareholders are determined by the nominal value of the share. In this case, the shares with the lowest nominal value will be worth at least one tenth of the nominal value of the other shares. The articles of association may specify that voting rights are not dependent on nominal value with the result that each share carries one vote. The determination of the voting rights according to the number of shares does not apply to the appointment of auditors, the appointment of experts to inspect management practices or individual parts thereof, or a resolution on raising a liability action against a director of the board. OHAG's articles of association do not limit the number of votes allocated to any owner. Furthermore, OHAG has issued only one class of shares, with one and the same nominal value (CHF 1.50) and the same voting right for each share (one vote per share).

The general meeting passes resolutions and conducts its elections by an absolute majority of the votes represented, unless Swiss law or the articles of association provide otherwise. However, a general meeting resolution passed by a majority of at least two-thirds of the votes represented and an absolute majority of the entire nominal capital represented at the general meeting in respect of which a right to vote may be exercised is required, inter alia, in the case of:

- the amendment of the objects of the company;
- the introduction of capital contributions with preferential voting rights;
- an increase in or easing of the restrictions on or the prohibition of the transferability of capital contributions;
- the restriction or revocation of subscription rights;
- the relocation of the registered office of the company;
- the dissolution of the company.

To the extent that personal notification is not required by law, all communications to the shareholders are deemed valid if published in the Swiss Official Gazette of Commerce. Communications by OHAG to its shareholders may also be sent by ordinary mail to the last address of the shareholder entered in the share register of the company.

Oriflame does not permit remote participation in general meetings. Oriflame does, however, enable shareholders to vote without being present by proxy as well as by electronic voting. Since it is listed on the Nasdaq Stockholm Exchange, Oriflame also hosts a shareholders' day in Stockholm in advance of the annual general meeting, where shareholders have the opportunity to meet with directors and management and to ask questions related to, inter alia, the annual general meeting. In advance of the 2018 annual general meeting, such shareholders' day was held on 27 March 2018.

BOARD OF DIRECTORS

The board of directors is responsible for the overall management of OHAG's business. Its duties include the issuing of all necessary directives, determination of the company's organisation, overall supervision of the persons entrusted with managing the company, implementation of resolutions of a general meeting, preparation of various company reports, accounting and minutes. The articles of association may authorise the board of directors to delegate the management or part of the company's business to individual members or third parties in accordance with its organisational regulations. These regulations regulate the management of the company's business, stipulate the bodies required to carry this out, define their duties and, in particular, regulate the company's internal reporting. Certain duties of the board of directors are, however, non-transferable and inalienable.

Swiss company law stipulates the following non-transferable and inalienable duties of the board of directors:

- the overall management of the company and the issuing of all necessary directives;
- determination of the company's organisation;
- the organisation of the accounting, financial control and financial planning systems as required for management of the company;
- the appointment and dismissal of persons entrusted with managing and representing the company;
- overall supervision of the persons entrusted with managing the company, in particular with regard to compliance with law, the articles of association, operational regulations and directives;
- compilation of the annual report, preparation for general meetings and implementation of their resolutions;
- notification of the court in the event that the company is over-indebted.

Moreover, the following resolutions are also non-transferable functions of the board of directors: Resolutions in connection with capital increases in accordance with Article 651a, 652g, 653g SCO (certain amendments of the articles of association) and Article 651 IV SCO (authorised capital increase), resolutions in accordance with Article 634a (subsequent contributions in respect of shares that are not fully paid-up) and certain resolutions in accordance with Swiss merger legislation.

In accordance with Article 14 of the articles of association, the Board has established rules of procedure which set forth how and when the Board convenes, including instructions for the allocation of duties and responsibilities within and between the Board, its committees and the executive management (the Organisational Regulations). The Organisational Regulations also contain instructions for financial reporting and set forth how reporting to the Board is to proceed.

The board of directors may comprise one or more members. It may include employees of Oriflame (in which case, labour law will be applicable) or fiduciary trustees. At least one director of the board must be authorised to represent the company and the company must be able to be represented by one person with sole signatory rights who is resident in Switzerland or by two persons with joint signatory rights who are residents of Switzerland. This latter requirement may be fulfilled by a director of the board or by an executive officer. Deputy directors may not be appointed according to Swiss law. Currently, the Board consists of nine directors. The Board consists of principal shareholders and persons independent of such shareholders. The CEO is a member of the Board. Members of the board of directors are appointed for a period up until the end of the next annual general meeting. Except for the appointment of the chairman of the board as well as the members of the remuneration committee by a general meeting in accordance with the articles of association, the board may organise itself. The board of directors is required to have a secretary, who has certain duties and authorities according to Swiss law. The secretary shall assist the board of directors, its committees and the chairman of the board in coordinating and fulfilling their duties in accordance with the company's Organisational Regulations.

Meetings of the board of directors shall be held as often as required. According to the Organisational Regulations, the Board shall convene at least four times per year, of which at least one meeting is to focus on business strategy issues. During 2018, OHAG held nine board meetings, one of which was a two-day strategy meeting. The secretary at board meetings is in-house counsel Pontus Andreasson.

Minutes shall be taken at meetings of the board of directors. A notation shall be made in the minutes of the topics discussed as well as the resolutions adopted by the board of directors. The minutes shall be signed by the chairman of the board and the secretary. Resolutions of the board of directors may also be adopted by written consent, by telefax, by e-mail or any other means enabling the passing of resolutions by text, provided that none of the members demands verbal discussion. A member must participate personally at the board meeting (physically or remotely via phone or video conference), and may not exercise his or her rights at the meeting through a proxy.

The board meetings usually begin with a discussion of the business and financial performance of the Group. The various financial reports and the annual report are reviewed and approved before being published. Other topics discussed at board meetings include general strategies, overall business reviews, long and short-term targets, human resources, investments, capital distribution, compliance and remuneration. At the end of each year, the CEO and the CFO present the target and budget proposition for the following year to the Board, which then reviews and discusses the proposal during one or several board meetings. Following discussions and possible adjustments, the Board approves the target/budget parameters for the upcoming year.

2018 BOARD AND COMMITTEE ATTENDANCE

Board member	Board meetings	Renumeration committee meetings	Audit committee meetings	Nomination committee meetings
Alexander af Jochnick (Chairman)	9	4	5	2
Mona Abbasi	7	–	–	–
Magnus Brännström	9	–	–	–
Anders Dahlvig	8	–	–	2
Anna af Jochnick*	4	–	–	–
Jonas af Jochnick**	2	–	–	–
Robert af Jochnick	9	–	–	–
Anna Malmhake	8	–	–	–
Christian Salamon	8	–	5	–
Karen Tobiasen	7	4	4	–
Gunilla Rudebjer*	4	–	2	–
Total number of meetings	**9**	**4**	**5**	**2**

* Board member since 4 May 2018. ** Board member until 4 May 2018.

The directors participate in all discussions. Directors may, however, not vote or deliberate on any motion in which they have a conflict of interest. A director is not counted in the quorum of a meeting if a conflict of interest disallows him/her from voting on a particular motion. Directors shall declare the nature of any conflict of interest prior to deliberating and voting on the issue, and such declaration is entered in the minutes of the meeting.

The CFO is generally invited to all board meetings, and always to the board meetings convened to approve quarterly results. Other members of the Oriflame management are from time to time invited to board meetings in order to present issues related to their specific areas of responsibility. Auditing and internal control issues are carefully considered by the audit committee and then reported to the Board.

The auditors are invited to all regular audit committee meetings. At least once per year, the Board meets with the auditors without the CEO or other members of senior management being present. In advance of the 2018 year-end report, such a meeting took place on 13 February 2019.

Remuneration of the directors is determined by a resolution adopted by the annual general meeting. The 2018 annual general meeting resolved that the remuneration of the directors and committees until the next annual general meeting would amount to a maximum total of EUR 495,000 which was then divided as follows: EUR 80,000 to the Chairman of the Board; EUR 40,000 to each non-executive Director of the Board; EUR 15,000 to the chairman of the audit committee, and EUR 10,000 to each committee member.

Independence according to the Code: Directors Mona Abbasi, Anders Dahlvig, Anna Malmhake, Gunilla Rudebjer, Christian Salamon and Karen Tobiasen are deemed independent of Oriflame, its management and its major shareholders. Magnus Brännström is not independent of the company and its management, being the company's CEO. Robert af Jochnick is not considered independent of the company, being one of the co-founders of Oriflame and having been a director of Oriflame's board of directors since its foundation. Anna is not considered independent of the company as she within the past 3 years has held employment with the Oriflame group. Robert, Anna and Alexander af Jochnick are furthermore not deemed independent of Oriflame's major shareholders as they, together with other members of the af Jochnick family, are the largest shareholders of the company.

For more information about the directors, please see the section Board of Directors on pages 166–167 of the annual report.

NOMINATION & GOVERNANCE COMMITTEE AND NOMINATION PROCESS

Following the annual general meeting on 4 May 2018, the board established a nomination & governance committee from among its members. The purpose and aim of the nomination & governance committee is to ensure the quality of the board, its committees and the company's governance structure and to nominate candidates for the board, the chairman of the board, the members of board committees, the independent proxy as well as the external auditor of the company. The aim of the nomination & governance committee is that elected directors will represent knowledge and competence relevant to Oriflame's operations.

The candidate nominations are prepared by the committee and are then resolved upon by the board of directors before being put forward to the annual general meeting for election or re-election.

The members of the nomination & governance committee are appointed by the board of directors each year following the annual general meeting. The nomination committee meets at least biannually. The members of the nomination & governance committee formed in 2018 consist of Alexander af Jochnick and Anders Dahlvig. Anders Dahlvig is chairman of the nomination & governance committee.

In order to reflect best corporate governance practice among companies listed on the Nasdaq Stockholm Exchange, the nomination & governance committee Charter stipulates that the nomination committee shall consult with, inter alia, the largest shareholders of the company. Such consultation took place in advance of the 2019 annual general meeting, when the nomination committee invited the five largest shareholders of the company to a nomination & governance committee meeting to consult and agree on their further involvement in the nomination process. The following shareholder representatives have been involved and given their input to the nomination committee in advance of the 2019 annual general meeting: Per Hesselmark (af Jochnick foundation), Per Colleen (Fourth Swedish National Pension Fund) and Ossian Ekdahl (First Swedish National Pension Fund). In addition, the af Jochnick family has been represented at the nomination committee meetings through Alexander af Jochnick.

In advance of the 2019 annual general meeting, the nomination & governance committee formed in 2018 has met three times – once during 2018 and twice during 2019. All meetings were attended by all committee members, and the shareholder representatives attended two of the three meetings.

In advance of the 2018 annual general meeting, the work of the nomination & governance committee comprised the following:

As a basis for its work, the nomination & governance committee commissioned an external consultant to carry out an evaluation of the board and its committees. The evaluation included interviews with each of the board members. The evaluation concluded that the Board is very well-functioning, also in comparison with other listed companies, and that there is clarity between the roles of the owners, the Board and management. The evaluation also concluded that the Board is composed of individuals with relevant and complementary expertise and that all directors demonstrated a high level of commitment. Independent directors are included in full compliance with requirements that apply for publicly listed companies in Sweden.

The nomination committee has thereafter formulated its proposals for presentation to the board in advance of the annual general meeting to be held on 9 May 2019. The proposals relate to the:

i. composition of the board of directors including appointment of the Chairman;
ii. composition of the remuneration committee;
iii. appointment of auditors; and
iv. appointment of independent proxy for the next annual general meeting

Under Swiss law, the preparation of the proposals on remuneration of directors is not a task that can be delegated to the nomination committee. Such proposals have instead been prepared by the remuneration committee (see further below).

REMUNERATION COMMITTEE

As per mandatory Swiss law, Swiss companies whose equity securities are listed must have a remuneration committee. As per article 17 of the articles of association of the company, the remuneration committee consists of at least two members of the board of directors. Each member of the remuneration committee is elected individually by a general meeting for a term of office until the close of the next annual general meeting. The remuneration committee constitutes itself and elects a chair from among its members. It appoints its secretary who needs not be a director of the board or a member of the remuneration committee. The members of the remuneration committee elected by the annual general meeting held on 4 May 2018 for the time until the annual general meeting 2019 are Alexander af Jochnick (committee chair) and Karen Tobiasen. In-house counsel Pontus Andreasson has been secretary of the remuneration committee.

Members of the remuneration committee whose term of office expires are immediately eligible for re-election. If there are vacancies on the remuneration committee, the board of directors may appoint the missing members from among its members for the remaining term of office.

The remuneration committee supports the board of directors in establishing and reviewing the company's remuneration strategy and guidelines and performance criteria as well as in preparing the proposals to the general meeting regarding the remuneration of the board of directors and executive management. It may submit proposals and recommendations to the board of directors in other remuneration-related issues. The board of directors has established a charter, which defines purpose, composition and procedural rules for the remuneration committee, including its responsibilities and authorities for making proposals and decisions related to remuneration of the members of the board of directors and executive management in line with legal and regulatory requirements, the articles of association and the respective remuneration framework approved by the board of directors from time to time. The board of directors may delegate further responsibilities and authorities to the remuneration committee.

The purpose and aim of the remuneration committee is to ensure that Oriflame has access to the competence required at a cost appropriate to the company, and that the existing and future remuneration schemes have the intended effects for Oriflame's operations. The specific tasks of the committee are to review remuneration and other material terms of employment for Oriflame's executive directors, senior executives and other key personnel, monitor and evaluate programmes of variable remuneration for executive management and, in particular, to monitor and evaluate any share-based incentive programme. The remuneration committee is also responsible for drawing up the report on executive pay (the Compensation Report), which is put forward to the shareholders at the annual general meeting.

Based on its reviews, the remuneration committee prepares proposals for resolutions, to be discussed and approved by the Board. The remuneration committee meets when necessary but at least twice per year. During 2018, the remuneration committee met four times.

AUDIT COMMITTEE

The company's audit committee is appointed by the Board each year following the annual general meeting. The audit committee reviews internal and external information, works with the external auditor on the audit plan and internal controls and discusses with management the audit results. The audit committee reviews matters related to Oriflame's accounting, financial reporting and internal control as well as financial risk exposure and risk management. It also reviews the work of the auditors. Based on these reviews, the audit committee prepares proposals for resolutions, subject to final approval by the Board. The audit committee meets at least biannually. In 2018, the audit committee met five times. The members of the audit committee during 2018 comprised Alexander af Jochnick, Christian Salamon (committee chair), Karen Tobiasen, and – since the AGM 2018 – Gunilla Rudebjer. The CFO and the Vice President Tax, Group Risk and Compliance report to the audit committee and, together with the company's auditors, are invited to all regular meetings.

INTERNAL CONTROL AND INTERNAL AUDIT

During 2018, the Company established a new Global Assurance department, replacing among others the previous Risk & Compliance department. The new Global Assurance department is a further strengthening and development of the integrated compliance and risk management approach and adds a capacity to in depth review the internal controls performed in all entities of the Company. The department is headed by the Vice President Global Assurance. The Director of Group Risk and Internal Control, who reports to the VP Global Assurance, also has a direct reporting line to the Audit Committee. Based on the Audit Committee's evaluation, the Board has resolved that the current Global Assurance set-up and the financial function together with supervision of the Audit Committee does provide an effective and balanced approach to internal control that also adequately covers the current internal audit needs of the Company. The Board has therefore decided not to establish a stand-alone internal audit function. The need for a stand-alone internal audit function is regularly assessed by the Audit Committee. For a further description of the Company's internal control system, please see the separate Report on Internal Control, Risks and Monitoring (pages 79–87 in the Annual Report).

AUDITOR

The annual general meeting held on 4 May 2018 resolved to re-elect KPMG AG as independent auditor in respect of the statutory accounts and consolidated financial statements until the close of business of the next annual general meeting. KPMG AG, Zurich is the Swiss member firm of KPMG International. It is the fourth year that KPMG AG, Zurich has been engaged as Oriflame's independent auditor. The audit team is headed by Hélène Béguin. Apart from her engagement with Oriflame, Hélène Béguin holds no assignments for any persons affiliated with Oriflame or for any of Oriflame's major shareholders. In connection with the year-end audit, Hélène Béguin met with the board on 13 February 2019 in order to present the audit findings. The KPMG audit team attended all regular audit committee meetings throughout the year. For fee details on non-audit services provided by KPMG, please see Note 6 of the Annual Report.

EXECUTIVE MANAGEMENT AND ORGANISATION

CEO AND CORPORATE COMMITTEE

The CEO is appointed by the Board and is responsible for the day-to-day control of the Group. Oriflame's Chief Executive Officer Magnus Brännström was born in Sweden in 1966. He is a graduate of Uppsala University, Sweden, and joined Oriflame as Managing Director of Russia in 1997. He then became Regional Director for CIS, Baltics and Asia. He has been CEO since 2005.

The Corporate Committee is the company's executive management and is responsible for implementing the Group strategy, business control and the allocation of resources between the regions. The Corporate Committee is headed by the CEO. In addition to the CEO, the Corporate Committee consists of Gabriel Bennet (Chief Financial Officer) and Jesper Martinsson (Deputy CEO, Head of GBAs CIS, Latin America and Geographical Expansion). The allocation of duties and responsibilities within and between the Board and the Corporate Committee are set out in the Organisational Regulations and Officer Instructions drawn up by the Board. The Regulations and the Instructions are reviewed and reconfirmed or amended by the Board at least once per year.

GROUP MANAGEMENT

In addition to Corporate Committee members, Group Management consists of the following Vice Presidents:

- Michael Cervell, Senior Vice President Group Strategy & Business Development
- Thomas Ekberg, Senior Vice President, Head of Global Business Area Asia & Turkey, Head of Greater China
- Niklas Frisk, Senior Vice President, Head of Global Business Area Europe & Africa, Head of Central Europe
- Alexandra de Greck, Vice President Product Marketing
- Emma Hågemo, Vice President Research & Development
- Johan Rosenberg, Senior Vice President and Head of Commercial Division
- Antonia Simon-Stenberg, Vice President Sustainability, Quality Management & Packaging Development

MANAGEMENT BUSINESS REVIEW

The Oriflame Corporate Committee has a full end-to-end review once a month to ensure compliance with the business strategy and the desired position. The process is led by an appointed business review leader, and executives and senior managers in the business are invited to review certain areas. The Management Business Review covers all core business processes within Oriflame, such as Product Portfolio, Demand & Commercial and Supply Chain.

REGIONAL MANAGEMENT

Oriflame distributes its products through a network of approximately 3 million independent Oriflame Consultants in more than 60 countries. Group segmentation is based on cosmetics sales by geographic business area, with the business areas being Latin America, Europe & Africa, CIS and Asia & Turkey. Each business areas has its own staff and resources to facilitate effective control and is headed by a Head of Business Area. Each Head of Business Area reports to the CEO.

In addition to daily operations, the tasks of regional management include drawing up proposals for strategic regional development and investment. These proposals are reviewed by the corporate functions and presented to the Board for approval within the strategy and target review meetings.

Oriflame has a local presence in each region in the form of wholly owned sales companies in a total of 55 markets. In 11 markets, Oriflame acts through franchise arrangements with local distributors rather than through subsidiaries. Some sales companies operate with their own warehouse facilities, others are supplied by regional distribution hubs.

GLOBAL SUPPORT AND SERVICE

The sales companies are supported by global service functions. The global support and service functions consist of Finance, Supply, IT and Online, Marketing and Sales Support functions. Oriflame's global support and service functions are located primarily in Schaffhausen, Switzerland; Warsaw, Poland; Stockholm, Sweden; Prague, Czech Republic; Delhi, India and Bray, Ireland where support functions in the fields of R&D, Marketing, Sales Support, Global Supply, IT, Online, HR, and Finance are placed. The teams work together with the shared objective of giving Oriflame a competitive advantage by supplying first-class service and support to the local sales companies.

Report on internal control, risks and monitoring

This report on internal control, risks and monitoring in Oriflame has been prepared in accordance with the Swedish Corporate Governance Code. It has been read by the company's auditor. The company's auditor has also reviewed the company's internal control system to the extent necessary to deliver an audit opinion on the financial results, which in accordance with Swiss law includes a confirmation of the existence of an internal control system designed for the preparation of consolidated financial statements.

Back in 2010, the company selected the COSO framework as a basis for its internal control system. The COSO framework was issued by the Committee of Sponsoring Organisations of the Treadway Commission. The framework consists of five components:

- Control environment,
- Risk assessment,
- Internal controls,
- Information and communication, and
- Monitoring.

Since then, Internal Control has become a permanent function within the Oriflame Group.

The regulatory landscape is evolving rapidly and there is a need to have an integrated approach across the value chain by having a governance structure and an organisation in place that safeguard and ensure compliance in all parts of the organisation.

In October 2018, Oriflame has established a Global Assurance function, which grew out of the company's existing internal control, compliance and data protection functions. The new department, led by the Vice President Global Assurance (and in the interim by the Chief Financial Officer), will further strengthen and develop an integrated compliance and risk management approach.

CONTROL ENVIRONMENT

The Board of Directors has overall responsibility for ensuring that the company's system for management and internal control is effective. The company's internal control system includes policies for acquisition, measurement and protection of assets, controlling the accuracy and reliability of reports, and ensuring compliance with internal guidelines. These policies and guidelines are the foundation of the internal control system. The Board also ensures that the organisational structure is logical and transparent, with clear roles, responsibilities and processes that facilitate the effective management of operational risks and enable the company to fulfil its goals. This process includes an evaluation by the Board of the company's business performance and results through reports containing results, forecasts and targets. The Board also reviews the interim and annual reports before they are presented externally.

The Audit Committee (composed of Board members) monitors the effectiveness of internal controls, and addresses critical questions regarding financial reporting and regulatory compliance. The company's auditor is invited to participate in the regular meetings of the Audit Committee. The Group Risk and Internal Control Director, who reports the Vice President Global Assurance, is also a regular invitee to the Audit Committee meetings, as head of internal controls as well as related policies and procedures, and to formally request approval of the Audit Committee, where relevant. For each business area and corporate function, the Chief Financial Officer has appointed a Vice President Finance, who is responsible for the implementation and documentation of internal controls, as well as for reporting in accordance with company guidelines, and ensuring compliance with local laws and regulations. Each Vice President Finance may be supported in this task by one or several Regional Finance Directors. The Group Risk and Internal Control Director is responsible for the design of internal controls. The head of finance in each Oriflame entity is in charge of the implementation and of the documentation of internal controls. Members of regional finance teams perform the verification of internal controls implemented locally. They specifically consider the implementation of the controls as well as their effectiveness, by reviewing the quality of the documentation. They subsequently report the results of their verifications to the Vice Presidents Finance and Regional Finance Directors, who are then responsible for supervising and monitoring the execution of the recommended improvements and changes within their area of responsibility. Since 2011, the company has deployed an internal control software platform, which enables real-time monitoring of the existence of internal controls, as well as the preservation of historical data.

CONTROL SCOPE

As for controls related to the financial area, the major risk areas for material misstatements in the financial reporting were defined as follows in 2009: inventory, cash and bank balances, credit process, sales, performance discount and bonuses, and information technology systems. These financial reporting risks were addressed during 2011 in addition to two other identified financial risks: accounts payable and risks related to the hedging function of the Treasury department. In 2012, the company added legal compliance and fixed assets control processes to the management of risks related to corporate integrity. In 2013, the management of risks related to the hedging function of the Treasury department was further addressed by implementing a dedicated control process. In addition, all the relevant control processes already in force in the sales entities were extended to the manufacturing entities and to the main trading branch. In 2014, the company implemented internal controls for tax reporting and consolidation, and expanded the scope and depth of Treasury-related controls.

INTERNAL CONTROLS

A control process description follows the logical structure of the business and reporting flow, with a clear definition of steps and related controls. It also assigns control responsibilities to different positions involved in the process and states the reasons for the control. The key controls encompass the controls that are most critical to the integrity of the financial statements. Non-key controls are also in place to address risks that may not affect the financial statements, but are critical to operations. The Vice Presidents Finance monitor the operations by performing analytical controls such as follow-ups on forecasts and budgets, analysis of results and balance sheet items, business reviews and commentaries on markets' and functions' (supply, marketing) performance. The result of this work is periodically reported to management and the Group functions concerned. The functional departments regularly monitor their respective areas of responsibility in order to identify potential risks and errors.

COMPLIANCE AND BUSINESS ETHICS

Oriflame is committed to full compliance with legal or regulatory requirements and industry standards in every country where the business operates. In addition, the company commits to the 10 Principles of the United Nations' Global Compact (grouped under Human Rights, Labour, Environment and Anti-Corruption).

Compliance at Oriflame is defined as the range of initiatives and tools implemented to safeguard the company's employees, resources, integrity, reputation and business partners. The company strictly complies with the letter and the spirit of the law.

The Code of Conduct and supporting Policies are available to all employees, in several languages. Their content is also explained to all employees in several ongoing classroom and e-learning courses.

Oriflame encourages employees to openly report concerns and to ask compliance-related questions. Since 2007, the company operates a compliance reporting web line, guaranteeing confidentiality and protection to employees reporting in good faith. All allegations of breaches of the Oriflame Code of Conduct are investigated and recommendations are communicated to management in order to act wherever necessary.

Employees at Oriflame are not permitted to give or offer anything of value, to anyone for the purpose of obtaining or retaining an unfair business advantage.

Oriflame is committed to the protection of human rights, including freedom of association, at all stages of its value chain. Forced labour, child labour, and modern slavery are clearly and strictly prohibited within Oriflame, and at its suppliers. More information is available in the Sustainability Report.

