2019 Annual report

ORIFLAME SWEDEN

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Oriflame is one of the leading international beauty companies selling direct in more than 60 countries across Europe, Africa, Asia and Latin America. Since its foundation in 1967, by brothers Jonas and Robert af Jochnick and their friend Bengt Hellsten in Stockholm, Sweden, the company has remained true to the original concept of beauty inspired by Swedish nature and entrepreneurial spirit. Its portfolio of Swedish, nature-inspired, innovative beauty products is marketed through approximately 3 million Independent Beauty Consultants, generating annual sales of around €1.3 billion. For more than 50 years the company has developed an ability to navigate local markets and macroeconomic challenges – adjusting its agile operating model accordingly. Respect for people and nature underlies Oriflame's operating principles and is reflected in its ambitious social and environmental policies. The wide geographic footprint combined with a direct selling business model and strong corporate culture form the foundation for long-term growth.

This is Oriflame

Our mission

To fulfil dreams

Our values

Togetherness, Spirit and Passion

The Oriflame community is united by strong shared values. They have guided the company, the culture and the decisions made for a long time and will continue to guide Oriflame in the future.

Our business model

Oriflame operates as a direct selling business, selling its products through social selling and an expansive online platform. Oriflame's products are marketed and distributed by approximately 3 million Independent Beauty Consultants, who are offered a combined beauty and business opportunity: Make money today and fulfil your dreams tomorrow.

Our geographical platform

The business is divided into four geographical regions: CIS, Europe & Africa, Asia & Turkey and Latin America. With six strategic markets: China, Russia, Indonesia, Mexico, India and Turkey.

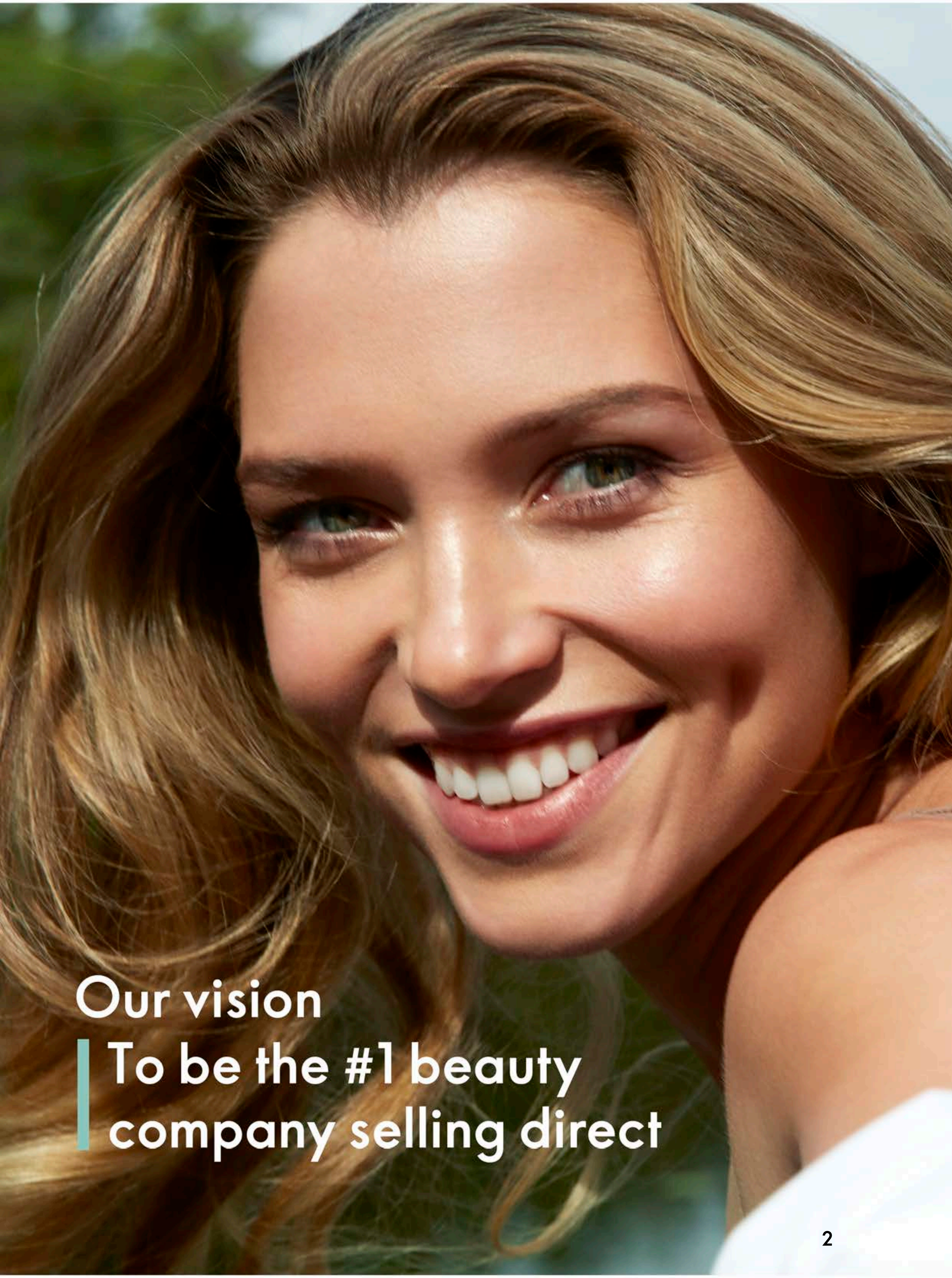
Our production

There are six production facilities in Poland, Russia, China and India to provide cost-efficient production and high-quality products across the geographic footprint.

Our brand positioning

Beauty by Sweden

What makes Oriflame unique is its Swedish approach to offering beauty and business to people around the world. Oriflame's high quality products are affordable, inspired by nature and powered by science.
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. As the only Swedish brand in the global beauty arena selling direct, Oriflame holds a unique position.


Our vision
To be the #1 beauty company selling direct

2019 in brief

Sales in over **60** countries

€1.3b in sales

Founded in **1967**

6,152 full-time equivalent employees

3.0m Independent Beauty Consultants

11.3% adjusted operating margin

96% of all orders placed online

6 different product categories

~1,000 products

"Year after year, our business model has proved itself to be strong, agile and value creating – facing challenges with an open mind

Balancing challenges
2019 was another year with mixed performance for Oriflame, where the challenges in some of the markets in Asia & Turkey remained difficult throughout the year, while the positive development in many of our other geographical areas to a large extent balanced the overall impact on the group. The strategic product category Skin Care again proved to be the largest contributor to sales and the Wellness category continued to perform well despite the challenges in Asia. I am proud to note that Oriflame's ongoing work in the sustainability area continued to receive appreciation for the company´s ambitions and achievements. All in all – a year when Oriflame's online social selling business model yet again proved itself to be strong, agile and value creating despite the challenges we faced in 2019.

And the challenges continue into 2020. We will be impacted and suffer from the consequences of the COVID-19 virus being spread around the globe starting in 2020. It will affect our ability to conduct physical meetings and recognition conferences, and puts constraints on the supply chain and order fulfilment. Being a true people's business we are committed to the health and safety of our employees, consultants and consumers, and we focus on actions to help limit further spread of this virus in society. We are following the situation closely and adapt our actions according to local government advice and regulations, whilst at the same time striving to mitigate any disruptions to our business as well as taking the necessary action to secure a financially strong company. The successful digitalization of Oriflame's business is supporting our consultants with the latest of technology tools offering a modern way of social selling. Now being a private company Oriflame has the right support to continue to take responsible steps to drive sales, with emphasis on improved cost efficiency, profitability and cash flow. Our culture of togetherness, spirit and passion keeps our global community united and connected. I am positive, that we will get through the challenging times and come out stronger together on the other side!

Magnus Brännström

Magnus Brännström, CEO & President

Financial highlights

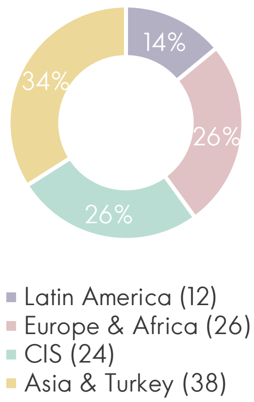
2019 was another year with mixed performance for Oriflame, where the challenges in some of the markets in Asia & Turkey remained difficult throughout the year, while the positive development in other regions to a large extent balanced the overall impact on the group.

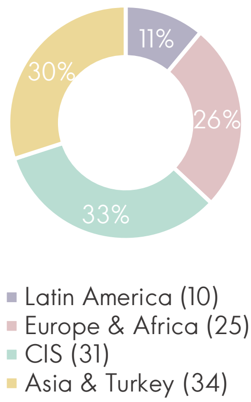
- **Local currency sales decreased by 3% and euro sales decreased by 2% to €1,258.3m (€1,278.8m).**
- **Adjusted operating margin was 11.3%* (12.0%), favourably impacted by 50 bps from currencies, and adjusted operating profit was €141.8m *(€153.1m).**
- **Adjusted net profit was €91.5m* (€95.4m).**

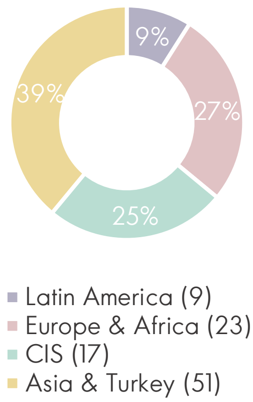
Financial summary (€m)	12 months ended 31 December 2019	2018	Change %
Sales	1,258.3	1,278.8	(2%)
Gross margin, %	68.1	69.2	
Adj. EBITDA	181.2*	199.6	(9%)
Adj. EBITDA margin, %	14.4*	15.6	
Adj. Operating profit	141.8*	153.1	(7%)
Adj. Operating margin, %	11.3*	12.0	
Adj. Net profit	91.5*	95.4	(4%)
Adj. Cash flow from operating activities	133.7*	123.9	8%
Adj. Cash flow before servicing debt	105.2*	100.9	4%

* *Excludes non-recurring items as stated in the note 27 of the consolidated financial statements.*

Regional sales	Independent Beauty Consultants	Operating profit

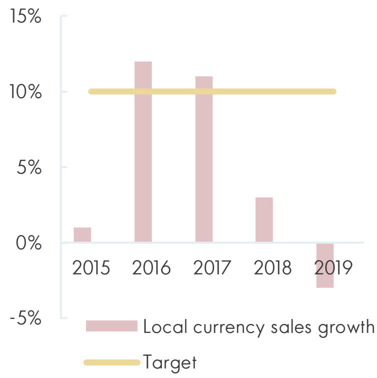






Local currency sales growth

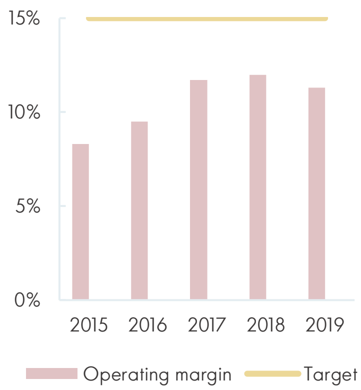
Oriflame aims to achieve local currency sales growth of approximately 10% per annum.



In 2019, local currency sales decreased by 3%, which was below the company's long-term financial target.

Operating margin

Oriflame aims to achieve an operating margin of 15%.



The adjusted operating margin decreased to 11.3%, down from 12.0% the year before. The adjusted operating margin was favourably impacted by 50 bps from currencies.

Sustainability achievements

Opportunity for Consultants, Respect for Nature and Passion for People are the key strategic focus areas within the company's sustainability framework. The aim is to make the business opportunity worthwhile for the Consultants, whilst at the same time respecting the environment and any people who are impacted by Oriflame's business. During the year, Oriflame's sustainability efforts continued to progress and new achievements were made, some of them highlighted below.

In 2019, the company continued to distribute bonuses and other forms of recognition to its Consultants. During the year more than €350 million 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 materials by 2020. During 2019, a result of 100% was reached. Oriflame will continue its focus 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 per sales by 50% since 2010. The company's emissions have so far decreased by 37%. This is mainly due to investments in renewable electricity, energy efficiency measures and decreased travelling. In absolute terms this relates to a 48% emission reduction since 2010. For those emissions that could not be reduced in 2019, Oriflame climate compensated in reforestation and forest conservation projects, which makes the company's operations climate neutral.

During the year, Oriflame started its journey to develop and get approved Science Based Targets, which means that the company's greenhouse gas emission targets will be aligned with the Paris agreement target of 1.5 degree Celsius increase of temperature vs pre-industrial levels.

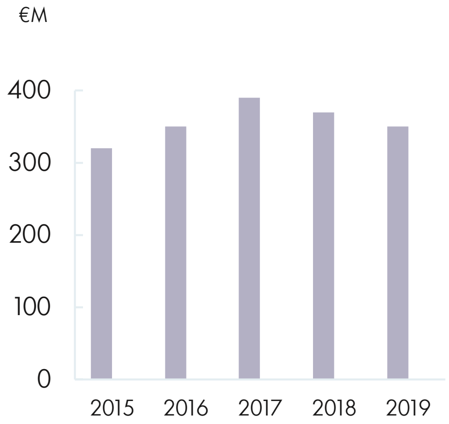
Oriflame believes that a mix of genders, nationalities and cultures performing on equal terms leads to better decisions, ideas and products. By 2020, the goal is to ensure that the minority gender represents no less than 40% in the global management team. This target was achieved in 2019, with 43% women and 57% men in the global management team.

The "Walking the talk" report, developed by the Mistra Center for Sustainable Markets at the Stockholm School of Economics, placed Oriflame in shared second place among the 95 largest companies at Nasdaq Stockholm in terms of systematic sustainability work – the "walk" component of "walking the talk".

In the annual corporate sustainability ranking by Corporate Knights, Oriflame ranked 8th out of 53 companies in the Personal Care and Cleaning Products industry group. This placed Oriflame in the top 4% among 7,396 rated companies.

Opportunity for Consultants

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

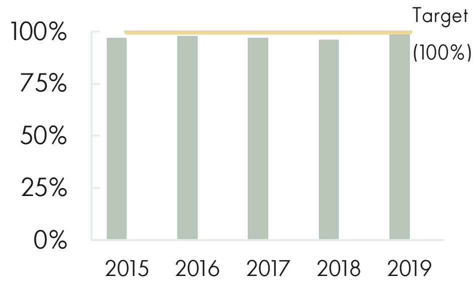


Comment
In 2019, more than €350 million was distributed, a decrease from €370 million in 2018. The reduction was primarily due to the change in geographical mix as well as lower plan recognition costs in Asia and Turkey due to lower sales.

Respect for nature

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

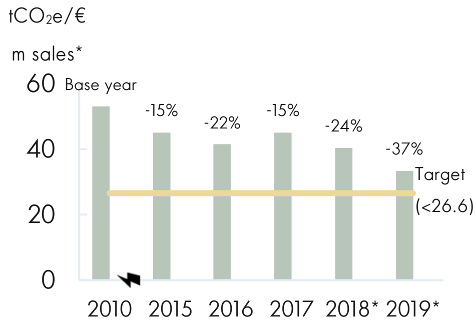
*Source is defined as the paper mill



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

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

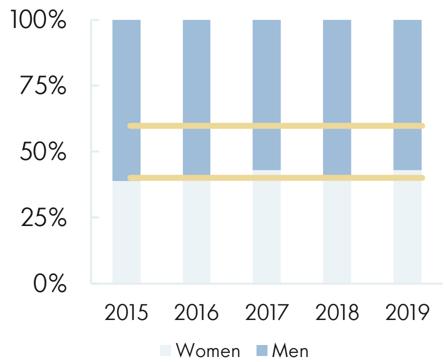
*From 2018 IFRS 15 was implemented and had a negative impact on sales levels compared over time



Comment
Since 2010, we have reduced our emissions per sales by 37%. This is mainly due to our investment in renewable electricity, energy efficiency measures and decreased travelling.

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 in 2019, with 43% women and 57% men in the global management team.

For more sustainability targets, please see the 2019 Sustainability Report

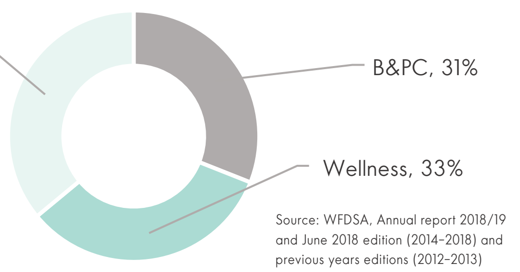
Industry

In the direct selling business model, products are sold to end-consumers by independent representatives through in-person or online sales in a non-retail environment. The concept is premised on primarily high-margin, frequent-purchase product groups, providing market access to quality products in areas underpenetrated by the traditional retail channel, while offering an earnings opportunity to Independent Beauty Consultants.

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.

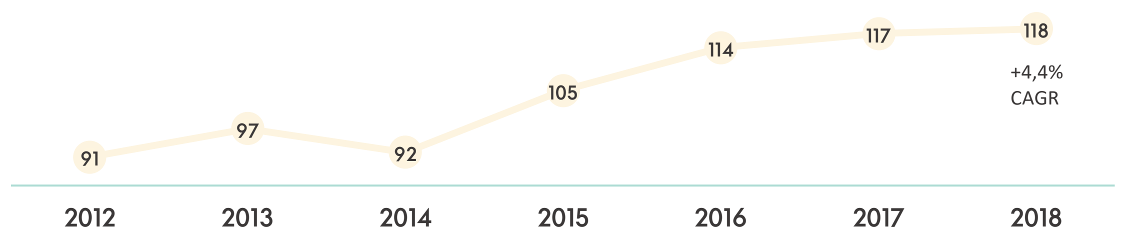
Wellness and Beauty & Personal Care are the most attractive categories within direct selling

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, Annual report 2018/19 and June 2018 edition (2014–2018) and previous years editions (2012–2013)

Global direct selling independent sellers (in millions)



Source: WFDSA, Annual report 2018/19 and June 2018 edition (2014–2018) and previous years editions (2012–2013)

Strategy

1 Focus on Skin Care and Wellness, and an optimized product portfolio, to drive positive product mix

The main parts 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 and by premiumizing the product portfolio. Oriflame aims to continue the development of a positive mix across the business by balancing the geographical footprint and product offering, mainly driven by the focus on Skin Care and Wellness. A continued focus on Skin Care and Wellness contributes to profitability by driving sales and increased margins. These strategic product categories create brand value and loyalty which, in turn, contributes to increasing productivity and income opportunities for the Independent Beauty Consultants.

