

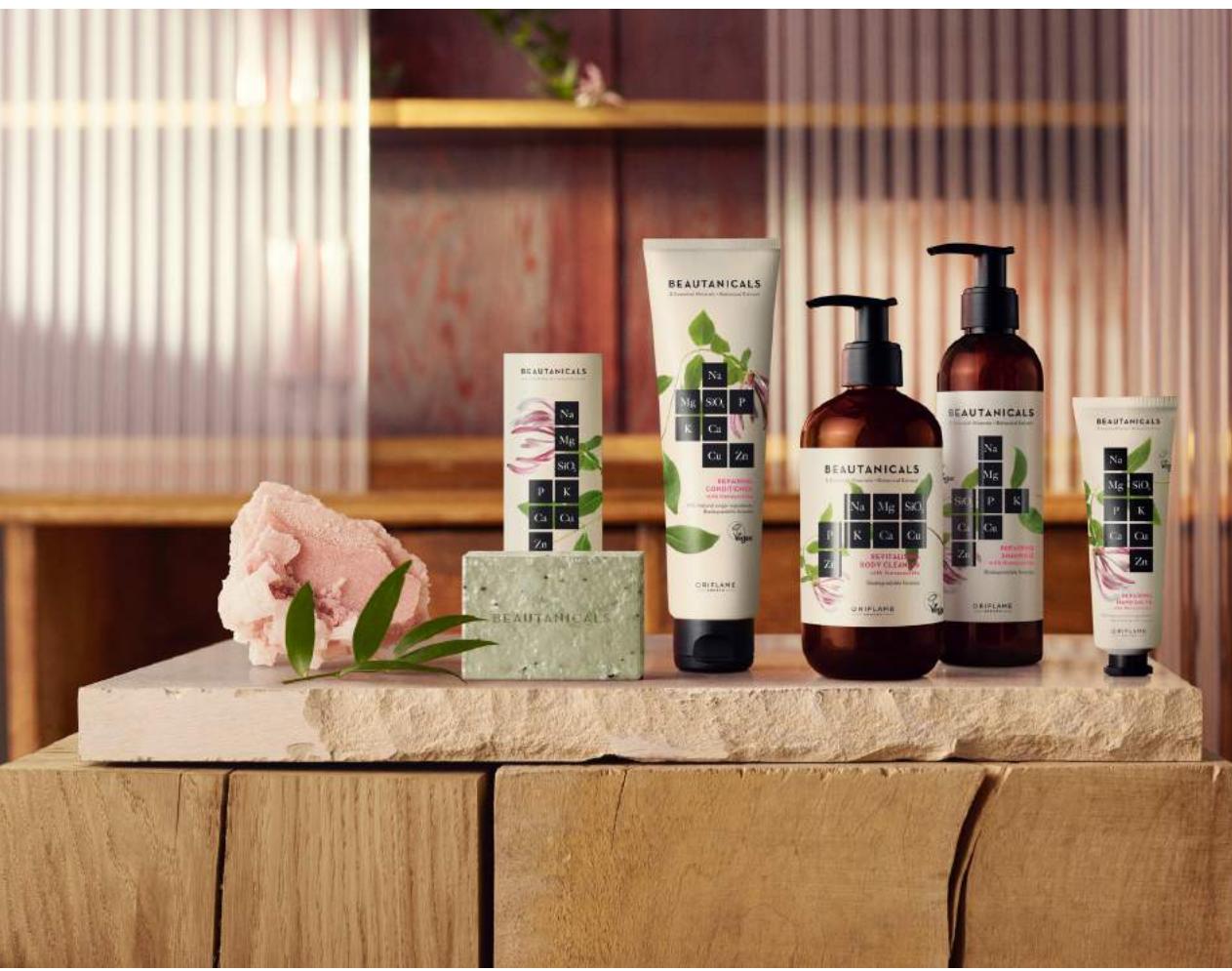
A photograph of two women in a field. The woman in the foreground is smiling broadly, showing her teeth, and is wearing a light brown, ribbed, long-sleeved dress. The woman in the background is looking towards the camera with a more subtle smile, wearing a white top and a long, light-colored skirt. The background is a bright, sunny day with green trees and a clear sky.

2020 ANNUAL REPORT

ORIFLAME
SWEDEN

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Oriflame is an international social selling beauty company present 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 innovative beauty products is marketed through approximately 3 million Independent Brand Partners, generating annual sales of around €1.2 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. Today Oriflame is a true online business with around 98% of all orders placed online. Respect for people and nature underlies Oriflame's operating principles and is reflected in its ambitious social and environmental targets. The wide geographic footprint combined with a social selling business model and strong corporate culture form the foundation for long-term growth.