HEALTH AND SAFETY

Oriflame firmly believes that no employee, supplier or contractor should risk their health and safety when they work for the company or on its premises. The Group-wide health and safety function was established in 2017 and helps all levels of the organisation to identify and control those risks. Oriflame measures its health and safety performance and implements initiatives to reduce health and safety risks. Detailed information is available in the Sustainability Report on www.oriflame.com.

INFORMATION AND COMMUNICATION

The company maintains information and communication channels intended to ensure the effective provision of financial information. Policies and guidelines on financial reporting are revised and updated continuously and are made available internally on the company's intranet, as well as via memorandums and internal meetings. There are also formal and informal information channels that enable employees to communicate important information to relevant recipients. A policy for communication and information with external parties is in place on the company's intranet to ensure that accurate and appropriate information is provided to external parties. The control process descriptions, internal controls and documentation are available to the relevant employees through the internal control software platform.

MONITORING

The internal control system is continuously monitored at Group level by the Risk and Internal Control department, and pending matters or concerns are addressed to the relevant personnel immediately. If an internal control is not implemented or if the documentation is not adequate, the Finance Manager in charge is asked to perform or correct the control procedure and provide new or relevant evidence. Regional Finance Directors are also involved in the continuous improvement of the internal control system under the responsibility of the Risk and Internal Control department.

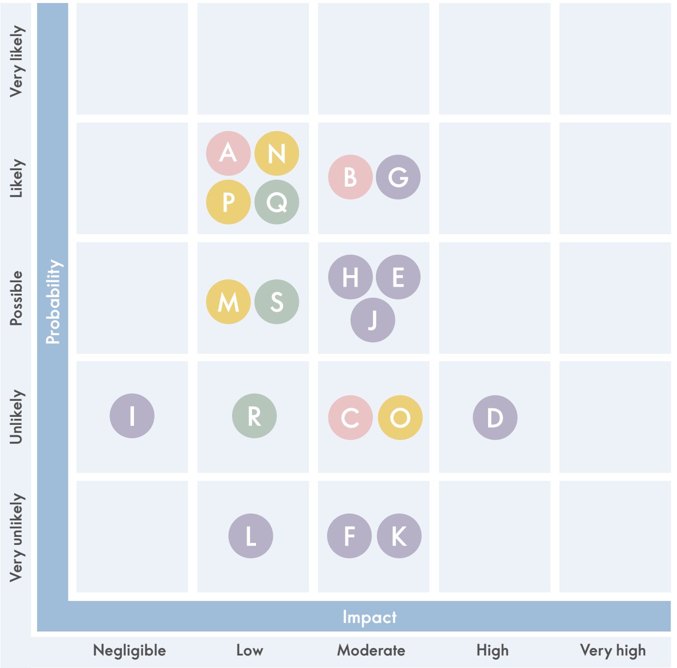
MAIN BUSINESS RISKS

The main risk drivers for the Oriflame Group are related to two main aspects.

- The wide geographical spread of Oriflame's activities, and ensuing complex regulatory frameworks and rapidly evolving economic and political environments, and;

- The entire supply chain from the procurement of raw materials, to the manufacturing, transport, and warehousing of goods.

The exposure to several global risks has been reduced thanks to the expansion of Oriflame's geographical footprint, and to a number of risk-mitigating actions that have been taken to address other risks. Risks can be categorized as external factors, operational risks, financial risks and sustainability risks.



EXTERNAL FACTORS

A. Geographical footprint
B. Ambiguity in direct sales and e-commerce regulations
C. Business concentration in politically uncertain regions

OPERATIONAL RISKS

D. Risk of disruption of in-house manufacturing and main Logistics Hub
E. Breach of data protection regulations
F. Adverse reaction of consumers to a product
G. Dependency on finished products suppliers
H. Dependency on raw materials
I. Supplier financial risks
J. Theft/unauthorised access, modification of data
K. IT systems business interruption
L. Parallel import/cross-border sales

FINANCIAL RISKS

M. Cash expatriation from emerging economies
N. Wage tax (withholding tax)
O. Counterparty exposure
P. Foreign currency exposures

SUSTAINABILITY RISKS

Q. Environmental regulations/legislation
R. Exposure to third-party violations of human rights
S. Exposure to corruption

EXTERNAL FACTORS

RISK AREA	DESCRIPTION	RISK MITIGATION	PROBABILITY	IMPACT
A. Geographical footprint	Oriflame operates directly in more than 60 countries, across four continents. In addition, Oriflame is subject to national and trans-national regulations from countries where it does not operate. This generates a complex regulatory framework, that is always evolving.	Oriflame established a Global Corporate Affairs function in 2017 as well as a Global Assurance function in 2018. The company has implemented a Code of Conduct and policies and performs sanctions screening of suppliers and top-earning consultants.	Likely	Low
B. Ambiguity in direct sales and e-commerce regulations	In many of the markets where Oriflame operates, there is no legislation regulating the direct selling industry or the current regulations could potentially change, which may create legal risks that affect the company's business, financial conditions and results of operations.	Oriflame works with the World Federation of Direct Selling Associations (WFDSA) as well as with local direct selling associations, promoting ethical behaviour within the direct selling industry in order to avoid being seen or mixed up with unethical companies and initiating a dialogue with local authorities by explaining the direct selling business model.	Likely	Moderate
C. Business concentration in politically uncertain regions	Oriflame operates in several key markets where economical, legal and political landscapes may change unexpectedly.	In the last five years, the Group geographical footprint has become more balanced which reduces the business concentration risk. Oriflame constantly assesses the possibilities of expansion in existing or new markets.	Unlikely	Moderate

OPERATIONAL RISKS

RISK AREA	DESCRIPTION	RISK MITIGATION	PROBABILITY	IMPACT
D. Risk of disruption of in-house manufacturing and main Logistics Hub	Oriflame is dependent on its manufacturing facilities and other supply chain assets in Poland, India, China and Russia. Significant unscheduled downtime at any of these facilities, could adversely affect the company's business.	Impact assessments were performed by Property Insurer at all Oriflame factories and at the global warehouse in 2017 and 2018. The company found that suitable measures have been implemented to prevent significant loss and business interruption at these facilities. Moreover, Oriflame has property damage and business interruption insurances to cover for lost inventory/raw material/equipment and associated lost sales.	Unlikely	High
E. Breach of data protection regulations	The biggest exposure is currently Europe due to the General Data Protection Regulation (GDPR). A major personal data breach in Europe or involving European citizens may have two impacts: a regulatory fine up to 4 percent of Group turnover and civil lawsuits for personal damage.	Oriflame has taken many initiatives to mitigate risks, including the implementation of key data protection policies and procedures, a crisis response process and data protection training. Additionally, the company has taken IT technical measures and has a cyber security and privacy insurance covering liability of data breach.	Possible	Moderate
F. Adverse reaction of consumers to a product	The biggest exposure is Wellness products, which might cause severe adverse reactions due to their mode of absorption and their potential contamination. In addition, Wellness products are subject to more restrictive regulations than cosmetics.	Oriflame is performing testing of products and has implemented a claims process. The company will further ensure that products developed for local specific needs are subject to thorough testing.	Very unlikely	Moderate
G. Dependency on finished products suppliers	Oriflame tends to allocate the manufacturing of certain specific products to one supplier only.	Oriflame has reduced the risk by localising the manufacturing of certain products in India and China. The Group will further develop multi-sourcing actions such as commercial localisation projects and allocating product manufacturing by variant.	Likely	Moderate

OPERATIONAL RISKS *(CONTINUED)*

RISK AREA	DESCRIPTION	RISK MITIGATION	PROBABILITY	IMPACT
H. Dependency on raw materials	Oriflame often uses specialised raw materials that are not commodities and for which no substitute or alternatives are available, resulting in pressure on prices and demands.	Oriflame has implemented specific partnerships with suppliers and should further extend them. The company will benefit from further work on formulations which balance commodities and specialised raw materials and implement a multi-sourcing strategy.	Possible	Moderate
I. Supplier financial risks	Oriflame currently does not systematically perform financial audits of their suppliers.	The company will define its supplier financial screening criteria and approach. Oriflame will list and engage with critical suppliers to mitigate and potentially identify alternatives suppliers for high-risk components.	Unlikely	Negligible
J. Theft/unauthorised access, modification of data	Deletion of data could lead to severe disruption while modification of data could be carried out in order to commit a fraud. Theft (criminal intent) or unauthorised access (no criminal intent) to data could lead to industrial espionage, loss of competitive edge, investigations, etc.	The company has taken adequate measures by recruiting IT security and compliance specialists, taking technical measures, developing confidentiality and information protection polices and building awareness of users. Oriflame will continue building its security operations capabilities, enhancing its precautionary measures and early detection capabilities, and preventing security incidents.	Possible	Moderate
K. IT systems business interruption	Oriflame is dependent on information systems hosted and developed in-house.	Oriflame has developed disaster recovery plans which identify scenarios and mitigation plans. Moreover, a Cyber Security and Privacy insurance covers the inherent potential loss of sales for business interruptions longer than 48 hours.	Very unlikely	Moderate
L. Parallel import/cross-border sales	Oriflame sells identical products at different prices in neighbouring markets which could result, for example, in cannibalisation of local sales and legal issues.	Oriflame's Global Assurance and Legal departments will further assess the current situation and assess if the current set-up is in line with local regulations and possible sanction regulations.	Very unlikely	Low

FINANCIAL RISKS

RISK AREA	DESCRIPTION	RISK MITIGATION	PROBABILITY	IMPACT
M. Cash expatriation from emerging economies	Oriflame operates in many emerging economies where there are various restrictions on the free flow of capital to Group holding companies.	Oriflame has improved its cash visibility and cash repatriation through a centralised inter-company dividend distribution process.	Possible	Low
N. Wage tax (withholding tax)	The majority of Oriflame's Consultants are not registered as entrepreneurs for the purposes of (personal) income tax or VAT. In certain countries where Oriflame operates, there is a risk that the tax authorities will hold Oriflame liable for the deduction of personal income tax and social charges from the compensation paid to the Consultants.	Where possible, the treatment of the Consultants not registered is pre-agreed with the competent authorities or documented in consultation with independent tax professionals. To the greatest extent possible, the Consultant remuneration plan is adjusted to local law and regulations and withholding is done where explicitly required.	Likely	Low
O. Counterparty exposure	Oriflame operates globally and have transactions in different currencies. Due to the nature of its business, the Group has to enter into contractual relationships with Financial Institutions. Therefore, the Group faces a certain risk exposure from the fact that also Financial Institutions face the risk of insolvency and bankruptcy.	The Group seeks to enter only into a relationship with Financial Institutions with a long-term credit rating from S&P, Moody's and/or Fitch within investment grade. Oriflame has a Counterparty Risk Exposure Procedure with defined limits per counterparty dependent on their rating is in place.	Unlikely	Moderate
P. Foreign Currency Exposures	Oriflame operates globally in several markets and have transactions in different currencies. Due to the nature of its business, the Group is subject to risks arising from un-favourable movements in foreign currency exchange rates. There are committed and uncommitted transactions exposures as well as strategic currency exposures.	The company hedges on an ongoing basis committed and uncommitted transaction risks to mitigate current and future impacts on the profit and loss due to adverse currency movements. However, due to the geographical diversity of the Company's operation for a portion of the currencies the Group is exposed to, there may not always be suitable hedging transactions available to deal with the remaining risks. Apart from hedging and wherever it is possible the negative impact of devaluation is gradually mitigated by selling price increases.	Likely	Low

SUSTAINABILITY RISKS

RISK AREA	DESCRIPTION	RISK MITIGATION	PROBABILITY	IMPACT
Q. Environmental regulations / legislation	Legislative changes in operating markets with respect to environmental topics (waste, plastics, etc.) are changing rapidly, spearheaded by many EU initiatives. The legislation could subsequently change unpredictably in many of our other markets, especially in Africa, China and South and South East Asia.	Oriflame has updated its sustainability strategy to mitigate the risks and create opportunities and will continue to monitor global environmental developments and to integrate the sustainability strategy into product and packaging strategies.	Likely	Low
R. Exposure to third-party violations of human rights	Oriflame has implemented some measures to guarantee the respect of human rights in its own factories, warehouses, distributions centres and offices. However, a significant exposure remains with suppliers in emerging markets.	The company has rolled out a Supplier Code of Conduct and minimum sustainability requirements for its suppliers. Oriflame has implemented a supplier qualification process which includes internal and external audits of its finished goods suppliers. The company continues to extend these initiatives to more supplier categories.	Unlikely	Low
S. Exposure to corruption	Operating in countries where the corruption risk exposure is quite high, Oriflame needs to be very clear on its anti-corruption standards.	Zero-tolerance policy towards active or passive corruption. Employee- and Supplier Code of Conducts as well as compliance-breach reporting system are in place.	Possible	Low

Compensation report

1. INTRODUCTION

The Compensation Report outlines the principles behind, and the elements of, the remuneration paid to the board of directors of Oriflame Holding AG and the company's executive management and also includes its subsidiaries (Oriflame Holding AG and where applicable its subsidiaries; hereafter collectively referred to as Oriflame). It details the remuneration paid to the board of directors and executive management in accordance with Swiss law. It also details the shareholdings in the company held by the board of directors and executive management, as well as the details of the Share Incentive and Retention Plan covering the executive management and other senior executives of Oriflame.

This Compensation Report will be submitted to the annual general meeting (AGM) of the company to be held on 9 May 2019 for a consultative vote.

2. GOVERNANCE

2.1 Overview

The board of directors has overall responsibility for defining the remuneration principles of Oriflame and the proposed remuneration of the board of directors and executive management (the Corporate Committee). The board of directors has delegated the preparatory work involved to the Remuneration Committee, which submits its proposal to the board for review and approval. After approval, the board puts forward the proposals to the AGM for final approval.

2.2 Remuneration Committee

Starting at the 2016 AGM and in accordance with Swiss company law, the members of the Remuneration Committee are elected by the shareholders. Once elected, the Remuneration Committee constitutes itself and elects its Chair. The board of directors has established a charter, which defines the purpose, composition and procedural rules of the Remuneration Committee, including its responsibilities and authorities for making proposals and decisions related to remuneration of the members of the board of directors and executive management.

Only members of the board of directors can be members of the Remuneration Committee. The Chairman of the board may be a Remuneration Committee member and may also be its Chairman. The other members of the Remuneration Committee shall be independent of Oriflame and its executive management.

The Remuneration Committee formed following the 2018 AGM and in place until the 2019 AGM consists of Karen Tobiasen and Alexander af Jochnick (Committee Chairman and Chairman of the board). The purpose and aim of the Remuneration Committee is to ensure that Oriflame has access to the competence required at an appropriate cost, and that the existing and future remuneration schemes have the intended effects for Oriflame's operations.

The tasks of the Remuneration Committee are to:

- Support the board in establishing and reviewing Oriflame's remuneration strategy and guidelines and performance criteria and prepare the proposals for presentation to general shareholders' meetings regarding the remuneration of the board and executive management;
- Submit proposals and recommendations to the board concerning other remuneration-related issues;
- Prepare the Compensation Report that the board of directors is legally obliged to establish, as well as the current remuneration structures and levels among Oriflame's executive management;
- Monitor and evaluate variable remuneration programmes for executive management, both ongoing and those that ended during the year;
- Monitor and evaluate any key employee benefits plan, including any stock option or similar plan implemented in Oriflame.

For information about the work of the Remuneration Committee during 2018, please see page 76–77 in the Corporate Governance Report.

3. REMUNERATION OF EXECUTIVE MANAGEMENT

3.1 General principles of remuneration

Oriflame shall attract and retain the competence required in order to successfully manage its operations, at a cost appropriate to the company. Oriflame shall offer competitive remuneration packages with regard taken to position and market in order to attract and retain the best individuals for the positions. In order to promote long-term ownership interest and thus ensure promotion of Oriflame's long term objectives and alignment with shareholders' interests, Oriflame offers its key management personnel an opportunity to participate in a Share Incentive and Retention Plan.

Oriflame's total remuneration offering to its employees comprises fixed base salaries, bonus/profit-sharing schemes, share-incentive programmes and pensions. The use of these various components is illustrated by the table to the right.

3.2 Executive remuneration overview

The remuneration of executive management consists of the following key components:

i. Fixed base salary
ii. Variable short-term incentive in the form of annual bonus linked to an increase in operating profit (Group Management Bonus)
iii. Variable long-term incentive in the form of Share Incentive and Retention Plan (SIP)
iv. Pensions, including contributions to private defined-contribution pension schemes and state or country-mandated schemes
v. Other non-monetary benefits associated with the position

i. Fixed Base Salary

The members of Oriflame's executive management are offered fixed salaries that are competitive and are based on the respective individual's responsibilities and performance, as well as being commensurate with market salaries for similar roles in companies that are comparable with Oriflame in terms of size, industry, complexity and geographical scope.

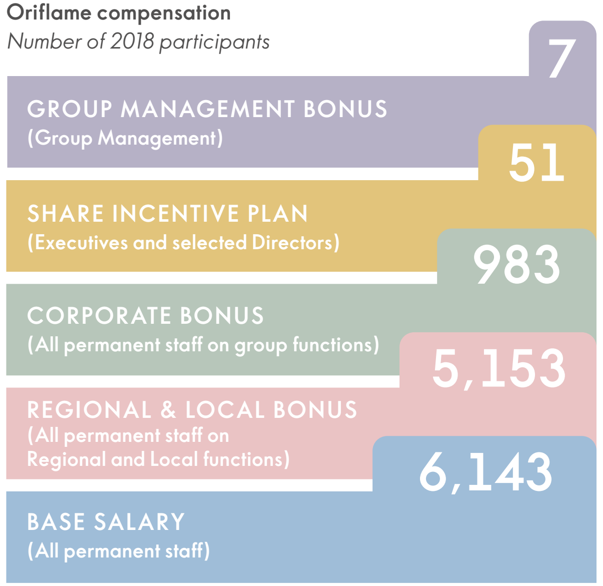
Base salary adjustments are made primarily on the basis of market evolution, change of responsibilities and the inflation trend, although at all times taking into consideration the executive's performance and contribution to company results. Salary adjustments for members of executive management are decided by the board of directors.

ii. Group Management Bonus (profit sharing)

The company allocates 10 per cent of any increase in operating profit compared with the preceding year to be shared among Oriflame's executive management and the members of Group Management. The amount for each individual is at all times capped at the equivalent of 12 months' fixed salary. The allocation is made according to position. The 10 per cent includes company costs for social charges. In light of the increase of Group Management members effective 1 October 2018, the Board has during 2018 resolved that starting from the financial year 2019 the percentage of any future operating profit increase to be shared with the executive management and other members of Group Management shall be increased from 10 to 13 per cent. The net cost increase will be limited as there is a corresponding corporate bonus cost decrease for the employees that now join the operating profit sharing scheme, and for years with no operating profit increase there is a cost saving vs. the corporate bonus scheme.

Oriflame compensation

Number of 2018 participants



iii. Share Incentive and Retention Plan:
Oriflame offers a Share Incentive and Retention Plan covering Oriflame's executive management and approximately 50 additional senior employees. Each year, the individuals are invited by the board of directors to designate a number of Oriflame shares they either already own or will purchase at the current market price as Investment Shares under the Plan. In return, the participants will, within an Investment Period of three to five years*, receive between 0 and 8 free shares (i.e. the Achievement Shares) per Investment Share. The number of Achievement Shares awarded depends on the increase in Oriflame's operating profit over the Investment Period. For each investment year, an award grid proposal is developed by the Remuneration Committee and ultimately resolved upon by the board of directors. The award grid is based on Oriflame's long-term strategic scenario and is set so that profitability growth is awarded with shares on a sliding scale. Targeted average outcome is 4 achievement shares per investment share. The number of Investment Shares offered is capped so that the potential share capital dilution from Investment and Achievement shares issued under the Plan never exceeds 1 per cent per year.

In order to be eligible for any Achievement Shares, the participants need to i) remain employed by Oriflame throughout the Investment Period**, and ii) keep their Investment Shares for the entire Investment Period.

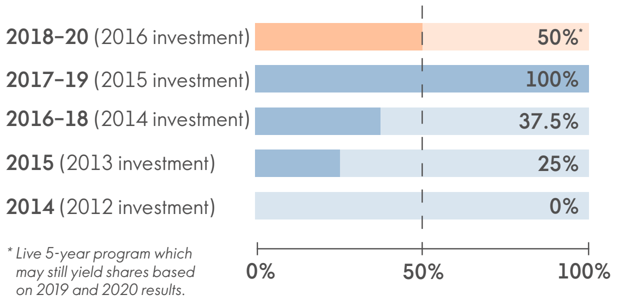
The historical pay-out under previous Share Incentive Plans issued on similar terms for the past five years is illustrated by the table to the right.

During the past 5-year period, Oriflame's share incentive plans have yielded a total of 1,142,855 achievement shares. The average dilution over the period amounts to around 0.3 percent per year, slightly positively impacted by the partial use of treasury shares as achievement shares. Further details on non-vested grants and Oriflame's costs for the Share Incentive and Retention Plan can be found in Note 22 of the Annual Report.

iv. Pensions
Members of executive management and other senior employees are offered pension benefits that are competitive in the country where the individual is resident. The company pays pension premiums into an independent defined-contribution scheme. The pension allocations are based on fixed remuneration and do not take into account any variable remuneration. In addition, where required by law, Oriflame makes contributions into defined-contribution schemes.

v. Other benefits
Members of Oriflame's executive management and other senior employees are entitled to customary benefits such as company cars and company health care. Moreover, certain individuals may be offered company housing and other benefits including schooling fees. In some cases, Oriflame's policy permits the members to opt for cash allowances in lieu of the benefit.

Historical outcome of Oriflame's share incentive plans



** Live 5-year program which may still yield shares based on 2019 and 2020 results.*

* The Board of Directors can in exceptional cases decide to shorten such investment period.

** Employees who have been employed with Oriflame for more than 10/15 years are under certain conditions entitled to Achievement Shares even if their employment has ended.

4. ANNUAL SUMMARY OF REMUNERATION TO THE MEMBERS OF EXECUTIVE MANAGEMENT

4.1 2018 Executive Management remuneration

The below remuneration covers the period 1 January 2018 to 31 December 2018. The executive management comprises the Corporate Committee, consisting of the CEO, the Deputy CEO and the CFO. There have been no changes to the Corporate Committee members during the period. The highest remunerated individual during the period was the CEO – Magnus Brännström.

2018 Executive management remuneration

Corporate Committee	Fixed remuneration (EUR)	Bonus (profit sharing) (EUR)	Max no. of achievment shares	Maximum value (EUR)	Pensions (EUR)	Other benefits (EUR)	Maximum total (EUR)	Maximum total (CHF)
All members (incl. the CEO)	1,996,409	0	200,784	6,941,103	521,152	1,410,274	10,347,786	11,952,728
The CEO (Magnus Brännström)	834,954	0	94,384	3,262,855	187,147	175,627	4,460,583	5,152,419

Comments

- The actual total 2018 remuneration may vary from the indicated maximum total, as the above calculation includes the accounting value of the maximum amount of 8 Achievement Shares per Investment Share that can be delivered under the 2018 investments in the Share Incentive and Retention Plan – the actual award of Achievement Shares will vary between 0 and 8 per Investment Share depending on the Operating Profit development during the investment period.
- The maximum number of Achievement Shares is based on the number of Investment Shares allocated in 2018 under the Share Incentive Plan. The Investment Shares were allocated by the participants through the designation of either i) shares they already held at the time of the offer, or ii) new shares acquired at market price. The 2018 investments will vest during years 2021 – 2023.
- The maximum value of the Share Incentive Plan allocations is calculated using the fair value at grant date of EUR 34,57 per Investment Share and the maximum potential award under the Plan of 8 Achievement Shares per Investment Share.
- In addition to the remuneration listed in the above schedule, part of the 2014 investments as well as the 2015 investments under the company's Share Incentive Plan vested during 2018, resulting in an award of 3 Achievement Shares per 2014 Investment Share and 8 Achievement Shares per 2015 Investment Share. The Corporate Committee members thereby received achievement shares relating to their 2014 and 2015 investments as follows:

– All members (incl. the CEO): 269,261 shares

– The CEO: 138,733 shares

The vesting furthermore resulted in additional social security payments made by Oriflame, totalling EUR 921,803 (CHF 1,064,775).

- Other benefits includes the cash value of non-monetary benefits such as company cars/car allowance, company housing, health care premiums, schooling fees and other customary benefits. Other benefits also includes mandatory state pension and social security payments made by Oriflame totalling EUR 237,676 (CHF 274,540).
- For the purposes of this Compensation Report, the following EUR – CHF exchange rate has been used: 1.1551 (2017: 1.17).

4.2 2017 Executive management remuneration

The below remuneration covers the period 1 January 2017 to 31 December 2017. There have been no changes to the Corporate Committee during the period. The highest remunerated individual was the CEO – Magnus Brännström.