2 Strengthen the business opportunity for the Independent Beauty Consultants to drive growth in recruitment, retention and productivity

Oriflame's aim is to offer a credible income source that is sustainable for the Independent Beauty Consultants over long-term. Oriflame intends to continue to improve the earning opportunities for the Consultants by increasing focus on higher sales per customer contact, particularly by focusing on Skin Care and Wellness sets and daily routines offered at good value. There is a continued focus on business development opportunities, in particular for the top performing Independent Beauty Consultants, by continuing to improve the digital content and integrated suite of attractive and modern business tools. In addition, the aim is to nurture a sense of belonging such that the Beauty Consultants feel part of the Oriflame global community as the company believes a strong corporate culture is a key differentiator.

3 Further penetration of existing markets and exploration of opportunities to enter into new markets

Oriflame will focus on further penetration of the markets in which it currently operates, with an emphasis on its six strategic markets: China, Russia, Indonesia, Mexico, India and Turkey. Oriflame aims to achieve sales growth driven equally by growth in the number of Independent Beauty Consultants and by growth in productivity. This will be achieved by focusing on Skin Care and Wellness as well as responding to new consumer trends and expanding the digital platform. Furthermore, Oriflame continues to evaluate the entrance into new markets primarily through organic expansion.

4 Further increase profit margins through targeted manufacturing efficiency

Oriflame aims to further improve the capacity utilization in manufacturing through various supply-chain efficiency measures, such as growing the insourcing external volumes, adding new technologies as well as reaching new target customer groups in other distribution channels and geographies. Oriflame plans to continue to increase the production capability in order to continue to grow the in-house production, which contributes to increased margins.

5 Continue to utilize Oriflame's asset-light model, reduce overhead costs and focus on deleveraging over time

Through a combination of organic sales growth and cost control, Oriflame aims to achieve further leverage on its assets and overhead costs. The asset-light company structure allows for low and stable maintenance capital expenditures, which combined with efficient working capital management, supports flexibility in order to adapt towards market changes and the increasing digitalization of the industry. Oriflame intends to continue to utilize its low capital-intensive start-up costs to allow expansion, switch or reduction of its operations when it is beneficial to do so. Oriflame is committed to continued, strong cash flow generation in order to achieve its long-term financial targets delivering on the envisaged growth strategy.

Business Model

Oriflame operates as a direct selling business, distributing its products through social selling and an expansive online platform. The sales process is a hybrid of online and offline channels, with increasing moves towards online sales. In 2019, approximately 96% of orders were placed online. Oriflame operates on an Independent Beauty Consultant-centric approach, with initiatives shaped from the perspective of empowering Independent Beauty Consultants to sell, recruit customers and manage their businesses using the latest digital tools.

Oriflame's products are marketed and distributed by approximately 3 million Independent Beauty Consultants located in more than 60 countries.

Benefits of a Trust-Based Purchase
Social selling is a key part of the Oriflame business model with a goal to make selling easy and enjoyable for the Independent Beauty Consultants. Once an Independent Beauty Consultant joins the sale force, they are provided a starter kit that includes guidance on how to begin selling. All Independent Beauty Consultants buy products directly from Oriflame.

Retail (bricks and mortar, online)

Social selling

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

- 96% of purchases online
- Consultants use the latest online tools to deliver personalized 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

Strengths

We have identified several strengths that we believe have enabled our success historically and are key factors in our efforts to deliver future profitable growth.

1. A major Beauty, Personal Care and Nutrition company in the growing global direct-selling market, focused on the fast-growing daily-use product categories, such as personal care and wellness
2. Diversified geographic footprint with an emphasis on six strategic markets: China, Russia, Indonesia, Mexico, India and Turkey
3. Agile operating model with proven ability to adapt to changes in regional customer trends, regulatory environments or other exceptional challenges
4. Wide, dynamic and high-quality product assortment across six complementary product categories, each serving a specific purpose in the product portfolio, with an emphasis on the strategic categories of Skin Care and Wellness
5. A digitally enabled sales model with leading digital tools to enable Beauty Consultants to sell and register new consultants online
6. Attractive financial profile with a primarily variable cost base, operating profit margin resilience and strong cash flow conversion
7. Long-term commitment from the founding af Jochnick family and a strong management team with an unparalleled combined experience
8. Strong corporate culture of Togetherness, Spirit and Passion that unites the global community of employees and consultants is fundamental when navigating through changes.

Value Creation

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

Value created 2019

Oriflame´s business model delivers financial value
Adjusted operating margin: 11.3%
Consultant bonus and performance discounts: €350m
Social security, pension and corporate income tax expenses: €68.7m

Oriflame enables people to change their lives for the better
Personal benefits of direct selling – strongly agree/tend to agree (Source Seldia 2018):
It is a good way to earn additional income: 81%
It enables me to meet new people: 85%
It had 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 workplace
Women represent 43% of the global management team
44 nationalities in the six global support offices
3.2 occupational injuries per million hours worked in manufacturing
3.5 occupational injuries per million hours worked in non-manufacturing

Oriflame creates products that bring beauty and wellbeing
Number of products: ~1000
Pair of lips made beautiful by Oriflame lipsticks: ~5.5 billion
Number of days started with a vitamin- and mineral supplements intake: ~37 million

Oriflame develops new products and builds a strong brand
Share of new products in total product portfolio: ~1/3
Oriflame brand tracking (Consultants): 85% out of 100% (83% in 2018)

Oriflame´s improved environmental footprint
GHG emissions development per sales vs 2010: -37%
Paper packaging, product leaflets and catalogues from credible certified sources or recycled materials: 100%
Certified sustainable palm oil by physical supply chain/RSPO Book & Claim Credits: 76%/24%

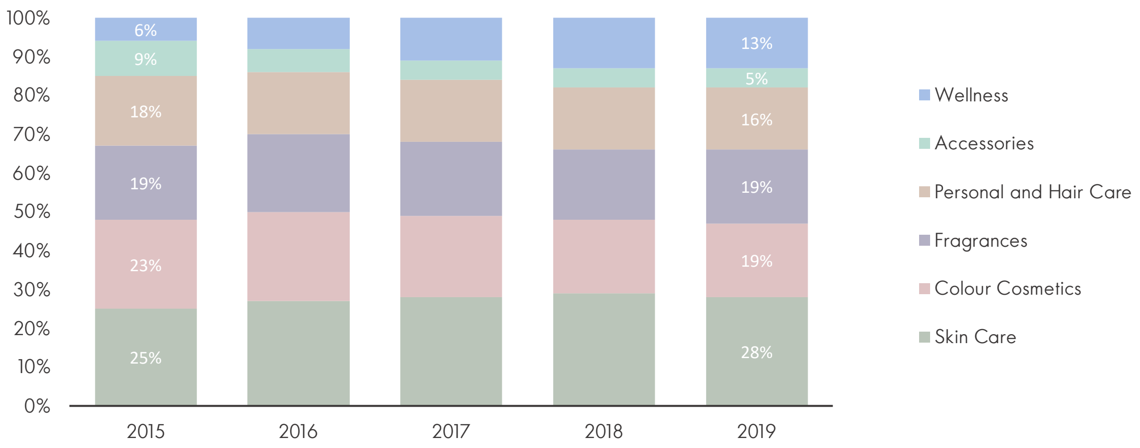
Products

Oriflame´s product offering builds on more than five decades of Skin Care and cosmetics expertise, combining innovation and inspiration from nature. Oriflame provides a broad range of high-quality products for everyday use at affordable prices.

Product offering

Skin Care	Cleansers, toners, moisturizers, specified face treatments, sun protection and male skin care.
Wellness	Vitamins and dietary supplements, nutritional shakes, weight management and wellbeing products.
Color Cosmetics	Lipsticks, foundations, eye shadows, mascaras, powders, bronzers and nail colors.
Fragrances	Perfumes, colognes, eau de toilettes and body sprays
Personal & Hair Care	Shampoos, conditioners, toothbrushes and toothpastes, bath and shower gels, deodorants, hairspray and hair treatments.
Accessories	Non-cosmetic products such as bags, sunglasses, brushes, gifts and jewelry.

The graph below illustrates the consolidated sales by product category for the year ended



Product launches during 2019

During the year, the strategic product categories of Skin Care and Wellness performed well. The main initiatives within ***Skin Care*** were the introduction of the new *Ecollagen Wrinkle Power*, the introduction of the new *Love Nature* sheet masks and within NovAge *the Neck & Décolleté Advanced Sculpting Serum*! And *Men High Definition Shaving Gel* and *Soothing Aftershave Gel*. Sales within ***Wellness*** was primarily driven by set sales, and the *Aqua Glow Ceramosides*^{TM} *and Lingonberry* was introduced during the year – a dietary supplement drink to complement the skin care routine. In ***Colour Cosmetics***, the new value tier brand *OnColour* was presented to the market and within the *GIORDANI GOLD brand, the Metamorphosis Foundation* and the *Magnifying Metal Lash Mascara* were introduced and *the Bronzing Pearls* was relaunched.

The performance in the ***Fragrance*** category was primarily driven by new products. Key launches during the year included *Magnetista EDP, Glacier Fire, Dare to Shine and Radiant Rose Collection* and *GG Essenza Sensuale*. *Eclat Style Parfum* for men was also introduced. In ***Personal and Hair Care***, the *North For Men URBAN* collection was introduced, consisting of hair- and body wash, shaving foam and soap bar and the new brand *Feel Good* was also introduced, consisting of Eau de Toilettes, shower gels and shower mousses.

Product Development

Oriflame place strong emphasis on innovation and product development, and the product portfolio has historically been characterized by a high proportion of new products. Skin Care and Wellness are focus of the product development. Significant emphasis is placed on the raw material portfolio to ensure all cosmetic ingredients are sourced, extracted and used in a way that is respectful of nature. Ingredients from endangered sources are never used and products are not tested on animals.

Research and Development

Oriflame employ approximately 100 scientists in Dublin, Ireland and Stockholm, Sweden, who are engaged in research and development activities to evaluate and improve our existing range and develop new products. All raw materials are screened under strict European requirements and independent third parties are employed to supplement the in-house skills with specialized knowledge and assistance in testing new products.

Why focus on Skin Care and Wellness 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

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

Online

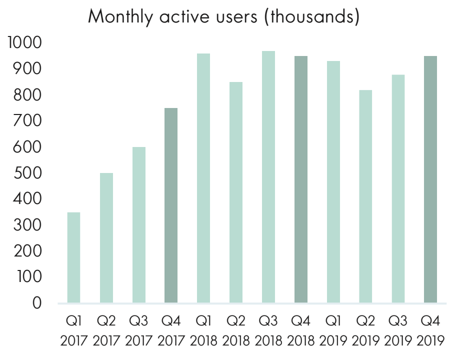
As part of the global digital transformation, the business model is evolving and now largely comprises an online model. The online services promote an ability to communicate with the Independent Beauty Consultants, to deliver marketing information, to drive online ordering and to enhance end consumer retention. During the year ended December 31, 2019, 96% of global orders were placed online as compared to 38% in 2008, with approximately 55% of those orders placed through a mobile device in 2019.

The Independent Beauty Consultants use the online platform to expand their network and leverage the power of personal recommendations online, for example by sharing inspiring and insightful beauty content with their friends through social media, connected to a relevant and attractive product. Products are either delivered personally by an Independent Beauty Consultant or shipped directly to the customer from one of Oriflame's distribution centers.

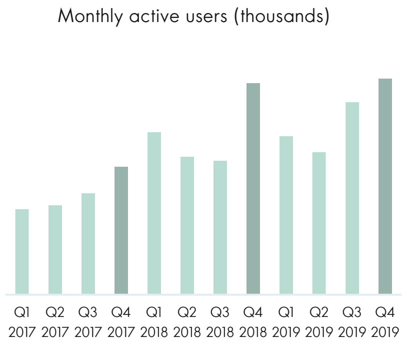
Oriflame Website
Our website allows customers and Independent Beauty Consultants to purchase the full range of products online. There is an established cloud based business and customer support, improving the digital experience of the customers and Independent Beauty Consultants through the ability to manage their accounts, orders and subscriptions online. The website contains detailed product descriptions and products can be shared directly via the website to various social media platforms. The website had 67 million unique users and 2.6 billion page views in 2019 as compared with 21 million unique users and 1.5 billion page views in 2008.

Oriflame Apps
The Oriflame app contains daily product updates, offers, beauty inspiration and expert advice and allows consumers to manage their account and orders. The Oriflame Business app allows Independent Beauty Consultants to manage their business through the tracking of personal goals, bonus points and reward points as well as growing and developing their network. The Oriflame Makeup Wizard app allows the user to virtually try on a range of Color Cosmetics using the device camera and advanced face tracking functionality prior to purchase. The Oriflame Skin Expert app supports the recommendation of advanced Skin Care based on a particular concern and need. As of December 31, 2019, the Oriflame app and Oriflame Business app had approximately 1 million active monthly users and approximately 500,000 active monthly users, respectively as compared to none in 2008.

The Oriflame app



The Oriflame Business app



Social Media

Social media presence is an increasingly important channel to the direct selling market and an important part of consumer awareness and information. The company's social media presence includes platforms on Facebook, YouTube, Instagram and WeChat. The Facebook page has approximately 10 million fans and there are around 500,000 followers on Instagram. The company's YouTube channels offer regional content spanning make-up tutorials, new beauty products, insights from the sales force and tools for Independent Beauty Consultants to grow their business. In China, a significant portion of the business is conducted through WeChat.

Marketing and Community Outreach

Oriflame aims to market a premium image to a mass audience, with the message of affordable luxury and looking good, made easy. A differentiator is to communicate a positive Swedish image of ''sharing'' and ''togetherness'' to distinguish our products from others in the cosmetics industry. The comprehensive product range is targeted at men and women of all ages. The primary mode of advertising is by word of mouth, either in-person or via our Independent Beauty Consultants' self-generated social media content. In addition there is limited television, print and billboard advertising in selected countries in order to further support our brand image.

Supply chain

Oriflame has a centralized supply chain network, automated pick-and-pack operations and six regional hubs, which support the local sales markets, ensure product availability as well as optimize costs, greenhouse gas emissions and energy consumption. Globally, Oriflame run service centers, where Independent Beauty Consultants can place, pay for and collect their orders. Alternatively, Independent Beauty Consultants can visit an Independent Beauty Consultant-run service point, which are located throughout the markets, or place their orders via online channels.

Oriflame's global product availability, measured as the total number of units ordered by Independent Beauty Consultants compared to the number of units shipped to Independent Beauty Consultants, has remained on average above 93% since 2012. Depending on the location, a majority of the orders are delivered to Independent Beauty Consultants within 24 to 72 hours.

Supply chain

The supply chain starts with the purchase of raw and packaged materials. After manufacturing, the finished goods are transported by way of two different distribution models: either to the Global Distribution Hub in Poland or directly to local warehouses. From the Global Distribution Hub, the products are distributed further to Global Distribution Centers or to the country warehouses. Global Distribution Centers serve several markets and the products are picked, packed and sent directly to country warehouses, consolidation points or to the customers. The products from the country warehouse are sent directly to customers. The final stage in the supply chain is the distribution channel, and the selected channel is dependent on whether the manufacturer is in-house or a third party, the product and the geographic region.

The following table illustrates the supply chain:

Distribution
To manage distribution there is a central warehouse in Poland and Global Distribution Centers in Poland, Ukraine, Hungary and Russia. The Global Distribution Centers are the main inventory holding points for the majority of the stock, serve the immediate service centers and pick-and-pack individual Independent Beauty Consultant orders for Independent Beauty Consultants service points, home deliveries and pick-up points. In the rest of the world, the local markets have their own warehouses that are served either from the central warehouse in Poland or directly from the local in-house manufacturing facilities.

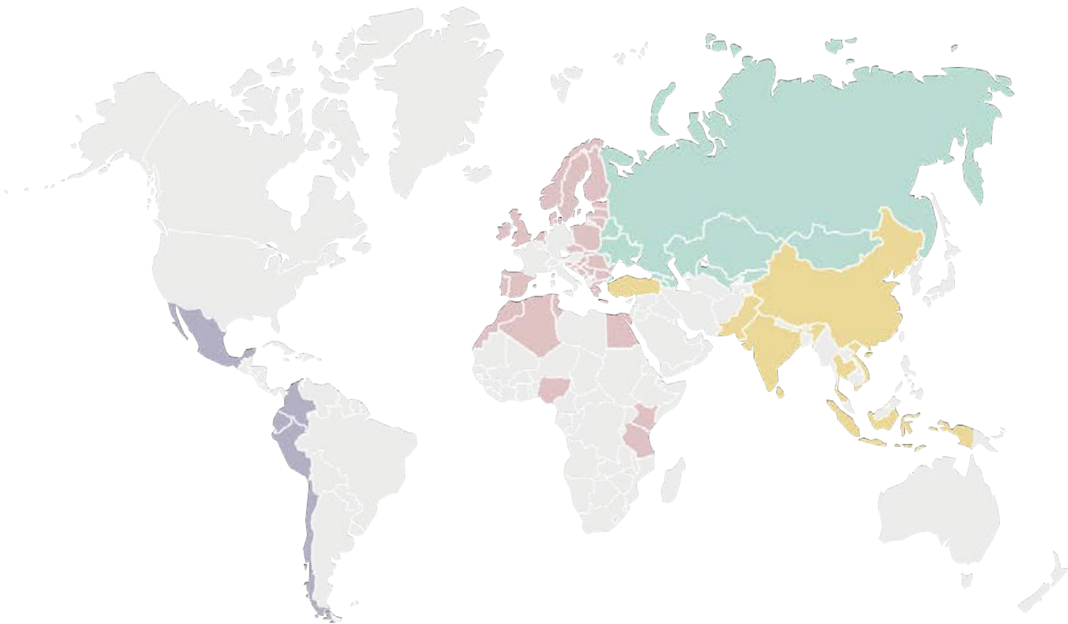
Production
The products are manufactured either by the company's own manufacturing facilities or by third-party manufacturers, depending on where they can be produced most efficiently. Oriflame maintains six factories located in China, India, Poland and Russia and approximately 60% of the products are manufactured in-house. The remaining part is outsourced to independent subcontractors and suppliers in Europe, Russia and Asia.