40% of Oriflame's ownership is held by two charitable foundations, the af Jochnick Foundation and the Jonas and Christina af Jochnick Foundation. The foundations are active in various areas of philanthropy with a particular interest in health, the environment and education. More information regarding the work of the foundations can be found at their websites listed below.

<http://www.afjochnickfoundation.com/index.html>

<https://jonasandchristinaafjochnickfoundation.com/>

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 Brand Partners, 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 five geographical regions: CIS, Europe, Asia, Turkey & Africa and Latin America.

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 social selling
beauty company

2020 in brief

<p>Sales in over 60 countries</p>	<p>€1.2b in sales</p>	<p>Founded in 1967</p>
<p>5,660 Average full-time equivalent employees</p>	<p>2.9m Independent Brand Partners</p>	<p>12.3% adjusted operating margin</p>
<p>98% of all orders placed online</p>	<p>6 different product categories</p>	<p>~1,000 products</p>

Our business model hasn't changed – although our arena has. Oriflame today is a social selling company with a truly online business.



2020 was indeed a challenging year on many fronts and also a successful year with only a slight decline in local currency sales, strengthened profitability and much improved cash flow. We all faced the consequences of a pandemic that has affected people and businesses around the globe. We also met challenges from strong currency head winds, altered demand and product mix, together with supply chain constraints, which impacted sales negatively in certain product categories and markets. On the other hand, our initiatives to improve the group's profitability and cash flow clearly rendered results, and Oriflame managed to deliver stable sales in local currency with strengthened profitability. Our strategic transformation from offline to online, which took off many years ago, equipped us well for the real acceleration in digitalization that took place last year.

The digital transition over the years has gone smoothly, with increased speed in 2020, and we are today a truly online social selling company. The next stage of our journey is to make sure we develop and communicate the performance of our products, with an ambition to offer a great business opportunity, combined with a healthy and sustainable lifestyle. The strategic product categories Skin Care and Wellness continued to be the largest contributors to sales – despite supply constraints and specific market challenges – and we will increase our focus on the performance and benefits of these important categories. These are the product categories that generate the greatest value creation, standing out on the merits of our brand, people and recurring routines.

The key factors behind our solid performance in this challenging year are the exceptional efforts of our colleagues, the passion and motivation of our independent brand partners as well as our modern online business model and product offering. I am proud that Oriflame's ongoing sustainability-related achievements and ambitions continued to receive appreciation.

As a people business, we believe in the strength of social selling, motivating our independent brand partners by offering a dynamic and attractive renumeration plan together with high quality products. It has to be worth it and it has to be easy – these are the key drivers that keep our global community united and connected. People still have a need to meet in numerous ways – and we will provide those opportunities to gather, adapted to prevailing circumstances – live, digitally, one-on-one or by arranging global digital events, such as the recently held with around 40,000 participants.

Our foundation gears us towards building a stronger Oriflame. Despite the ongoing macro challenges, we are confident that 2021 will be a year when we return to growth, combined with a further improvement in profitability. The improved pricing and category mix as well as implemented efficiency measures will more than offset foreseen currency headwind. Our business model hasn't changed, although our arena has, and we will stay agile and eager to harness opportunities on our journey.

A handwritten signature in black ink, appearing to read "Magnus Brännström".

Magnus Brännström, CEO & President

Financial highlights

2020 was a challenging year in many ways. Still, we delivered a low single digit local currency sales decrease versus prior year – with strengthened profitability and improved cash flow. During the year we faced strong currency head winds, as well as supply constraints, negatively impacting our overall sales and margins. Our initiatives to improve the profitability and cash flow of the group proved successful.

- Local currency sales decreased by 2% and euro sales decreased by 8% to €1,156.9m (€1,258.3m).
- Adjusted EBITDA margin was 15.4% (14.4%) and adjusted EBITDA amounted to €178.6m (€180.8).
- Adjusted operating margin was 12.3%* (11.2%), negatively impacted by 240 bps from currencies, and adjusted operating profit was €141.9m *(€141.4).
- Adjusted net profit was €31.4m* (€66.3m).