2017 Executive management remuneration

Corporate Committee	Fixed remuneration (EUR)	Bonus (profit sharing) (EUR)	Max no. of achievment shares	Maximum value (EUR)	Pensions (EUR)	Other benefits (EUR)	Maximum total (EUR)	Maximum total (CHF)
All members (incl. the CEO)	1,919,186	1,831,687	202,400	6,748,016	922,329	1,469,931	12,891,149	15,085,222
The CEO (Magnus Brännström)	792,777	753,888	100,000	3,334,000	448,561	274,831	5,604,057	6,557,868

Comments

- The actual total 2017 remuneration may vary from the indicated maximum total, as the above calculation includes the accounting value of the maximum amount of 8 Achievement Shares per Investment Share that can be delivered under the 2017 investments in the Share Incentive and Retention Plan – the actual award of Achievement Shares will vary between 0 and 8 per Investment Share depending on the Operating Profit development during the investment period.
- The maximum number of Achievement Shares is based on the number of Investment Shares allocated in 2017 under the Share Incentive Plan. The Investment Shares were allocated by the participants through the designation of either i) shares they already held at the time of the offer, or ii) new shares acquired at market price. The 2017 investments will vest during years 2020 – 2022.
- The maximum value of the Share Incentive Plan allocations is calculated using the fair value at grant date of EUR 33.34 per Investment Share and the maximum potential award under the Plan of 8 Achievement Shares per Investment Share.
- Other benefits includes the cash value of non-monetary benefits such as company cars/car allowance, company housing, health care premiums, schooling fees and other customary benefits. Other benefits also includes mandatory state pension and social security payments made by Oriflame totalling EUR 351,049 (CHF 410,797).
- Pensions includes contractual extra-ordinary pension payments to Executive management members based on reaching certain thresholds of age/time served in the company. The underlying regular pension contributions, as well as other fixed benefits remains unchanged versus 2016.
- For the purposes of this Compensation Report, the following EUR – CHF exchange rate was used for the 2017 remuneration: 1.17.

5. REMUNERATION TO THE BOARD OF DIRECTORS

The remuneration for the members of the Board of Directors should be set so that it attracts and retains relevant, experienced and motivated people for the Board of Directors function. The Remuneration Committee has benchmarked the current board remuneration against relevant comparable companies. The benchmark study concluded that while the remuneration is significantly below the normal Swiss market remuneration for comparable functions and comparable industry with similar size and complexity as Oriflame, it is in line with market remuneration for comparable companies listed on the Nasdaq Stockholm exchange.

The remuneration is made up of Directors Fees and additional fees for the board members that are part of Audit Committee, Remuneration Committee or Nomination and Governance committee. The members of the Board of Directors obtain all of their remuneration in cash. The cash component is paid out on a biannual basis in arrears, usually in June and December each year.

Company Executives who are members of the Board of Directors – currently the CEO (Magnus Brännström) – receive no additional remuneration for their Board assignments and do therefore not appear in the below schedules.

6. ANNUAL SUMMARY OF REMUNERATION TO THE NON-EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS

6.1 2018 Board remuneration

The below Directors and Committee fees cover the period from 1 January 2018 to 31 December 2018.

			Membership fees						
Board of Directors	Title	Board fees (EUR)	– Nomination and Governance Committee (EUR)	– Audit Committee (EUR)	– Remuneration Committee (EUR)	Total remuneration (EUR)	Total remuneration (CHF)	Other charges (EUR)*	Other charges (CHF)*
Mona Abbasi	Board Member	38,301	–	–	–	38,301	44,241	7,928	9,158
Anders Dahlvig	Board Member	38,301	10,000	–	–	48,301	55,792	9,999	11,550
Anna af Jochnick	Board Member	26,411	–	–	–	26,411	30,507	5,467	6,315
Alexander af Jochnick	Chairman of the Board	76,603	10,000	10,000	10,000	106,603	123,137	22,067	25,490
Jonas af Jochnick**	Board Member	11,890	–	–	–	11,890	13,734	–	–
Robert af Jochnick	Board Member	38,301	–	–	–	38,301	44,241	7,928	9,158
Anna Malmhake	Board Member	38,301	–	–	–	38,301	44,241	7,928	9,158
Gunilla Rudebjer***	Board Member	26,411	–	6,603	–	33,014	38,134	6,834	7,894
Christian Salamon****	Board Member	38,301	–	15,000	–	53,301	61,568	11,033	12,744
Karen Tobiasen	Board Member	38,301	–	10,000	10,000	58,301	67,343	–	–
						452,724	**522,938**	**79,184**	**91,467**

* Other charges comprises mandatory state social security contributions made by Oriflame where required.

** Board member until 4 May 2018.

*** Board member since 4 May 2018.

**** Audit Committee Chairman.

6.2 2017 Board remuneration

The below Directors and Committee fees cover the period from 1 January 2017 to 31 December 2017.

			Membership fees						
Board of Directors	Title	Board fees (EUR)	– Nomination and Governance Committee (EUR)	– Audit Committee (EUR)	– Remuneration Committee (EUR)	Total remuneration (EUR)	Total remuneration (CHF)	Other charges (EUR)*	Other charges (CHF)*
Mona Abbasi	Board Member	35,000	–	–	–	35,000	40,957	7,256	8,491
Anders Dahlvig	Board Member	35,000	10,000	–	–	45,000	52,659	9,315	10,900
Alexander af Jochnick	Chairman of the Board	70,000	10,000	10,000	10,000	100,000	117,020	20,732	24,261
Jonas af Jochnick	Board Member	35,000	–	–	–	35,000	40,957	–	–
Robert af Jochnick	Board Member	35,000	–	–	–	35,000	40,957	3,579	4,188
Anna Malmhake	Board Member	35,000	–	–	–	35,000	40,957	7,256	8,491
Christian Salamon**	Board Member	35,000	–	15,000	–	50,000	58,510	10,366	12,131
Karen Tobiasen	Board Member	35,000	–	10,000	10,000	55,000	64,361	–	–
						390,000	**456,378**	**58,505**	**68,463**

* Other charges comprises mandatory state social security contributions made by Oriflame where required.

** Audit Committee Chairman.

7. REMUNERATION TO FORMER MEMBERS OF THE BOARD OF DIRECTORS AND OF THE EXECUTIVE MANAGEMENT

During 2018 and 2017, no remuneration has been paid to any former members of the Board of Directors or executive management.

8. DIRECTORSHIPS IN OTHER COMPANIES

The members of the Board of Directors may in accordance with the Articles of Association of the company hold no more than 10 board mandates in companies outside Oriflame. Such external engagements are listed on page 166–167 in the 2018 Annual Report.

The Corporate Committee members can hold no directorships in companies outside Oriflame without the prior approval of the Board of Directors, and in accordance with the Articles of Association of the company no more than 5 such board mandates, out of which only 1 can be in another listed company.

Any remuneration received for external board assignments exercised outside the role held with Oriflame is outside the scope of this report.

9. DIRECTOR'S AND EXECUTIVE MANAGEMENT'S SHAREHOLDING IN ORIFLAME

Directors, no. of shares*	31 Dec 2018	31 Dec 2017
Mona Abbasi	–	–
Alexander af Jochnick	620,000	520,000
Magnus Brännström	314,929	306,196
Anders Dahlvig	13,650	13,650
Anna af Jochnick	233,400	N/A
Robert af Jochnick	4,185,999	4,010,019
Anna Malmhake	–	–
Gunilla Rudebjer	1,000	N/A
Christian Salamon	20,000	16,500
Karen Tobiasen	–	–

Corporate Committee, no. of shares*	31 Dec 2018	31 Dec 2017
Magnus Brännström	314,929	306,196
Jesper Martinsson	319,500	248,000
Gabriel Bennet	30,000	24,000

* Shareholding may include holdings of related entities and immediate family members as per the IFRS definition of related parties.

10. LOANS AND CREDITS TO DIRECTORS OR OFFICERS

No loans and credits have been granted to current or former members of the Board of Directors or of the executive management.

11. OTHER REMUNERATION AND PAYMENTS TO RELATED PARTIES

There have been no further remuneration or payments to members of the Board of Directors or of the executive management in 2018.

Payments to other related parties during 2018 are presented in note 23 in the Annual Report 2018.

All related party payments have been for services provided on commercially sound terms, priced at arms length' and to the benefit of Oriflame.

Statutory Auditor's Report

To the General Meeting of Oriflame Holding AG, Schaffhausen

Report on the Audit of the Compensation Report

We have audited the accompanying remuneration report of Oriflame Holding AG for the year ended 31 December 2018. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the chapter 4 and 6 on pages 88 to 95 of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report for the year ended 31 December 2018 of Oriflame Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Hélène Béguin
Licensed Audit Expert
Auditor in Charge

Kathrin Schünke
Licensed Audit Expert

Zurich, 15 April 2019

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

Consolidated income statements

YEAR ENDED 31 DECEMBER

€'000	Note	2018	2017
Sales		1,278,752	1,363,111
Cost of sales		(393,624)	(368,547)
Gross profit		**885,128**	**994,564**
Other income	4	–	45,311
Selling and marketing expenses		(428,281)	(500,577)
Distribution and infrastructure		(28,491)	(95,384)
Administrative expenses	5, 6, 7, 8	(275,290)	(284,884)
Operating profit		**153,066**	**159,030**
Financial income	9	15,634	47,338
Financial expenses	9	(33,766)	(73,188)
Net financing costs		**(18,132)**	**(25,850)**
Net profit before income tax		**134,934**	**133,180**
Current tax	10	(35,676)	(47,848)
Deferred tax	10, 15	(3,828)	7,222
Total income tax expense	10	**(39,504)**	**(40,626)**
Net profit attributable to the owners of the company		**95,430**	**92,554**
Earnings per share, €	11		
Basic		1.69	1.66
Diluted		1.68	1.62

The attached notes on pages 102 to 148 form an integral part of the consolidated financial statements.

Consolidated statements of comprehensive income

YEAR ENDED 31 DECEMBER

€'000	Note	2018	2017
Net profit		**95,430**	**92,554**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of net defined benefit liability, net of tax	26	539	(1,356)
Total items that will not be reclassified subsequently to profit or loss		**539**	**(1,356)**
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations	20	(14,620)	(13,964)
Effective portion of changes in fair value of cash flow hedges, net of tax	9	(769)	3,145
Total items that are or may be reclassified subsequently to profit or loss		**(15,389)**	**(10,819)**
Other comprehensive income for the year, net of tax		**(14,850)**	**(12,175)**
Total comprehensive income for the year attributable to the owners of the company		**80,580**	**80,379**

The attached notes on pages 102 to 148 form an integral part of the consolidated financial statements.

Consolidated statements of financial position

YEAR ENDED 31 DECEMBER

€'000	Note	2018	2017
Assets			
Property, plant and equipment	12	135,232	152,919
Right-of-use assets	14	77,345	–
Intangible assets	13	12,393	14,595
Investment property		542	542
Deferred tax assets	15	32,834	31,136
Other long-term receivables		107	105
Total non-current assets		**258,453**	**199,297**
Inventories	16	156,841	165,509
Trade and other receivables	17	72,820	79,812
Tax receivables		13,664	8,810
Prepaid expenses		15,999	27,954
Derivative financial assets	27.3	26,641	29,682
Cash and cash equivalents	18	178,075	221,399
Total current assets		**464,040**	**533,166**
Total assets		**722,493**	**732,463**

€'000	Note	2018	2017
Equity			
Share capital	19	80,745	79,850
Treasury shares	19	(474)	(90)
Share premium	19	424,870	548,474
Reserves	20	(182,836)	(164,732)
Retained earnings		(187,382)	(241,906)
Total equity attributable to the owners of the company		**134,923**	**221,596**
Liabilities			
Interest-bearing loans	21	249,404	195,113
Lease liabilities	27	62,635	–
Other long-term liabilities		4,380	3,983
Net defined benefit liability	26	4,236	4,938
Deferred income		239	309
Deferred tax liabilities	15	2,796	2,502
Total non-current liabilities		**323,690**	**206,845**
Current portion of interest-bearing loans	21	–	48,477
Lease liabilities	27	19,024	–
Trade and other payables		87,058	91,514
Dividend payables		22,729	14,049
Contract liabilities		15,155	311
Tax payables		13,307	15,669
Accrued expenses	28	101,472	127,811
Derivative financial liabilities	27.3	2,428	2,624
Provisions	25	2,707	3,567
Total current liabilities		**263,880**	**304,022**
Total liabilities		**587,570**	**510,867**
Total equity and liabilities		**722,493**	**732,463**

The attached notes on pages 102 to 148 form an integral part of the consolidated financial statements.

Consolidated statements of changes in equity

YEAR ENDED 31 DECEMBER

		Attributable to the owners of the company								
€'000	Note	Share capital	Treasury shares	Share premium	Translation reserve	Hedging reserve	Other reserve	Total reserve	Retained earnings	Total equity
At 1 January 2017		**79,850**	**(90)**	**632,085**	**(167,751)**	**(5,063)**	**5,797**	**(167,017)**	**(333,104)**	**211,724**
Net profit		–	–	–	–	–	–	–	92,554	92,554
Other comprehensive income										
Remeasurements of net defined benefit liability, net of tax		–	–	–	–	–	–	–	(1,356)	(1,356)
Foreign currency translation differences for foreign operations		–	–	–	(13,964)	–	–	(13,964)	–	(13,964)
Effective portion of changes in fair value of cash flow hedges, net of tax			–	–	–	3,145	–	3,145	–	3,145
Total other comprehensive income for the year, net of income tax		**–**	**–**	**–**	**(13,964)**	**3,145**	**–**	**(10,819)**	**(1,356)**	**(12,175)**
Total comprehensive income for the period		**–**	**–**	**–**	**(13,964)**	**3,145**	**–**	**(10,819)**	**91,198**	**80,379**
Share incentive plan	22	–	–	–	–	–	13,104	13,104	–	13,104
Dividends	20	–	–	(83,611)	–	–	–	–	–	(83,611)
Total contributions and distributions		**–**	**–**	**(83,611)**	**–**	**–**	**13,104**	**13,104**	**–**	**(70,507)**
At 31 December 2017		**79,850**	**(90)**	**548,474**	**(181,715)**	**(1,918)**	**18,901**	**(164,732)**	**(241,906)**	**221,596**
At 1 January 2018 as previously reported		**79,850**	**(90)**	**548,474**	**(181,715)**	**(1,918)**	**18,901**	**(164,732)**	**(241,906)**	**221,596**
Adjustment from adoption of IFRS 15, IFRS 16 (net of tax) and accounting alignments	2	–	–	–	–	–	–	–	(25,996)	(25,996)
Restated balance at 1 January 2018		**79,850**	**(90)**	**548,474**	**(181,715)**	**(1,918)**	**18,901**	**(164,732)**	**(267,902)**	**195,600**
Net profit		–	–	–	–	–	–	–	95,430	95,430
Other comprehensive income										
Remeasurements of net defined benefit liability, net of tax		–	–	–	–	–	–	–	539	539
Foreign currency translation differences for foreign operations		–	–	–	(14,620)	–	–	(14,620)	–	(14,620)
Effective portion of changes in fair value of cash flow hedges, net of tax		–	–	–	–	(769)	–	(769)	–	(769)
Total other comprehensive income for the year, net of income tax		**–**	**–**		**(14,620)**	**(769)**	**–**	**(15,389)**	**539**	**(14,850)**
Total comprehensive income for the period		**–**	**–**	**–**	**(14,620)**	**(769)**	**–**	**(15,389)**	**95,969**	**80,580**
Issue of ordinary shares in relation to share incentive plan		895	–	23,116	–	–	(8,860)	(8,860)	(15,449)	(298)
Purchase of treasury shares		–	(1,584)	–	–	–	–	–	–	(1,584)
Usage of treasury shares		–	1,200	–	–	–	–	–	–	1,200
Share incentive plan	22	–	–	–	–	–	6,145	6,145	–	6,145
Dividends	20	–	–	(146,720)	–	–	–	–	–	(146,720)
Total contributions and distributions		**895**	**(384)**	**(123,604)**	**–**	**–**	**(2,715)**	**(2,715)**	**(15,449)**	**(141,257)**
At 31 December 2018		**80,745**	**(474)**	**424,870**	**(196,335)**	**(2,687)**	**16,186**	**(182,836)**	**(187,382)**	**134,923**

The attached notes on pages 102 to 148 form an integral part of the consolidated financial statements.

Consolidated statements of cash flows

YEAR ENDED 31 DECEMBER

€'000	Note	2018	2017
Operating activities			
Net profit before income tax		**134,934**	**133,180**
Adjustments for:			
Depreciation of property, plant and equipment	8, 12, 14	36,855	17,657
Amortisation of intangible assets	8, 13	2,380	1,600
Impairment	12, 13	1,153	415
Change in fair value of borrowings and derivatives financial instruments	9	(985)	(142)
Deferred income		(1,988)	(91)
Share incentive plan		6,145	13,104
Settlement of share incentive plan		902	–
Unrealised exchange rate differences		(10,593)	5,896
Profit on disposal of property, plan and equipment, intangible assets	12	(1,245)	(920)
Financial income	9	(11,219)	(13,268)
Financial expenses	9	22,504	20,509
Operating profit before changes in working capital and provisions		**178,843**	**177,940**
(Increase)/decrease in trade and other receivables, prepaid expenses and derivatives financial assets		2,939	(989)
(Increase)/decrease in inventories		20,759	(6,319)
Increase/(decrease) in trade and other payables, accrued expenses and derivatives financial liabilities		(23,545)	9,313
Increase/(decrease) in provisions		647	(1,934)
Cash generated from operations		**179,643**	**178,011**

€'000	Note	2018	2017
Cash generated from operations		**179,643**	**178,011**
Interest received		12,174	14,528
Interest and bank charges paid		(23,448)	(21,689)
Income taxes paid		(44,423)	(48,175)
Cash flow from operating activities		**123,946**	**122,675**
Investing activities			
Proceeds on sale of property, plant and equipment, intangible assets		3,113	1,998
Purchases of property, plant and equipment		(14,694)	(15,560)
Purchases of intangible assets		(262)	(2,254)
Cash flow used in investing activities		**(11,843)**	**(15,816)**
Financing activities			
Proceeds from borrowings	21	50,742	105,000
Repayments of borrowings	21	(41,397)	(86,471)
Acquisition of own shares		(1,584)	–
Payment of lease liabilities		(22,479)	–
Dividends paid	21	(137,961)	(80,760)
Cash flow used in financing activities		**(152,679)**	**(62,231)**
Change in cash and cash equivalents		**(40,576)**	**44,628**
Cash and cash equivalents at the beginning of the year net of bank overdrafts		221,345	185,365
Effect of exchange rate fluctuations on cash held		(2,694)	(8,648)
Cash and cash equivalents at the end of the year net of bank overdrafts	18	**178,075**	**221,345**

The attached notes on pages 102 to 148 form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

NOTE 1 • STATUS AND PRINCIPAL ACTIVITY

Oriflame Holding AG ("OHAG" or the "Company") is a holding company incorporated in Switzerland and registered at Bleiche-platz 3, CH-8200 Schaffhausen. The principal activity of the Company's subsidiaries is the direct sale of cosmetics. The consolidated financial statements of the Company as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group").

NOTE 2 • BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance
The consolidated financial statements of Oriflame Holding AG have been prepared by management in accordance with IFRS. The Company prepared STATUTORY FINANCIAL STATEMENTS in accordance with Swiss law. The financial statements were authorised for issue by the Board of Directors on 15 April 2019.

(b) Basis of preparation
The consolidated financial statements are presented in euro, rounded to the nearest thousand. They are prepared on a historic cost basis, except for financial instruments that are stated at fair value and the net defined benefit liability that is stated at fair value of plan assets less present value of the defined benefit obligation.

c) Use of estimates and judgements
The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 10 and 15 – utilisation of tax losses
- Note 16 – inventory reserves
- Note 22 – measurement of share-based payments
- Note 25 – provisions and contingencies
- Note 27 – valuation of financial instruments.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(d) Changes in accounting policies and presentation
As of 1 January 2018, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with customers have become effective. In addition, the Group has decided to early adopt IFRS 16 Leases at the same time as IFRS 15. A number of other new standards have been applied from 1 January 2018, but they do not have a material effect on the Group's financial statements. The effect on initially applying these standards is as follows:

IFRS 9 Financial Instruments
IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and measurement.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. As a consequence, trade and other receivables whose cash flows are solely payments of principal and interest ("SPPI") are classified either at amortised cost or at fair value through Other Comprehensive Income depending of the objectives of the business model.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" (ECL) model (see note 17).

The adoption of IFRS 9 had no significant effect on the financial position and the financial result. The Grooup has used the exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements.

The following table below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

€'000	Original classification under IAS 39	New clasifrcation under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Interest rate caps used for trading	Held-for-trading	Mandatorily at FVTPL	8	8
Forward exchange contracts used for hedging	Fair value – hedging instrument	Fair value – hedging instrument	1,585	1,585
Other forward exchange contracts	Held-for-trading	Mandatorily at FVTPL	171	171
Cross currency interest rate swap contracts used for hedging	Fair value – hedging instrument	Fair value – hedging instrument	10,043	10,043
Other cross currency interest rate swap contracts	Held-for-trading	Mandatorily at FVTPL	17,875	17,875
Trade and other receivables	Loans and receivables	Amortised cost	64,822	64,822
Cash and cash equivalents	Loans and receivables	Amortised cost	221,399	221,399
Total financial assets			**315,903**	**315,903**

IFRS 15 Revenue from Contracts with Customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods. Determining the timing of the transfer of control at a point in time or over time - requires judgment.

The Group has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

The following table summarises the impact, net of tax, of transition to IFRS 15 on retained earnings at 1 January 2018.

€'000	Impact of adoption IFRS 15 at 1 January 2018
Retained earnings	
Revenue recognition based on the transfer of control	(9,024)
Performance obligations	(12,060)
Related tax	4,916
Impact at 1 January 2018	**(16,168)**

Revenue recognition based on the transfer of control
The impact was calculated based on the historical local knowledge and the revenue of 2017, by each single entity.

Performance obligations
Based on three years average approach on historical local impact of programs is calculated and these % value is than in the coming year applied.

The following tables summarise the impacts of adopting IFRS 15 on the Group's consolidated financial position as at 31 December 2018 and its consolidated income statement and consolidated statement of comprehensice income for the twelve months then ended for each of the line items affected. There was no material impact on the Group's consolidated statement of cash flows for the twelve-month period ended 31 December 2018.

Impact on the consolidated statement of financial position
At 31 December 2018

€'000	As reported	Adjust-ments	Amounts without adoption of IFRS 15
Assets			
Deferred tax assets	32,834	(6,621)	26,213
Total non-current assets	**258,453**	**(6,621)**	**251,832**
Inventories	156,841	(3,322)	153,519
Trade and other receivables	72,820	4,925	77,745
Total current assets	**464,040**	**1,603**	**465,643**
Total assets	**722,493**	**(5,018)**	**717,475**
Equity			
Reserves	(182,836)	1,252	(181,584)
Retained earnings	(187,382)	7,978	(179,404)
Total equity attributable to the owners of the company	**134,923**	**9,230**	**144,153**
Liabilties			
Deferred tax liabilities	2,796	781	3,577
Total non-current liabilities	**323,690**	**781**	**324,471**
Contract liabilities	15,155	(15,029)	126
Total current liabilities	**263,880**	**(15,029)**	**248,851**
Total liabilties	**587,570**	**(14,248)**	**573,322**
Total equity and liabilties	**722,493**	**(5,018)**	**717,475**

Impact on the consolidated income statement and consolidated statement of comprehensive income
At 31 December 2018

€'000	As reported	Adjust-ments	Amounts without adoption of IFRS 15
Sales	1,278,752	40,139	1,318,891
Cost of sales	(393,624)	32,106	(361,518)
Gross profit	**885,128**	**72,245**	**957,373**
Other income	–	41,515	41,515
Selling and marketing expenses	(428,281)	(58,430)	(486,711)
Distribution and infrastructure	(28,491)	(59,175)	(87,666)
Administrative expenses	(275,290)	(138)	(275,428)
Operating profit	**153,066**	**(3,983)**	**149,083**
Net profit before income tax	**134,934**	**(3,983)**	**130,951**
Total income tax expense	(39,504)	921	(38,583)
Net profit	**95,430**	**(3,062)**	**92,368**
Total comprehensive income for the period	**80,580**	**(3,062)**	**77,518**

Under IAS 18 Revenue sales were recognised in the consolidated income statements when the significant risks and rewards of ownership have been transferred to the buyer. No revenue was recognised if there are significant uncertainties regarding recovery of the consideration due. The impact of these changes on items other than revenue is mainly an increase in deferred revenue and an increase in inventories.

Therefore, the sales and loyalty programmes revenue is now recognised under sales discount, as under IAS 18 it was recognised under performance discount. The impact of these changes other than revenue are visible of a lower gross profit and a decrease in the selling and marketing expense.

Under IAS 18 other income comprised catalogue sales, freight income and rental income. Under IFRS 15 these amounts are booked as cost reduction to the underlying cost stream as this is not representing a revenue stream for the group.

IFRS 16 Leases
IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

The Group has applied IFRS 15 and 16 with a date of initial application of 1 January 2018.

IFRS 16 replaces existing leases guidance, including IAS 17 leases and related interpretations. IFRS 16 introduces a single on balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered or changed on or after 1 January 2018.

The Group has adopted IFRS 16 based on the modified retrospective approach including the practical expedience (grandfathering the assessment of which transactions are leases, recognition exemptions to short-term leases and low value assets), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented 2017 has not been restated – i.e. it is presented, as previously reported under IAS 17 and related interpretations.

The Group measured:

- The lease liabilities at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2018.
- The right-of-use assets at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate as at 1 January 2018, and
- The impact shown as change in retained earnings.