The maintenance of in-house manufacturing capabilities allows flexibility to support sales growth by controlling the growth and development of high margin products as well as supporting quality control and manufacturing turn-around times. The Oriflame 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.

In addition, Oriflame has implemented various initiatives to achieve more efficient manufacturing and capacity utilization, including insourcing of volumes that previously were outsourced, manufacturing products for third parties, adding new technologies and leveraging the manufacturing assets with external volumes. In 2019, Oriflame entered into new contracts to continue to expand the third party manufacturing volumes.

Geographic markets

Oriflame is present in more than 60 markets, including markets operated by franchisees, divided into four geographic markets. During 2019 sales decreased by 2% to €1,258.3 million mainly due to Asia & Turkey offset by positive development in Latin America, Europe & Africa and CIS. Local currency sales increased by 11% in Latin America, by 4% in CIS and by 1% in Europe & Africa and decreased by 15% in Asia & Turkey. The six strategic markets in which Oriflame plan to focus its resources and investments in order to grow the global business are China, Russia, Indonesia, Mexico, India and Turkey.



Strategic Markets:			
	Mexico	Turkey	China
	Russia	India	Indonesia

Latin America

Since 1989 Oriflame is present in Latin America, with current presence in Chile, Colombia, Ecuador, Mexico and Peru. While the macroeconomic environment in many countries in Latin America has been difficult since 2015, following currency deflation in certain countries in Latin America, this is still a key growth area for the company, managing to increase sales by over 12% annualized average growth for the last 15 years.

2019 development in brief

- Local currency sales rose by 11% and euro sales increased by 14%
- Independent Beauty Consultants increased and amounted to 0.3 million Oriflame Consultants
- The adjusted operating margin was 10.1%* (12.3%)
- Positive performance, driven by Peru, followed by Mexico and Ecuador, thanks to higher sales force and strong productivity.

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.

* Excludes non-recurring items as stated in the note 27 of the consolidated financial statements on page 94.

Europe & Africa

This is the original region of the group, today consisting of Algeria, Bosnia, Bulgaria, Croatia, Czech Republic, Denmark, Egypt, Estonia, Finland, Greece, Holland, Hungary, Kenya, Kosovo, Latvia, Lithuania, North Macedonia, Montenegro, Morocco, Nigeria, Norway, Poland, Portugal, Romania, Tanzania, Tunisia, Serbia, Slovakia, Slovenia, Spain, Sweden and UK/Ireland. This region has a large variety of markets as Europe is more mature and the markets in Africa are more underdeveloped. Focus in the more mature markets is to develop training and recruiting in order to further boost sales and productivity.

2019 development in brief

- Local currency sales rose by 1% and euro sales increased by 1%
- Independent Beauty Consultants were stable around 0.8 million Oriflame Consultants
- The adjusted operating margin was 15.5%* (15.1%)
- Positive sales development in Africa primarily driven by Nigeria while Europe declined due to sales force and activity reduction.

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

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.

CIS

CIS has for almost 30 years been an important region for the group. In 2019 Oriflame had presence in Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Russia and Ukraine. Since 2012, there has been a material decline in revenue originating from Russia, primarily as a result of ruble devaluation. After a brand repositioning to a higher-end position with a more digital offering, Oriflame has attracred a younger, more tech savvy generation to the brand which has led to a turnaround with gained market shares and healthier sales development.

2019 development in brief

- Local currency sales decreased by 4% and euro sales decreased by 6%
- Independent Beauty Consultants were 1.0 million Oriflame Consultants
- The adjusted operating margin was 15.0%* (11.8%)
- Positive sales growth and significantly improved operating margin, despite tough market conditions, driven by growth in recruitment and productivity, supported by succesful product launches and changes to the sales incentive schemes.
- Uzbekistan commenced sales operations in the third quarter and the best performing markets were Azerbijan and Ukraine.

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.

Regional Office in Moscow (Russia).

Catalogue creation of CIS catalogue. Russia and CIS markets printed in Ukraine.

Asia & Turkey

Oriflame entered Asia in 1986, and currently have operations in China, India, Indonesia, Vietnam, Turkey, Pakistan, Sri Lanka and Thailand. After several years of strong growth, 2019 saw a slowdown in sales due to regulatory changes negatively impacting the direct sales sector in China and Vietnam. Also in Turkey and Indonesia we faced more challenging market and macroeconomic conditions which contributed to the decline of sales of the business area. India recorded a healthy double digit growth driven by good leadership development and higher activity levels among sales consultants.

2019 development in brief

- Local currency sales decreased by 15% and euro sales decreased by 14%
- Independent Beauty Consultants decreased to 0.9 million Oriflame Consultants
- The adjusted operating margin was 17.7%* (22.6%)
- Regulatory changes negatively impacted sales in China and Vietnam

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.

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.

* Excludes non-recurring items as stated in the note 27 of the consolidated financial statements on page 94.

Sustainability

> "Sustainability is core to who we are as a company – it is integral to our Swedish heritage, our brand and our mission to fulfill dreams. Our long-term commitment to sustainability is also reflected in our Beauty by Sweden brand positioning – beauty is about more than how you look, it's about how you feel, live and act."

Taking action to increase the company's positive impact on people's lives while reducing any negative impact on the environment is a key part of our sustainability strategy. This combination is fundamental to our sustainability strategy's three core areas: Opportunities for Consultants, Respect for Nature and Passion for People.

This detailed strategy taps into the very heart of the Oriflame business model, where opportunities provided to 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 environmental impact focuses on actions that offer the greatest opportunity and possibility to achieve change. Recent developments in relation to climate change and loss of biodiversity indicate that achieving fundamental change is more urgent than ever. Our 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 any negative impact resulting from the business.

There has also been an increased interest in sustainability among employees, investors and Consultants. Being in a position to meet their expectations of Oriflame as a company is very important to us. In fact, for all of the reasons mentioned above, delivering on our sustainability strategy is vital.

Oriflame's three core areas are underpinned by 12 sub-areas which contain 44 targets with different time horizons, with most new targets set for 2025. Oriflame has also created a number of 2030 targets to align the company with the UN Sustainable Development Goals and to push its sustainable initiatives even further.

Read more in the Oriflame Sustainability Report at www.oriflame.com.

Opportunity for Consultants

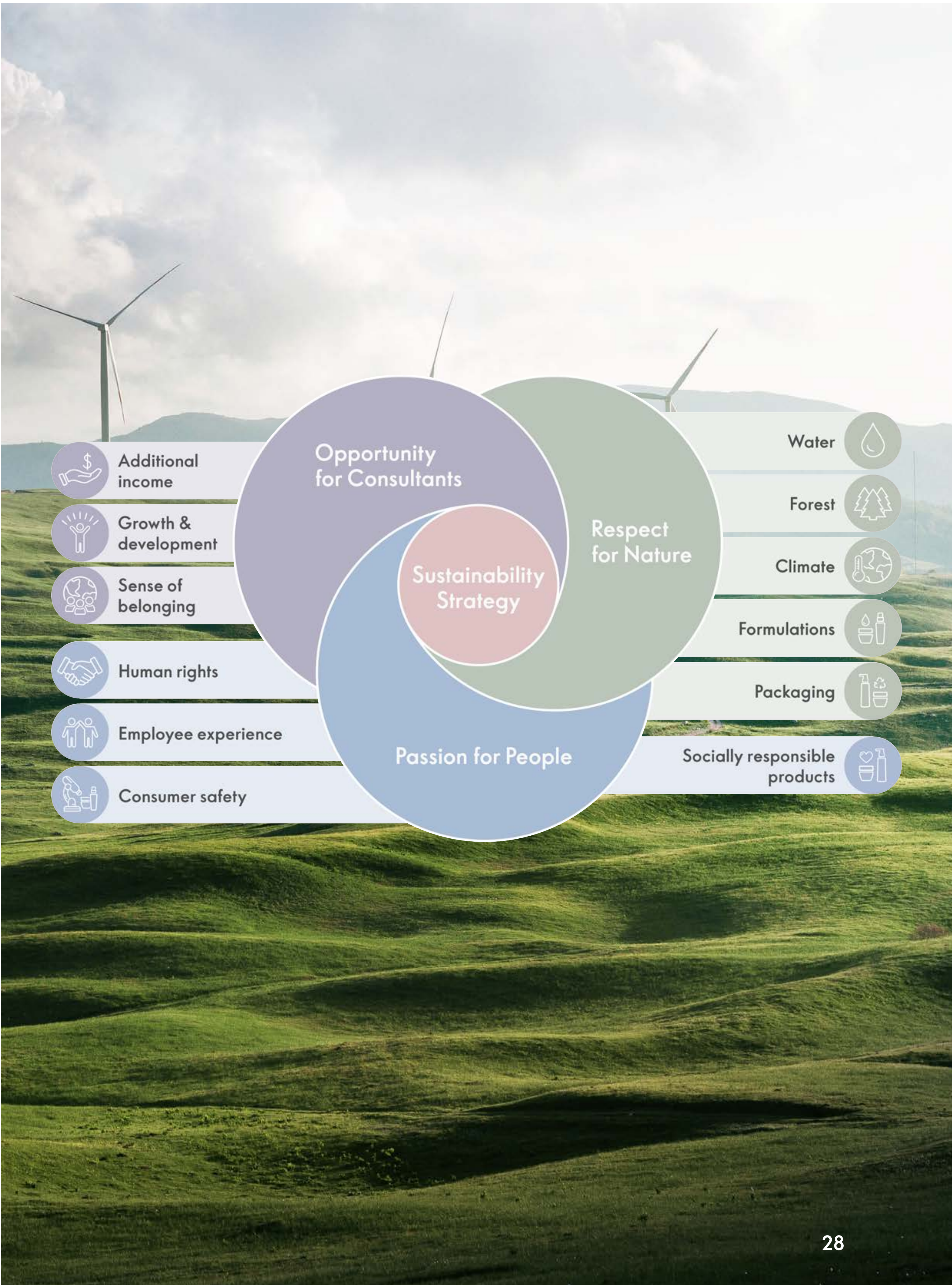
Oriflame's business reaches around three million Consultants and an estimated seven million customers every year, giving Oriflame a unique opportunity to touch people's lives. This is a core part of Oriflame's business model and is at center of its sustainability strategy. Social selling gives people – most often women – a real opportunity to earn a flexible income 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.

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. Oriflame is already on the path towards sustainability, and is always finding new ways to accelerate this journey. In practice, this means finding ways of 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%.

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 Oriflame addresses issues such as human rights, consumer safety, diversity and inclusion, corruption, and employee health and safety.



Opportunity for Consultants
Respect for Nature
Passion for People
Sustainability Strategy
Additional income
Growth & development
Sense of belonging
Human rights
Employee experience
Consumer safety
Water
Forest
Climate
Formulations
Packaging
Socially responsible products

Corporate Governance Report

INTRODUCTION

Oriflame has since its public listing on the Nasdaq Stockholm Exchange in 2004 applied the Swedish Code of Corporate Governance* ("the Code") and continues to do so following the delisting of Oriflame that took place on 17 July 2019.

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 reason(s) why. Oriflame's deviations are reported and explained under the heading Comply or Explain.

COMPLY OR EXPLAIN

As a consequence of the delisting and as the new group of shareholders are represented directly on the board of the top holding companies of the company group, Code requirements aiming to ensure external shareholder access and insight are no longer deemed relevant for Oriflame to uphold. Since the delisting, Oriflame therefore no longer upholds such Code requirements.

Therefore Oriflame deviates from the Code concerning the appointment of a nomination committee: Since the shares of the Oriflame Group are no longer publicly listed, a nomination committee is no longer maintained. This is a deviation from the Code,which stipulates that the shareholders are to appoint (or specify how to appoint) a nomination committee.

Oriflame furthermore deviates from the Swedish Code by not having its general meetings hosted in the Swedish language: Oriflame's general meetings are hosted in English only. As the shares of Oriflame are no longer publicly listed, and as its general meetings are not held in Sweden, the requirement to host the meetings in Swedish is no longer relevant.

Oriflame also deviates from the Code concerning the shareholders' influence on share and share-price related incentive schemes for the executive management.

BUY-OUT PROCESS AND NEW GROUP STRUCTURE

On 22 May 2019, Walnut Bidco Plc announced a public offer ("the Offer") to the shareholders in Oriflame Holding AG ("Old OHAG"), the former top holding company of the Oriflame Group, to tender all their shares in Oriflame. At the time of making the Offer Walnut Bidco Plc possessed already 30.8% of the outstanding OHAG shares. On 26 June 2019, Walnut Bidco announced that all conditions for completion of the Offer have been fulfilled. The shares tendered in the Offer at the end of the initial acceptance period on 24 June 2019, together with the shares already held or otherwise controlled by Walnut Bidco, amounted to 91.33% of the share capital and the voting rights in the former Oriflame Group.

Settlement for shares tendered in the Offer during the initial acceptance period took place starting from 1 July 2019. Following an extended acceptance period which ended on 8 July 2019, Walnut Bidco held or otherwise controlled in aggregate 97.42% of the share capital and the voting rights in the former Oriflame Group.

As of 17 July 2019, Old OHAG was delisted from the Nasdaq Stockholm stock exchange. On 18 July 2019 Walnut Bidco Plc established a subsidiary named Walnut Switzerland AG in Schaffhausen Switzerland with registered address Bleicheplatz 3, 8200 Schaffhausen. On 23 July 2019 Walnut Switzerland AG established a subsidiary named Walnut Mergeco AG in Schaffhausen Switzerland with registered address Bleicheplatz 3, 8200 Schaffhausen.

The main activity of Walnut Mergeco AG is the ownership and management, directly or indirectly, of investments and any other related activities. On 30 September 2019 Old OHAG merged into Walnut Mergeco AG, and Walnut Switzerland AG executed compulsory redemption of all remaining and not acquired minority OHAG shares. With this squeeze-out of the remaining minority shareholders the acquisition was completed. The newly merged company was renamed to Oriflame Swiss Holding AG and Walnut Switzerland AG took over the name of Oriflame Holding AG ("New OHAG").

The governance and supervision of the Oriflame Group's activities are since the completion of the restructuring described above distributed between the following three entities: Oriflame Holding AG, Walnut Bidco Plc, and Walnut Midco Ltd.

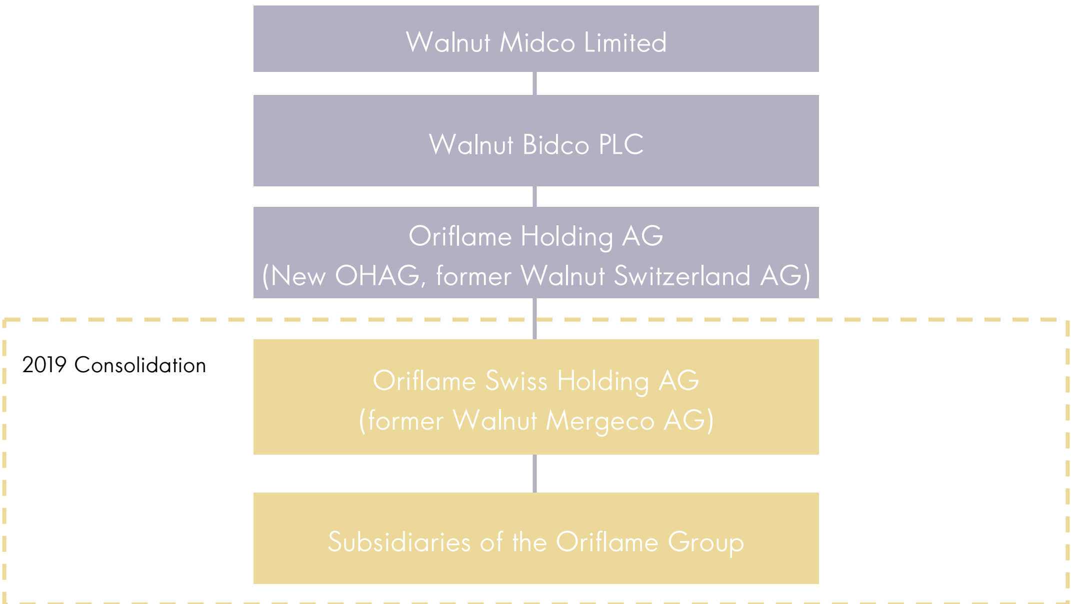
Walnut Midco Ltd ("the Parent") is a private limited liability company incorporated under the laws of Jersey on 20 May 2019 with a registration number 129092 and registered office address of 47 Esplanade, St Helier, Jersey JE1 0BD. The Parent's main investments include all of the issued and outstanding share capital of Walnut Bidco Plc.