Financial summary* (€m)	12 months ended 31 December		
	2020	2019	Change %
Sales	1,156.9	1,258.3	(8%)
Gross margin, %	68.3	68.1	
Adj. EBITDA	178.6	180.8	(1%)
Adj. EBITDA margin, %	15.4	14.4	
Adj. Operating profit	141.9	141.4	0%
Adj. Operating margin, %	12.3	11.2	
Adj. Net profit	31.4	66.3	(53%)
Adj. Cash flow from operating activities	160.8	112.5	43%
Adj. Cash flow before financing activities	191.5	109.7	75%

* Adj. – “Adjusted” figures exclude non-recurring and purchase price allocation (PPA) related items. For additional information refer to the alternative performance measures section on page 112.

COVID-19 Crisis – measures taken by Oriflame

Crisis Management team and internal guidance

As early as the 24 January 2020, Oriflame established a crisis committee composed of the CEO, the CFO, the head of Employee Experience and two members of the Global Assurance team. The team immediately rolled out conservatory measures to reduce the exposure of the employees to the virus by restricting business travel, facilitating home offices and establishing a dedicated information portal and a mobile app for employees.

Later on, the crisis committee regularly updated the measures to adapt to the knowledge of the virus and of the pandemic. Over time, the committee directed the employees with a set of basic measures applicable worldwide in combination with the compliance with local protection measures decided by relevant public health authorities.

From the 5 of June 2020 onward, the responsibility to implement control measures has been delegated to heads of local entities who shall align with local rules and guidance. The crisis committee will remain active until vaccination campaigns are well underway.

It is worthy to note that Oriflame arranged two shipments of surgical face masks and FFP2/N95 respirators in early 2020 from our locations in Europe to our colleagues in China, who initially faced a dire shortage of protective equipment.

Operational measures in high impact facilities

In the factories, research facilities and distribution hubs, Oriflame immediately enacted strict measures with various shifts, protection equipment, systematic monitoring of temperatures and the prohibition of external visitors. Oriflame has experienced no downtime in the operations of these facilities. To date, some restrictions measures are still in place.

Health protection measures

At their peak, the global protection measures included:

- A complete ban of international business travel – now back to restricted to essential business travel with senior approval.
- 14-day quarantine after any international travel – now back to align with local authorities' guidance.
- Social distancing measures enforced in all Oriflame locations (including closure of social/break areas, increased spacing between workspaces, implementation of shifts, work from home wherever possible), increased hygiene measures – still in place in line with the guidance of local authorities.
- Complete isolation of business-critical locations from external visitors – still in place.

Events and conferences

The conferences are a traditional part of the Oriflame social selling model. They are attended by up to 5,000 participants in around twelve events per year. Due to the Covid-19 pandemic, Oriflame took the early decision to cancel or postpone several major international events that had been planned and booked in advance.

Operations, financing and cost review

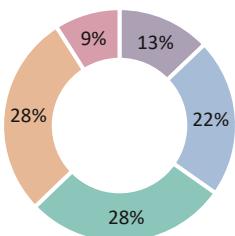
To be prepared against a potential shortage of liquidities ahead of business challenges stemming from the pandemic, Oriflame drew down its credit facility in the beginning of the second quarter 2020. It was repaid in full in September 2020. The business operations were not affected as seriously as the rest of the economy due to a large digitalization of the sales (98% of orders placed online) and a certain agility of the local entities. The biggest challenges have been with local distribution and overcome by the opening of additional delivery channels when in-shop pickup of products was not permitted.

Oriflame conducted a thorough review of its cost structure resulting in less effects on its operational profit.

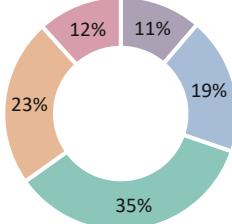
Regional sales

Independent Brand Partners

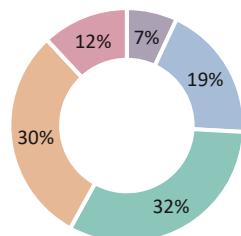
Operating profit



- Latin America (14)
- Europe (20)
- CIS (26)
- Asia (31)
- Turkey & Africa (9)



- Latin America (11)
- Europe (19)
- CIS (33)
- Asia (25)
- Turkey & Africa (12)



- Latin America (9)
- Europe (16)
- CIS (25)
- Asia (39)
- Turkey & Africa (11)

Local currency sales growth

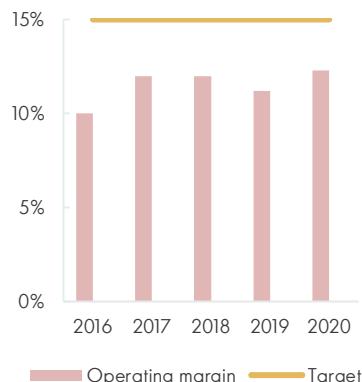
Oriflame aims to achieve local currency sales growth of approximately 10% per annum.