The following table summarises the impact net of tax of transition to IFRS 16 on retained earnings at 1 January 2018.

€'000	Impact of adopting IFRS 16 at 1 January 2018
Right-of-use assets	87,709
Lease liabilities	(93,865)
Related tax effect	1,117
Impact at 1 January 2018 on retained earnings	**(5,039)**

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2018. The weighted average rate applied is 4.6%

Reconciliation between 2017 future minimum lease payments and 2018 lease liabilities

€'000	2018
Operating leases commitment at 31 December 2017 as disclosed in the Group's consolidated financial statements	62,490
Discounted using the incremental borrowing rate at 1 January 2018	56,277
Extension and termination options reasonably certain to be exercised	38,019
Recognition exemption Short term lease	(431)
Lease liabilities recognised at 1 January 2018	93,865

(e) Basis and scope of consolidation
The Company prepares consolidated financial statements that aggregate the assets and liabilities and income and expenses of the Company and its subsidiaries. Subsidiaries are defined as entities controlled by the Group.

The Group controls a subsidiary when it is exposed, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The scope of consolidation is affected by acquisitions and disposals.

(f) Foreign currencies
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on revaluation of monetary assets and liabilities are recognised in the consolidated income statements. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at the closing rate of exchange at the reporting date and profits and losses at monthly average rates. Exchange differences arising on trading transactions are included in earnings for the period and exchange differences arising on the translation of the financial statements of foreign subsidiaries are reported as movements in translation reserves. Exchange differences arising on loans between subsidiaries which are of a long-term investment nature, where settlement is not planned or anticipated in the foreseeable future, are reported as movements in translation reserves until the disposal of the net investment, at which time they are recognised in the consolidated income statements.

(g) Business combinations and related goodwill
Business combinations are accounted for using the acquisition method.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The consideration transferred is measured at fair value and includes the fair value of any contingent consideration. The acquisition-related costs are charged to the income statement in the period in which they are incurred.

Goodwill is recorded as the surplus of the consideration transferred over the Group's interest in the fair value of the acquired net assets. Goodwill is not amortised but tested for impairment annually and upon the occurrence of an indication of impairment. The impairment testing process is described in the section (s) of the accounting policy.

(h) Derivative financial assets and liabilities
The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, investing and financing activities.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are measured at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy (i)).

(i) Hedging
(i) Cash flow hedges
Where a derivative financial instrument is designated as a hedge of the variability on cash flows of a recognised liability, a firm commitment or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income. When the firm commitment or highly probable forecasted transaction results in the recognition of an asset or a liability, the cumulative gain or loss is removed from equity and included in the initial measurement of the asset or liability. Otherwise the cumulative gain or loss is reclassified to the consolidated income statements at the same time as the hedged transaction.

The ineffective part of any gain or loss is recognised in the consolidated income statements immediately.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in other comprehensive income is recognised immediately in the consolidated income statements.

(ii) Hedges of monetary assets and liabilities
Where a derivative financial instrument is used economically to hedge the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the consolidated income statements.

(iii) Hedge of net investment in foreign operation
Where a foreign currency liability hedges a net investment in a foreign operation, foreign exchange differences arising on translation of the liability are recognised in other comprehensive income.

(j) Revenue from contracts with customer
(i) Sales of goods
Revenue which excludes value added tax and other applicable turnover taxes, represent sales to individual sales consultants and licensed distributors or, in the case of mail order and retail sales, to individual customers. Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good to a customer.

Considering the delivery chain of the group in the emerging markets is very difficult to define exactly when the customer is taking control over the products. To avoid complex and inefficient administrative process, the delivery days are based on historical local knowledge.

Customers obtain control of Oriflame's products when the goods are delivered to and have been accepted. Invoices are usually payable within 30 days. Discounts, allowances and promotional rebates are recognised as a deduction of revenue at the time that the related sales are recognised or when the rebate is offered to the sales consultants.

(ii) Sales programmes
Revenue is allocated between the sales programmes and the other components of sale. The amount allocated to loyalty programmes is deferred, and is recognised as revenue when the Group has fulfilled its obligation to supply the free or discounted products under the terms of the programmes or when it is no longer probable that the points under the programmes will be redeemed.

The group has various programmes running for the consultants, which are changing very often. Therefore a simplified approach was chosen to book the impact of these programs. Based on three years average approach the historical impact of the programmes is calculated and these percentage value will be applied for the coming year. On each year end / beginning of the new year the impact of the latest year is calculated again and a new three years average is calculated and used for the coming year.

(k) Employee benefits
(i) Pension obligations
Obligations for contributions to defined contribution pension plans are recognised as an expense in the consolidated income statements as incurred.

For defined benefit pension plans, the net defined benefit liability represents the present value of the defined benefit obligation less the fair value of plan assets. It is calculated by independent actuaries using the projected unit credit method. The costs related to the defined benefit plans are recognised in the income statement as staff cost in administrative expenses. They cover service cost (current and past service cost, gains and losses arising from settlement), administrative costs and net interest expense.

Remeasurements of the net defined benefit liability are reported in other comprehensive income. They comprise experience adjustments (differences between previous actuarial assumptions and what has actually occurred), changes in actuarial assumptions and the actual return on plan assets, excluding interest income.

(ii) Equity related compensation
Shares granted under Company share incentive programs allow employees to receive shares of the Company. The fair value of the grant is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at the grant date and spread over the period during which the employees become unconditionally entitled to the granted shares. The amount recognised as an expense is adjusted to reflect the actual number of shares that will vest depending on the achievement of the vesting conditions.

(l) Taxation
Income taxes for the year comprise current and deferred taxes, calculated using rates enacted or substantively enacted at the balance sheet date.

Current tax is the expected tax payable on taxable income for the year, any adjustments to tax payable in respect to previous years and other corporate taxes payable.

Deferred tax is provided using the liability method and thus is calculated on temporary differences between the tax bases of assets and liabilities and their respective carrying amounts in the consolidated balance sheet. Deferred tax assets, including those related to unused tax losses, are recognised to the extent that it is probable that future taxable profit will be available against which the assets can be utilised. Deferred tax liabilities associated with investments in subsidiaries are not recognised as the Group is able to control the timing of the reversal of the temporary differences.

The Group's policy is to comply fully with applicable tax regulations in all jurisdictions in which the operations are subject to income taxes.

The Group's estimates of current income tax expense and liabilities are calculated assuming that all tax computations filed by the subsidiaries will be subject to review or audit by the relevant tax authorities. Taxes and fiscal risks recognised in the consolidated financial statements reflect Group Management's best estimate of the outcome, including penalties, based on the facts known at the balance sheet date in each individual country. Any interests are accrued in the statement of financial position and are recognised as a finance expense in the income statement. These facts may include but are not limited to change in tax laws and interpretation thereof in the various jurisdictions where the Group operates. The recorded provisions are released when the tax audit of the applicable year is completed or otherwise the statute of limitations for the applicable year expires, unless there is evident reason for earlier release.

(m) Intangible assets
(i) Goodwill
Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair value of the net identifiable assets acquired. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units.

(ii) Other intangible assets
Other intangible assets acquired by the Group including licenses, software and trademarks are stated at cost less accumulated amortisation and impairment losses.

Property rights have an indefinite useful life. These are not amortised but tested annually for impairment.

(iii) Subsequent expenditure
Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iv) Research and development
Development regarding the design and production of software applications is capitalised if the application is technically sound, will generate probable future economic benefits and if the Group has sufficient resources to complete the development and to use it or to sell it. The capitalised expenditure, which is reliably measured, includes cost for own staff and an appropriate proportion of identifiable overheads. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

(v) Amortisation
Amortisation is charged to the consolidated income statements on a straight-line basis over the estimated useful life of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Intangible assets, except goodwill and property rights, are amortised from the date they are available for use. The estimated useful life for licenses is 10 years, trademarks between 5 and 10 years, capitalised development costs between 3 and 5 years and software between 3 and 5 years.

(n) Property, plant and equipment
(i) Owned assets
Items of property, plant and equipment are stated at purchase price less accumulated depreciation and impairment losses. The cost of assets under construction includes the cost of materials, direct labour and an appropriate proportion of overheads. Borrowing costs are capitalised insofar as they can be allocated directly to the acquisition or production of a qualifying asset. The carrying amounts of tangible assets are reviewed to determine whether they are in excess of their recoverable amount as at each reporting date. If any such excess exists, the carrying amount is reduced to the recoverable amount with the amount of the reduction recognised as an expense in the consolidated income statements.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Subsequent costs
The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the consolidated income statements as an expense as incurred.
(iii) Depreciation
Depreciation is charged to the consolidated income statements on a straight-line basis over the estimated useful life of the assets. For assets under construction, the asset will be depreciated when it is commissioned. Improvements to leasehold property are depreciated over their useful economic life or the duration of the lease, whichever is shortest. Land is not depreciated. Other depreciation rates are as follows:

Buildings	2%–5% per annum
Leasehold improvements	15%–50% per annum
Plant and machinery	7%–15% per annum
Furniture and equipment	15%–25% per annum
Computer equipment	15%–33% per annum
Motor vehicles	15%–25% per annum

(o) Leases
As result of the early application of IFRS 16, the Group has changed its accounting policy for lease contracts.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
- the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on their relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Some leases of office buildings contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational

flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

(p) Inventory
Inventories are measured at the lower of cost or net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Provision is made for obsolete, slow moving or defective items, where appropriate.

(q) Trade receivables
Trade receivables are initially recognised when they are originated. A trade receivable without a significant financing component is initially measured at the transaction price and subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

(r) Cash and cash equivalents
Cash consists of cash at bank and in hand together with term deposits and highly liquid debt instruments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of Group Bank overdrafts that are repayable component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(s) Impairment
The carrying amount of the Group's assets, other than inventories (see accounting policy (p)) and deferred tax assets (see accounting policy (l)), are reviewed at each reporting date to determine whether there is an indication of impairment of the carrying value. If such indication exists, the assets' recoverable amount is estimated.

For goodwill and assets that have an indefinite useful life the recoverable amount is estimated at each reporting date.

Related to the implementation of IFRS 9, the Group has changed the record of the impairment losses of the trade receivables. The impairment losses are based on the historical loss experience and the expected credit losses (ECLs) from markets. The ECLs are recognised from market to market depending on the latest trends and collectability of the trade receivables.

An impairment loss is recognised whenever the carrying amount of the asset, or its cash-generating unit, exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statements.

The recoverable amount of assets is the greater of their fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(t) Share capital
Dividends are recognised as a liability in the period in which they are declared.

Own shares reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated income statements on the acquisition, sale, issue or cancellation of the Group's own shares. Any difference between the carrying amount and the consideration is recognised in retained earnings.

(u) Interest-bearing loans
(i) Loans at amortised cost
Interest-bearing loans at amortised costs are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans are stated at amortised costs with the difference between the costs and redemption value being recognised in the consolidated income statements over the period of the loans on an effective interest basis.

(ii) Loans at fair value designated as such upon initial recognition
Interest-bearing loans at fair value designated as such upon initial recognition are recognised initially at fair value. Any subsequent change in the fair value is recognised as a gain or loss in the consolidated income statements at each closing date. The transaction costs are immediately recorded through profit and loss. The Group designates financial liabilities at fair value through profit or loss to eliminate or significantly reduce a measurement or recognition inconsistency.

(v) Government grants
Government grants are recognised when there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis netted to the costs that it is intended to compensate. When the grant relates to an asset, it is recognised in deferred income and released to income in equal amounts over the expected useful life of the related asset.

(w) Provisions
A provision is recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Restructuring
In addition to the above recognition criteria, a provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan including the timing, the part of business concerned, the principal locations affected, an approximate number of employees impacted and the expenditures that will be undertaken. The restructuring should have been either started to be implemented or it main features should have been announced to those affected by it. Future operating losses are not provided for.

(x) Net financing costs
Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, net foreign exchange gains or losses, gains and losses on hedging instruments that are recognised in the consolidated income statements and gains and losses on derivative financial assets and liabilities, bank charges and changes in fair value of financial assets and liabilities. Interest income is recognised in the consolidated income statements as it accrues, using the effective interest method.

The interest expense component of lease payments is recognised in the consolidated income statements using the effective interest rate method.

(y) Segment reporting
The Group determines and presents operating segments based on the information that internally is provided to the Corporate Committee, who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. Operating segment's operating results are reviewed regularly by the Corporate Committee to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Corporate Committee include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate and overhead assets, liabilities and expenses not allocated to the operating segments. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill. In the framework of the entity-wide disclosures regarding "information about geographical areas", the Management is of the opinion that materiality threshold is 10 percent for Group purposes.

(z) New standards and interpretations not yet adopted
The following new and revised Standards and Interpretations have been issued but are not yet effective. They have not been applied early in these consolidated financial statements. Their impact on the consolidated financial statements of the Group has not yet been systematically analysed. However, a preliminary assessment has been conducted by Group management and the expected impact of each new or amended Standard and Interpretation is presented below:

New Standards or Interpretations		Effective date (IASB)	Planned application by the Group in reporting year
IFRIC 23 Uncertainty over Income Tax Treatments	1)	1 January 2019	Reporting year 2019
IFRS 17 Insurance Contracts	2)	1 January 2021	Reporting year 2021
Revisions and amendments of Standards and Interpretations			
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1)	1 January 2019	Reporting year 2019
Long term interests in Associates and Joint Ventures (Amendments to IAS 28)	1)	1 January 2019	Reporting year 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	1)	1 January 2019	Reporting year 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	1)	1 January 2019	Reporting year 2019
Amendments to References to the Conceptual Framework in IFRS Standard	2)	1 January 2020	Reporting year 2020
Definition of a Business (Amendments to IFRS 3)	1)	1 January 2020	Reporting year 2020
Definition of Material (Amendementents to IAS 1 and IAS 8)	2)	1 January 2020	Reporting year 2020

1) No impact or no significant impact is expected on the consolidated financial statements.
2) The impact has not been assessed yet.

NOTE 3 • SEGMENT REPORTING

Operating segments
The Group has five main reportable segments, which represent the structure of financial information reviewed by the Corporate Committee, consist of the following: Latin America, Europe & Africa, CIS, Asia & Turkey and Manufacturing.

The purpose of the Group is to sell cosmetics within the above organisation. The Group sales consist mainly of sales of Colour cosmetics, Skin care, Personal & Hair Care, Fragrances and Accessories & Wellness products. The segment Manufacturing is producing mainly for the Group. Smaller quantities are produced for third parties as well. "All other segments" includes mail order business, licensee sales and royalty income. The performance of each market and region is measured by the operating profit. Sales presented in the segment reporting are only revenues from external customers.

Unallocated items
Some costs and capital expenditure are not identified as part of any operating segment and are therefore not allocated. Examples of such items are cost for corporate staff, IT costs and general marketing costs. Net financing costs and total income tax expense are also not allocated.

The accounting policies of the reportable segments are the same as described in note 2.

Summarised financial information concerning the reportable segments is shown in the following tables:

As per 31 December 2018

€'000	Latin America	Europe & Africa	CIS	Asia & Turkey	Manu-facturing	All other segments	Total segments	Unallocated items	Total
Sales	151,321	322,225	302,998	484,556	10,260	7,392	**1,278,752**	–	**1,278,752**
Operating Profit	18,579	48,810	35,745	109,298	6,503	2,082	**221,017**	(67,951)	**153,066**
Net financing costs	–	–	–	–	–	–	**–**	–	**(18,132)**
Net profit before income tax	–	–	–	–	–	–	**–**	–	**134,934**
Total income tax expense	–	–	–	–	–	–	**–**	–	**(39,504)**
Net profit	–	–	–	–	–	–	**–**	–	**95,430**
Capital Expenditure	(3,001)	(4,394)	(2,801)	(9,340)	(5,380)	–	**(24,916)**	(3,792)	**(28,708)**
Depreciation & Amortisation	(2,345)	(6,468)	(5,944)	(7,834)	(9,864)	–	**(32,455)**	(6,780)	**(39,235)**
Impairment	–	–	–	–	(1,153)	–	**(1,153)**	–	**(1,153)**
Goodwill	–	1,053	–	4,345	–	–	**5,398**	–	**5,398**

As per 31 December 2017

€'000	Latin America	Europe & Africa	CIS	Asia & Turkey	Manu-facturing	All other segments	Total segments	Unallocated items	Total
Sales	157,508	324,734	356,759	510,249	6,943	6,918	**1,363,111**	–	**1,363,111**
Operating Profit	20,805	45,222	45,355	110,276	9,155	2,066	**232,879**	(73,849)	**159,030**
Net financing costs	–	–	–	–	–	–	**–**	–	**(25,850)**
Net profit before income tax	–	–	–	–	–	–	**–**	–	**133,180**
Total income tax expense	–	–	–	–	–	–	**–**	–	**(40,626)**
Net profit	–	–	–	–	–	–	**–**	–	**92,554**
Capital Expenditure	(892)	(1,509)	(1,571)	(2,133)	(5,665)	–	**(11,770)**	(6,044)	**(17,814)**
Depreciation & Amortisation	(1,099)	(1,601)	(2,977)	(2,068)	(7,657)	–	**(15,402)**	(3,855)	**(19,257)**
Impairment	–	(68)	–	–	–	–	**(68)**	(347)	**(415)**
Goodwill	–	1,053	–	4,345	–	–	**5,398**	–	**5,398**

Sales by major countries and the country of domicile of the Company

€ million	2018	2017
China	196.5	190.4
Russia	190.6	241.5
Switzerland	10.2	0.3
Other	881.5	930.9
Total	**1,278.8**	**1,363.1**

A major country is defined as one with total sales greater than 10 percent of consolidated sales. The revenue information above is based on the sales performed by each location.

Non-current assets by major countries and the country of domicile of the Company

€ million	2018	2017
Russia	77.2	92.9
Poland	23.9	22.1
Switzerland	3.3	4.1
Other	43.8	49.0
Total	**148.2**	**168.1**

Non-current assets for segment reporting include property, plant and equipment, investment property and intangible assets. They are based on the geographic location of the assets.

A major country is defined as one with total Non-current assets greater than 10 percent of consolidated Non-current assets.

Sales by product category

All reportable segments are deriving their revenues from the sale of cosmetics, which are divided in the following categories:

€ million	2018	2017
Skin Care	370.8	381.7
Colour Cosmetics	243.1	286.2
Fragrances	230.2	259.0
Personal and Hair Care	204.6	218.1
Accessories	63.9	68.2
Wellness	166.2	149.9
Total	**1,278.8**	**1,363.1**

Major customers

Oriflame does not have any single customer for which revenues from transactions have exceeded 10 percent of the Group total sales.

NOTE 4 • OTHER INCOME

Other income is composed of:

€'000	2018	2017
Freight income	–	28,560
Printing income	–	15,718
Rental income	–	298
Other	–	735
Other income	**–**	**45,311**

This note refers to the change in the accounting policy under note 2d.

NOTE 5 • EMPLOYEE BENEFIT EXPENSE

€'000	2018	2017
Salaries and wages	137,275	135,160
Social security contributions	28,813	28,780
Pension expenses	6,066	7,002
Equity settled share-based payment expenses	6,145	13,104
	178,299	**184,046**

The average number of full-time equivalents in 2018 was 6,143 (6,230).

NOTE 6 • AUDITORS' REMUNERATION

Fees billed to the Company and its subsidiaries by KPMG AG, Zurich, and other member firms of the KPMG network during the year are as follows (excluding VAT):

€'000	2018	2017
Remuneration for the audit of annual and consolidated accounts	1,868	1,774
Remuneration for tax advisory services	187	471
Remuneration for other services	120	103
	2,175	**2,348**

NOTE 7 • RESEARCH AND DEVELOPMENT

€'000	2018	2017
Research and development	12,016	11,868

NOTE 8 • DEPRECIATION AND AMORTISATION

€'000	2018	2017
Depreciation	**36,855**	**17,657**
– in Cost of sales	8,709	8,396
– in administrative expenses	28,146	9,261
Amortisation	**2,380**	**1,600**
– in Cost of sales	170	162
– in administrative expenses	2,210	1,438
Depreciation and amortisation expenses	**39,235**	**19,257**

NOTE 9 • FINANCIAL INCOME AND EXPENSES

€'000	2018	2017
Interest income on bank deposits and receivables	2,202	1,966
Interest received on finance lease receivable	24	23
Cross currency interest rate swaps interest income	8,993	11,279
Change in fair value of financial assets and liabilities at fair value:		
– Forward exchange rate contracts gain	47	2,363
– Cross currency interest rate swaps interest income	4,324	–
Change in fair value of financial assets and liabilities at fair value designated as such upon initial recognition:		
– USD loan fair value gain	–	31,707
– SEK collar option	44	–
Total financial income	**15,634**	**47,338**

€'000	2018	2017
Bank charges and interest expense on loans carried at amortised cost	(6,592)	(6,934)
Interest expense on lease liabilities	(4,605)	–
Interest expense on loan carried at fair value	(6,335)	(7,536)
Cross currency interest rate swaps interest expense	(4,847)	(6,039)
Options expense	(125)	–
Change in fair value of financial assets and liabilities at fair value :		
– Forward exchange rate contracts loss	(263)	(998)
– Interest rate swaps loss	(117)	(176)
– Interest rate caps loss	(8)	(14)
– Cross currency interest rate swaps interest expenses	–	(32,740)
Change in fair value of financial assets and liabilities at fair value designated as such upon initial recognition:		
– USD loan fair value loss	(3,041)	–
Foreign exchange losses, net	(7,833)	(18,751)
Total financial expenses	**(33,766)**	**(73,188)**
Net financing costs	**(18,132)**	**(25,850)**

Recognised in other comprehensive income

€'000	2018	2017
Changes in fair value of cash flow hedges:		
Foreign currency risk*	(570)	(96)
Interest rate risk**	750	753
Tax on changes in fair value of cash flow hedges	(2)	141
Changes in fair value of cash flow hedges reclassified to profit or loss:		
– Cost of sales	(1,563)	3,390
– Administrative expenses	525	(819)
– Current tax	91	(224)
Effective portion of changes in fair value of cash flow hedges, net of tax	**(769)**	**3,145**

Hedging instruments

€'000	2018	2017
Carrying amount – asset		
– Cross currency interest rate swaps	2,988	10,043
– Forward exchange rate contracts	1,044	1,585
Carrying amount – liabilities		
– Cross currency interest rate swaps	(222)	(684)
– Forward exchange rate contracts	(1,238)	(1,145)

* The group has entered into various forward exchange contracts with a nominal value of €72.7 million (€80.5 million) that hedge the cash flow variability due to foreign currency risk. Forward exchange contracts have maturity during 2019.

** The group applies cash flow hedge accounting for cross currency interest rate swap related to USD loan maturing July 2023 with a nominal value of $25.8 million ($25.8 million). Cross currency interest rate swap mature in 2023.

The ineffective portion of cash flow hedges recognised in the income statements is not significant during periods presented.

Changes in fair value of cash flow hedges reclassified to profit or loss result from the realization of hedged items attributed to Foreign-currency risk. Over the period, no change in fair value of cash flow hedges to profit or loss was due to realization of hedged items related to interest-rate risk.

NOTE 10 • INCOME TAX EXPENSE

Recognised in the consolidated income statements

€'000	2018	2017
Current year tax expense	35,866	48,946
Change in estimate related to prior years	(190)	(1,098)
Current tax expense	**35,676**	**47,848**
Deferred tax expense/(income):		
– Origination and reversal of – temporary differences	1,858	(5,602)
– Changes in tax rates	(52)	(83)
– Utilisation of tax losses carried forward	805	417
– (Recognition)/Derecognition of previously – unrecognised deductible temporary differences	2,323	(780)
– Recognition of previously unrecognised – tax losses carried forward	(1,106)	(1,174)
Deferred tax	**3,828**	**(7,222)**
Total income tax expense in the consolidated income statements	**39,504**	**40,626**

Reconciliation of effective tax rate	2018	2017
Net profit before income tax	134,934	133,180
Average applicable tax rate, %*	18.8	20.0

%	2018	2017
Adjustment to tax expenses		
Non-deductible expenses	2.1	4.8
Utilisation of previously unrecognised tax losses carried forward	(0.4)	(1.7)
Recognition of previously unrecognised tax losses carried forward	(0.8)	(0.9)
Derecognition of previously recognised (recognition of previously unrecognised) deductible temporary differences	0.5	(0.6)
Increase/(Release) of tax provision	(0.1)	0.9
Withholding taxes	5.1	5.1
Other taxes	0.5	0.5
Change in estimate related to prior years	0.1	1.0
Current-year losses for which no deferred tax asset is recognised	3.5	1.4
Effective tax rate	**29.3**	**30.5**

* Average applicable tax rate is calculated as weighted average from separate countries tax reconciliations using the domestic tax rate in each individual jurisdiction. The tax rates of the Group's subsidiaries vary between 0 percent and 35 percent. Tax at applicable tax rate 18.8% (20,0%) decreased due to slightly different country mix and increased weight of low tax jurisdictions in Oriflame growth markets.

NOTE 11 • EARNINGS PER SHARE

(a) Basic

Earnings per share are based on the net profit attributable to ordinary shareholders of €95,430 (€92,554) and the weighted average number of shares outstanding during the year. Treasury shares are deducted in calculating the weighted average number of shares outstanding.

Number of shares	2018	2017
Weighted average number of shares outstanding, number of shares	56,335,598	55,740,805
Basic earnings per share, EUR	1.69	1.66

(b) Diluted

Diluted earnings per share are calculated taking into account the potential dilutive effect of the achievement shares granted under the share incentive scheme (see note 22).