Walnut Bidco Plc ("the Issuer") is a public limited liability company incorporated under the laws of Jersey on 20 May 2019 with a registration number 129091 and registered office address of 47 Esplanade, St Helier, Jersey JE1 0BD. The Issuer's main activity is the ownership and management, directly or indirectly, of real property and any other related activities.

Oriflame Holding AG (New OHAG) is a private limited liability company incorporated under the laws of Switzerland on 18 July 2019 as described above. The principal activity of Oriflame Holding AG and its subsidiaries is the direct sale of cosmetics.

Oriflame Swiss Holding AG ("OSWAG") is a holding company incorporated in Switzerland and registered at Bleicheplatz 3, CH-8200 Schaffhausen. The principal activity of the Company's subsidiaries is the direct sale of cosmetics. The consolidated financial statements of the Oriflame Group as at and for the year ended 31 December 2019 comprise OSWAG and its subsidiaries (together referred to as the "Group").

Group structure as of 31 December 2019



BOARD OF DIRECTORS

The board of directors is responsible for the overall management of Oriflame'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.

The Boards of New OHAG, the Issuer, and the Parent has established joint rules of procedures which set forth how and when the Boards convenes, including instructions for the allocation of duties and responsibilities within and between the Boards of the three entities, 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 Boards 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.

Board composition

Currently, the Board compositions are as follows:

Oriflame Holding AG (New OHAG)	**Walnut Bidco PLC (the Issuer)**	**Walnut Midco limited (the Parent)**
Alexander af Jochnick (Chairman)	Alexander af Jochnick (Chairman)	Alexander af Jochnick (Chairman)
Magnus Brännström (CEO & President)	Magnus Brännström	Magnus Brännström
Anna af Jochnick	Anna af Jochnick	Anna af Jochnick
Robert af Jochnick	Per Hesselmark	Per Hesselmark
Anders Dahlvig	Gunilla Rudebjer	Gunilla Rudebjer
Per Hesselmark		
Anna Malmhake		
Gunilla Rudebjer		

The Boards consist of principal shareholders and persons independent of such shareholders. The CEO is a member of the Boards. Members of the board of directors are appointed for a period up until the end of the next annual general meeting. The board of directors is required to have a secretary, who has certain duties and authorities according to 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 Boards shall convene at least four times per year, of which at least one meeting is to focus on business strategy issues.

As described above, the supervision of the operational activities of the Oriflame Group is exercised by the board of directors of Oriflame Holding AG ("the Operational Board") During 2019, the Operational Board held 17 board meetings – 14 meetings under Old OHAG and 3 meetings under New OHAG, one of which was a two-day strategy meeting. The secretary at the OHAG 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.

2019 Board and committee attendance	Board meetings		Renumeration committee meetings	Audit committee meetings	Nomination committee meetings (Old OHAG only)
Operational Board members	New OHAG	Old OHAG			
Alexander af Jochnick (Chairman)	3	8	3	5	1
Magnus Brännström	3	12	-	-	-
Anders Dahlvig	3	14	-	-	1
Robert af Jochnick	3	6	-	-	-
Anna af Jochnick	3	8			
Anna Malmhake	2	13	-	-	-
Christian Salamon	-	13	-	4	-
Karen Tobiasen	-	12	2	4	-
Mona Abbasi	-	14	-	-	-
Gunilla Rudebjer	3	14	-	5	-
Per Hesselmark	3	-	1	1	-
Total number of meetings	**3**	**14***	**3**	**5**	**1**

*out of which, 6 meetings were held with only non-conflicted board members for the purpose of evaluating the buy-out offer.

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 the 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. Remuneration of the directors is determined by a resolution adopted by the annual general meeting. The 2019 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 to be 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. Following the merger and transfer of the operational board activities from Old OHAG to New OHAG, the owners have resolved to keep the Directors and Committee fees unchanged until the 2020 annual general meeting. Independence according to the Code: Directors Anders Dahlvig, Anna Malmhake and Gunilla Rudebjer 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 Alexander, Anna and Robert af Jochnick are together with other members of the af Jochnick family, the largest shareholders of the company and thus not independent from the companys shareholders.

For more information about the directors, please see below on page 37.

REMUNERATION COMMITTEE

Following the delisting and group restructuring of Oriflame it has been decided to, although no longer a legal requirement, continue the practice of having a Remuneration Committee, and such committee has been formed as a committee of the board of the Parent. The remuneration committee constitutes itself and elects a chair from among its members. The current members of the Parent's remuneration committee are Alexander af Jochnick (committee chair) and Per Hesselmark.

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. 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.

AUDIT COMMITTEE

Following the delisting and group restructuring it has been decided to, although no longer a legal requirement, continue the practice of having an audit committee. Such audit committee has been formed as a committee of the board of the Parent. The Parent's audit committee will be appointed by the board each year following its 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 also updates and informs the board of New OHAG (the Operational Board) of any matter of importance to the Oriflame Group's operations. The audit committee meets at least four times per year. The audit committee was during 2019 composed as follows: As audit committee to the board of Old OHAG: Alexander af Jochnick, Christian Salamon (committee chair until the 2019 AGM), Karen Tobiasen (audit committee member until the 2019 AGM) and Gunilla Rudebjer (committee chair as of post 2019 AGM). As audit committee to the board of the Parent: Alexander af Jochnick, Per Hesselmark and Gunilla Rudebjer (committee chair). The CFO and the Senior Director of Group Risk and Compliance report to the audit committee and, together with the company's auditors, are invited to all regular audit committee meetings.

AUDITOR

The annual general meeting held on 9 May 2019 resolved to reelect 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 fifth 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. The KPMG audit team attended all regular audit committee meetings throughout the year.

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 Oriflame'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, SVP and Head of GBA LA, Europe, Turkey & Africa and CIS). The allocation of duties and responsibilities within and between the boards and the Corporate Committee are set out in the Organisational Regulations and Officer Instructions drawn up by the boards. The Regulations and the Instructions are reviewed and reconfirmed or amended by the boards 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 and Head of Global Business Area Asia
- Johan Rosenberg, Senior Vice President & Head of Global Business Areas CIS and Latin America
- Antonia Simon-Stenberg, Vice President Sustainability and Quality Management
- Alexandra de Greck, Vice President Product Marketing
- Elena Aylott, Vice President Global Employee Experience (as of March 2020)
- Emma Hågemo, Vice President Research & 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 New Product Development, Demand & Catalogue and Supply Chain. The process is illustrated in the model presented on this page.

REGIONAL MANAGEMENT

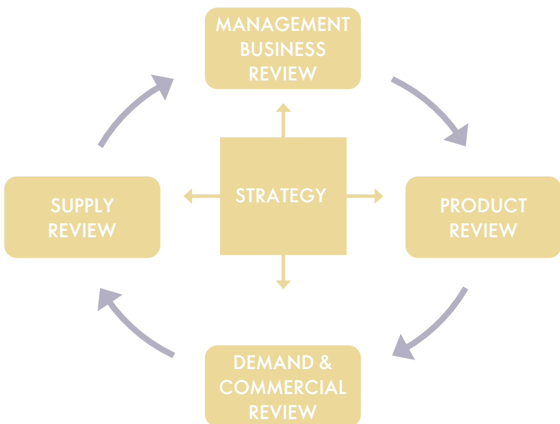
Oriflame distributes its products through a network of approximately 3 million independent Oriflame Consultants in more than 60 countries. Group segmentation is based on cosmetics sales by geographic business area consolidated under two Global business areas: GBA Asia & Turkey and GBA Latin America,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

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.



PRINCIPLES OF REMUNERATION TO EXECUTIVE MANAGEMENT

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.

Executive remuneration overview
The remuneration of executive management during 2019 have consisted 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 13 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 13 per cent includes company costs for social charges.

iii. *Share Incentive and Retention Plan*
Oriflame has until 2019 offered a Share Incentive and Retention Plan covering Oriflame's executive management and approximately 50 additional senior employees. Each year, the individuals have been 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 have, within an Investment Period of three to five years*, been eligible to receive between 0 and 8 free shares (i.e. the Achievement Shares) per Investment Share. The number of Achievement Shares awarded depended on the increase in Oriflame's operating profit over the Investment Period. For each investment year, an award grid proposal was developed by the Remuneration Committee and ultimately resolved upon by the board of directors. The award grids were based on Oriflame's long-term strategic scenario and were set so that profitability growth is awarded with shares on a sliding scale. In order to be eligible for any Achievement Shares, the participants needed to i) remain employed by Oriflame throughout the Investment Period**, and ii) keep their Investment Shares for the entire Investment Period.

As a consequence of the buy-out, the participants of the outstanding share incentive and retention plans do no longer hold any Investment Shares, and as a consequence of the group restructuring, issuance of further achievement shares will no longer occur. Therefore, in December 2019 the board of directors of Oriflame Holding AG decided to modify the existing (2016 – 2019) share incentive plans, from equity-settled share-based plans to cash-settled share-based plans, whereby the cash pay-outs will be based on the original award grids set per each investment year and that the cash-equivalent of the achievement share award that would have occurred under the outstanding plans will be determined as a value per achievement share based on a year-end fair value assessment of the Oriflame business done each year. All other terms of the existing share incentive plans remain as is.

Further details on grants and Oriflame's costs for the Share Incentive and Retention Plan can be found in Note 20 of the Annual Report.

* 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

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.

BOARD OF DIRECTORS ORIFLAME HOLDING AG (NEW OHAG)

ALEXANDER AF JOCHNICK
Board member of the Oriflame Group as of 2007.
Chairman of the Oriflame Group as of 2014.
Board member and Chairman of Oriflame Holding AG.
Board member and Chairman of Walnut Bidco Plc.
Board member and Chairman of Walnut Midco Limited.
Chair of the Remuneration Committee. Member of the Audit Committee.
Born in 1971.

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.

Not independent from the company`s major shareholders.

ANNA AF JOCHNICK
Board member of the Oriflame Group as of 2018.
Board member of Oriflame Holding AG.
Board member of Walnut Bidco Plc.
Board member of Walnut Midco Limited.
Born in 1980.

Master of Laws (LL.M), Major in Business Law Lund University (Sweden).

No other board assignments.

Not independent from the company or its major shareholders.

ROBERT AF JOCHNICK
Board member of the Oriflame Group as of 1970.
Board member of Oriflame Holding AG.
Born in 1940. Cofounder 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.

Not independent from the company or its major shareholders.

MAGNUS BRÄNNSTRÖM
Chief Executive Officer (CEO) & President
Board member of the Oriflame Group as of 2005.
Board member of Oriflame Holding AG.
Board member of Walnut Bidco Plc.
Board member of Walnut Midco Limited.
Born in 1966.

MSc Uppsala University (Sweden).

Chairman of World Federation of Direct Selling Associations. Board member of Ferronordic Machines AB and Profoto AB.

Not independent from the company due to his role as CEO & President.

PER HESSELMARK
Board member of the Oriflame Group as of 2019.
Board member of Oriflame Holding AG.
Board member of Walnut Bidco Plc.
Board member of Walnut Midco Limited.
Born in 1971.

Member of Audit Committee. Member of Remuneration Committee.

MSc in Business and Economics from the Stockholm School of Economics.

Af Jochnick family office since 2000. Board member of af Jochnick Foundation since 2005. Holds various other Board positions.

Not independent from the company`s major shareholders

ANDERS DAHLVIG
Board member of the Oriflame Group as of 2010.
Board member of Oriflame Holding AG.
Born in 1957.

Chair 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 Hennes & Mauritz AB and Resurs Bank AB.

Independent from the company and its major shareholders.

ANNA MALMHAKE
Board member of the Oriflame Group as of 2014.
Board member of Oriflame Holding AG.
Born in 1966.

BSc Stockholm University (Sweden).

Chairman and CEO of The Absolut Company AB.

Independent from the company and its major shareholders.

GUNILLA RUDEBJER
Board member of the Oriflame Group as of 2018.
Board member of Oriflame Holding AG.
Board member of Walnut Bidco Plc.
Board member of Walnut Midco Limited.
Born in 1959.

Chair of the Audit Committee.

MSc Stockholm School of Economics (Sweden).

Board member of Ambea, Optigroup, NCAB Group and SkiStar.

Independent from the company and its major shareholders.

CORPORATE COMMITTEE

MAGNUS BRÄNNSTRÖM
Chief Executive Officer & President. Member of the Corporate Committee.

GABRIEL BENNET
Chief Financial Officer (CFO). Member of the Corporate Committee.

JESPER MARTINSSON
Deputy CEO, SVP and Head of GBA LA, Europe, Turkey & Africa and CIS. Member of the Corporate Committee.

GROUP MANAGEMENT

MAGNUS BRÄNNSTRÖM
Chief Executive Officer & 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 Global Business Area Asia and Turkey

ELENA AYLOTT
Vice President Global Employee Experience

ALEXANDRA DE GRECK
Vice President Product Marketing

EMMA HÅGEMO
Vice President Research & Development

JESPER MARTINSSON
Deputy CEO, SVP and Head of GBA LA, Europe, Turkey & Africa and CIS. Member of the Corporate Committee

JOHAN ROSENBERG
Senior Vice President and Head of Commercial Division

ANTONIA SIMON-STENBERG
Vice President Sustainability, Quality Management, Packaging & Artwork

Report on internal control, risks and monitoring

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,
• Monitoring.

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

CONTROL ENVIRONMENT

The board of directors has the overall responsibility to ensure that the company's system for risk 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. The policies and guidelines are the foundation for the internal control system. The Board has also ensured that the organizational 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 the evaluation by the Board of the business performance and results through reports that contain results, forecasts and targets. Also, the Board reviews the interim and annual reports before they are presented externally.

The Audit Committee (composed of board members) monitors the effectiveness of internal controls, considers 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, a member of the newly established Global Assurance team, is also a regular invitee to the Audit Committee meetings to report on the latest developments on internal controls, related policies, procedures and to formally request approval of the Audit Committee, where relevant. The Global Assurance team reports to the Chief Financial Officer and ensures that all entities manage their risks. The team reports the risks to the board of directors and manages directly certain risks such as compliance risks, data protection risks, sanctions compliance risks and security risks. 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 responsible for the implementation and of the documentation of internal controls. The Global Assurance team, along with regional finance teams, verifies the documentation 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 monitoring of the existence of internal controls, as well as the preservation of historical data.

RISK ASSESSMENT

As for controls related to the financial area, the major risk areas for material misstatements in the financial reporting have been continuously reviewed since 2009 and now cover the following areas:

- Cash and banks, Inventory, Sales operations, Credit to customers, Accounts Payable, Fixed Assets
- Information Technology
- Treasury hedging
- Tax Reporting

- Group Financial Consolidation
- Human Resources Policies
- Physical security and Health & Safety

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 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-up 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 group functions concerned. The functional departments regularly monitor their respective areas of responsibility in order to identify potential risks and errors.

COMPLIANCE & BUSINESS ETHICS

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

Oriflame encourages employees to openly report concerns and to ask compliance-related questions. Since 2007 Oriflame 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 the management in order to act wherever necessary.

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 all Suppliers.
More information is available in the Sustainability Report.

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 Internal Control team, 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 Internal Control team.

PRINCIPAL RISKS AND UNCERTAINTIES

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 due to the expansion of Oriflame's geographical footprint, and to a number of risks mitigating actions that have been taken to address other risks. Risks can be categorized as external factors, operational risks, financial risks and sustainability risks.

RISK AREA	DESCRIPTION	RISK MITIGATION
EXTERNAL FACTORS		
Geographical footprint	● Oriflame operates directly in more than 60 countries, across 4 continents. In addition, Oriflame is subject to national and transnational regulations from countries where it does not operate. This generates a complex regulatory framework, that is always evolving.	● Oriflame has established a Global Assurance function in 2018, as a successor of the risk and compliance team established since 2012. The company has implemented a code of conduct and policies and is performing sanctions screening of suppliers and top earning consultants on a daily basis.
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, 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 Association (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 dialogue with local authorities by explaining the direct selling business model.
Business concentration in politically uncertain regions	● In 2013 Oriflame' s operations in the CIS region accounted for over 50 percent of Group sales and profits. In the last 5 years, due to growth in Asia the group geographical footprint has become more balanced.	● In the last five years, the Group geographical footprint has become more balanced which reduces the business concentration risk. ● In 2019, the sales and profits are distributed across the global business areas of Oriflame which reduces the business concentration risk. ● Oriflame is constantly assessing the possibilities of expansion in existing or new markets to further distribute its sales and profits.
Viral and bacterial outbreaks triggering restriction measures	● The year 2019 saw a resurgence of the Ebola virus in Africa and the beginning of the Covid-19 pandemic, which affected Oriflame operations worldwide. ● The requirements for social distancing affect the Company's ability to interact with new Beauty consultants' and organise promotional activities. ● Governmental lock-down measures may disrupt the distribution as well as the production of cosmetics and wellness.	● Oriflame's highly digitalised sales operations (96% of the orders are placed on-line) are a significant mitigation factor. ● The wide geographical footprint, the flexible cost structure and the good liquidity position of the company contribute to reduce the risks generated by viral and bacterial outbreaks.
OPERATIONAL RISKS (1)		
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 are done regularly on different sites each year by Property Insurer. The 2019 reviews found that suitable measures are implemented to prevent significant loss and business interruption at these facilities. Moreover, Property Damage and Business Interruption insurance covers for lost inventory/raw material/equipment and associated lost sales.
Breach of data protection regulations	● The biggest exposure is currently in Europe due to the General Data Protection Regulation (GDPR). A major personal data breach in Europe or of European citizen may have two impacts, a regulatory fine up to 4% of the group turnover and civil lawsuits for personal damage.	● Oriflame has taken many initiatives to mitigate risks worldwide, among others the implementation of key data protection policies and procedures, a crisis response process and data protection trainings. Additionally, the company has taken IT technical measures and has a cyber security and privacy insurance covering liability of data breach.
Adverse reaction of consumer to a product	● The biggest exposure is on 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 regulation than cosmetics.	• Oriflame is performing testing of products and has implemented a claim process. The company will further ensure that products developed for local specific needs are subject to thorough testing.