Number of shares	2018	2017
Weighted average number of shares outstanding, number of shares	56,963,258	57,217,925
Diluted earnings per share, EUR	1.68	1.62

NOTE 12 • PROPERTY, PLANT AND EQUIPMENT

€'000	Freehold land & buildings	Improvements to leasehold property	Plant & machinery	Furniture & equipment	Computer equipment	Motor vehicles	Under construction	Total
Cost								
At 31 December 2016	**138,382**	**33,210**	**104,998**	**21,956**	**27,197**	**5,097**	**–**	**330,840**
Additions	1,890	3,840	3,556	2,694	1,505	570	1,505	15,560
Disposals	(633)	(2,027)	(4,608)	(1,306)	(2,298)	(697)	–	(11,569)
Translation	(6,783)	(1,761)	(1,886)	(1,104)	(1,367)	(244)	8	(13,137)
At 31 December 2017	**132,856**	**33,262**	**102,060**	**22,240**	**25,037**	**4,726**	**1,513**	**321,694**
Additions	1,614	2,748	5,612	1,374	2,288	1,058	–	14,694
Disposals	(2,632)	(1,151)	(1,514)	(1,011)	(2,642)	(695)	–	(9,645)
Re-classification	1,423	–	–	–	–	–	(1,423)	–
Translation	(12,918)	(828)	(3,877)	(783)	(998)	(147)	(64)	(19,615)
At 31 December 2018	**120,343**	**34,031**	**102,281**	**21,820**	**23,685**	**4,942**	**26**	**307,128**
Accumulated depreciation and impairment								
At 31 December 2016	**25,292**	**22,239**	**74,901**	**18,358**	**21,865**	**3,354**	**–**	**166,009**
Charge for the year	3,539	3,394	5,915	1,663	2,514	632	–	17,657
Impairment	68	–	347	–	–	–		415
Disposals	(482)	(1,924)	(3,950)	(1,287)	(2,267)	(581)	–	(10,491)
Translation	(663)	(1,278)	(862)	(860)	(995)	(157)	–	(4,815)
At 31 December 2017	**27,754**	**22,431**	**76,351**	**17,874**	**21,117**	**3,248**	**–**	**168,775**
Charge for the year	3,286	3,176	5,263	1,521	2,273	610	–	16,129
Impairment	700	–	–	–	–	453	–	1,153
Disposals	(889)	(1,254)	(1,449)	(966)	(2,574)	(645)	–	(7,777)
Translation	(1,936)	(592)	(2,214)	(648)	(890)	(104)	–	(6,384)
At 31 December 2018	**28,915**	**23,761**	**77,951**	**17,781**	**19,926**	**3,562**	**–**	**171,896**
Net Book Value								
At 31 December 2016	**113,090**	**10,971**	**30,097**	**3,598**	**5,332**	**1,743**	**–**	**164,831**
At 31 December 2017	**105,102**	**10,831**	**25,709**	**4,366**	**3,920**	**1,478**	**1,513**	**152,919**
At 31 December 2018	**91,428**	**10,270**	**24,330**	**4,039**	**3,759**	**1,380**	**26**	**135,232**

Property, plant and equipment under construction
Assets under construction cover the construction of new manufacturing components to extend the production of certain products. This project should be fully finalised by 2019.

Impairment
During 2018, the Group recognised an impairment loss totalling €1.2 million (€0.4 million) mainly coming from freehold land & buildings and motor vehicles whose carrying amount was higher than the recoverable value.

Disposals
In 2018, the Group sold property, plant and equipment with a net book value of €1.9 million (€1.0 million) resulting in a profit on disposal of property, plant and equipment of €1.2 million (€0.9 million) booked as Administrative expenses in the income statement.

Contractual commitment
At year-end 2018, there is no contractual commitment (nil).

NOTE 13 • INTANGIBLE ASSETS

€'000	Software	Trademarks	Property rights	Goodwill	Under development	Total
Cost						
At 31 December 2016	**34,490**	**1,947**	**3,330**	**10,673**	**–**	**50,440**
Additions	212	132	–	–	1,910	2,254
Disposals	(1,400)	–	–	–	–	(1,400)
Translation	(457)	–	–	–	61	(396)
At 31 December 2017	**32,845**	**2,079**	**3,330**	**10,673**	**1,971**	**50,898**
Additions	256	6	–	–	–	262
Disposals	(645)	–	–	–	–	(645)
Re-classification	1,975	–	–	–	(1,975)	–
Translation	(888)	–	–	–	4	(884)
At 31 December 2018	**33,543**	**2,085**	**3,330**	**10,673**	**–**	**49,631**
Accumulated amortisation and impairment						
At 31 December 2016	**30,107**	**1,179**	**30**	**5,275**	**–**	**36,591**
Charge for the year	1,454	146	–	–	–	1,600
Disposals	(1,400)	–	–	–	–	(1,400)
Translation	(488)	–	–	–	–	(488)
At 31 December 2017	**29,673**	**1,325**	**30**	**5,275**	**–**	**36,303**
Charge for the year	1,620	760	–	–	–	2,380
Disposals	(645)	–	–	–	–	(645)
Translation	(800)	–	–	–	–	(800)
At 31 December 2018	**29,848**	**2,085**	**30**	**5,275**	**–**	**37,238**
Net Book Value						
At 31 December 2016	**4,383**	**768**	**3,300**	**5,398**	**–**	**13,849**
At 31 December 2017	**3,172**	**754**	**3,300**	**5,398**	**1,971**	**14,595**
At 31 December 2018	**3,695**	**–**	**3,300**	**5,398**	**–**	**12,393**

Goodwill
Goodwill value results from two acquisitions performed in Portugal in 1997 and in India in 2001. Upon issuance of IFRS3 - Business combinations, the Company discontinued amortisation of existing goodwill and proceed to an impairment test once per year. For this purpose, goodwill is allocated by geographical segment as reported in note 3. At reporting date, the goodwill was tested for impairment with discount rate of 9 percent (9 percent). The recoverable amounts of the goodwill are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial forecasts made by Group Management covering a five-year period (five-year period).

The preparation of the forecast requires a number of key assumptions such as volume, price, product mix, which will create a basis for future growth and gross profit. These figures are set in relation to historic figures and external reports on market growth. Growth rate assumptions used for the evaluation are in line with market growth data. Average market growth rates for the five-year period are for Portugal 2 percent (3 percent) and India 11 percent (11 percent).

Terminal value has been calculated based on the result of the fifth-year result without any future growth assumptions divided by the discount rate.

Based on the above assumptions Management made several sensitivity analyses and came to the conclusion that any reasonably possible adverse change in the key assumptions would not reduce the recoverable amount below its' carrying amount. No impairment loss was recognised in 2018 and 2017.

Property rights
At the beginning of 2009 the group has purchased the property rights for a dry food composition technology used in some of our wellness products. This technology is used throughout the Group where wellness products are sold, and therefore is not allocated to a specific geographic segment. The useful life of this technology was classified as indefinite as Oriflame has an exclusive, perpetual, unlimited right to use it. The recoverable amount is determined based on value-in-use calculations. These calculations use pre-tax cash flow projection based on financial forecast covering a five-year period (five-year period). Calculation was based on an annual discount rate of 9 percent (9 percent) and a market growth rate of 15 percent (15 percent).

Terminal value has been calculated based on the result of the fifth-year result without any future growth assumptions divided by the discount rate.

Based on the above assumptions Management made several sensitivity analyses and came to the conclusion that any reasonably possible adverse change in the key assumptions would not reduce the recoverable amount below its' carrying amount. No impairment loss was recognised in 2018 and 2017.

NOTE 14 • RIGHT-OF-USE ASSETS

€'000	Land and buildings	Motor vehicles	Others	Total
Cost				
At 1 January 2018	**83,300**	**3,919**	**490**	**87,709**
Additions	12,120	1,813	88	14,021
Disposals	(1,040)	(197)	–	(1,237)
Translation	(3,086)	(51)	(20)	(3,157)
At 31 December 2018	**91,294**	**5,484**	**558**	**97,336**
Accumulated depreciation and impairment				
At 1 January 2018				
Charge for the year	18,881	1,657	188	20,726
Disposals	(471)	(67)	–	(538)
Translation	(147)	(46)	(4)	(197)
At 31 December 2018	**18,263**	**1,544**	**184**	**19,991**
Net Book Value				
At 31 December 2018	**73,031**	**3,940**	**374**	**77,345**

Office building
The Group leases its head office building. The non-cancellable period of the lease varies from country to country (from 2–3 years to 10 years), with the option to extend the lease. The lease payments are adjusted every year, based on the change in the consumer price index in the preceding year. If the Group exercises the renewal option, then the lease payments in the renewal period will reflect the market rate at that point in time.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Lease of vehicles
The Group leases vehicles, with lease terms of three to five years. In some cases, the Group has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

The Group monitors the use of these vehicles and reassesses the estimated amount payable under the residual value guarantees at the reporting date to remeasure lease liabilities and right-of-use assets.

Amount recognised in profit or loss

€'000	2018	2017
Interests on lease liabilities	4,605	–
Expenses related to short term leases	3,828	–
Expenses related to low value assets lease	71	–

Amount recognised in statement of cash flow

€'000	2018	2017
Total cash outflow*	26,143	–

* The amount includes on top of standard lease payments, payments relating to low value assets leases and short-term leases accounted for under the IFRS16 expedient as part of operating activities.

NOTE 15 • DEFERRED TAXATION

Deferred tax assets and liabilities at 31 December 2018 and 2017 are attributable to the items detailed in the table below:

	2018			2017			
€'000	Assets	Liabilities	Net	Assets	Liabilities	Net	Movement
Property, plant and equipment & intangible assets	2,138	(3,282)	(1,144)	2,386	(3,390)	(1,004)	(140)
Leases	18,801	(15,812)	2,989	–	–	–	2,989
Inventories	12,466	(1,220)	11,246	12,401	(1,239)	11,162	84
Trade and other receivables	2,678	(1,406)	1,272	2,163	(1,367)	796	476
Accruals	7,997	(242)	7,755	8,028	(9,117)	(1,089)	8,844
Other	5,712	(1,233)	4,479	7,045	(461)	6,584	(2,105)
Tax losses carried forward	3,441	–	3,441	12,185	–	12,185	(8,744)
Tax assets/(liabilities) before set off	**53,233**	**(23,195)**	**30,038**	**44,208**	**(15,574)**	**28,634**	**1,404**
Set off of tax	(20,399)	20,399	–	(13,072)	13,072	–	–
Net tax assets /liabilities	**32,834**	**(2,796)**	**30,038**	**31,136**	**(2,502)**	**28,634**	–

Recognised in other comprehensive income in relation to cash flow hedges	(2)
Recognised in other comprehensive income in relation to re-measurement of the net defined benefit liability	61
Opening Balance for IFRS 15 and IFRS 16	(6,033)
Translation difference	742
Deferred tax income	**(3,828)**

Recognition of deferred tax assets
Deferred tax assets, including those related to unused tax losses, are recognised to the extent that management is confident that future taxable profit will be available against which the assets can be utilised.

Unrecognised deferred tax assets
Deferred tax assets on tax losses have not been recognised:

€'000	2018	2017
Tax losses*	167,753	127,151

* Of which € 1,6 million (€ 3,5 million) expire within one year, € 14,7 million (€ 14,5 million) expire between one and five years and € 151,5 million (€ 109,2 million) in more than 5 years.

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits.

NOTE 16 • INVENTORIES

€'000	2018	2017
Raw materials	15,749	13,922
Work in progress	28	62
Finished goods	156,100	169,527
Other inventories	13,994	12,104
Inventory reserves	(29,030)	(30,106)
Total inventory	**156,841**	**165,509**

During 2018 the Group wrote down €5.7 million (€6.1 million) inventory mainly due to obsolescence.

The carrying amount of inventories carried at fair value less cost to sell was €8.1 million (€8.3 million).

Finished goods mainly consist of Colour cosmetics, Skin care, Personal & Hair care, Fragrances, Accessories and Wellness products.

The amount of inventories recognised as expenses in cost of sales during the year 2018 were €393.6 million (€368.5 million).

NOTE 17 • TRADE AND OTHER RECEIVABLES

	2018			2017		
€'000	Gross carrying amount	Expected credit loss allowance	Total	Gross carrying amount	Impairment allowance	Total
Trade receivables	73,019	(32,887)	40,132	75,343	(29,744)	45,599
Other receivable	32,758	(70)	32,688	34,213	–	34,213
Total	**105,777**	**(32,957)**	**72,820**	**109,556**	**(29,744)**	**79,812**

The Group applies the simplified approach permitted by IFRS 9 to measure expected credit losses (ECLs) for trade receivables. The ECLs are, based on the Group's historical loss experience from markets, and the Group recognizes an ECL allowance on trade receivables not past due. This allowance varies from market to market depending on the latest trends in collectability of the trade receivables. The Group adjusts historical loss rates to reflect information about current conditions, and reasonable and supportable forecasts of future economic conditions.

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the underlying amount is possible. At that point the amount considered irrecoverable is written off against the financial asset directly.

The impairment loss on trade receivables recognised in the consolidated income statements of €6.4 million (€5.9 million) is included in selling and marketing expenses.

NOTE 18 • CASH AND CASH EQUIVALENTS NET OF BANK OVERDRAFTS

Cash and cash equivalents net of bank overdrafts included in the consolidated statements of cash flows comprise the following consolidated statements of financial position amounts:

€'000	2018	2017
Cash	146,691	202,070
Short term deposits	31,384	19,329
Total cash	**178,075**	**221,399**
Bank overdrafts	–	(54)
Total	**178,075**	**221,345**

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in note 27.

NOTE 19 • SHARE CAPITAL AND SHARE PREMIUM

Share Capital
Oriflame Holding AG ('OHAG'), the parent company has one class of share capital. In addition to the shares already issued and presented below, the Board of Directors shall be authorized to increase fully or partially the share capital in an amount not to exceed CHF 8,355,000 through the issuance of up to 5,570,000 fully paid-in shares with a nominal value of CHF 1.50 per share by not later than 9 May 2019.

For the purpose of the Share Incentive Plan, the share capital of OHAG shall be increased by a maximum aggregate amount of CHF 3,552,897 through the issuance of a maximum of 2,520,295.50 fully paid-in shares with a nominal value of CHF 1.50 per share.

All shares have a par value of CHF 1.50 and have equal rights to dividends. Shareholders are entitled to one vote per share at annual and general meetings of the Company. A reconciliation of the movements in share capital is detailed below:

Share capital	No. of shares	€'000
Balance 1 January 2017	**55,753,965**	**79,850**
Balance 31 December 2017	**55,753,965**	**79,850**
Balance 1 January 2018	**55,753,965**	**79,850**
Issue of ordinary shares in relation to share incentive plan	688,401	895
Balance 31 December 2018	**56,442,366**	**80,745**

Treasury shares	No. of shares	€'000
Balance 1 January 2017	**13,160**	**90**
Balance 31 December 2017	**13,160**	**90**
Balance 1 January 2018	**13,160**	**90**
Purchase of treasury shares	40,000	1,584
Treasury shares used in relation to share incentive plan	(41,520)	(1,200)
Balance 31 December 2018	**11,640**	**474**

In February 2018, a total of 729,921 achievement shares were delivered to participants of the 2014 and 2015 share incentive and retention plans (SIP). The settlement was done through:

(a) an increase of share capital for 688,401 shares with a par value of CHF 1.50 under the Company's conditional share capital,

(b) with 40,000 shares repurchased on Nasdaq Stockholm, and

(c) with the use of 1,520 existing treasury shares

Share Premium
The share premium represents the difference between the nominal value and the issued value of the shares. The dividends declared during 2017 and 2018 were recognised from the share premium.

NOTE 20 • RESERVES

(i) Legal reserve
The Company is required by Swiss law to appropriate to a legal reserve at least 5 percent of the annual profit until the reserve equals 20 percent of the paid-up share capital.

(ii) Translation reserve
Included in the translation reserve are the following movements in 2018:

(a) Exchange loss of € 4.3 million (€1.3 million loss in 2017) arising on long term inter-company debt of an investment nature, and;

(b) A foreign exchange loss of € 10.3 million (€12.7 million loss in 2017) arising from the translation of financial statements of foreign subsidiaries

(iii) Hedging reserve
The hedging reserve comprises the effective portion of the cumulative net change in fair value of the cash flow hedging instruments.

(iv) Dividends
In May 2017, the AGM of the company approved a dividend of €1.00 per share, as proposed by the Board of Directors, i.e. €83.6 million in total.

In May 2018, the AGM of the Company approved a dividend of €2.60 per share, of which €1.60 per share is to be considered as ordinary and €1.00 to be considered as extra dividend, as proposed by the Board of Directors, i.e. €146.7 million in total. The payment of the dividend was distributed out of the capital contribution reserve and paid in four instalments as follows: First instalment of €1.4 per share was paid in May 2018, second instalment of €0.4 per share was paid in August 2018, third instalment of €0.4 per share was paid in November 2018 and the fourth instalment was paid in February 2019 and is recognised as a dividend payable in the consolidated statement of financial position as at 31 December 2018.

The total amount of dividend consists of the total of the shares issued less the acquired treasury shares, which are not eligible for a dividend, at the date of the dividend.

(v) Other reserve
The other reserve comprises the increase in equity from services received with respect to the equity settled share-based payments plan.

NOTE 21 • INTEREST-BEARING LOANS

€'000	2018	2017
Non-current liabilities		
Loans	249,404	195,113
	249,404	**195,113**
Current liabilities		
Short-term loans	–	48,423
Bank overdrafts	–	54
	–	**48,477**

The terms and conditions of outstanding loans were as follows:

€'000	Currency	Interest rate	Year of maturity	31 Dec. 2018 Nominal value	31 Dec. 2018 Carrying amount*	31 Dec. 2017 Nominal value	31 Dec. 2017 Carrying amount*
Revolving credit facility	EUR	Euribor + margin	2023	–	(1,051)	–	(1,256)
Private placement loan 2010	USD	Fixed rate USD	2020	51,471	61,776	51,471	60,176
Private placement loan 2011	USD	Fixed rate USD	2018 – 2023	54,961	68,679	95,624	114,616
Private placement loan 2017	EUR	Fixed rate EUR	2029	70,000	70,000	70,000	70,000
Private placement loan 2018	EUR	Fixed rate EUR	2030	50,000	50,000	–	–
Other short-term loans	TRY / DZD	0–16% / 9%	–	–	–	54	54
Total interest bearing liabilities				**226,432**	**249,404**	**217,149**	**243,590**
Non-current interest-bearing liabilities					249,404		195,113
Current interest-bearing liabilities					–		48,477
Total interest-bearing liabilities					**249,404**		**243,590**

* Difference between the nominal value and the carrying amount consists of the fair value difference and the amount of amortised front-end fees.

Issuance of private placement loan – 2018
On 3 May 2018, the Group completed the issuance of €50 million private placement notes. The notes have a final maturity in 2030 and will be linearly amortised starting from 2026. Interest is fixed and paid semi-annually.

Issuance of revolving credit facility and private placement loan – 2017
On 8 September 2017, the Group signed a €160 million five-year revolving credit facility, replacing the €110 million five-year facility signed on 27 April 2015. The agreement provides that utilizations may be in Euros or other freely convertible currencies, as agreed. The interest payable is calculated at the relevant inter-bank rate plus the applicable margin.

In July 2018, the termination date of the Revolving credit facility was extended by one year, with the effect that the termination date shall be on the sixth anniversary in 2023.

On 29 June 2017, the Group completed the issuance of €70 million private placement notes. The notes have a final maturity in 2029 and will be linearly amortised starting from 2025. Interest is fixed and paid semi-annually.

Private placement loan – 2011
In July 2011, the Group completed the issuance of $195 million and €25 million private placement notes. The Note Purchase Agreement, which was signed on the 13 July 2011, identifies four series of fixed-rates' Senior Notes with different maturities. Interest is paid semi-annually and it is in the range between 4.70 percent and 5.70 percent per annum.

From the $195 million and €25 million private placement notes issued in 13 July 2011, the Group prepaid: $55.3 million and €17.3 million in February 2016, and $3.1 million and €7.7 million in August 2016. On 13 July 2018, the first tranche matured, and the Group repaid the aggregated principal amount of $ 58.1 million together with the interest accrued to investors.

The movements and outstanding balances in 2018 and in 2017 are as follows:

Nominal value of private placement notes in $'000	Maturity July 2018	Maturity July 2021*	Maturity July 2023	Total
Issued in July 2011	75,000	70,000	50,000	195,000
Prepayment in February 2016	(13,800)	(17,300)	(24,200)	(55,300)
Prepayment in August 2016	(3,100)	–	–	(3,100)
Total 31 December 2017	**58,100**	**52,700**	**25,800**	**136,600**
Repayment in July 2018	(58,100)	–	–	(58,100)
Total 31 December 2018	**–**	**52,700**	**25,800**	**78,500**

* Carried at fair value through profit and loss in the consolidated statements of financial position. The loans with maturity in July 2018 and 2023 are carried at amortised cost.

Private placement loan – 2010
In April 2010, the Group entered into a $165 million loan in the U.S. Private Placement market. The Note Purchase Agreement, which was signed on the 20 April 2010, identifies three series of fixed-rates' Senior Notes with different maturities. Interest is paid semi-annually and it is in the range between 5.00 percent and 6.50 percent per annum.

On 20 April 2017 and on 20 April 2015 the first two tranches of the loan issued in the U.S. private placement market matured and the Group repaid the aggregated principal amount of $70 million and $25 million, respectively, together with the interest accrued to the international investors.

The movements and outstanding balances in 2018 and in 2017 are as follows:

Nominal value of private placement notes in $'000	Maturity April 2015	Maturity April 2017	Maturity April 2020*	Total
Issued in April 2010	25,000	70,000	70,000	165,000
Repayment in April 2015	(25,000)			(25,000)
Repayment in April 2017		(70,000)		(70,000)
Total 31 December 2018 and 2017	**–**	**–**	**70,000**	**70,000**

* Carried at fair value through profit and loss in the consolidated statements of financial position.

Both the Credit Facility and the Note Purchase Agreements contain a number of operating covenants, including restrictions on subsidiary borrowings, restrictions on lending and giving guarantees for financial indebtedness, and restrictions on the disposal of material assets. The Credit Facility contains a number of financial covenants which include required ratios of consolidated net debt to consolidated EBITDA of the Group and consolidated EBITDA to consolidated finance costs and net worth. The Group was in compliance with these covenants as of 31 December 2018 and 31 December 2017.

At 31 December 2018, the Group had total banking facilities available of €459.7 million (€447.9 million) of which €254.5 million (€247.0 million) have been utilized as bank short- and long-term loans as well as guarantees.

Reconciliation of movements of liabilities to cash flow arising from financing activities

			Non-cash changes					
€'000	2017	Cash flow	Foreign exchange movement	Fair value changes	Transaction costs related to loans	Reclass-ification from long to short term	Dividend declared	2018
Long-term loans	195,113	50,000	1,020	3,041	230	–	–	249,404
Short-term loans	48,423	(40.655)	(7,768)	–	–	–	–	–
Acquisition of own shares	–	(1.584)	–	–	–	–	–	(1,584)
Payment of lease liabilities	–	(22,479)	–	–	–	–	–	(22,479)
Dividend payables*	14,857	(137,961)	–	–	–	–	146,720	23,616
Total liabilities from financing activities	**258,393**	**(152,679)**	**(6,748)**	**3,041**	**230**	**–**	**146,720**	**248,957**

* The difference with the dividend payables recognised in the balance sheet as current liabilities and the amount reported in the table above is explained by dividend payables reported as non-current liabilities.

NOTE 22 • EQUITY COMPENSATION PLANS

Oriflame offers a Share Incentive and Retention Plan (SIP) covering the Group's executive and senior management. Each year, the individuals are invited by the board of directors to designate a number of Oriflame shares they either already own or will pur-chase at the current market price as Investment Shares under the Plan. In return, the participants will, within an Investment Period of normally three to five years, receive between 0 and 8 free shares (i.e. the Achievement Shares) per Investment Share. The number of Achievement Shares awarded depends on the increase in the Group's adjusted operating profit over the Investment Period.

For each investment year, an award grid proposal is made by the Remuneration Committee and ultimately resolved upon by the board of directors. The award grid is based on Oriflame's long-term strategic scenario and is set so that profitability growth is awarded with shares on a sliding scale. In order to be eligible for any Achievement Shares, normally the participants need to i) remain employed by Oriflame throughout the Investment Period, and ii) keep their Investment Shares for the entire Investment Period.

The fair value of services received in return for the Achievement Shares granted is measured by reference to the value of the Invest-ment Shares, which is the market price at the time of investing, less discounted value of expected dividends. In 2018, the total equity compensation cost recorded in Administrative Expenses was €3.7 million (€13.1 million).

In February 2018 the 2014 SIP was partially vested and the 2015 SIP was fully vested, as a result a total of 729,921 achievement shares were delivered to the participants. The settlement was done through (a) an increase of share capital for 688,401 shares with a pair value of CHF 1.50 under the Company's conditional share capital, (b) a 40,000 shares repurchased from Nasdaq Stockholm, and (c) with the use of 1,520 existing Treasury shares.

The terms and movement in number of investment shares outstanding

SIP			2018			2017			2016			2015			2014
Vesting period	2023	2022	2021	2022	2021	2020	2021	2020	2019	2020	2019	2018	2019	2018	2017
Initial term			Apr-18			Mar-17			Apr-16			Jan-16			Jul-14
Share price at grant date			40.12			36.35			16.98			14.78			18.38
Fair value at grant date	31.5	33.03	34.57	31.24	32.34	33.34	13.58	14.58	15.43			11.46	13.15	14.32	15.39
No of Investment shares outstanding at 1 Jan 17	–	–	–	–	–	–	70,579	70,579	70,579			70,683	58,137	58,137	69,307
Granted				71,000	71,000	71,000									
Forfeited				-585	-585	-185	-461	-461	-185			-870	-998	-998	-384
Expired															-68,923
No of Investment shares outstanding at 31 Dec 17	–	–	–	70,415	70,415	70,815	70,118	70,118	70,394			69,813	57,139	57,139	0
Granted	71,000	71,000	71,000												
Forfeited	-300	-300	-300	-300	-300	-300	-576	-576	-300				-476		
Vested												-69,813		-57,139	
Expired															
No of Investment shares outstanding at 31 Dec 18	70,700	70,700	70,700	70,115	70,115	70,515	69,542	69,542	70,094			0	56,663	0	0

NOTE 23 • RELATED PARTIES

Identity of related parties
The group has a related party relationship with its subsidiaries (see note 24), its directors and executive officers, and a number of companies related through common key management personnel or ownership interests.

Transactions with key management personnel
The Directors and key management personnel of the Company held beneficial interests in the shares of the Company at 31 December 2018 as follows:

	No. of shares 2018*	No. of shares 2017*
Robert af Jochnick	4,185,999	4,010,019
Alexander af Jochnick	620,000	520,000
Anna af Jochnick	233,400	N/A
Maguns Brännström	314,929	306,196
Jesper Martinsson	319,500	248,000
Gabriel Bennet	30,000	24,000
Christian Salamon	20,000	16,500
Anders Dahlvig	13,650	13,650
Gunilla Rudebjer	1,000	N/A
Anna Malmhake	–	–
Mona Abbasi	–	–
Karen Tobiasen	–	–

* Shareholding may include holdings of related entities and immediate family members as per the IFRS definition of related parties.

The major shareholders, the af Jochnick family and the Stichting af Jochnick Foundation, jointly exercise control over 16,299,162 shares which represents 28.9 percent of the outstanding total shares as at 31 December 2018.

The key management personnel compensation is as follows:
For the year ended 31 December 2018, the members of the Board of Directors (excluding Magnus Brännström who in his capacity as Chief Executive Officer is an employee) received total compensation of €453 (€390). The chairman received €107 (€100).

For the year ended 31 December 2018, the Chief Executive Officer is entitled to receive total compensation of €2,071 (€4,839), of which €835 (€793) was salary, €0 (€754) bonus, €873 (€2,568) share incentive plan*, €187 (€449) pension contributions under the pension scheme for senior management, and €176 (€275) other benefits and allowances, including social security reimbursement.

For the year ended 31 December 2018 the members of the Corporate Committee, which consists of the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer (excluding the Chief Executive Officer) are entitled to receive €3,600 (€6,371), of which €1,161 (€1,126) was salaries, €0 (€1,078) bonus, €870 (€2,498) share incentive plan*, €334 (€474) pension contributions under the pension scheme for senior management and €1,235 (€1,195) of other benefits and allowances, including social security reimbursement.

The bonus compensation figures are based on the entitlement of the personnel to receive the bonus compensation as in previous year.

* The compensation about the share incentive plan reflects the 2018 cost of future potential awards under ongoing share incentive plans as mentioned in the note 22 Equity Compensation Plan.

Other related party transactions
The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follow:

	Transaction value Year ended 1 December		Balance outstanding as at 31 December	
€´000	2018	2017	2018	2017
Expenses and employee costs incurred on behalf of and recharged to Medicover S.A.	(27)	(13)	–	–
Services provided by Credus Management AB	97	90	44	–
Medicover health care services	376	363	(19)	3

All transactions with related parties are done on arm's length basis. During the year ending 31 December 2018 and 2017, no provision for doubtful debts and expense in respect of bad or doubtful debts due from related parties were recognised.

Credus Management AB, a Swedish company wholly owned by Robert af Jochnick, Chairman of the company, from time to time provide Oriflame with consultancy outside the board director assignments of Robert af Jochnick and Alexander af Jochnick.

Administrative and employee costs are incurred on behalf of Medicover Holdings SA in connection with the shared office facilities in Waterloo, Brussels. These costs are recharged to Medicover. Jonas af Jochnick is the Chairman of, and a major shareholder in Medicover. Robert af Jochnick is a board member of Medicover. In addition, Medicover has entered into agreements with certain of the Group's subsidiaries in Poland, Romania, Hungary, the Czech Republic (Medicover is now called EUC Premium s.r.o in Czech Republic) and Estonia (Medicover is now called Qualitas Artikeskus As in Estonia) to provide private health care benefits to employees.

NOTE 24 • GROUP COMPANIES

The Company holds, whether directly or indirectly, 20 percent or more of the issued share capital of the following companies:

Name	Country of Incorporation	held %
Natural Swedish Cosmetics SARL	Algeria	100
Oriflame Cosmetics LLC	Armenia	100
Oriflame LLC	Azerbaijan	100
Oriflame Cosmetics Foreign LLC	Belarus	100
Oriflame Kozmetika BH. D.o.o. Sarajevo	Bosnia	100
Oriflame Bulgaria EOOD	Bulgaria	100
Oriflame de Chile SA	Chile	100
Oriflame Cosmetics (China) Co. Ltd	China	100
Oriflame Health Food (Beijing) Co Ltd	China	100
Oriflame Services Hong Kong Limited	China	100
Oriflame de Colombia SA	Colombia	100
Oriflame Kozmetika Croatia doo.	Croatia	100
Oriflame Cyprus Limited	Cyprus	100
Tyndelca Trading Limited*1	Cyprus	100
Oriflame Czech Republic sro	Czech Republic	100
Oriflame Software sro	Czech Republic	100
Oriflame del Ecuador SA	Ecuador	100
Oriflame Egypt Ltd	Egypt	100
Oriflame Estonia OU	Estonia	100
Oriflame Oy	Finland	100
Oriflame Georgia LLC	Georgia	100
Special Trading Company Oriflame Caucasus	Georgia	100
Oriflame Kosmetik Vertriebs GmbH	Germany	100
Oriflame Hellas Sole Shareholder Ltd	Greece	100
Oriflame Hungary Kozmetika Kft	Hungary	100
Oriflame India Pvt. Ltd.	India	100
PT Oriflame Cosmetics Indonesia	Indonesia	100
PT Orindo Alam Ayu	Indonesia	100
Oriflame Research & Development Ltd.	Ireland	100
Oriflame LLP	Kazakhstan	100
Oriflame Cosmetics LLC	Kosovo	100
Oriflame East Africa Ltd	Kenya	100
Oriflame Cosmetics LLC	Kyrgyzstan	100
Oriflame Latvija S.I.A	Latvia	100
Oriflame Kosmetika UAB.	Lithuania	100
Oriflame Cosmetics Global SA	Luxembourg	100
Oriflame Foundation	Luxembourg	100
Oriflame Kozmetika d.o.o.	Macedonia	100
Oriflame Investments Ltd	Mauritius	100

Name	Country of Incorporation	held %
Myanmar Oriflame Company Ltd	Myanmar	100
Oriflame (Mexico) SA de CV	Mexico	100
Servicios Oriflame, SA de CV	Mexico	100
Oriflame International SRL	Moldova	100
Oriflame Mongolia LLC	Mongolia	100
Oriflame Kosmetika MN doo.	Montenegro	100
Oriflame Maroc SARL	Morocco	100
Oriflame Holdings BV.	Netherlands	100
Oriflame Cosmetics Nigeria Limited	Nigeria	100
Oriflame Norge A/S	Norway	100
Oriflame Cosmetics Pakistan (PVT) LTD	Pakistan	100
Oriflame Peru S.A.	Peru	100
Oriflame Poland SP z.o.o.	Poland	100
Oriflame Products Poland SP z.o.o.	Poland	100
Cetes Cosmetics Poland SP z.o.o.*2	Poland	100
Oriflame Cosmeticos Ltda	Portugal	100
SC Cosmetics Oriflame Romania srl.	Romania	100
Oriflame Cosmetics LLC	Russia	100
Cetes Cosmetics LLC	Russia	100
Oriflame Kosmetika d.o.o.	Serbia	100
Oriflame Cosmetics Global Pte. Ltd*3	Singapore	100
Oriflame Slovakia sro	Slovak Republic	100
Oriflame Kozmetika d.o.o.	Slovenia	100
Oriflame Cosmeticos S.A.	Spain	100
Oriflame Lanka Private Ltd	Sri Lanka	100
Oriflame Cosmetics AB	Sweden	100
Oriflame Cosmetics AG	Switzerland	100
Oriflame Global Management AG	Switzerland	100
CETES Cosmetics AG	Switzerland	100
Oriflame East Africa Tanzania Ltd	Tanzania	100
Oriflame Cosmetics (Thailand) Ltd	Thailand	100
Oriflame Management Asia Ltc*1	Thailand	100
Oriflame Kozmetik Urunleri Ticaret Ltd Sirketi	Turkey	100
Oriflame Tunisie S.A.R.L.	Tunisia	100
Oriflame East Africa Uganda Ltd*1	Uganda	100
Limited Liability Company Oriflame Ukraine	Ukraine	100
Oriflame Middle East DMCC*1	Untd. Arab Emirates	100
Oriflame Vietnam Ltd.	Vietnam	100

In December 2018, Oriflame International ApS, Denmark, a former subsidiary of the Group, was liquidated.

* In Liquidation

** In June 2018, Oriflame Property Investments SP z.o.o., Poland, a subsidiary of the Group, was renamed to Cetes Cosmetics Poland SP z.o.o.

*** In October 2018, Oriflame Cosmetics Global Pte. Ltd, Singapore, a subsidiary of the Group, was registered.

NOTE 25 • PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

(a) Provisions

€'000	Tax litigations	Restruc-turing	Claims & other	Total
Balance at 1 January 2018	**1,502**	**1,074**	**991**	**3,567**
Provisions made during the year	–	1,624	735	2,359
Provisions used during the year	(1,146)	(1,068)	(436)	(2,650)
Provisions reversed during the year	(333)	–	(218)	(551)
Translations	4	(6)	(16)	(18)
Balance at 31 December 2018	**27**	**1,624**	**1,056**	**2,707**

Tax litigation provisions relate to several jurisdictions where the Group is in the process of defending its tax positions. The provisions are based on management's experience in each jurisdiction, external advice related to the case, the state of development of the country's tax system, and consider likely outcomes to determine the level of accruals. The outcome of these litigations is expected to be decided within up to one year.

The remaining restructuring provision which was communicated in December 2015 and in December 2017 was used in 2018. During the period, new restructuring provisions related to a reorganisation in a regional office were built and will be used in the coming year.

(b) Contingent liabilities

Certain of the Company's subsidiaries are involved in litigation in respect of which the Board of Directors consider that either the timing and outcome of the litigation is too uncertain to quantify at this stage and/or the possibility of an adverse outcome is remote and/or in the event that there was such an adverse outcome, the financial consequence is not likely to be material. The Group continues to actively monitor and defend such litigation.

The Group is exposed to contingent liabilities amounting to a maximum potential payment of € 10.9 million (€6.8 million) representing income tax potential litigations of €8.3 million (€6.2 million) and other claims of €2.6 million (€0.6 million).

(c) Bank guarantees

At 31 December 2018, the Group had bank guarantees in place of €11.8 million (€8.0 million).

NOTE 26 • PENSIONS

Defined contribution plans

During the year, companies operating defined contribution schemes recognized for these schemes €4.7 million pension costs (€5.6 million).

Defined benefit plans

The Group contributes to defined benefit plans in Switzerland. Its net obligation in respect of defined benefit plans was calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of plan assets. The calculation of the defined benefit obligations was performed by a qualified actuary using the projected unit credit method. The Swiss pension plans are governed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), which stipulates that pension plans are to be managed by independent, legally autonomous units. The assets of the pension plans are held within a separate foundation and cannot revert to the employer. Pension plans are overseen by a regulator as well as by a state supervisory body.

The Swiss group entities are affiliated to a collective foundation administrating the pension plans of various unrelated employers. The pension plan of the Swiss group entities is fully segregated from the ones of other participating employers.

The most senior governing body of a pension foundation is the Board of Trustees, which is composed of equal numbers of employee and employer representatives. All governing and administration bodies have an obligation to act in the interests of the plan participants.

Plan participants, their spouse and children are insured against the financial consequences of old age, disability and death. Their benefits are defined in pension plan rules compliant with the BVG, which is specifying the minimum benefits that are to be provided. Retirement benefits are based on the accumulated retirement capital which can either be drawn as a life-long annuity or as a lump sum payment. The annuity is calculated by multiplying the retirement capital with the currently applicable conversion rate. The accumulated retirement capital is made of the yearly contributions towards the old age risk by both employer and employee where applicable and the interest thereon until retirement.

Minimum contributions and interest are defined by the BVG and the Swiss Parliament. In 2018 the minimum interest was 1.00 percent (1.00 percent). The actual contributions towards the old age risk as well as the benefits provided are based on the rules defined by the Board of Trustees of the foundation and are above the minimum requirements of the BVG.

All actuarial risks of the plans, e.g. old age, invalidity and death or investment are fully covered by insurance. An underfunding is therefore not possible. However the insurance is able to withdraw from the contract with the group at any time or to increase premiums over time to reflect the risks of the plan, reason why the plan is classified as "defined benefit" plan.

The insurance company bearing the investment risk is also making these investments on behalf of the foundation. As a result, the assets of the Swiss plan consist of a receivable from the insurance policy.

The costs recognized in relation to the defined benefit plans during the year amounted to €1.4 million (€1.4 million). The net defined benefit liability at year end amounts to €4.2 million (€4.9 million).

In 2019, 1.6 million (€1.3 million) in employer contributions are expected to be paid for the defined benefit plans.

(a) Movement in net defined benefit liability
The below table illustrates the net defined benefit liability movements and its components during the period.

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
€'000	2018	2017	2018	2017	2018	2017
Balance at 1 January	**14,593**	**11,128**	**(9,655)**	**(7,269)**	**4,938**	**3,859**
Included in income statement						
Service cost						
– Current service cost	1,528	1,352	–	–	1,528	1,352
– Past service cost	(198)	–	–	–	(198)	–
Administrative expenses	–	–	51	54	51	54
Interest expense / (income)	103	86	(72)	(60)	31	26
Defined benefit cost included in income statement	**1,433**	**1,438**	**(21)**	**(6)**	**1,412**	**1,432**
Included in Other Comprehensive Income (OCI)						
Remeasurements loss / (gain)						
Effect of changes						
– In demographic assumptions	–	–	–	–	–	–
– In financial assumptions	(1,216)	(141)	–	–	(1,216)	(141)
Effect of experience adjustments	688	1,648	–	–	688	1,648
Return on plan assets (excluding interest income)	–	–	(73)	31	(73)	31
Total remeasurements included in OCI	**(528)**	**1,507**	**(73)**	**31**	**(601)**	**1,538**
Other						
Exchange differences included in the income statement	560	(1,142)	(390)	750	170	(392)
Contributions						
– Employers	–	–	(1,683)	(1,499)	(1,683)	(1,499)
– Participants	40	48	(40)	(48)	–	–
Insurance premiums for risk benefits	(354)	(303)	354	303	–	–
Benefit payments from / to the plan	(687)	1,917	687	(1,917)	–	–
Total Other	**(441)**	**520**	**(1,072)**	**(2,411)**	**(1,513)**	**(1,891)**
Balance at 31 December	**15,057**	**14,593**	**(10,821)**	**(9,655)**	**4,236**	**4,938**

(b) Actuarial assumptions
At the reporting date, the significant actuarial assumptions used in the valuation were as follows

€'000	2018	2017
Discount rate, %	1.15	0.70
Interest rate for the projection of the savings capital, %	1.15	0.70
Future salary increases, %	1.50	1.70
Mortality probabilities	BVG 2015 generational tables	BVG 2015 generational tables

At 31 December 2018, the weighted-average duration of the defined benefit obligation was 21.4 years (21.2 years)

The expected benefit payments are as follows:

	2018	2017
Less than one year	23	15
Between 1–5 years	245	242
Over 5 years	887	1,220

(c) Sensitivity analysis
A change at the reporting date in one of the disclosed assumptions (holding other assumptions constant) would have impacted the net defined benefit liability by the following amounts:

	31 Dec. 2018		31 Dec. 2017	
€'000	0.25% Increase	0.25% Decrease	0.25% Increase	0.25% Decrease
Discount rate	(706)	761	(746)	807
Future salary increases	359	(307)	305	(300)
Future pension increases	332	(313)	382	(362)

NOTE 27 • FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

27.1 FINANCIAL RISK FACTORS AND RISK MANAGEMENT

Overview
The Group has exposure to the following risks arising from financial instruments:

- Market risk
- Credit risk
- Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks to which the Group is exposed, to provide guidance on type of authorized financial Instruments and authorized counterparties, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. As a general principle, the policies prohibit the use of derivative financial instruments for speculative trading purposes. Risk management policies and systems are reviewed on a regular basis to reflect changes in market conditions and in the Group's activities.

The Group audit committee reviews matters related to financial reporting and internal controls as well as financial risk exposure and the adequacy of the risk management framework in relation to the risks faced by the Group.

I Market Risk
Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives in the ordinary course of business, and also incurs financial liabilities, to manage market risks. Generally, the Group seeks to apply hedge accounting to manage volatility in profit or loss.

(a) Foreign currency risk
Translation exposure
Translation exposure arises due to the financial results and balance sheet positions of operating subsidiaries reported in their functional currency. Profits and losses and assets and liabilities in the various local currencies are translated into euro, the presentation currency. Countries having a functional currency other than euro, profits and losses are translated at average exchange rates and assets and liabilities are translated at closing exchange rates. Fluctuations in exchange rates against the euro will give rise to differences. These differences are recorded as translation gains or losses in the shareholders' equity.

Transaction exposure
Currency transaction exposure arises whenever a subsidiary enters into a transaction using a currency other than its functional currency. If the relevant exchange rates move between the date of the transaction and the date of final payment, the resulting currency balance will produce a gain or loss on exchange. Such gains or losses are included in financial income and expense.

Strategic currency exposure
Strategic currency exposure arises in countries, which are not part of the European Monetary Union (EMU), or whose currencies are not pegged to the euro. When the exchange rate of the non-EMU currencies fluctuates against the euro, it affects the gross margin in those countries, as most of the Group's products are sourced and produced within the EMU.

The objective of the Group is to hedge any currency transaction exposure by seeking to match revenues and costs or to match assets and liabilities in the same currency. However, given the geographical diversity of the Group's operations, a significant portion of sales is generated in currencies other than those in which most of expenses are incurred. In circumstances where revenues and costs cannot be matched, the currency transaction exposure may be hedged by periodically adjusting prices or by entering into hedging transactions.

The Group hedges up to 100 percent of selected currency transaction exposures by entering into a variety of forward contracts in currencies in which subsidiaries of the Group transact business, to the extent that forward contracts are available in the market at a reasonable cost.

The Group has also decided to hedge the foreign exchange rate risk of selected forecasted foreign currency denominated intragroup sales, which present an exposure to variations in cash flows that could ultimately affect profit or loss.

As at 31 December 2018 there were a variety of forward exchange contracts outstanding for a nominal amount equivalent of €92.8 million (€84.1 million) with maturities ranging from January to December 2019, to hedge selected currency transaction exposures and highly probable forecast transactions.

The Group uses a variety of forward exchange contracts with a nominal amount equivalent of €20.1million (€3.6 million) to economically hedge monetary assets and liabilities in foreign currencies, mainly intra-group. The derivatives are not designated as hedge accounting relationships and therefore the changes in fair value of the derivatives and the foreign exchange gains and losses relating to the monetary assets and liabilities are recognised in the consolidated income statement. As of 31 December 2018, the fair value of these contracts was €0.1 million gain (€0.1 million loss).

The Group claims cash flow hedge accounting for a variety of forward contracts at a nominal amount of €72.7 million (€80.5 million) that hedge the cash flow variability due to foreign currency risk inherent in either future transactions that result in recognition of non-financial liability or highly probable forecast transactions, mainly intra-group. The Group designates the fair value of forward foreign exchange contract to hedge its currency risk and applies a hedge ratio of 1:1. The critical terms of the forward exchange contracts are mostly aligned with the hedged item. The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method. The effective portion of changes in the fair value of derivatives is recognised in other comprehensive income within equity and they are expected to impact the profit and loss within twelve months or less. The ineffective portion of the gain or loss is recognised immediately in the income statement. The main sources of ineffectiveness are changes in the timing of the hedged transactions and the effect of the counterparties' risk on the fair value of the forward exchange contracts which is deemed not substantial given the short term nature of the contracts and the acceptable credit ratings of the counterparties. As of 31 December 2018, the fair value of these forward contracts was €0.2 million loss (€0.5 million gain).

In July 2011, the Group successfully entered into a €25 million and $195 million loan in the U.S. private placement market (USD loan) and at the same time entered into a series of cross currency interest rate swaps, effectively converting USD denominated private placement loan proceeds and obligations (principal and semi-annual interest) into euro denominated flows.

The Group designated $70 million loan maturing in July 2021 as financial liability at fair value through profit and loss. Both the $70 million loan and the related cross currency interest rate swaps are measured at fair value in the consolidated statements of financial position as this designation result in more relevant information through the consistent recognition of opposing movement in fair value through profit and loss. The Group accounts for the remaining amount as a financial liability at amortised costs. The Group applies cash flow hedge accounting for related cross currency interest rate swaps, where the effective portion of changes in the fair value of cross currency interest rate swaps is recognised in other comprehensive income within equity and they are expected to impact the profit and loss after more than a year. The ineffective portion of the gain or loss is recognised immediately in the consolidated income statements.

In February 2016 and in August 2016 the Group repurchased the total of $58.4 million and €25 million of $195 million and €25 million private placement notes issued in 13 July 2011. In July 2018, the first tranche matured, and the Group repaid the aggregated principal amount of $ 58.1 million together with the interest accrued to investors. The principal amount outstanding after the repurchase and the repayment of each series of Senior Notes: $52.7 million due in July 2021 and $25.8 million due in July 2023. Subsequent to the repurchase of USD loan, USD and euro denominated flows of the cross currency interest rate swaps were partially reduced to match the outstanding principal amount of USD loan. The Group continues to apply cash flow hedge accounting for cross currency interest rate swaps related to USD loan maturing in July 2023 using the hypothetical derivative method as described in section (b).

In April 2010, the Group successfully entered into a $165 million loan in the U.S. private placement market (USD loan) and at the same time entered into a series of cross currency interest rate swaps, effectively converting USD denominated private placement loan proceeds and obligations (principal and semi-annual interest) into euro denominated flows. The Group designated the USD loan as financial liability at fair value through profit and loss. Both the USD loan and related cross currency interest rate swaps are measured at fair value in the consolidated statements of financial position.

On 20 April 2017 and 2015 the first two tranches in the U.S. private placement market notes issued in 2010 matured and the Group repaid the aggregated principal amount of $70 million and $25 million, respectively together with the interest accrued to the international investors.

Exposure to currency risk
The Group's exposure for some of its main currencies was as follow:

2018	RUB	IDR	INR	CNY	MXN	TRY
In €'000 equivalents						
Intra-group trading balances	18,797	11,102	1,764	3,513	7,287	4,184
Trade receivables/(payables)	–	–	(49)	–	–	–
Gross balance sheet exposure	**18,797**	**11,102**	**1,715**	**3,513**	**7,287**	**4,184**
Forward exchange rate contracts*	(11,054)	(6,279)	(151)	(1,448)	(9,514)	(299)
Net Exposure	**7,743**	**4,823**	**1,564**	**2,065**	**(2,227)**	**3,885**

2017	RUB	IDR	INR	CNY	MXN	TRY
In €'000 equivalents						
Intra-group trading balances	33,865	5,930	(2,004)	5,529	13,520	4,360
Trade receivables/(payables)	–	–	–	–	–	–
Gross balance sheet exposure	**33,865**	**5,930**	**(2,004)**	**5,529**	**13,520**	**4,360**
Forward exchange rate contracts*	(14,942)	(5,665)	(206)	(1,140)	(5,959)	(2,547)
Net Exposure	**18,923**	**265**	**2,210**	**4,389**	**7,561**	**1,813**

* Forward exchange rate contracts have been designated as economically hedge monetary assets and liabilities and the changes in the fair value are recognised in the consolidated income statement.

The following significant exchange rates applied during the year:

€	Average rate 2018	Average rate 2017	Reporting date rate 2018	Reporting date rate 2017
RUB	73.92	65.85	79.46	68.87
IDR	16,796.07	15,116.88	16,500.00	16,239.12
INR	80.65	73.50	79.73	76.61
CNY	7.81	7.62	7.88	7.80
MXN	22.70	21.34	22.49	23.66
TRY	5.66	4.12	6.03	4.52

Sensitivity analysis
The Group trades in more than forty currencies. The Group has selected the top six markets and shows their impact on operating profit and equity.