RISK AREA	DESCRIPTION	RISK MITIGATION
OPERATIONAL RISKS (2)		
Dependency on finished products suppliers	● Oriflame tends to allocate the manufacturing of specific products to one supplier only, either internal manufacturing or third party manufacturing.	• The group re-evaluates regularly its position on suppliers distribution and allocation. The assessment also integrates the additional cost of multiple sources for limited production runs.
Dependency on raw materials	● Oriflame often uses specialized raw material that are not commodities and for which no substitute or alternatives are available which has for consequences a pressure on prices and demands.	• Oriflame has implemented specific partnership with suppliers and should further extend them. The company should further work on formulation which balance commodities and specialized raw material and implement a multi sourcing strategy.
Supplier financial risks	● Oriflame currently does not systematically perform financial audit of their suppliers.	• The company will define supplier financial screening criteria and approach. Oriflame will list and engage with critical suppliers to mitigate and potentially identify alternative suppliers for high risk components.
Theft/unauthorised access, modification of data	● Deletion of data could lead to severe disruption while modification of data could be done 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.
IT systems Business Interruption	● Oriflame is dependent on information systems hosted and developed in-house.	● Oriflame maintains 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.
Parallel import / Cross Border sales	• Oriflame sells identical products at different prices in neighbouring markets which could generate among others cannibalisation of local sales and legal issues.	● 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.

RISK AREA	DESCRIPTION	RISK MITIGATION
FINANCIAL RISKS		
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 improved the cash repatriation through centralized intercompany dividend distribution process.
Wage tax (withholding tax)	● Majority of Oriflame's consultants are not registered as entrepreneurs neither for (personal) income tax nor for 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 non-registered consultants is pre-agreed with the competent authorities or documented in an advice from independent tax professionals. Further to the extent possible the consultant remuneration plan is adjusted to comply with the local law and regulations and withholding is done were obviously required.
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 longterm 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.
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 unfavourable 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.
SUSTAINABILITY RISKS		
Environmental regulation/ legislation	● Legislative changes in operating markets on environmental topics (e.g. 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/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 integrate sustainability strategy into product and packaging strategies.
Exposure to third party violation of human rights	● Oriflame has implemented some measures to guarantee the respect of human rights in its own factories, warehouses, distributions centers and offices. However, a significant exposure remains with suppliers in emerging markets.	• Oriflame has rolled out a Supplier Code of Conduct since 2012 and all the company suppliers must adhere to it. • Oriflame has implemented a supplier qualification process which includes internal and external audits of its suppliers.
Exposure to corruption	● Oriflame operates in countries where corruption is endemic and must be very clear and consistent on its anti-corruption measures	• Oriflame has a zero-tolerance policy towards active or passive corruption. • The Company has developed Employee- and Supplier Code of Conducts as well as compliance-breach reporting system. • The principal decision-makers (around 200 employees) make an annual compliance pledge, confirming their compliance with the Oriflame code of conduct for the past year and committing for compliance in the following year.

Consolidated income statements

YEAR ENDED 31 DECEMBER

€'000	Note	2019	2018
Sales		1,258,345	1,278,752
Cost of sales		(401,189)	(393,624)
Gross profit		**857,156**	**885,128**
Selling and marketing expenses		(409,516)	(428,281)
Distribution and infrastructure		(30,641)	(28,491)
Administrative expenses	4,5,6	(291,859)	(275,290)
Operating profit*		**125,140**	**153,066**
Financial income	7	27,838	15,634
Financial expenses	7	(74,989)	(33,766)
Net financing costs		**(47,151)**	**(18,132)**
Net profit before income tax		**77,989**	**134,934**
Current tax	8	(35,513)	(35,676)
Deferred tax	8,12	1,313	(3,828)
Total income tax expense	**8**	**(34,200)**	**(39,504)**
Net profit attributable to the owners of the Company*		**43,788**	**95,430**

*The analysis of operating profit and net profit is disclosed in note 27.

The attached notes on pages 51 to 96 form an integral part of the consolidated financial statements.

Consolidated statements of comprehensive income

YEAR ENDED 31 DECEMBER

€´000	Note	2019	2018
Net profit		**43,788**	**95,430**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of net defined benefit liability, net of tax	24	(2,997)	539
Total items that will not be reclassified subsequently to profit or loss		**(2,997)**	**539**
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations	17	13,261	(14,620)
Effective portion of changes in fair value of cash flow hedges, net of tax	7	(163)	(769)
Total items that are or may be reclassified subsequently to profit or loss		**13,098**	**(15,389)**
Other comprehensive income for the period, net of tax		**10,101**	**(14,850)**
Total comprehensive income for the period attributable to the owners of the Company		**53,889**	**80,580**

The attached notes on pages 51 to 96 form an integral part of the consolidated financial statements.

Consolidated statements of financial position

Year ended 31 December €'000	Note	2019	2018
Assets			
Property, plant and equipment	9	143,385	135,232
Right-of-use assets	11	67,221	77,345
Intangible assets	10	13,087	12,393
Investment property		542	542
Deferred tax assets	12	35,262	32,834
Other long-term receivables		134	107
Total non-current assets		**259,631**	**258,453**
Inventories	13	177,691	156,841
Trade and other receivables	14	75,096	72,820
Tax receivables		18,280	13,664
Prepaid expenses		14,965	15,999
Derivative financial assets	25.3	404	26,641
Cash and cash equivalents	15	143,193	178,075
Total current assets		**429,629**	**464,040**
Total assets		**689,260**	**722,493**
Equity			
Share capital	16	91	80,745
Treasury shares	16	-	(474)
Share premium	16	250,559	424,870
Reserves	17	(185,923)	(182,836)
Retained earnings		22,963	(187,382)
Total equity attributable to the owners of the Company		**87,689**	**134,923**
Liabilities			
Interest-bearing loans	18	-	249,404
Employee benefits	24	16,141	7,730
Lease liabilities	25	50,230	62,635
Other long-term liabilities		1,064	886
Deferred income		222	239
Deferred tax liabilities	12	2,617	2,796
Total non-current liabilities		**70,274**	**323,690**

The attached notes on pages 51 to 96 form an integral part of the consolidated financial statements.

Consolidated statements of financial position (continued)

Year ended 31 December €'000	Note	2019	2018
Current portion of interest-bearing loans	18	199,169	-
Lease liabilities	25	20,924	19,024
Trade and other payables	19	121,907	86,726
Dividend payables	17	45,365	22,729
Contract liabilities		14,242	15,155
Tax payables		18,298	13,307
Accrued expenses	26	96,955	101,472
Derivative financial liabilities	25.3	3,193	2,428
Employee benefits	24	2,920	332
Provisions	23	8,322	2,707
Total current liabilities		**531,296**	**263,880**
Total liabilities		**601,571**	**587,570**
Total equity and liabilities		**689,260**	**722,493**

The attached notes on pages 51 to 96 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 reserves	Total reserves	Retained earnings	Total equity
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		-	-	-	-	-	-	-	(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 for the period		-	-	-	(14,620)	(769)	-	(15,389)	539	(14,850)
Total comprehensive income for the period		**-**	**-**	**-**	**(14,620)**	**(769)**	**-**	**(15,389)**	**95,969**	**80,580**
Contributions and distributions										
Issue of ordinary shares in relation to share incentive plan	16	895	-	23,116	-	-	(8,860)	(8,860)	(15,449)	(298)
Purchase of treasury shares	16	-	(1,584)	-	-	-	-	-	-	(1,584)
Usage of treasury shares	16	-	1,200	-	-	-	-	-	-	1,200
Share incentive plan		-	-	-	-	-	6,145	6,145	-	6,145
Dividends	17	-	-	(146,720)	-	-	-	-	-	(146,720)
Total transactions with owners of the Company		**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**
At 1 January 2019 as previously reported		**80,745**	**(474)**	**424,870**	**(196,335)**	**(2,687)**	**16,186**	**(182,836)**	**(187,382)**	**134,923**
Adjustment for IFRIC 23 adoption		-	-	-	-	-	-	-	(344)	(344)
Restated balance at 1 January 2019		**80,745**	**(474)**	**424,870**	**(196,335)**	**(2,687)**	**16,186**	**(182,836)**	**(187,726)**	**134,579**
Net profit		-	-	-	-	-	-	-	43,788	43,788
Other comprehensive income for the period		-	-	-	13,261	(163)	-	13,098	(2,997)	10,101
Total comprehensive income for the period		**-**	**-**	**-**	**13,261**	**(163)**	**-**	**13,098**	**40,791**	**53,889**
Contributions and distributions										
Issue of ordinary shares in relation to share incentive plan	16	253	-	3,585	-	-	(4,325)	(4,325)	(1,362)	(1,849)
Purchase of treasury shares	16	-	(1,605)	-	-	-	-	-	-	(1,605)
Usage of treasury shares	16	-	1,849	-	-	-	-	-	-	1,849
Share incentive plan		-	-	-	-	-	(11,860)	(11,860)	3,027	(8,833)
Dividends	17	-	-	(90,605)	-	-	-	-	-	(90,605)
Changes due to merger of parent company	1, 16	(80,907)	230	(87,291)	-	-	-	-	168,232	264
Total transactions with owners of the Company		**(80,654)**	**474**	**(174,311)**	**-**	**-**	**(16,186)**	**(16,186)**	**169,897**	**(100,780)**
At 31 December 2019		**91**	**-**	**250,559**	**(183,073)**	**(2,851)**	**-**	**(185,923)**	**22,963**	**87,689**

The attached notes on pages 51 to 96 form an integral part of the consolidated financial statements.

Consolidated statements of cash flow

YEAR ENDED 31 DECEMBER €'000	Note	2019	2018
Operating activities			
Net profit before income tax		**77,989**	**134,934**
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets	6, 9, 10, 11	39,641	36,855
Amortisation of intangible assets	6, 10	1,551	2,380
Impairment	9	558	1,153
Change in fair value of borrowings and derivatives financial instruments	7	1,088	(985)
Deferred income		(186)	(1,988)
Share incentive plan		(1,756)	6,145
Settlement of share incentive plan		-	902
Unrealised exchange rate differences		(8,652)	(10,593)
Profit on disposal of property, plant and equipment, intangible assets and leased assets		(2,069)	(1,245)
Financial income	7	(7,615)	(11,219)
Financial expenses	7	53,767	22,504
		154,315	**178,843**
(Increase)/decrease in trade and other receivables, prepaid expenses and derivatives financial assets		(331)	2,939
(Increase)/decrease in inventories		(11,146)	20,759
Increase/(decrease) in trade and other payables, accrued expenses and derivatives financial liabilities		21,925	(23,545)
Increase in provisions		5,641	647
Cash generated from operations		**170,404**	**179,643**
Interest received		10,189	12,174
Interest and bank charges paid		(50,163)	(23,448)
Income taxes paid		(35,452)	(44,423)
Cash flow from operating activities		**94,978**	**123,946**
Investing activities			
Proceeds on sale of property, plant and equipment, intangible assets		1,628	3,113
Purchases of property, plant and equipment		(15,199)	(14,694)
Purchases of intangible assets		(2,220)	(262)
Cash flow used in investing activities		**(15,791)**	**(11,843)**

The attached notes on pages 51 to 96 form an integral part of the consolidated financial statements.

Consolidated statements of cash flow (continued)

YEAR ENDED 31 DECEMBER €'000	Note	2019	2018
Financing activities			
Proceeds from borrowings	18	235,000	50,742
Repayments of borrowings	18	(262,263)	(41,397)
Proceed from issuance of new shares and treasury shares		332	-
Acquisition of own shares		(1,583)	(1,584)
Payment of lease liabilities		(21,643)	(22,479)
Dividends paid	17, 18	(67,846)	(137,961)
Cash flow used in financing activities		**(118,003)**	**(152,679)**
Change in cash and cash equivalents		(38,816)	(40,576)
Cash and cash equivalents at the beginning of the year net of bank overdrafts		178,075	221,345
Effect of exchange rate fluctuations on cash held		3,934	(2,694)
Cash and cash equivalents at the end of the year net of bank overdrafts	**15**	**143,193**	**178,075**

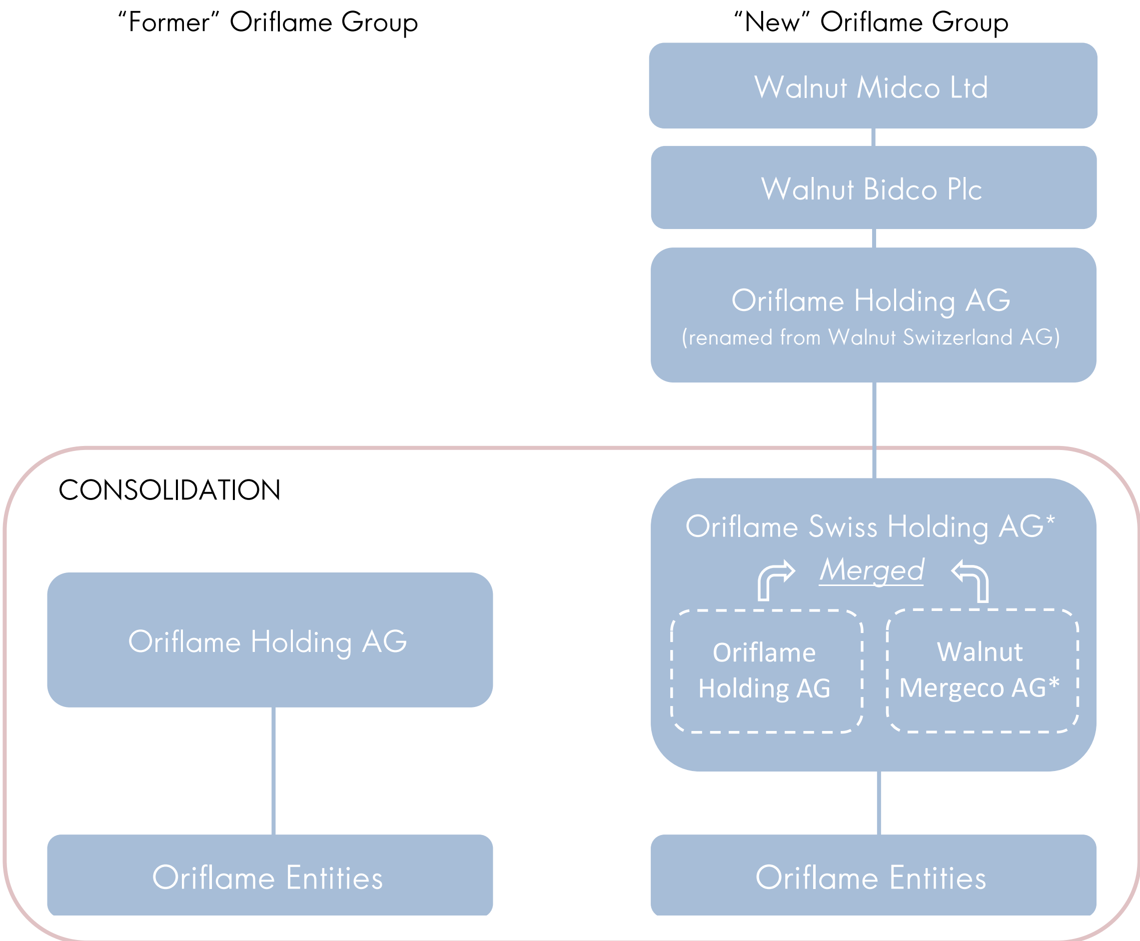
The attached notes on pages 51 to 96 form an integral part of the consolidated financial statements.

NOTE 1 • STATUS AND PRINCIPAL ACTIVITY

Oriflame Swiss Holding AG ("OSWAG" or the "Company") is a holding company incorporated in Switzerland and registered at Bleicheplatz 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 2019 comprise the Company and its subsidiaries (together referred to as the "Group").

OSWAG represents the new parent company after its merger on 30th September 2019 with Oriflame Holding AG ("OHAG"), the previous parent company. This new structure followed a public offer made on 22 May 2019 by Walnut Bidco Plc, who owned already 30.8% of the outstanding OHAG shares to purchase the remaining 69.2% shares in OHAG. The offer was accepted by the shareholders. Consequently, the Oriflame Group was de-listed from the Nasdaq Stockholm stock exchange on 17 July 2019.
On 18 July 2019 Walnut Bidco Plc established a subsidiary named Walnut Switzerland AG in Schaffhausen, Switzerland, and on 23 July 2019 Walnut Switzerland AG established a subsidiary named Walnut Mergeco AG in Schaffhausen, Switzerland.
In August and September 2019 Walnut Bidco Plc contributed all its shares in the former Oriflame Group to Walnut Switzerland AG. On 30 September 2019 Oriflame Holding AG (the former ultimate parent of the Oriflame group) merged into Walnut Mergeco AG, which enabled Walnut Switzerland AG to execute compulsory redemption of all remaining and not acquired minority Oriflame shares. The newly merged company was renamed to Oriflame Swiss Holding AG.

The former Oriflame Group is held by Oriflame Swiss Holding AG. There was no business combination and therefore, the book value accounting was applied. For this common control transaction, the difference between the share capital and share premium of the absorbing company (Oriflame Swiss Holding AG) and the absorbed company (Oriflame Holding AG) was recognised in retained earnings.



*Following the merger, Walnut Mergeco AG was renamed "Oriflame Swiss Holding AG"

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

(a) Statement of compliance
The consolidated financial statements of Oriflame Swiss Holding AG have been prepared by management in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The Company prepares STATUTORY FINANCIAL STATEMENTS in accordance with Swiss law. The financial statements were authorised for issue by the Board of Directors on 16 April 2020.

(b) Basis of preparation
The consolidated financial statements are presented in euro, rounded to the nearest thousand. They are prepared on historical 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. Particularly, 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:

- Notes 8 and 12 – utilisation of tax losses, uncertain tax positions
- Note 11 – leases
- Note 13 – inventory reserves
- Note 20 – measurement of share-based payments
- Note 23 – provisions and contingencies
- Note 24 – employee benefits
- Note 25 – 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 2019, the Group adopted amendments to standards which became effective 1 January 2019. These amendments had no material effect on the consolidated financial statements. The Company early applied IFRS 16 leases in 2018.

From 1 January 2019, IFRIC 23 Uncertainty over Income Tax Treatments, which clarifies the account for uncertainties in income taxes, has become effective. The initial adoption of IFRIC 23 has no significant impact on the consolidated financial statements. IFRIC 23 interpretation addresses the accounting for income taxes when there is uncertainty over tax treatments. It clarifies that an entity must consider the probability that the tax authorities will accept a treatment retained in its income tax filings, assuming that they have full knowledge of all relevant information when making their examination.
Oriflame has applied IFRIC 23 using the retrospective approach, without restatement of the comparative information. The cumulative effect of first application has been recognised as an adjustment to the opening consolidated statement of financial position at January 1, 2019.

(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. The impact of the programmes is calculated based on a three-years historical average and the percentage values are 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
Until 31 December 2019, shares granted under Company share incentive programs allowed employees to receive shares of the Company. The fair value of the grant was recognised as an employee expense with a corresponding increase in equity. The fair value was measured at the grant date and spread over the period during which the employees became unconditionally entitled to the granted shares. The amount recognised as an expense was adjusted to reflect the actual number of shares that will vest depending on the achievement of the vesting conditions.

From 31 December 2019, the equity-settled share-based plans was modified to cash-settled share-based plans for which the recalculated total fair value of the services received in return for the benefits granted was reclassified from equity to liabilities. The gain from the recalculation was kept in equity. The cash-settled share-based plans are measured at fair value at each reporting date until settlement date and recorded as liability in the statements of financial position. The amount recognised as an expense is adjusted to reflect the changes of the fair value.

(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. The amount of current tax payable or receivable represents the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any, and assuming that (a) tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations and (b) considering whether it is probable or not that tax authorities will accept a tax treatment.
An income tax liability or asset is recognised in the statement of financial position when a tax risk / tax benefit is considered as more likely than not, assuming that the tax authorities have full knowledge of all relevant information when making their examination.
When applicable, the income tax liability or asset recognised, corresponds to the amount expected to be paid / refunded, and is measured using the method, which reflects the Group's best estimate of the underlying tax position.

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 uncertain tax positions 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
Leases are capitalized in the balance sheet by recognizing 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 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. The duration of the leases may include renewal option or termination option which the group assesses to be reasonably certain to exercise.

In case 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 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.

(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.

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 cost to sell 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.

Impairment losses on the trades receivables are based on the historical loss experience and the expected credit losses (ECL) from markets. The ECLs are recognised from market to market depending on the latest trends and collectability of the trade receivables.

(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 finance 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**
IFRS 17 Insurance Contracts	1)	1 January 2021	Reporting year 2021
Revisions and amendments of Standards and Interpretations			
IBOR reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1)	1 January 2020	Reporting year 2020
Amendments to References to the Conceptual Framework in IFRS Standards	1)	1 January 2020	Reporting year 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1)	1 January 2020	Reporting year 2020
Definition of a Business (Amendments to IFRS 3)	1)	1 January 2020	Reporting year 2020

1) No impact or no significant impact is expected on the consolidated financial statements.

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 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 2019

€'000	Latin America	Europe & Africa	CIS	Asia & Turkey	Manu-facturing	All other segments	**Total segments**	Unallo-cated items	**Total**
Sales	172,945	326,831	321,469	417,598	12,672	6,829	**1,258,345**	-	**1,258,345**
Operating Profit	16,722	46,391	46,992	72,703	9,486	1,802	**194,096**	(68,956)	**125,140**
Net financing costs	-	-	-	-	-	-	**-**	-	**(47,151)**
Net profit before income tax	-	-	-	-	-	-	**-**	-	**77,989**
Total income tax expense	-	-	-	-	-	-	**-**	-	**(34,200)**
Net profit	-	-	-	-	-	-	**-**	-	**43,788**
Capital Expenditure	(2,269)	(1,423)	(1,635)	(4,274)	(3,445)	-	**(13,045)**	(4,374)	**(17,419)**
Depreciation & Amortisation	(3,262)	(6,665)	(6,082)	(9,321)	(6,873)	-	**(32,203)**	(8,989)	**(41,192)**
Impairment	-	(102)	(457)	-	-	-	**(558)**	-	**(558)**
Goodwill	-	1,053	-	4,345	-	-	**5,398**	-	**5,398**

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	(1,518)	(1,127)	(1,340)	(3,155)	(5,210)	-	**(12,351)**	(2,606)	**(14,956)**
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**

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

€ million	**2019**	**2018**
Russia	197.0	190.6
China	155.0	196.5
Switzerland	12.1	10.2
Other	894.1	881.5
Total	**1,258.3**	**1,278.8**

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	**2019**	**2018**
Russia	90.4	83.2
Poland	26.1	26.8
Switzerland	5.7	4.6
Other	102.0	110.9
Total	**224.2**	**225.5**

Non-current assets for segment reporting include property, plant and equipment, investment property, intangible assets and right-of-use 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	2019	2018
Skin Care	352.3	370.8
Colour Cosmetics	239.1	243.1
Fragrances	239.1	230.2
Personal and Hair Care	201.3	204.6
Accessories	62.9	63.9
Wellness	163.6	166.2
Total	**1,258.3**	**1,278.8**

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 • EMPLOYEE BENEFIT EXPENSE

Employee benefit expenses

€'000	2019	2018
Salaries and wages	145,874	137,275
Social security contributions	27,637	28,813
Pension expenses	6,873	6,066
Share-based payments (income) / expenses	(1,756)	6,145
	178,628	**178,299**

The average number of full-time equivalents in 2019 was 6,152 (6,143).

NOTE 5 • RESEARCH AND DEVELOPMENT

€'000	2019	2018
Research and development	11,576	12,016

NOTE 6 • DEPRECIATION AND AMORTISATION

€'000	2019	2018
Depreciation	**39,641**	**36,855**
- in Cost of sales	7,782	8,709
- in administrative expenses	31,859	28,146
Amortisation	**1,551**	**2,380**
- in Cost of sales	148	170
- in administrative expenses	1,403	2,210
Depreciation and amortisation expenses	**41,192**	**39,235**

NOTE 7 • FINANCIAL INCOME AND EXPENSES

€'000	2019	2018
Interest income on bank deposits and receivables	2,314	2,202
Interest received on finance lease receivable	33	24
Cross currency interest rate swaps income	5,268	8,993
Change in fair value of financial assets and liabilities at fair value held for trading:		
- Forward exchange rate contracts gain	240	47
- Interest rate swaps gain	292	-
- Cross currency interest rate swaps gain	-	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	19,600	-
- SEK collar option	-	44
Foreign exchange gain, net	89	-
Total financial income	**27,838**	**15,634**

€'000	2019	2018
Bank charges and interest expense on loans carried at amortised cost	(5,761)	(6,592)
Interests on lease liabilities	(4,355)	(4,605)
Interest expense on loan carried at fair value	(4,394)	(6,335)
Interest expense on loan from related parties	(5,188)	-
Interest expense on USPP loans repayment	(31,084)	-
Cross currency interest rate swaps expense	(2,986)	(4,847)
Options expense	-	(125)
Change in fair value of financial assets and liabilities at fair value held for trading:		
- Forward exchange rate contracts loss	(873)	(263)
- Interest rate swaps loss	-	(117)
- Interest rate caps loss	-	(8)
- Cross currency interest rate swaps loss	(20,305)	-
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)
- SEK collar option	(44)	-
Foreign exchange losses, net	-	(7,833)
Total financial expenses	**(74,989)**	**(33,766)**

Net financing costs	**(47,151)**	**(18,132)**

Recognised in other comprehensive income

€'000	2019	2018
Changes in fair value of cash flow hedges:		
Foreign currency risk*	(7,065)	(570)
Interest rate risk**	2,030	750
Tax on changes in fair value of cash flow hedges	(37)	(2)
Changes in fair value of cash flow hedges reclassified to profit or loss:		
- Cost of sales	4,724	(1,563)
- Administrative expenses	(22)	525
- Current tax	207	91
Effective portion of changes in fair value of cash flow hedges, net of tax	**(163)**	**(769)**

Hedging instrument

€'000	2019	2018
Carrying amount - asset		
- Cross currency interest rate swaps	-	2,988
- Forward exchange rate contracts	333	1,044
Carrying amount - liabilities		
- Cross currency interest rate swaps	-	(222)
- Forward exchange rate contracts	(3,100)	(1,238)

* The group has entered into various forward exchange contracts with a nominal value of €71.5 million (€72.7 million) that hedge the cash flow variability due to foreign currency risk. Forward exchange contracts have maturity during 2020.

** Following the repayment of the USPP loans as mentioned in the note 18 interest-bearing loans, the group has ceased to apply cash flow hedge accounting for cross currency interest rate swap.

NOTE 8 • INCOME TAX EXPENSE

Recognised in the consolidated income statements

€'000	2019	2018
Current year tax expense	37,772	35,866
Change in estimate related to prior years	(2,259)	(190)
Current tax expense	**35,513**	**35,676**
Deferred tax expense/(income):		
- Origination and reversal of temporary differences	(368)	1,858
- Changes in tax rates	(417)	(52)
- Utilisation of tax losses carried forward	1,364	805
- Derecognition of previously recognised deductible temporary differences	958	2,323
- Recognition of previously unrecognised tax losses carried forward	(2,850)	(1,106)
Deferred tax (income) / expense	**(1,313)**	**3,828**
Total income tax expense in the consolidated income statements	**34,200**	**39,504**

Reconciliation of effective tax rate	**2019**	**2018**
Net profit before income tax	77,989	134,934
Average applicable tax rate, %*	24.1	18.8

%		
Adjustment to tax expenses		
Non-deductible expenses	2.9	2.1
Utilisation of previously unrecognised tax losses carried forward	(0.7)	(0.4)
Recognition of previously unrecognised tax losses carried forward	(3.6)	(0.8)
Recognition of previously unrecognised (derecognition of previously recognised) deductible temporary differences	5.2	0.5
Increase/(Release) of uncertain tax positions**	3.3	(0.1)
Withholding taxes	7.3	5.1
Other taxes	1.3	0.5
Change in estimate related to prior years	(2.9)	0.1
Current-year losses for which no deferred tax asset is recognised	7.0	3.5
Effective tax rate	**43.9**	**29.3**
Tax effect on non-recurring items (please refer to note 27)	(16.7)	-
Effective tax rate without non-recurring items	27.2	29.3

* 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 31 percent. Tax at applicable tax rate amounts to 24.1% (18.8%) and increased due to slightly different country mix and increased weight of high tax jurisdictions in Oriflame markets.

** Following a commercial change in one of our market, the tax risk in this market was reassessed and became more likely than not. Income tax risks which are not assessed as more likely than not are disclosed in the note "23 Provisions, commitments and contingent liabilities".

In May 2019, Switzerland voted on the federal tax reform and AHV financing (TRAF) which entered into force on January 1, 2020. The tax reform does not have material tax implications on the group's current income tax positions 2019 as the implemented changes in tax law had no impact at year end. Further, no significant relevant deferred income tax assets or liabilities are accounted for in the Swiss tax entities of the Oriflame group.

NOTE 9 • PROPERTY, PLANT AND EQUIPMENT

€'000	Freehold land & buildings	Improvements to leasehold property	Plant & machinery	Furniture & equipment	Computer equipment	Motor vehicles	Under const-ruction	Total
Cost								
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	(2,623)	(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**
Additions	591	4,335	4,497	2,308	2,575	756	137	15,199
Disposals	(1,518)	(4,701)	(1,286)	(3,283)	(5,064)	(624)	-	(16,476)
Re-classification	-	-	26	33	-	-	(59)	-
Translation	11,450	589	2,830	738	621	185	(1)	16,412
At 31 December 2019	**130,866**	**34,253**	**108,349**	**21,616**	**21,817**	**5,259**	**103**	**322,263**
Accumulated depreciation and impairment								
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**
Charge for the year	3,662	4,070	5,234	1,591	2,161	742	-	17,460
Impairment	-	356	56	144	2	-	-	558
Disposals	(1,255)	(4,598)	(1,245)	(3,082)	(5,030)	(613)	-	(15,822)
Translation	1,838	422	1,520	380	500	126	-	4,786
At 31 December 2019	**33,160**	**24,011**	**83,516**	**16,814**	**17,560**	**3,817**	**-**	**178,878**
Net Book Value								
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**
At 31 December 2019	**97,706**	**10,242**	**24,833**	**4,802**	**4,257**	**1,442**	**103**	**143,385**

Property, plant and equipment under construction
Assets under construction cover the construction of new manufacturing components to extend the production of certain products which was finalised during 2019.

Impairment
During 2019, the Group recognised an impairment loss totaling €0.6 million mainly coming from leasehold improvement and furniture and equipment related to the closure of smaller markets at the end of the year.

Disposals
In 2019, the Group sold property, plant and equipment with a net book value of €0.7 million (€1.9 million) resulting in a profit on disposal of property, plant and equipment of €0.9 million (€1.2 million) booked as Administrative expenses in the income statement.

Contractual commitment
At year-end 2019, there is no contractual commitment (nil).

NOTE 10 • INTANGIBLE ASSETS

€'000	Software	Trademarks	Property rights	Goodwill	Under development	Total
Cost						
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**
Additions	603	-	1,500	-	117	2,220
Disposals	(3,958)	(2,085)	(30)	-	-	(6,073)
Translation	469	-	-	-	-	469
At 31 December 2019	**30,657**	**-**	**4,800**	**10,673**	**117**	**46,247**
Accumulated amortisation						
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**
Charge for the year	1,551	-	-	-	-	1,551
Disposals	(3,958)	(2,085)	(30)	-	-	(6,073)
Translation	444	-	-	-	-	444
At 31 December 2019	**27,885**	**-**	**-**	**5,275**	**-**	**33,160**
Net Book Value						
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**
At 31 December 2019	**2,772**	**-**	**4,800**	**5,398**	**117**	**13,087**

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 11.5 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 several 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 (2 percent) and India 10 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 concluded 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 2019 and 2018.

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 11.5 percent (9 percent) and a market growth rate of 6 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 concluded 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 2019 and 2018.

NOTE 11 • RIGHT-OF-USE ASSETS

€'000	Land & 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
Derecognition of right-of-use assets*	(1,040)	(197)	-	(1,237)
Translation	(3,086)	(51)	(20)	(3,157)
At 31 December 2018	**91,294**	**5,484**	**558**	**97,336**
Additions	16,720	765	30	17,515
Derecognition of right-of-use assets*	(13,544)	(828)	(110)	(14,482)
Translation	1,463	23	1	1,487
At 31 December 2019	**95,933**	**5,444**	**479**	**101,856**

Accumulated depreciation				
At 1 January 2018				
Charge for the year	18,881	1,657	188	20,726
Derecognition of right-of-use assets*	(471)	(67)	-	(538)
Translation	(147)	(46)	(4)	(197)
At 31 December 2018	**18,263**	**1,544**	**184**	**19,991**
Charges for the year	20,357	1,670	154	22,181
Derecognition of right-of-use assets*	(7,296)	(619)	(68)	(7,983)
Translation	433	12	1	446
At 31 December 2019	**31,757**	**2,607**	**271**	**34,635**

Net Book Value				
At 1 January 2018	**83,300**	**3,919**	**490**	**87,709**
At 31 December 2018	**73,031**	**3,940**	**374**	**77,345**
At 31 December 2019	**64,176**	**2,837**	**208**	**67,221**

* Derecognition of the right-of-use assets covers derecognition of expired contracts and early termination contracts

Office building

The Group leases its head office building. The non-cancellable period of the lease varies from country to country (from 2 years to 10 years), with the option to extend the lease. Where applicable, 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, the lease payments in the renewal period are calculated using a revised discount rate based on the remaining duration.

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	2019	2018
Interests on lease liabilities	4,355	4,605
Expenses related to short term leases	4,530	3,828
Expenses related to low value assets lease	30	71

Amount recognized in the statement of cash flows

€'000	2019	2018
Total cash outflow for leases	25,998	27,084

NOTE 12 • DEFERRED TAXATION

Deferred tax assets and liabilities at 31 December 2019 and 2018 are attributable to the items detailed in the table below:

	2019			2018			
€'000	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**	**Movement**
Property, plant and equipment & intangible assets	2,518	(3,765)	(1,247)	2,138	(3,282)	(1,144)	(103)
Leases	14,124	(13,503)	621	18,801	(15,812)	2,989	(2,368)
Inventories	11,038	(1,535)	9,503	12,466	(1,220)	11,246	(1,743)
Trade and other receivables	3,514	(268)	3,246	2,678	(1,406)	1,272	1,974
Accruals	7,733	(4)	7,729	7,997	(242)	7,755	(26)
Other	8,004	(571)	7,433	5,712	(1,233)	4,479	2,955
Tax losses carried forward	5,360	-	5,360	3,441	-	3,441	1,919
Tax assets/(liabilities) before set off	**52,291**	**(19,646)**	**32,645**	**53,233**	**(23,195)**	**30,038**	**2,608**
Set off of tax	(17,029)	17,029	-	(20,399)	20,399	-	
Net tax assets/liabilities	**35,262**	**(2,617)**	**32,645**	**32,834**	**(2,796)**	**30,038**	

Recognised in other comprehensive income in relation to cash flow hedges	(37)
Recognised in other comprehensive income in relation to re-measurement of the net defined benefit liability	(328)
Translation difference	(930)
Deferred tax income	**(1,313)**

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	2019	2018
Tax losses*	180,851	167,753

*Of which € 2,2 million (€ 1,6 million) expire within one year, € 8,9 million (€ 14,7 million) expire between one and five years and € 169,8 million (€ 151,5 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 13 • INVENTORIES

€'000	2019	2018
Raw materials	19,602	15,749
Work in progress	85	28
Finished goods	169,413	156,100
Other inventories	18,164	13,994
Inventory reserves	(29,573)	(29,030)
Total inventory	**177,691**	**156,841**

During 2019 the Group wrote down €10.0 million (€5.7 million) inventory mainly due to obsolescence.