This analysis assumes that all other variables, in particular interest rates, the exchange rates of other currencies to the euro, the selling prices of the Oriflame entities in the countries under review, remain constant over the year. Further, the analysis on operating profit sensitivity for 2018 assume the impact of euro strengthening to the variety of forward contracts. Comparable figures for 2017 operating profit sensitivity have been recalculated to include the same assumption. 1 percent strengthening of the euro against the following currencies on average over the reporting year would have increased (decreased) the Group's operating profit or loss and equity as shown below.

Effect on Group operating profit in %	2018	2017
RUB	(0.3)	(0.4)
IDR	(0.2)	(0.2)
INR	(0.2)	(0.2)
CNY	(0.6)	(0.5)
MXN	(0.1)	(0.1)
TRY	(0.1)	(0.1)

Effect on Group equity in € million	2018	2017
RUB	(0.5)	(0.4)
IDR	(0.4)	(0.4)
INR	(0.2)	(0.3)
CNY	(0.8)	(0.6)
MXN	(0.3)	(0.3)
TRY	(0.0)	(0.1)

(b) Interest rate risk
The primary objective of the Group's interest rate management is to minimise the effects of adverse developments of interest rates on earnings and preserve net profit margins. Depending on the market situation, the Group may swap partially or fully the floating interest to fixed and vice-versa or to cap or collaring partially or fully the exposure by entering into derivative transactions, such as cross-currency interest rate swaps, caps and interest rate swaps.

Hedge
In July 2011, when the Group entered into a $75 million and $50 million loan in the U.S. private placement market (USD loan) and linked cross currency interest rate swaps, the Group effectively created fixed rate euro obligations. These loans are accounted as financial liability at amortised costs. The Group applies cash flow hedge accounting for related cross currency interest rate swaps.

In February 2016 and in August 2016 the Group repurchased the total of $16.9 million of $75 million and $ 24.2 million of $50 million private placement notes issued in July 2011. In July 2018 the first tranche matured, and the Group repaid the aggregated principal amount of $ 58.1 million together with the interest accrued to investors. The principal amount outstanding after the repayment and the repurchase of the related Senior Notes is $25.8 million due in July 2023. Subsequent to the repurchase of USD loan, USD and euro denominated flows of the cross currency interest rate swaps were partially reduced to match the outstanding principal amount of USD loan. The Group continues to apply cash flow hedge accounting for related cross currency interest rate swaps.

The Group determines the existence of an economic relationship between the hedge instrument and hedged item based on the reference interest rates, tenors, maturities and the notional amounts. The Group applies a hedge ratio of 1:1 and assesses whether the cross currency interest rate swaps designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

The main sources of ineffectiveness are the effect of the counterparty credit risk on the fair values of the cross currency interest rate swaps which is not reflected in the change in the fair value of the hedged item. Changes associated with counterparty credit risk are measured and recognized immediately in the profit and loss.

Not designated as hedge
In April 2010, when entering into the $165 million USD loan and linked cross currency interest rate swaps, the Group effectively created a floating rate of 6-month Euribor obligation, receiving USD denominated semi-annual fixed swap rate and paying 6-month Euribor plus spread under the cross currency interest rate swaps, which the Group decided to hedge economically through series of interest rate cap agreements, totalling €121.3 million. The caps protect against a rise of 6-month Euribor over 4 percent and do not qualify for cash flow hedge accounting treatment under IAS 39, since the underlying hedged item is a derivative itself. The loans and the associated cross currency swaps and caps are accounted at fair value through profit and loss.

In July 2011, when entering into the $70 million USD loan and linked cross currency interest rate swaps, the Group effectively created a floating rate of 3-month Euribor obligation, receiving USD denominated semi-annual fixed swap rate and paying 3-month Euribor plus spread under the cross currency interest rate swaps, which the Group decided to hedge economically through series of interest rate cap agreements, totalling €49.0 million. The caps protect against a rise of 3-month Euribor over 4.5 percent and do not qualify for cash flow hedge accounting treatment under IFRS 9, since the underlying hedged item is a derivative itself. The loans and the associated cross currency swaps and caps are accounted at fair value through profit and loss.

In February 2016 the Group repurchased the total of $17.3 million of $70 million private placement notes issued in July 2011. The principal amount outstanding after the repurchase of the related Senior Notes is $52.7 million due in July 2021. Subsequent to the repurchase of USD loan, USD and euro denominated flows of the cross currency interest rate swaps were partially reduced to match the outstanding principal amount of USD loan. No changes have been made to the caps.

In June and July 2017, the Group entered into interest rate swap agreements in the total nominal amount of the outstanding cross currency interest rate swaps in order to convert the floating rates into fixed interest rates obligations. Similarly to the USD loan and related cross currency interest rate swaps, the acquired interest rate swaps are measured at fair value through profit and loss in the consolidated statements of financial position since the underlying hedged item is a derivative itself.

Cash flow sensitivity analysis for variable rate instruments
A change of 100 basis points in interest rates at the reporting date would have increased (decreased) other comprehensive income within equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or (loss)		Other comprehensive income within equity	
Effects in €'000	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
31 December 2018				
Variable rate interest-bearing liabilities	–	–	–	–
Interest rate caps	15	(12)	–	–
Interest rate swaps	1,419	(1,450)	–	–
Cross currency interest rate swaps	(155)	167	35	(36)
Cash flow sensitivity (net)	**1,279**	**(1,295)**	**35**	**(36)**
31 December 2017				
Variable rate interest-bearing liabilities	–	–	–	–
Interest rate caps	68	(26)	–	–
Interest rate swaps	2,280	(2,347)	–	–
Cross currency interest rate swaps	(1,184)	1,209	256	(258)
Cash flow sensitivity (net)	**1,164**	**(1,164)**	**256**	**(258)**

I Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

There is a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Management performs ongoing evaluations of the credit position of its Consultants. Due to the nature of the direct sales industry, the Group does not have significant exposure to any individual customer (see note 3).

At reporting date there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position:

€'000	2018	2017
Trade and other receivables	62,037	64,822
Cash and cash equivalents	178,075	221,399
Interest rate caps	–	8
Option exchange rate contract	44	–
Forward exchange rate contracts	277	171
Forward exchange rate contracts for hedging	1,044	1,585
Cross currency interest rate swaps	22,288	17,875
Cross currency interest rate swaps for hedging	2,988	10,043
	266,753	**315,903**

Information about the Group's exposure to impairment losses for trade receivables are included In Note 17.

Cash and cash equivalents comprise cash at bank and highly liquid cash deposits with short-term maturities and are readily convertible to known amounts of cash with insignificant risk of change in value. The Group considers that the carrying value of cash and cash equivalents approximate fair value due to their short term maturity.

The derivatives are entered into with bank and financial institution counterparties, which are rated A- to AA-, based on Standard & Poor's ratings.

III Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

31 December 2018 €'000	Carrying amount	Contractual cash flows	Less than 1 year	Between 1–5 years	More than 5 years
Non-derivative financial liabilities					
Loans	249,404	254,816*	6,324	125,013	123,479
Trade and other payables	70,852	70,852	70,852	–	–
Accrued expenses	80,750	80,750	80,750	–	–
Bank overdrafts	–	–	–	–	–
Other long-term liabilities	886	886	886	–	–
Lease liabilities	81,659	93,480	22,901	57,480	13,099
Dividend payable	22,729	22,729	22,729	–	–
Derivative financial liabilities					
Cross currency interest rate swaps**	498	498	498	–	–
Interest rate swaps**	346	346	346	–	–
Forward exchange rate contracts	123	123	123	–	–
Cross currency interest rate swaps for hedging (cash flow hedge)**	222	222	222	–	–
Forward exchange rate contracts for hedging (cash flow hedge)	1,238	1,238	1,238	–	–
Total	**508,707**	**525,940**	**206,869**	**182,493**	**136,578**

31 December 2017 €'000	Carrying amount	Contractual cash flows	Less than 1 year	Between 1–5 years	More than 5 years
Non-derivative financial liabilities					
Loans	243,536	242,924*	47,368	105,021	90,535
Trade and other payables	78,040	78,040	78,040	–	–
Accrued expenses	93,923	93,923	93,923	–	–
Bank overdrafts	54	54	54	–	–
Other long-term liabilities	808	808	808	–	–
Dividend payable	14,049	14,049	14,049	–	–
Derivative financial liabilities					
Cross currency interest rate swaps**	494	494	494	–	–
Interest rate swaps**	232	232	232	–	–
Forward exchange rate contracts	69	69	69	–	–
Cross currency interest rate swaps for hedging (cash flow hedge)**	684	684	684	–	–
Forward exchange rate contracts for hedging (cash flow hedge)	1,145	1,145	1,145	–	–
Total	**433,034**	**432,422**	**236,866**	**105,021**	**90,535**

* The contractual cash flows is the net contractual cash flows of the hedged item and the cash flows from the derivatives (cross currency interest rate swaps) to hedge the currency and interest rate risks.

** The disclosed amounts relates to the accrued interest.

27.2 CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors has adopted a dividend policy to the effect that, absent changes in the Group's operations or capital structure, Oriflame intends to distribute, over the long term, at least 50 percent of the Group's annual profit after tax as dividends.

The USD private placement notes dated 20 April 2010 and 13 July 2011, oblige the Group to maintain consolidated net worth of €120 million at each year end for the term of the agreement. The capital is defined as the consolidated net worth, which is equal to equity prepared in accordance with IFRS attributable to owners of the Group, and amounts to € 152.1m (€221.6m). The net worth is adjusted for the impact from IFRS 15 and IFRS 16 (€17.2m) in order to make it comparable with the 2017 reported net worth.

No changes have been made in the objectives, policies, or processes for managing capital during the year ended 31 December 2018.

27.3 ACCOUNTING CLASSIFICATIONS AND FAIR VALUE ESTIMATION

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy:

31 December 2018	Carrying amount					Fair value		
€'000	Fair value hedging instruments	Mandatorily at FVPL	Financial liabilities designated at FVPL upon initial recognition	Other financial liabilities	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value								
Cross currency interest rate swaps		22,288			22,288		22,288	
Interest rate caps		–			–		–	
Interest rate swaps		–			–		–	
Option exchange rate contract		44			44		44	
Forward exchange rate contracts		277			277		277	
Cross currency interest rate swaps for hedging	2,988				2,988		2,988	
Forward exchange rate contracts for hedging	1,044				1,044		1,044	
Total Financial assets measured at fair value	**4,032**	**22,609**			**26,641**		**26,641**	
Financial liabilities measured at amortised cost								
Loans				(141,433)	(141,433)		(161,897)	
Total Financial liabilities measured at amortised cost				**(141,433)**	**(141,433)**		**(161,897)**	
Financial liabilities measured at fair value								
USD Loans			(107,971)		(107,971)		(107,971)	
Total designated as such upon initial recognition			*(107,971)*		*(107,971)*		*(107,971)*	
Cross currency interest rate swaps		(498)			(498)		(498)	
Interest rate swaps		(346)			(346)		(346)	
Forward exchange rate contracts		(123)			(123)		(123)	
Cross currency interest rate swaps for hedging		(222)			(222)		(222)	
Forward exchange rate contracts for hedging		(1,238)			(1,238)		(1,238)	
Total financial liabilities measured at fair value		**(2,427)**	(107,971)		**(110,398)**		**(110,398)**	

31 December 2017 €'000	Carrying amount Derivatives for hedging	Derivatives for trading	Financial liabilities designated at FVPL upon initial recognition	Other financial liabilities	Total	Fair value Level 1	Level 2	Level 3
Financial assets measured at fair value								
Cross currency interest rate swaps		17,875			17,875		17,875	
Interest rate caps		8			8		8	
Interest rate swaps		–			–		–	
Option exchange rate contract		–			–		–	
Forward exchange rate contracts		171			171		171	
Cross currency interest rate swaps for hedging	10,043				10,043		10,043	
Forward exchange rate contracts for hedging	1,585				1,585		1,585	
Total Financial assets measured at fair value	**11,628**	**18,054**			**29,682**		**29,682**	
Financial liabilities measured at amortised cost								
Loans				(138,607)	(138,607)		(152,596)	
Total Financial liabilities measured at amortised cost				**(138,607)**	**(138,607)**		**(152,596)**	
Financial liabilities measured at fair value								
USD Loans			(104,929)		(104,929)		(104,930)	
Total designated as such upon initial recognition			*(104,929)*		*(104,929)*		*(104,930)*	
Cross currency interest rate swaps		(494)			(494)		(494)	
Interest rate swaps		(232)			(232)		(232)	
Forward exchange rate contracts		(69)			(69)		(69)	
Cross currency interest rate swaps for hedging		(684)			(684)		(684)	
Forward exchange rate contracts for hedging		(1,145)			(1,145)		(1,145)	
Total financial liabilities measured at fair value		**(2,624)**	(104,929)		**(107,553)**		**(107,553)**	

The fair values for all other financial instruments such as cash and cash equivalents, short-term trade receivables and payables are not disclosed, because their carrying amounts are a reasonable approximation of fair value.

Derivative financial assets and liabilities
The fair value of forward exchange rate contracts, interest rate swaps and cross currency interest rate swaps are based on their market quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the reporting date. The fair value of interest rate caps is the estimated amount which the Group would receive or pay when unwinding the caps at the reporting date.

Financial liabilities at amortised costs
Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the forward market rate of interest at the reporting date.

Financial liabilities carried at fair value designated as such upon initial recognition
The fair value of the USD loans is calculated by discounting the cash flows associated to the loan schedule for the life of the loan at the market interest rates prevailing for such type and currency of loan as of the reporting date. No changes in the credit risks were done for this calculation as there have been no changes in the financial condition of the Group since the inception of the USD loans.

Fair value hierarchy
The table above shows fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy, by valuation method. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

27.4 MASTER NETTING OR SIMILAR AGREEMENTS
The group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other.

In certain circumstances – e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not have any currently legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

€'000	Gross amounts of financial instruments in the statement of financial position	Gross amount of financial instruments net off in the statement of financial position	Net amount
31 December 2018			
Financial assets			
Cross currency interest rate swaps	25,276	(479)	24,797
Interest rate caps	–	–	–
Option exchange rate contract	44	–	44
Forward exchange contracts	1,321	(151)	1,170
	26,641	**(630)**	**26,011**
Financial liabilities			
Cross currency interest rate swaps	(720)	479	(241)
Interest rate swaps	(346)	–	(346)
Forward exchange contracts	(1,361)	151	(1,210)
	(2,427)	**630**	**(1,797)**
31 December 2017			
Financial assets			
Cross currency interest rate swaps	27,918	(1,177)	26,741
Interest rate caps	8	–	8
Option exchange rate contract	–	–	–
Forward exchange contracts	1,756	(1,215)	541
	29,682	**(2,392)**	**27,290**
Financial liabilities			
Cross currency interest rate swaps	(1,177)	1,177	–
Interest rate swaps	(232)	–	(232)
Forward exchange contracts	(1,215)	1,215	–
	(2,624)	**2,392**	**(232)**

NOTE 28 • ACCRUED EXPENSES

€'000	2018	2017
PD & Bonus	29,283	36,235
Staff related accruals	19,257	28,942
Other accruals	52,932	62,634
Total accrued expenses	**101,472**	**127,811**

NOTE 29 • EVENTS SUBSEQUENT TO THE REPORTING DATE

No significant events to be disclosed have occurred after the reporting period up to the date of the authorisation of these consolidated financial statements.

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Statutory Auditor's Report

To the General Meeting of Oriflame Holding AG, Schaffhausen

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Oriflame Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated income statement, statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 97 to 148) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Early adoption of IFRS 16 Leases

Key Audit Matter

The Group early adopted IFRS 16 Leases with a date of initial application of 1 January 2018.

The Group applied IFRS 16 retrospectively, with the cumulative effect of initial application recognized at 1 January 2018. The impact on opening retained earnings amounted to EUR 5m net of tax. Right-of-use assets of EUR 87.7m and lease liabilities of EUR 93.9m were recognized.

At 31 December 2018, the right-of-use assets amounted to EUR 77.3m and the lease liabilities amounted to EUR 81.7m.

The recognition of right-of-use assets as well as lease liabilities involves judgment, assumptions and estimates, e.g. in respect of the assessment of lease term and the incremental borrowing rate.

Due to the significance to the consolidated financial statements as a whole, combined with the judgment and estimation required to determine lease-related balances, the early adoption of IFRS 16 is considered to be a key audit matter.

Our response

Our audit procedures included, amongst others, inquiring of management regarding the changes to the lease accounting policy.

We assessed the adequacy of the accounting policy implemented in relation to leases as of 1 January 2018 and examined the opening balance adjustments resulting from the early adoption recorded by the Group.

We gained an understanding of the internal controls and processes with respect to lease accounting and performed design and implementation testing of key controls.

We performed an assessment of the components with material balances relating to right-of-use assets and lease liabilities. We inspected the procedures in place for accounting for the lease contracts and reconciled the related lease computations to the underlying contracts.

In respect of recognized lease balances, we assessed the appropriateness of management's assumptions and estimates, including applied incremental borrowing rate and the evaluation of lease term.

Furthermore, we assessed the Group's disclosures relating to IFRS 16 Leases.

For further information on the early adoption of IFRS 16 Leases refer to the following:
– Significant accounting policies 2(d) and 2(o)
– Note 14

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Deferred tax assets

Key Audit Matter

The deferred tax assets recorded by the Group amounted to EUR 32.8m as of 31 December 2018 (2017: EUR 31.1m).

The tax losses carried forward for which no deferred tax asset was recognized amounted to EUR 165.0m (2017: EUR 127.2m).

The recognition of deferred tax assets involves judgment, assumptions and estimates in respect of the probability of sufficient future taxable profits, future reversals of existing taxable temporary differences, tax rates, tax law changes and the ongoing tax planning strategies.

Due to the significance to the consolidated financial statements as a whole, combined with the judgment and estimation required to determine the amounts recognized, the evaluation of deferred tax assets is considered to be a key audit matter.

Our response

Our audit procedures included, amongst others, evaluation of the design and implementation of controls with regards to the recognition and recoverability of deferred tax assets.

For the procedures below, we involved our own local and international tax specialists.

– We examined the procedures in place for the deferred tax calculations for completeness and valuation and audited the related tax computations and estimates in the light of our knowledge of the tax circumstances.
– We performed an assessment of the material components impacting the Group's deferred tax expense and balances. We analysed and challenged the information reported by components.
– In respect of deferred tax assets we assessed the appropriateness of management's judgment, assumptions and estimates, including the likelihood of generating sufficient future taxable income to support the recognition of deferred tax assets for tax losses carried forward. We paid particular attention to the forecasts of future profitability in those jurisdictions with the most significant tax loss carryforwards..

We evaluated the appropriateness and completeness of the related disclosures.

For further information on Deferred tax assets refer to the following:
– Significant accounting policies 2(c) and 2(l)
– Note 15

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
– Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Hélène Béguin Licensed Audit Expert Auditor in Charge	Kathrin Schünke Licensed Audit Expert

Zurich, 15 April 2019

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

Balance sheet Oriflame Holding AG, Schaffhausen

Assets	Notes	31 December 2018 EUR	31 December 2018 CHF	31 December 2017 EUR	31 December 2017 CHF
Cash and cash equivalents		643,606	725,280	4,755,439	5,564,814
Other short-term receivables		2,756,749	3,106,580	2,163,764	2,532,037
due from third parties		4,201	4,734	11,690	13,680
due from group subsidiaries		2,752,548	3,101,846	2,152,074	2,518,357
Prepaid expenses		89,125	100,436	26,819	31,385
Total current assets		**3,489,480**	**3,932,296**	**6,946,022**	**8,128,236**
Financial assets		364,050,260	384,427,431	344,216,905	363,920,589
Investments	5	301,644,943	314,102,879	301,644,943	314,102,879
Loans to group companies		62,405,317	70,324,552	42,571,962	49,817,710
Fixed assets	17	84,920	95,696	1,150	1,346
Goodwill	6	126,266,872	131,854,477	210,444,787	219,757,462
Total non-current assets		**490,402,052**	**516,377,604**	**554,662,842**	**583,679,397**
Total assets		**493,891,532**	**520,309,900**	**561,608,864**	**591,807,633**
Liabilities					
Other short-term liabilities		474,515	534,731	249,165	291,573
due to third parties		214,500	241,720	111,323	130,270
due to shareholder		260,015	293,011	137,842	161,303
Accrued expenses		907,027	1,022,130	1,634,957	1,913,227
Provision for outstanding dividends from capital contribution reserves	16	22,572,290	25,596,977	13,935,201	16,088,190
Total current liabilities		**23,953,832**	**27,153,838**	**15,819,323**	**18,292,990**
Other long-term liabilities		74,648	84,121	–	–
Total non-current liabilities		**74,648**	**84,121**	**–**	**–**
Share capital	7	80,744,625	84,663,550	79,849,590	83,630,948
Legal capital reserve		424,634,755	422,414,392	548,473,506	566,731,343
Capital contribution reserve	7, 8	387,625,366	378,120,724	527,559,090	548,500,752
Other reserve from capital contribution	7, 8	37,009,389	44,293,668	20,914,416	18,230,591
Accumulated losses		(35,042,591)	(13,452,571)	(82,443,780)	(76,740,608)
Loss brought forward		(82,443,780)	(89,998,236)	(30,200,918)	(31,927,248)
Profit / (loss) for the period		47,401,189	54,753,114	(52,242,862)	(58,070,988)
Currency conversion reserves		–	21,792,551	–	13,257,628
Treasury shares	9	(473,737)	(553,430)	(89,775)	(107,040)
Shareholders' equity		**469,863,052**	**493,071,941**	**545,789,541**	**573,514,643**
Total liabilities and shareholders' equity		**493,891,532**	**520,309,900**	**561,608,864**	**591,807,633**

Income statement Oriflame Holding AG, Schaffhausen

Income statement for the period	Notes	01.01.2018 – 31.12.2018 EUR	01.01.2018 – 31.12.2018 CHF	01.01.2017 - 31.12.2017 EUR	01.01.2017 - 31.12.2017 CHF
Dividend income		130,000,000	150,163,001	32,000,000	35,569,867
Other operating income from group companies		13,102,973	15,135,244	3,202,560	3,559,832
Total operating income		**143,102,973**	**165,298,245**	**35,202,560**	**39,129,699**
Personnel expenses	13	(11,137,404)	(12,864,815)	(4,149,274)	(4,612,160)
Other operating expenses		(2,815,666)	(3,252,376)	(1,493,768)	(1,660,410)
Depreciation on fixed assets	17	(16,246)	(18,766)	(659)	(733)
Depreciation on intangible assets	6	(84,177,915)	(97,233,910)	(84,177,915)	(93,568,663)
Total operating expenses		**(98,147,231)**	**(113,369,867)**	**(89,821,616)**	**(99,841,966)**
Operating result		**44,955,742**	**51,928,378**	**(54,619,056)**	**(60,712,267)**
Financial expenses		(64,569)	(74,584)	(61,110)	(67,927)
Financial income	14	2,795,434	3,229,006	2,527,741	2,809,732
Non-operating expenses		–	–	(283)	(315)
Non-recurring income	15	–	–	13,353	14,843
Non-recurring expenses	15	(3,010)	(3,477)	–	–
Result before taxes		**47,683,597**	**55,079,323**	**(52,139,355)**	**(57,955,934)**
Direct taxes		(282,408)	(326,209)	(103,507)	(115,054)
Profit / (Loss) for the period		**47,401,189**	**54,753,114**	**(52,242,862)**	**(58,070,988)**

Notes Oriflame Holding AG, Schaffhausen

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

1 • STATUS AND PRINCIPAL ACTIVITY

Oriflame Holding AG ("OHAG" or the "Company") is a holding company founded on 6 October 2014 and incorporated in Switzerland. The Company has been registered at Bleicheplatz 3, CH-8200 Schaffhausen. The company became the ultimate holding of Oriflame Group as of 19 June 2015 and is listed on the Nasdaq Stockholm Exchange since 23 June 2015.

The principal activity of the Company is the holding of participations in other companies. The purpose of the Company is to acquire, hold, administrate and sell participations in enterprises in Switzerland and abroad, especially in the field of products and services within the beauty industry. The principal activities of the Group subsidiaries are the manufacture and direct sale of cosmetics throughout the world.

The accounting year begins on 1 January and ends on 31 December.

The Company has also prepared consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

2 • ACCOUNTING PRINCIPLES APPLIED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (Art. 957 to 963b CO, effective since 1 January 2013).

3 • FOREIGN CURRENCY

The functional currency of the Company is EUR. For presentation purposes, equity, goodwill and investments are converted using the historical exchange rate, all other positions are converted in CHF using below exchange rates. The currency conversion difference is booked in equity.

Foreign currency	1 EUR
Income statement for 2018	1.1551
Balance sheet as at 31 December 2018	1.1269

4 • FULL-TIME EQUIVALENTS

The number of full-time equivalents did not exceed 10 on an annual average basis in 2018 as well as in 2017.

5 • INVESTMENTS

As at 31 December 2018 the Company holds directly 3,031,000 shares in Oriflame Cosmetics Global S.A., Luxembourg and 100,000 shares in Natural Swedish Cosmetics SARL, Algeria representing 100% of the share capital and 100% of the voting rights. The investments are valued at acquisition cost or if the value is lower, at value in use.