The carrying amount of inventories carried at fair value less cost to sell was €7.1 million (€8.1 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 2019 were €401.2 million (€393.6 million).

NOTE 14 • TRADE AND OTHER RECEIVABLES

	31.12.2019			31.12.2018		
€'000	Gross carrying amount	Expected credit loss allowance	Total	Gross carrying amount	Expected credit loss allowance	Total
Trade receivables	70,947	(30,130)	40,817	73,019	(32,887)	40,132
Other receivables	33,782	(93)	33,689	32,758	(70)	32,688
Other receivables – related parties	591	-	591	-	-	-
Total	**105,320**	(30,223)	**75,096**	**105,777**	(32,957)	**72,820**

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 recognises 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 in time 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 €8.1 million (€6.4 million) is included in selling and marketing expenses.

NOTE 15 • CASH AND CASH EQUIVALENTS

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

€'000	2019	2018
Cash	127,628	146,691
Short term deposits	15,564	31,384
Total cash	**143,193**	**178,075**

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in note 25.

NOTE 16 • SHARE CAPITAL AND SHARE PREMIUM

Share Capital

Oriflame Swiss Holding AG ('OSWAG'), the parent company has one class of share capital. All shares have a par value of CHF 0.01 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 2018	**55,753,965**	**79,85**
Issue of ordinary shares in relation to share incentive plan	688,401	895
Balance 31 December 2018	**56,442,366**	**80,745**
Issue of ordinary shares in relation to share incentive plan	191,672	253
Merger of the parent company (i)		
Derecognition of previous parent company	(56,634,038)	(80,998)
Change to the new parent company	10,000,000	91
Balance 31 December 2019	**10,000,000**	**91**

Treasury shares	No. of shares	€'000
Balance 1 January 2018	**13,160**	**90**
Treasury shares used in relation to share incentive plan	(41,520)	(1.200)
Purchase of treasury shares	40,000	1,584
Balance 31 December 2018	**11,640**	**474**
Treasury shares used in relation to share incentive plan	(88,704)	(1,849)
Purchase of treasury shares	88,704	1,605
Changes due to merger parent company (ii)	(11,640)	(230)

Balance 31 December 2019	-	-

In February 2019, a total of 280,376 achievement shares were delivered to participants of the 2016 share incentive and retention plans (SIP). The settlement was done through:

a) an increase of share capital for 191,672 shares with a par value of CHF 1.50 under the Company's conditional share capital,
b) with the use of 88,704 treasury shares that were repurchased on the Nasdaq Stockholm stock exchange.

(i) On 30 September 2019, OSWAG became the new parent company of the Group after the merger with the previous parent company, Oriflame Holding AG.
(ii) Before the merger on 30 September 2019 between Oriflame Holding AG (the former ultimate parent of the Oriflame group) and OSWAG as described in the note 1 "Status and principal activity", the remaining treasury shares were transferred to Walnut Switzerland AG.

Share premium
The share premium represents the difference between the nominal value and the issued value of the shares. The dividends declared during 2018 and 2019 were recognised from the share premium. The balance has been impacted by the change in the parent company.

NOTE 17 • 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 2019:
(a) Exchange gain of €1.7 million (€4.3 million loss in 2018) arising on long term inter-company debt of an investment nature, and;
(b) A foreign exchange gain of €11.6 million (€10.3 million loss in 2018) 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 2018, the AGM of the company approved a dividend of €2.60 per share, as proposed by the Board of Directors, i.e. €146.7 million in total. The last instalment on this dividend was paid in February 2019 for €22.6 million.

In May 2019, the AGM of the Company approved a dividend of €1.60 per share as proposed by the Board of Directors representing €90.6 million in total. The payment of the dividend was distributed out of the capital contribution reserve. The 2019 dividend was partially paid during the year in two instalments of €22.6 million each in May and August 2019. The outstanding dividend to be paid of €45.3 million is recognised as a dividend payable in the consolidated statement of financial position as at 31 December 2019.

(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 18 • INTEREST-BEARING LOANS

€'000	2019	2018
Non-current liabilities		
Loans	-	249,404
		249,404
Current liabilities		
Related party loan	199,169	-
	199,169	**-**

The terms and conditions of outstanding loans were as follows:

€'000	Currency	Interest rate	Year of maturity	31 December 2019 Nominal value	31 December 2019 Carrying amount *	31 December 2018 Nominal value	31 December 2018 Carrying amount *
Revolving credit facility	EUR	Euribor + margin	2024	-	-	-	(1,051)
Private placement loan 2010	USD	Fixed rate USD	2020	-	-	51,471	61,776
Private placement loan 2011	USD	Fixed rate USD	2018-2023	-	-	54,961	68,679
Private placement loan 2017	EUR	Fixed rate EUR	2029	-	-	70,000	70,000
Private placement loan 2018	EUR	Fixed rate EUR	2030	-	-	50,000	50,000
Related party loan	EUR	6.88%	2020	199,169	199,169	-	-
Total interest-bearing liabilities				**199,169**	**199,169**	**226,432**	**249,404**
Non-current interest-bearing liabilities							249,404
Current interest-bearing liabilities					199,169		-
Total interest-bearing liabilities					**199,169**		**249,404**

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

Private placement loans and revolving credit facility

In the prior years, the Group completed the issuance of several private placement loans in USD and in EUR with remaining maturities between 2020 and 2030. The carrying amounts of these loans as at 31 December 2018 were €250.5 million.

Following the structure change as described in the note 1 "Status and principal activity", all Private placement loans including interests were fully paid back during the third quarter 2019 resulting in a cash outflow of respectively €226.4 million and €31.1 million interests.

The revolving credit facility was terminated at the same time as the private placement loans, but did not result in any payment as no amount was drawn down at this time.

Related party loan

On 15 August and 3 September 2019, the Group signed a €15 million and €224 million loan from Oriflame Holding AG with an interest rate of 6,88% and a maturity date on 14 August and 2 September 2020. Out of the total of €239 million loan, only €235 million was drawn down in 2019. Following a partial repayment during December 2019 of €35.8 million, the outstanding amount as at 31 December 2019 amounted to €199.2 million.

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

	2018	Cash flows	Non-cash changes						2019
			Foreign exchange movement	Fair value changes	Transaction costs related to loans	New leases	Early termination leases	Dividend declared	
Liabilities									
Long-term loans	249,404	(226,432)	(4,467)	(19,600)	1,095	-	-	-	-
Short-term loans	-	199,169	-	-	-	-	-	-	199,169
Lease liabilities	81,659	(21,643)	1,258	-	-	17,515	(7,635)	-	71,154
Dividend payables*	23,616	(67,846)	-	-	-	-	-	90,605	46,375
Total liabilities from financing activities	**354,679**	**(116,752)**	**(4,467)**	**(19,600)**	**1,095**	**14,021**	**(2,883)**	**90,605**	**316,698**

	2017	Cash flows	Non-cash changes						2018
			Foreign exchange movement	Fair value changes	Transaction costs related to loans	New leases	Early termination leases	Dividend declared	
Liabilities									
Long-term loans	195,113	50,000	1,020	3,041	230	-	-	-	249,404
Short-term loans	48,423	(40,655)	(7,768)	-	-	-	-	-	-
Lease liabilities	-	(22,479)	(2,991)	-	-	107,886	(757)	-	81,659
Dividend payables*	14,857	(137,961)	-	-	-	-	-	146,720	23,616
Total liabilities from financing activities	**258,393**	**(151,095)**	**(9,739)**	**3,041**	**230**	**107,886**	**(757)**	**146,720**	**354,679**

*The difference with the dividend payables recognized 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 for €1,010 thousand (€886 thousand).

NOTE 19 • TRADE AND OTHER PAYABLES

€'000	2019	2018
Third party payables	116,673	86,706
Related party payables	5,234	19
Trade and other payables	**121,907**	**86,726**

NOTE 20 • EQUITY COMPENSATION PLANS

Oriflame offers a Share Incentive and Retention Plan (SIP) covering the Group's executive and senior management. Each year, the individuals were invited by the board of directors to designate a number of Oriflame shares they either already owned or would purchase at the current market price as Investment Shares under the Plan. In return, the participants, 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 Investment Shares, which is the market price at the time of investing, less discounted value of expected dividends. In 2019, the total amount of share based payment recorded in Administrative Expenses was €1.8 million income (€3.7 million cost).

In February 2019, a total of 280,376 achievement shares were delivered to participants of the 2016 share incentive and retention plans (SIP). The settlement was done through (a) an increase of share capital for 191,672 shares with a par value of CHF 1.50 under the Company's conditional share capital and with the use of 88,704 treasury shares.

During the first quarter 2019, the Board of Directors resolved to implement the 2019 share incentive plan ("2019 SIP") for approximately 50 key employees of the Oriflame group (the "Participants"). This offer resulted in a grant of 71,000 investment shares at the beginning of the scheme.

At the end of December 2019, the board of directors decided to modify the existing (2016 – 2019) share incentive plans, which were issued by the former Oriflame Holding AG, from equity-settled share-based plans to cash-settled share-based plans, as follows:

- The Board has confirmed that the original investments under the plans are still eligible for potential future awards to the participants;
- The Board has consequently removed the original requirement to keep the investment shares throughout the investment period;
- The Board has furthermore resolved that the potential achievement share awards (0-8 achievement shares per investment share) at the end of each reporting period is replaced with entitlements to cash pay-outs;
- The cash pay-outs will be determined as a value per achievement share based on a year-end fair value assessment of the Oriflame business done each year;
- All other share incentive plan terms and conditions remain as is.

Following the modification of the existing (2016 - 2019) share incentive plans on 31 December 2019, the Company recalculated the total fair value of the services received in return for the benefits granted under the modified plans using EUR 21.73 (SEK 227) as a value per achievement share, which is considered as the fair value for the year end. The new fair value of the plans € 6.9 million was lower by € 3.2 million than the amount recognised initially in equity as of 31 December 2019, and it was reclassified from equity to liabilities. The difference remained in equity.

The terms and movement in number of investment shares outstanding

SIP			**2019**			**2018**			**2017**			**2016**			**2015**
Vesting period	2024	2023	2022	2023	2022	2021	2022	2021	2020	2021	2020	2019	2020	2019	2018
Initial term in			Feb-19			Apr-18			Mar-17			Apr-16			Jan-16
Share price at grant date			**16.79**			**40.12**			**36.35**			**16.98**			**14.78**
Fair value at grant date	**8.95**	**10.48**	**12.03**	**31.5**	**33.03**	**34.57**	**31.24**	**32.34**	**33.34**	**13.58**	**14.58**	**15.43**			**11.46**
No of Investment shares outstanding at 1 Jan 18	-	-	-	-	-	-	70,415	70,415	70,815	70,118	70,118	70,394	-	-	69,813
Granted				71,000	71,000	71,000									
Forfeited				-300	-300	-300	-300	-300	-300	-576	-576	-300	-	-	-
Expired															68,923
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
Granted	71,000	71,000	71,000												
Forfeited	-4,600	-4,600	-4,600	-5,400	-5,400	-4,800	-6,989	-6,989	-200	-8,538	-8,538				
Vested												-70,094			
Expired															
No of Investment shares outstanding at 31 Dec 19	66,400	66,400	66,400	65,300	65,300	65,900	63,126	63,126	70,315	61,004	61,004	0	-	-	0

NOTE 21 • RELATED PARTIES

Parent and ultimate controlling party

During 2019, following the delisting from the Nasdaq Stockholm Exchange, as described in note 1 "status and principal activity", the new ultimate controlling party of the Group is Walnut Midco Limited, a private limited liability company incorporated under the laws of Jersey.

Between the group parent company and the ultimate controlling party, Walnut Bidco Plc and Oriflame Holding AG (newly renamed from Walnut Switzerland AG) represent a related party for the Oriflame Group (see note 1 "status and principal activity for further information).

Other related parties for the group are represented by Credus Management AB and Medicover over which key management personnel have control or significant influence.

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 shared office facilities. These costs are recharged to 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.

Transactions and outstanding balances with related parties

	Transaction value Year ended 31 December		Balance outstanding as at 31 December	
€'000	**2019**	**2018**	**2019**	**2018**
Expenses paid on behalf of and recharged to Oriflame Holding AG	591	-	591	-
Loan payable to Oriflame Holding AG	(235,000)	-	(199,169)	-
Payables to Walnut Midco Limited	(2)	-	(2)	-
Payables to Walnut Bidco Plc	(10)	-	(10)	-
Payables to Oriflame Holding AG	(5,188)	-	(5,186)	-
Dividend payable to Oriflame Holding AG	(45,307)	-	(45,307)	-
Expenses and employee costs incurred on behalf of and recharged to Medicover S.A.	11	27	-	-
Services provided by Credus Management AB	(70)	(97)	(9)	(44)
Medicover health care services	(408)	(376)	(26)	19

All transactions with related parties are done on arm's length basis. During the year ending 31 December 2019 and 2018, no provision for doubtful debts and expense in respect of bad or doubtful debts due from related parties were recognised.

Transactions with key management personnel

The key management personnel compensation is as follows:

For the year ended 31 December 2019, 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 €555 (€453). The chairman received €110 (€107).

For the year ended 31 December 2019, the Chief Executive Officer is entitled to receive total compensation of €1,228 (€2,071), of which €833 (€835) was salary, €0 (€0) bonus, €0 (€873) share incentive plan*, €194 (€187) pension contributions under the pension scheme for senior management, and €201 (€176) other benefits and allowances, including social security.

For the year ended 31 December 2019 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 €3,294 (€3,600), of which €1,253 (€1,161) was salaries, €0 (€0) bonus, €0(€870) share incentive plan*, €600 (€334) pension contributions under the pension scheme for senior management and €1,441 (€1,235) of other benefits and allowances, including social security.

*the compensation about the share incentive plan reflects the 2019 cost of future potential awards under ongoing share incentive plans as mentioned in the note 20 Equity Compensation Plans.

NOTE 22 • 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	Percentage, %
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
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

Myanmar Oriflame Company Ltd*1	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
Cetes Cosmetics Poland SP z.o.o.*2	Poland	100
Oriflame Property Investments SP z.o.o.*3	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	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*4	Switzerland	100
CETES Cosmetics AG	Switzerland	100
Oriflame East Africa Tanzania Ltd	Tanzania	100
Oriflame Cosmetics (Thailand) Ltd	Thailand	100
Oriflame Management Asia Ltd*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
Foreign Enterprise "ORIFLAME" Limited Liability Company*5	Uzbekistan	100
Oriflame Vietnam Ltd.	Vietnam	100

In October 2019, Oriflame Middle East DMCC , United Arab Emirates, a former subsidiary of the Group, was liquidated.
In December 2019, Tyndelca Trading Limited, Cyprus, a former subsidiary of the Group, was liquidated.

*1 In liquidation
*2 In April 2019, Oriflame Products Poland SP z.o.o , Poland, a subsidiary of the Group, was renamed to Cetes Cosmetics Poland SP z.o.o.
*3 In April 2019, Cetes Cosmetics Poland SP z.o.o., Poland, a subsidiary of the Group, was renamed to Oriflame Property Investments SP z.o.o.
*4 In May 2019, Oriflame Global Management AG, Switzerland, a former subsidiary of the Group, was merged with Oriflame Cosmetics AG.
*5 In February 2019, Foreign Enterprise "ORIFLAME" Limited Liability Company, Uzbekistan, a subsidiary of the Group, was registered.

NOTE 23 • PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

(a) Provisions

€'000	Tax litigations	Restructuring	Claims & Other	Total
Balance at 1 January 2019	**27**	**1,624**	**1,056**	**2,707**
Adjustment for adoption of IFRIC 23*	(27)	-	-	(27)
Provisions made during the year	-	5,760	1,245	7,005
Provisions used during the year	-	(783)	(114)	(897)
Provisions reversed during the year	-	(520)	-	(520)
Translations	-	10	44	55
Balance at 31 December 2019	**-**	**6,091**	**2,231**	**8,322**

* Refer to note 2, sections "d" and "l" for further details

The increase in restructuring relates primarily to restructuring costs coming from operational efficiency initiatives in the CIS, Europe & Africa and global functions, closing of smaller markets and legal restructuring of entities in Europe and Vietnam which should be mainly settled during the year 2020.

Claims & Other provisions cover mainly litigations related to indirect taxes for which the outcome depends on court decisions.

(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 €6.5 million (€10.9 million) representing income tax potential litigations of €3.9 million (€8.3 million) and other claims of €2.6 million (€2.6 million).

(d) Bank guarantees

At 31 December 2019, the Group had bank guarantees in place of €10.3 million (€11.8 million).

NOTE 24 • EMPLOYEE BENEFITS

€'000	Note	2019	2018*
Net defined benefit liability		10,855	6,955
Liability for long-service leave		547	427
Liability for leave benefit leave and other benefits		735	679
Cash-settled share-based payment liability	20	6,925	-
Total employee benefits liabilities		**19,062**	**8,062**
Non-current		16,141	7,730
Current		2,920	332
		19,062	**8,062**

* For comparative purpose, 2018 numbers were adjusted.