Company	Country of incorporation	Book value in in EUR '000	Capital in LC '000	Currency	Share capital held in %	Voting rights held in %
Oriflame Cosmetics Global S.A.	Luxembourg	301,644	3,031	EUR	100	100
Natural Swedish Cosmetics SARL	Algeria	1	100	DZD	100	100

As at 31 December 2018 the Company holds indirectly 20 percent or more of the issued share capital of the following companies:

Company	Country of incorporation	Capital in LC '000	Currency	Share capital held in %	Voting rights held in %
Oriflame Cosmetics LLC	Armenia	50	AMD	100	100
Oriflame LLC	Azerbaijan	206	AZM	100	100
Oriflame Cosmetics Foreign LLC	Belarus	1,137	BYN	100	100
Oriflame Kozmetika BH. D.o.o. Sarajevo	Bosnia	2	BAM	100	100
Oriflame Bulgaria EOOD	Bulgaria	3	BGN	100	100
Oriflame de Chile SA	Chile	2,638	CLP	100	100
Oriflame Cosmetics (China) Co. Ltd	China	203,133	CNY	100	100
Oriflame Health Food (Beijing) Co Ltd	China	12,000	CNY	100	100
Oriflame Services Hong Kong Ltd	China	100	HKD	100	100
Oriflame de Colombia SA	Colombia	5,864	COL	100	100
Oriflame Kozmetika Croatia doo.	Croatia	15,020	KUN	100	100
Oriflame Cyprus Limited	Cyprus	1	EUR	100	100
Tyndelca Trading Limited *	Cyprus	2	EUR	100	100
Oriflame Czech Republic sro	Czech Republic	2,020	CZK	100	100
Oriflame Software sro	Czech Republic	6,200	CZK	100	100
Oriflame del Ecuador SA	Ecuador	5,047	USD	100	100
Oriflame Egypt Ltd	Egypt	50	ELE	100	100
Oriflame Eesti OU	Estonia	3	EUR	100	100
Oriflame Oy	Finland	505	EUR	100	100
Oriflame Georgia LLC	Georgia	8,767	GEL	100	100
Special Trading Company Oriflame Caucasus	Georgia	62	GEL	100	100
Oriflame Kosmetik Vertriebs GmbH	Germany	10,911	EUR	100	100
Oriflame Hellas Sole Shareholder Ltd	Greece	5,781	EUR	100	100
Oriflame Hungary Kozmetika Kft	Hungary	2,454,825	HUF	100	100
Oriflame India Pvt. Ltd.	India	798,962	INR	100	100
PT Oriflame Cosmetics Indonesia	Indonesia	2,342,500	IDR	100	100
PT Orindo Alam Ayu	Indonesia	40,054,539	IDR	100	100
Oriflame Research & Development Ltd.	Ireland	2,331	EUR	100	100
Oriflame LLP	Kazakhstan	4,028,411	TEN	100	100
Oriflame Cosmetics LLC	Kosovo	3	EUR	100	100
Oriflame East Africa Ltd	Kenya	100	KES	100	100
Oriflame Cosmetics LLC	Kyrgyzstan	1,080	KGS	100	100
Oriflame Latvija S.I.A	Latvia	62	EUR	100	100
Oriflame Kosmetika UAB.	Lithuania	253	EUR	100	100
Oriflame Foundation	Luxembourg	0	EUR	100	100
Oriflame Kozmetika d.o.o	Macedonia	217,507	DIN	100	100
Oriflame Investments Ltd	Mauritius	0	EUR	100	100
Myanmar Oriflame Company Ltd	Myanmar	69,250	MMK	100	100
Oriflame (Mexico) SA de CV	Mexico	13,613	MXN	100	100

Note 5 continued

Company	Country of incorporation	Capital in LC '000	Currency	Share capital held in %	Voting rights held in %
Servicios Oriflame, SA de CV	Mexico	50	MXN	100	100
Oriflame International SRL	Moldova	8	MDL	100	100
Oriflame Mongolia LLC	Mongolia	151,526	TUG	100	100
Oriflame Kosmetika MN doo.	Montenegro	1	EUR	100	100
Oriflame Maroc SARL	Morocco	84,118	MAD	100	100
Oriflame Holdings BV.	Netherlands	67,627	EUR	100	100
Oriflame Cosmetics Nigeria Limited	Nigeria	48,000	NGN	100	100
Oriflame Norge A/S	Norway	1,696	NOK	100	100
Oriflame Cosmetics Pakistan (PVT) LTD	Pakistan	49,855	PKR	100	100
Oriflame Peru S.A.	Peru	10,581	PEN	100	100
Oriflame Poland SP z.o.o.	Poland	946	PZL	100	100
Oriflame Products Poland SP z.o.o.	Poland	39,810	PZL	100	100
Cetes Cosmetics Poland SP z.o.o. **	Poland	5,700	PZL	100	100
Oriflame Cosmeticos Ltda	Portugal	7	EUR	100	100
SC Cosmetics Oriflame Romania srl.	Romania	2,025	RON	100	100
Oriflame Cosmetics LLC	Russia	4,648,746	RUR	100	100
Cetes Cosmetics LLC	Russia	3,233,321	RUR	100	100
Oriflame Kosmetika d.o.o.	Serbia	371,124	RSD	100	100
Oriflame Cosmetics Global Pte. Ltd ***	Singapore	400	EUR	100	100
Oriflame Slovakia sro	Slovak Republic	100	EUR	100	100
Oriflame Kozmetika d.o.o.	Slovenia	11	EUR	100	100
Oriflame Cosmeticos S.A.	Spain	160	EUR	100	100
Oriflame Lanka Private Ltd	Sri Lanka	555	SLR	100	100
Oriflame Cosmetics AB	Sweden	20,500	SEK	100	100
Oriflame Cosmetics AG	Switzerland	110	CHF	100	100
Oriflame Global Management AG	Switzerland	100	CHF	100	100
CETES Cosmetics AG	Switzerland	100	CHF	100	100
Oriflame East Africa Tanzania Ltd	Tanzania	1,000	TZS	100	100
Oriflame Cosmetics (Thailand) Ltd	Thailand	619,371	THB	100	100
Oriflame Management Asia Ltc *	Thailand	20,000	THB	100	100
Oriflame Kozmetik Urunleri Ticaret Ltd Sirketi	Turkey	16,833	TRY	100	100
Oriflame Tunisie S.A.R.L.	Tunisia	200	TND	100	100
Oriflame East Africa Uganda Ltd *	Uganda	5,000	UGX	100	100
Limited Liability Company Oriflame Ukraine	Ukraine	112,931	UAH	100	100
Oriflame Middle East DMCC *	United Arab Emirates	50	AED	100	100
Oriflame Vietnam Ltd.	Vietnam	2,050	VND	100	100

In December 2018, Oriflame International ApS, Denmark, a former subsidiary of the Group, was liquidated.

* In liquidation.
** In June 2018, Oriflame Property Investments SP z.o.o., Poland, a subsidiary of the Group, was renamed to Cetes Cosmetics Poland SP z.o.o.
*** In October 2018, Oriflame Cosmetics Global Pte. Ltd, Singapore, a subsidiary of the Group, was registered.

6 • GOODWILL

The goodwill has been created at the time of the cross-border merger between OHAG and Oriflame Cosmetics SA which occurred on 30 September 2015 with retroactive effect on 1 July 2015. The goodwill is depreciated over 5 years.

Gross value (in EUR)	2018	2017
Balance as at 1.1.	210,444,787	294,622,702
Depreciation	(84,177,915)	(84,177,915)
Balance as at 31.12.	**126,266,872**	**210,444,787**

7 • SHARE CAPITAL AND AUTHORIZED CAPITAL

Share capital in the amount of CHF 84,663,549 consists of 56,442,366 registered shares at a par value of CHF 1.50. The conditional share capital was increased in 2018 by CHF 1,032,602 to CHF 84,663,549 by issuing 688,401 fully paid-in registered shares with a nominal value of CHF 1.50.

The Board of Directors shall be authorized to increase the share capital in an amount not to exceed CHF 8,355,000 through the issuance of up to 5,570,000 fully paid-in registered shares with a nominal value of CHF 1.50 per share by not later than 9 May 2019 increases in partial amounts shall be permitted.

Statement of changes in equity for the period ended 31 December 2018 (in CHF)

Equity statement	Share capital	Capital contribution reserve	Other reserve from capital contribution	Treasury shares	Currency conversion reserves	Accumulated losses	Total shareholders' equity
Balance as at 1.1.	83,630,948	548,500,752	18,230,591	(107,040)	13,257,628	(89,998,236)	573,514,643
Profit for the period	–	–	–	–	–	54,753,114	54,753,114
Capital increase	1,032,602	26,389,381	–	–	–	–	27,421,983
Realocation to capital contribution reserve	–	18,230,591	(18,230,591)	–	–	–	–
Release to other reserves	–	(215,000,000)	215,000,000	–	–	–	–
Dividend	–	–	(170,706,332)	–	–	–	(170,706,332)
Movement in treasury shares	–	–	–	(446,389)	–	–	(446,389)
Currency conversion reserves	–	–	–	–	8,534,924	–	8,534,924
Balance as at 31.12.	**84,663,550**	**378,120,724**	**44,293,668**	**(553,430)**	**21,792,551**	**(35,245,122)**	**493,071,942**

8 • LEGAL CAPITAL RESERVE

The legal capital reserve is converted into EUR using the historical foreign exchange rate. The legal capital reserve stated in CHF 422,414,392 is the relevant one regarding the tax free amount relating to the issuance of dividends.

9 • TREASURY SHARES

The following transactions with treasury shares were performed during the financial year:

	2018		2017	
	No of shares	in EUR	No of shares	in EUR
Treasury shares at 1.1.	13,160	89,775	13,160	89,775
Purchases	40,000	1,584,287	–	–
Release related to share incentive plan*	(41,520)	(1,200,325)	–	–
Treasury shares at 31.12.	**11,640**	**473,737**	**13,160**	**89,775**

* The amount is calculated based on the first-in, first-out method.

10 • MAJOR SHAREHOLDERS

The following shareholders owned at least 5% of share capital as at 31 December.
Oriflame Holding AG became the ultimate holding company of Oriflame Group as from 19 June 2015.

	31 December 2018		31 December 2017	
Name	Number of shares	%	Number of shares	%
Af Jochnick Foundation (formerly Trygg Foundation)	6,327,001	11.2	6,327,001	11.3
Robert and Alexander af Jochnick and family	5,609,263	9.9	5,433,283	9.7
Fourth Swedish National Pension Fund (AP4)	5,477,149	9.7	4,897,827	8.8
Jonas af Jochnick and family	4,362,898	7.7	4,362,898	7.8
Swedbank Robur Fonder AB	3,888,702	6.9	1,937,363	3.5
First Swedish National Pension Fund (AP1)	2,913,841	5.2	2,469,154	4.4

11 • EQUITY OWNED BY EXECUTIVE MANAGEMENT AND THE BOARD OF DIRECTORS INCLUDING ANY RELATED PARTIES

Board of Directors
The shareholdings by the board of directors are listed below.

	31 December 2018		31 December 2017	
Name	Number of shares*	%	Number of shares*	%
Robert af Jochnick	4,185,999	7.4	4,010,019	7.2
Alexander af Jochnick, Chairman	620,000	1.1	520,000	0.9
Anna af Jochnick	233,400	0.4	N/A	N/A
Magnus Brännström	314,929	0.6	306,196	0.5
Christian Salamon	20,000	0.0	16,500	0.0
Anders Dahlvig	13,650	0.0	13,650	0.0
Gunilla Rudebjer	1,000	0.0	N/A	N/A
Anna Malmhake	–	0.0	–	0.0
Mona Abbasi	–	0.0	–	0.0
Karen Tobiasen	–	0.0	–	0.0

Executive management
The shareholdings by executive management are listed below.

		31 December 2018		31 December 2017	
Name	Position	Number of shares*	%	Number of shares*	%
Magnus Brännström	CEO & President, Board Member	314,929	0.6	306,196	0.5
Gabriel Bennet	CFO	30,000	0.1	24,000	0.0
Jesper Martinsson	Deputy CEO, Head of Global Business Areas CIS, Latin America and Geographical Expansion	319,500	0.6	248,000	0.4

* Shareholding may include holdings of related entities and immediate family members as per the IFRS definition of related parties.

12 • SHARES GRANTED TO MEMBERS OF THE BOARD AND EMPLOYEES

During 2018, annual investment offers under OHAG's Share Incentive and Retention Plan (SIP) has been adopted by the board of directors.

The following information relates to the allocation of investment rights in 2018 (valued at fair value at grant date of EUR 34.57). It details the maximum amount of achievement shares that can be awarded to OHAG employees in relation to the 2018 investments under the SIP.

	Maximum no of shares	Maximum value
Allocated to members of the board	–	–
Allocated to OHAG employees	123,984	4,286,127
Total	**123,984**	**4,286,127**

13 • PERSONNEL EXPENSES

The increase in personnel expenses is mainly driven by the distribution of 176,058 achievement shares at a value of EUR 34.88 related to investments under the 2014 and 2015 share incentive plans. This resulted in additional cost of EUR 6,140,903.

14 • FINANCIAL EXPENSES AND INCOME

The financial income is mainly driven by the interest income on loans to group companies. The interest rate remains unchanged.

15 • NON-RECURRING INCOME AND EXPENSE

Change in accounting policy: Following the implementation of IFRS 16 in the consolidated financial statements, the company reviewed the recognition policy for leasing transactions. With effect from 1.1.2018, leasing contracts are recognized in the financial statements in accordance with the same principles as in the consolidated financial statements.

The non-recurring income in 2017 is related to the write-off of a VAT liability to the Luxembourg authorities for Q3/2015 related to Oriflame Cosmetics SA, Luxembourg, the former top holding entity.

16 • PROVISION FOR OUTSTANDING DIVIDENDS FROM CAPITAL CONTRIBUTION RESERVES

The provision for outstanding dividends from capital contribution reserves of CHF 25,596,977 is related to the remaining dividend approved during the AGM held on 4 May 2018 which will be paid in February 2019.

17 • FIXED ASSETS

Net book value (in EUR)	2018	2017
Property, plant and equipment	492	1,150
Fixed assets in leasing	84,428	–
Total	**84,920**	**1,150**

All leasing transactions are recognized on the balance sheet according to a substance over form basis with exception of short-term agreements (up to 12 months) and low value items. At the beginning of a lease contract, the value of the leased or rented object is capitalized as fixed asset; the same amount is recorded as leasing liability. The depreciation of fixed assets and the amortization of the leasing liabilities then take place over the leasing period.

18 • GUARANTEE

The Company is a member of a "Swiss VAT Group" ("the Group"). All companies in the Group maintain primary responsibility for their own VAT liability. However, in the event of non-compliance by any company in the Group, all companies within the Group assume joint and several responsibilities for any Swiss VAT liabilities.

Proposed appropriation Oriflame Holding AG, Schaffhausen

Proposed Appropriation of Available Earnings 2018	EUR	CHF
Accumulated loss brought forward	(82,443,780)	(89,998,236)
Profit for the period	47,401,189	54,753,114
Currency conversion reserves	–	21,792,551
	(35,042,591)	**(13,452,571)**

The Board of Directors proposes to the General Meeting of Shareholders to carry forward the profit of the year and the accumulated loss.

Proposed dividend distribution out of capital contribution reserve 2018	Capital contribution reserve EUR	Capital contribution reserve CHF	Other reserve from capital contribution EUR	Other reserve from capital contribution CHF
The Board of Directors proposes to the General Meeting of Shareholders the following dividend distribution out of capital contribution reserve				
Balance as of 31 December 2018	387,625,366	378,120,724	37,009,389	44,293,668
Proposed release of capital contribution reserve to other reserve from capital contribution	(112,698,554)	(127,000,000)	112,698,554	127,000,000
Balance to be carried forward	**274,926,812**	**251,120,724**	**149,707,943**	**171,293,668**

The Board of Directors proposes that (i) CHF 127,000,000 of the Company's "capital contribution reserve" (the Capital Contribution Reserve) be released and allocated to "other reserve from capital contribution" (the Dividend Reserve), (ii) a dividend in the amount of EUR 1.60 per outstanding share of the Company be distributed out of, and limited at a maximum to the amount of, such Dividend Reserve and paid in four instalments as follows: EUR 0.40 to the shareholders of record on 13 May 2019, EUR 0.40 to the shareholders of record on 15 August 2019, EUR 0.40 to the shareholders of record on 15 November 2019 and EUR 0.40 to the shareholders of record on 14 February 2020, and (iii) any amount of the Dividend Reserve remaining after payment of the final instalment be automatically reallocated to the Capital Contribution Reserve. Dividend payments shall be made with respect to the outstanding share capital of the Company on the record date for the applicable instalment, which amount will exclude any shares held by the Company or any of its direct or indirect subsidiaries.

The Board of Directors is seeking shareholder approval of a distribution of a dividend out of the Capital Contribution Reserve in an aggregate amount of EUR 1.60 per outstanding share of the Company, to be paid in four instalments as set out above. The payment is expected to occur within seven business days following each dividend record date. Unlike a dividend out of available earnings, a distribution out of the Capital Contribution Reserve in the form of a dividend is not subject to Swiss federal withholding tax.

The dividend payments will be made with respect to the outstanding shares of the Company on the record date for each applicable instalment, however excluding any shares held by the Company or any of its direct or indirect subsidiaries. The number of shares eligible for dividend payments may change due to the repurchase of shares, the sale of treasury shares or the issuance of new shares, including (without limitation) from the conditional and the authorized share capital reserved for the employee share incentive plan.

The Board of Directors is proposing that CHF 127,000,000 of the existing additional paid-in capital (which under Swiss law is referred to as Capital Contribution Reserve) be made available for purposes of the EUR 1.60 dividend per share by way of a release and allocation to the Dividende Reserve. Such allocation is required to be in CHF. Based on the number of shares outstanding as of 31 December 2018, the amount of the proposed aggregate dividend would be EUR 90,289,162. Accordingly, the Dividend Reserve of CHF 127,000,000 (EUR 112,698,554 based on the currency conversion rate as of 31 December 2018 of 1.1269 EUR/CHF) exceeds the aggregate dividend amount by about 25%.

The Board of Directors is proposing this excess amount in order to create a buffer to minimize any risk that any EUR-CHF exchange rate changes would reduce the EUR amount of the Dividend Reserve available for distribution. To clarify, the Board of Directors do currently not envisage any further issuance of new shares before the 2019 annual general shareholders' meeting other than the issuance of 191,672 additional shares to be issued during February 2019 and used for the delivery of achievement shares related to the 2016 investments under the Company's Share Incentive and Retention Plan, which vests during 2019.

In the unlikely event that, notwithstanding the allocation of this excess amount to the Dividend Reserve, the Dividend Reserve would for any reason be exceeded upon the occurrence of the payment date for a dividend instalment, the Company would be required under the terms of the proposed shareholder resolution to adjust the relevant instalment downward on a pro rata basis so that the aggregate payments do not exceed the Dividend Reserve. In any event, the dividend payment will not exceed a total of EUR 1.60 per share.

KPMG

Statutory Auditor's Report

To the General Meeting of Oriflame Holding AG, Schaffhausen

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Oriflame Holding AG, which comprise the balance sheet as at 31 December 2018, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 152 to 161) for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion
We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority
We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements
The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

KPMG

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Hélène Béguin Licensed Audit Expert Auditor in Charge	Kathrin Schünke Licensed Audit Expert

Zurich, 15 April 2019

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

Board and management

Board of Directors

Alexander af Jochnick

Chairman of the Board as of 2014. Board member as of 2007. Born in 1971.

Chair of the Remuneration Committee. Member of the Audit Committee. Member of the Nomination and Governance Committee.

BSc Stockholm School of Economics (Sweden).

Chairman of Postkodföreningen. Board member of Godel Sverige AB, NG Invest Alpha and Beta AB, Credus Management AB, SSE Russia Education AB and af Jochnick Foundation.

Shareholding in Oriflame at 31 December 2018*: 620,000.

Independent from the company but not independent from its major shareholders.

Anna af Jochnick

Board member as of 2018. Born in 1980.

Master of Laws (LL.M), Major in Business Law Lund University (Sweden).

No other board assignments.

Shareholding in Oriflame at 31 December 2018*: 233,400.

Not independent from the company or its major shareholders.

Robert af Jochnick

Board member as of 1970. Born in 1940. Co-founder of Oriflame.

LLB Stockholm University (Sweden), BSc Stockholm School of Economics (Sweden).

Chairman of the af Jochnick Foundation, Credus Management AB, NG Invest Alpha and Beta AB, Mint Capital Ltd. Board member of Medicover AB, Goodcause Foundation, Goodcause Holding AB and Research Institute of Industrial Economics.

Shareholding in Oriflame at 31 December 2018*: 4,185,999

Not independent from the company or its major shareholders.

Magnus Brännström

Chief Executive Officer (CEO) & President. Board member as of 2005. Born in 1966.

MSc Uppsala University (Sweden).

Chairman of World Federation of Direct Selling Associations. Board member of Ferronordic Machines AB and Profoto AB.

Shareholding in Oriflame at 31 December 2018*: 314,929.

Not independent from the company due to his role as CEO & President.

Mona Abbasi

Board member as of 2016. Born in 1973.

University education from Stockholm University (Sweden). Executive education from Stockholm School of Economics (Sweden) and Harvard Business School (US).

Senior Vice President, Group Communications, Brand & Marketing at Husqvarna Group.

No other board assignments.

Shareholding in Oriflame at 31 December 2018*: 0.

Independent from the company and its major shareholders.

Anders Dahlvig

Board member as of 2010. Born in 1957. Member of the Nomination and Governance Committee.

BSc Lund University (Sweden), MA Economics University of California (US). Chairman of the Board of Inter Ikea Holding BV. Board member of Kingfisher plc, Hennes & Mauritz AB, Axel Johnsson AB and Resurs Bank AB.

Shareholding in Oriflame at 31 December 2018*: 13,650.

Independent from the company and its major shareholders.

Anna Malmhake

Board member as of 2014. Born in 1966.

BSc Stockholm University (Sweden).

Chairman and CEO of The Absolut Company AB.

Shareholding in Oriflame at 31 December 2018*: 0.

Independent from the company and its major shareholders.

Gunilla Rudebjer

Board member as of 2018. Born in 1959.

Member of the Audit Committee.

MSc Stockholm School of Economics (Sweden)

Board member of Ambea, Optigroup and NCAB Group.

Shareholding in Oriflame at 31 December 2018*: 1,000

Independent from the company and its major shareholders.

Christian Salamon

Board member as of 1999. Born in 1961. Member of the Audit Committee.

MSc Royal Institute of Technology (Sweden), MBA Harvard Business School (US).

Chairman of NCAB Group and OSM Holding AB. Board member of Altor Fund Manager AB and the Sweden-America Foundation. Senior Advisor to eEquity.

Shareholding in Oriflame at 31 December 2018*: 20,000.

Independent from the company and its major shareholders.

Karen Tobiasen

Board member as of 2016. Born in 1965. Member of the Remuneration Committee and the Audit Committee.

BA Copenhagen Business School, E*MBA SIMI, Msc Gestalt Akademin, Stockholm.

Chief People Officer & Head of Group People at Nordea Bank AB (publ).

No other board assignments.

Shareholding in Oriflame at 31 December 2018*: 0.

Independent from the company and its major shareholders.

* *Shareholding may include holdings of related entities and immediate family members as per the IFRS definition of related parties.*

Corporate committee

Magnus Brännström

Chief Executive Officer (CEO) & President. Member of the Board of Directors.

Born in 1966.

Chairman of World Federation of Direct Selling Associations. Board member of Ferronordic Machines AB and Profoto AB.

Shareholding in Oriflame at 31 December 2018*: 314,929.

Jesper Martinsson

Deputy CEO, Head of Global Business Areas CIS, Latin America and Geographical Expansion.

Born in 1966.

Board member of several Oriflame companies.

Shareholding in Oriflame at 31 December 2018*: 319,500.

Gabriel Bennet

Chief Financial Officer (CFO).

Born in 1968.

Board member of several Oriflame subsidiary companies.

Shareholding in Oriflame at 31 December 2018*: 30,000.

* Shareholding may include holdings of related entities and immediate family members as per the IFRS definition of related parties.

Group management

Magnus Brännström

Chief Executive Officer (CEO) & President, Member of the Corporate Committee

Gabriel Bennet

Chief Financial Officer (CFO), Member of the Corporate Committee

Michael Cervell

Senior Vice President Group Strategy & Business Development

Thomas Ekberg

Senior Vice President, Head of Global Business Area Asia & Turkey, Head of Greater China

Niklas Frisk

Senior Vice President, Head of Global Business Area Europe & Africa, Head of Central Europe

Alexandra de Greck

Vice President Product Marketing

Emma Hågemo

Vice President Research & Development

Jesper Martinsson

Deputy CEO, Head of GBAs CIS, Latin America and Geographical Expansion, Member of the Corporate Committee

Johan Rosenberg

Senior Vice President and Head of Commercial Division

Antonia Simon-Stenberg

Vice President Sustainability, Quality Management & Packaging Development

Financial calendar 2019

- 2019 Annual General Meeting: 9 May 2019
- First quarter 2019 report: 9 May 2019
- Second quarter 2019 report: 8 August 2019
- Third quarter 2019 report: 7 November 2019

Distribution principles

The Annual Report is available at www.oriflame.com, in addition to interim reports, previous annual reports and other financial material.

Oriflame investor relations contact

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This annual report is produced by Oriflame Cosmetics AG
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Report and information available at
www.oriflame.com