Defined contribution plans

During the year, companies operating defined contribution schemes recognised for these schemes €4.4 million pension costs (€4.7 million).

Defined benefit plans

The group has several independent pension and other post-employment benefit plans. The biggest portion of the Group's total net defined benefit liability is based in Switzerland.

Switzerland
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 2019 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 can 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.

Other countries
Defined benefit plans in other countries cover various types of pension and other post-employment benefit plans such as gratuity scheme, mainly in Indonesia, India and Mexico. Unless the value was insignificant, the calculation of the defined benefit obligation is performed by independent actuaries.

The costs recognised in relation to the defined benefit plans during the year amounted to €2.4 million (€1.4 million). The net defined benefit liability at year end amounts to €10.9 million (€7.0 million).

In 2020, €1.8 million (€1.6 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	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Balance at 1 January	**18,417**	**14,593**	**(11,462)**	**(9,655)**	**6,955**	**4,938**
Reclassification from other long-term liabilities*	-	3,360	-	(641)	-	2,720
Included in income statement						
Service cost						
- Current service cost	2,570	1,528	-	-	2,570	1,528
- Past service cost	(392)	(198)	-	-	(392)	(198)
Administrative expenses		-	56	51	56	51
Interest expense / (income)	399	103	(184)	(72)	215	31
Defined benefit cost included in income statement	2,577	1,433	(128)	(21)	2,449	1,412
Included in Other Comprehensive Income (OCI)						
Remeasurements loss / (gain)						
Effect of changes						
- in demographic assumptions	-	-	-	-	-	-
- in financial assumptions	2,969	(1,216)	-	-	2,969	(1.216)
Effect of experience adjustments	281	688	-	-	281	688
Return on plan assets (excluding interest income)	-	-	75	(73)	75	(73)
Total remeasurements included in OCI	3,251	(528)	75	(73)	3,326	(601)
Other						
Exchange differences included in the income statement	850	560	(498)	(390)	352	170
Contributions						
- Employers	-	-	(2,116)	(1,683)	(2,116)	(1,683)
- Participants	37	40	(37)	(40)	-	-
Insurance premiums for risk benefits	(384)	(354)	384	354	-	-
Benefit payments from/to the plan	1,807	(687)	(1,919)	687	(111)	-
Total Other	2,310	(441)	(4,185)	(1,072)	(1,876)	(1,513)
Balance at 31 December	**26,555**	**18,417**	**(15,700)**	**(11,462)**	**10,855**	**6,955**

The following table shows a breakdown of the net defined benefit liability between Switzerland and the other countries:

	2019			2018		
€'000	**Switzerland**	**Other Countries**	**Total**	**Switzerland**	**Other Countries**	**Total**
Defined benefit obligation	22,638	3,918	**26,555**	15,057	3,360	**18,417**
Fair value of plan assets	(14,898)	(803)	**(15,700)**	(10,821)	(641)	**11,462**
Net defined benefit liability	7,740	3,115	**10,855**	4,236	2,720	**6,955**

(b) Actuarial assumptions

At the reporting date, the significant actuarial assumptions used in the valuation were as follows

	2019		2018	
€'000	**Switzerland**	**Other countries**	**Switzerland**	**Other countries**
Discount rate, %	0.35%	2% - 9%	1.15%	3% - 9%
Interest rate for the projection of the savings capital, %	0.35%	0% - 12%	1.15%	0% - 15%
Future salary increases, %	1.5%	1.5% - 9%	1.5%	2.3% - 9%
Mortality probabilities	BVG 2015 generational tables	various	BVG 2015 generational tables	various

The expected benefit payments are as follows

	2019		2018	
€'000	**Switzerland**	**Other countries**	**Switzerland**	**Other countries**
Less than one year	28	410	23	290
Between 1 - 5 years	302	1,188	245	733
Over 5 years	1,181	3,511	887	2,875

Weighted-average duration of the defined benefit obligation as at 31 December:

Duration	**2019** years	**2018** Years
Switzerland	21.0	21.4
Other countries	7.3 – 16.1	7.3 – 16.0

(c) Sensitivity analysis

A change at the reporting date in one of the disclosed assumptions (holding other assumptions constant) of 0.25% would have impacted the net defined benefit liability by the following amounts in Switzerland and in the other main countries (Indonesia, India and Mexico):

Switzerland	**31 December 2019**		**31 December 2018**	
€'000	0.25% Increase	0.25% Decrease	0.25% Increase	0.25% Decrease
Discount rate	(1,150)	1,214	(706)	761
Future salary increases	415	(414)	359	(307)
Future pension increases	503	(503)	332	(313)

Other main countries	**31 December 2019**		**31 December 2018**	
€'000	0.25% Increase	0.25% Decrease	0.25% Increase	0.25% Decrease
Discount rate	(84)	97	(71)	79
Future salary increases	74	(19)	59	(14)
Future pension increases	N/A	N/A	N/A	N/A

NOTE 25 • FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

25.1 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 intra-group sales, which present an exposure to variations in cash flows that could ultimately affect profit or loss.

As at 31 December 2019 there were a variety of forward exchange contracts outstanding for a nominal amount equivalent of €76.7 million (€92.8 million) with maturities ranging from January to December 2020, 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 €5.1 million (€20.1 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 2019, the fair value of these contracts was €0.024 million loss (€0.1 million gain).

The Group claims cash flow hedge accounting for a variety of forward contracts at a nominal amount of €71.5 million (€72.7 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 2019, the fair value of these forward contracts was €2.7 million loss (€0.2 million loss).

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 at the inception $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.

In September 2019 the Group prepaid the outstanding amount of each series of Senior Notes: $52.7 million due in July 2021 and $25.8 million due in July 2023.

Subsequent to the prepayment of last series of Senior Notes, USD and euro denominated flows of the cross currency interest rate swaps were fully unwounded.

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.

In September 2019 the Group fully prepaid the last tranche of $70 million, respectively, together with the interest accrued to the international investors. Subsequent to the prepayment of the last USD tranche, USD and euro denominated flows of the cross currency interest rate swaps were fully unwounded.

In 2019 the group recorded € 31.1 million financial expenses from interest repayment of the USPP loans.

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

2019	RUB	IDR	INR	CNY	MXN	TRY
In €'000 equivalents						
Intra-group trading balances	29,831	6,609	1,115	2,272	10,770	2,630
Trade receivables/(payables)	-	-	(171)	-	-	-
Gross balance sheet exposure	**29,831**	**6,609**	**944**	**2,272**	**10,770**	**2,630**
Forward exchange rate contracts*	(9,230)	(7,117)	-	(448)	(10,980)	(767)
Net Exposure	**20,601**	**(508)**	**944**	**1,824**	**(210)**	**1,863**

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**

* 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		**Reporting date rate**	
€	**2019**	**2018**	**2019**	**2018**
RUB	72.48	73.92	69.34	79.46
IDR	15,827.42	16,796.07	15,595.60	16,500.00
INR	78.81	80.65	80.19	79.73
CNY	7.73	7.81	7.82	7.88
MXN	21.55	22.70	21.22	22.49
TRY	6.35	5.66	6.65	6.03

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. One 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 %	2019	2018
RUB	(0.5)	(0.3)
IDR	(0.2)	(0.2)
INR	(0.3)	(0.2)
CNY	(0.5)	(0.6)
MXN	(0.1)	(0.1)
TRY	(0.1)	(0.1)

Effect on Group equity in € million	2019	2018
RUB	(0.8)	(0.5)
IDR	(0.4)	(0.4)
INR	(0.2)	(0.2)
CNY	(0.8)	(0.8)
MXN	(0.4)	(0.3)
TRY	(0.0)	(0.0)

(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 recognised 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, totaling €121.3 million.
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, totaling €49.0 million.

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.

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 2019				
Interest rate caps	4	(4)	-	-
Cash flow sensitivity (net)	**4**	**(4)**	**-**	**-**
	100 bp	**100 bp**	**100 bp**	**100 bp**
31 December 2018				
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)**

II 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	**2019**	**2018**
Trade and other receivables	61,729	62,037
Cash and cash equivalents	143,193	178,075
Option exchange rate contract	-	44
Forward exchange rate contracts	71	277
Forward exchange rate contracts for hedging	333	1,044
Cross currency interest rate swaps	-	22,288
Cross currency interest rate swaps for hedging	-	2,988
	205,326	**266,753**

Information about the Group's exposure to impairment losses for trade receivables are included in note 14.

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.

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 2019

€'000	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	More than 5 years
Non-derivative financial liabilities					
Loans	199,169	209,185	209,185	-	-
Trade and other payables	104,464	104,464	104,464	-	-
Accrued expenses	77,514	77,514	77,514	-	-
Other long-term liabilities	1,009	1,009	1,009	-	-
Lease liabilities	71,154	75,805	22,455	48,674	4,676
Dividend payable	45,365	45,365	45,365	-	-
Derivative financial liabilities					
Forward exchange rate contracts	93	93	93	-	-
Forward exchange rate contracts for hedging (cash flow hedge)	3,100	3,100	3,100	-	-
Total	**501,868**	**516,535**	**463,185**	**48,674**	**4,676**

31 December 2018

€'000	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 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	-	-
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**

* The contractual cash flows are 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 relate to the accrued interest.

25.2 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. In the new ownership structure following the public offer made on 22 May 2019 by Walnut Bidco plc as described in note 1, OSWAG and its subsidiaries are part of the Walnut Midco group, and as such the Company intends to distribute as dividends to its parents, all of the Group's annual profit after tax, which is supported by available cash.

25.3 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 2019	Carrying amount					Fair Value		
€'000	**Fair value - hedging instruments**	**Manda-torily 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								
Forward exchange rate contracts	-	71	-	-	71	-	71	-
Forward exchange rate contracts for hedging	333	-	-	-	333	-	333	-
Total Financial assets measured at fair value	**333**	**71**	**-**	**-**	**404**	**-**	**404**	**-**
Financial liabilities measured at amortised cost								
Loans	-	-	-	(199,169)	(199,169)	-	(199,169)	-
Total Financial liabilities measured at amortised costs	**-**	**-**	**-**	**(199,169)**	**(199,169)**	**-**	**(199,169)**	**-**
Financial liabilities measured at fair value								
Forward exchange rate contracts	-	(93)	-	-	(93)	-	(93)	-
Forward exchange rate contracts for hedging	(3,100)	-	-	-	(3,100)	-	(3,100)	-
Total financial liabilities measured at fair value	**(3,100)**	**(93)**	**-**	**-**	**(3,193)**	**-**	**(3,193)**	**-**

31 December 2018	Carrying amount					Fair Value		
€'000	Fair value - hedging instruments	Manda-torily 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	-
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)	-
Forward exchange rate contracts	-	(346)	-	-	(346)	-	(346)	-
Interest rate swaps	-	(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)**	**-**

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)

25.4 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	Related financial instruments that are not offset	Net amount
31 December 2019			
Financial assets			
Forward exchange contracts	404	(153)	251
	404	**(153)**	**251**
Financial liabilities			
Forward exchange contracts	(3,193)	153	(3,040)
	(3,193)	**153**	**(3,040)**
31 December 2018			
Financial assets			
Cross currency interest rate swaps	25,276	(479)	24,797
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)**

NOTE 26 • ACCRUED EXPENSES

€'000	2019	2018
Performance discounts & Bonus	27,210	29,283
Staff related accruals	18,635	19,257
Other accruals	51,110	52,932
Total accrued expenses	**96,955**	**101,472**

NOTE 27 • ANALYSIS OF ALTERNATIVE PERFORMANCE MEASURES

During 2019, the Group identified non-recurring items totaling € 47.7 million. These one-off costs came from the parent company change as described in note 1 (professional fees within operating profit and finance expense due to refinancing), as well as restructuring costs coming from operational efficiency initiatives in the CIS, Europe & Africa and global functions, closing of smaller markets and legal restructuring of entities in Europe and Vietnam which should be mainly settled during the year 2020.

The below alternative performance measures exclude the non-recurring items.

€'000	2019
Reported operating profit	**125,140**
Administrative expenses related to parent company change recognised in administrative expenses	8,667
Restructuring costs*	7,413
Impairment related to restructuring costs*	558
Total non-recurring items on operating profit	***16,639***
Adjusted operating profit	**141,778**

*Restructuring costs are mainly reported in administrative expenses. Minor costs were recognised in cost of sales, selling and marketing expenses and distribution and infrastructure.

Allocation of the non-recurring items on the reportable segments and adjusted operating margin as per 31 December 2019

€'000	Latin America	Europe & Africa	CIS	Asia & Turkey	Manu-facturing	All other segments	**Total segments**	Unallocated items	**Total**
Sales	172,945	326,831	321,469	417,598	12,672	6,829	**1,258,345**	-	**1,258,345**
Operating Profit	16,722	46,391	46,992	72,703	9,486	1,802	**194,096**	(68,956)	**125,140**
Non-recurring items on operating profit	671	4,271	1,145	1,333	-	9,217	**16,639**	-	**16,639**
Adjusted operating profit	***17,393***	***50,662***	***48,137***	***74,036***	***9,486***	***12,821***	***210,735***	***(68,956)***	***141,778***
Adjusted operating margin	**10.1%**	**15.5%**	**15.0%**	**17.7%**					**11.3%**

Adjusted net profit

€'000	2019
Reported net profit	**43,788**
Non-recurring items on operating profit	16,639
Financial expenses from refinancing	31,084
Adjusted net profit	**91,511**

Adjusted EBITDA

€'000	2019
Reported operating profit	**125,140**
Depreciation, amortisation and impairment	41,750
Share incentive plan	(1,756)
EBITDA	**165,134**
Non-recurring items (excluding impairment)	16,081
Adjusted EBITDA	**181,215**

Adjusted Cash Flow from operating activities

€'000	2019
Cash flow from operating activities	94,978
Non-recurring items	47,723
Unpaid non-recurring items on 31.12.2019	(8,983)
Adjusted Cash flow from operating activities	**133,718**

Adjusted Cash Flow before servicing debt

€'000	2019
Adjusted Cash flow from operating activities	133,718
Excluding Interest received	(10,189)
Excluding Interest and bank charges paid	50,163
Non-recurring items on interest and bank charges paid	(31,084)
Cash flow used in investing activities	(15,791)
Payment of lease liabilities	(21,643)
Adjusted Cash flow before servicing debt	**105,174**

NOTE 28 • EVENTS SUBSEQUENT TO THE REPORTING DATE

In December 2019 the new coronavirus Covid-19 outbroke in the city of Wuhan in China. In order to contain the spread of the disease the Chinese authorities announced on 23 January 2020 an unprecedented lock down of Wuhan, whereas trains and flights to and from the province were cancelled and checkpoints set up on roads. Despite of these drastic measures the Covid-19 virus spread to the rest of China and beyond its borders. On 11 March 2020 the Covid-19 outbreak was characterised as a pandemic by the World Health Organisation and by the time this annual report was issued the virus reached more than 195 countries, areas or territories with cases more than half a million people. In the highly effected by the virus countries and areas, the authorities imposed strict measures to reduce the spread of the virus. These measures were for example restriction of travel, ban on social events and gatherings, social distancing, closing non-essential businesses and shops, ban on leaving home unless for essential reasons like buying food or going to a doctor.

Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

For the reporting date 31 December 2019, the Coronavirus outbreak and the related measures are non-adjusting events. Consequently, there is no impact on recognition and measurement of assets and liabilities.

The continuing spread of the coronavirus and the impact on the business development of the Oriflame Group is being continually monitored. Based on the developments in early 2020, Oriflame expects that the increasing spread of the coronavirus and the mentioned containment measures will impact the Company.

Over the past ten years the digital transformation of the Oriflame business resulted in 96% of its orders being placed on-line. The possibility to order cosmetics, toiletries and wellness products on-line should reduce the impact on the Company's sales, when people are asked to stay for several weeks at home due to the Covid-19. One third of the cash collection in the group is also happening through on-line payment methods, like bank cards, e-wallets or direct banking. In China for example almost 100% of the sales are placed and paid on-line. In general, it is expected that the impact of the Covid-19 on banking and cash collection should be limited.

Oriflame has geographically diversified production base. The production facilities in China mainly supply the needs of the Chinese market. Following a thorough disinfection in February 2020 the Oriflame manufacturing units continued to operate after a couple of weeks close-down by authorities. Similar lock-down was implemented in India in March and production was suspended by authorities for several weeks. Other countries start to introduce similar measures. Some third party suppliers of finished goods in Italy and India have temporarily stopped their operations. In all production facilities in India, Russia and Poland the company took strict hygienical measures to secure employees' safety as well as assure production continuity. The geographical footprint of the factories allows to mitigate potential production limitation risks at the same time all over the world.

Distribution of products to consultants has been fully restored in China, while we now see disruptions in some other parts of the world where stricter measures from authorities are being implemented.

Management is constantly monitoring future developments and will update its assessment of the impact of Covid-19 and report on a quarterly basis.

Independent Auditor's Report to the Board of Directors of

Oriflame Swiss Holding AG, Schaffhausen

Opinion
We have audited the consolidated financial statements of Oriflame Swiss Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended 31 December 2019, and notes to the consolidated financial statements , including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 44 – 96) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended 31 December 2019 in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those 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 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.

Other information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information 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 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 for such internal control as management 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.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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 ISAs 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.

As part of an audit in accordance with ISAs, 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 by the Board of Directors.

— 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 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.

KPMG AG

Hélène Béguin Licensed Audit Expert Auditor In-Charge	Kathrin Schünke Licensed Audit Expert

Zurich, 16 April 2020

Financial calendar 2020

- Interim Management Statement 1 January - 31 March 2020, 15 May, 2020
- Interim Management Statement 1 January - 30 June 2020, 13 August, 2020
- Interim Management Statement 1 January - 30 September 2020, 6 November, 2020

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Distribution principles:

The Annual Report is available at www.oriflame.com, in addition to interim reports, previous annual reports and other financial material.