In 2020, local currency sales decreased by 2%, which was below the company's long-term financial target.

Operating margin

Oriflame aims to achieve an operating margin of 15%.

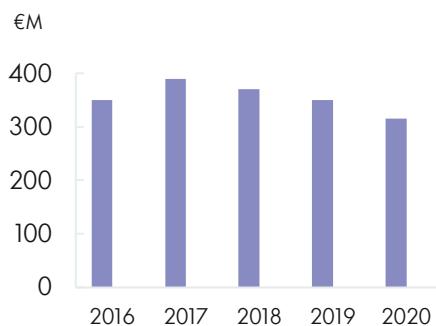


The adjusted operating margin increased to 12.3%, up from 11.2% the year before. The adjusted operating margin was negatively impacted by 240 bps from currencies.

Opportunity for Brand Partners

Target

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



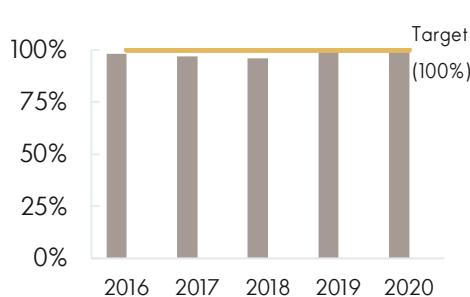
Comment

In 2020, we distributed €315m directly to Oriflame Brand Partners through bonuses and other forms of recognition. It was a decrease from €350m in 2019. The reduction was primarily due to the reduction in sales during 2020 impacted by the Covid-19 pandemic.

Respect for nature

Target

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

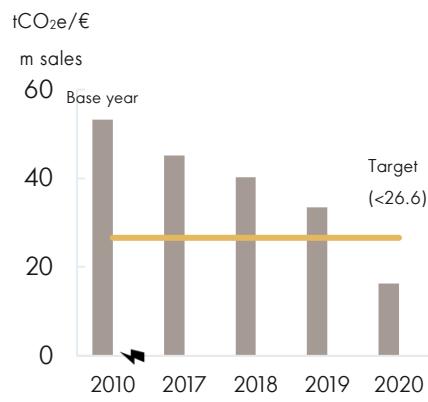


Comment

The target was not achieved in 2020 as we reached 99% paper from credible certified sources or recycled material. Oriflame will continue to work towards the target of 100%.

Target

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



Comment

Since 2010, Oriflame has reduced its greenhouse gas emissions (Scope 1, Scope 2 and parts of Scope 3) per sales by 69% and reached the 2020 target. This is mainly due to our investment in renewable electricity, energy efficiency measures and decreased travelling due to the Covid-19 pandemic.

Passion for People

Target

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



Comment

The target was achieved in 2020, with 43% women and 57% men in Global Management Team.

For more sustainability targets, please see the 2020 Sustainability Report

A close-up, color photograph of a man and a woman smiling and laughing together. The man, in the background, has short brown hair and is wearing a dark blue button-down shirt. The woman, in the foreground, has blonde hair and is wearing a light-colored, short-sleeved top. They are both looking towards the left of the frame. The background is a soft-focus outdoor scene with a clear blue sky.

STRATEGY

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 Brand Partners.

Strengthen the business opportunity for the Independent Brand partners to drive growth in recruitment, retention and productivity

Oriflame's aim is to offer a credible income source that is sustainable for the Independent Brand partners over long-term. Oriflame intends to continue to improve the earning opportunities for the Brand Partners 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 Brand partners, 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 Brand partners feel part of the Oriflame global community as the company believes a strong corporate culture is a key differentiator.

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. Oriflame aims to achieve sales growth driven equally by growth in the number of Independent Brand partners 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.

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.

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 move towards online sales. In 2020, approximately 98% of orders were placed online. Oriflame operates on an Independent Brand Partner-centric approach, with initiatives shaped from the perspective of empowering the Brand Partner 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 Brand Partners 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 Brand Partners. Once a Brand Partner joins, they are provided with support material with guidance on how to begin selling. All Brand Partners buy products directly from Oriflame.

Retail (bricks and mortar, online)



Social selling



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

- 98% of purchases online
- Brand Partners use the latest online tools to deliver personalized recommendations
- Brand Partners 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

Brand Partner 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.

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 Brand Partners to sell and register new Brand Partners online

6

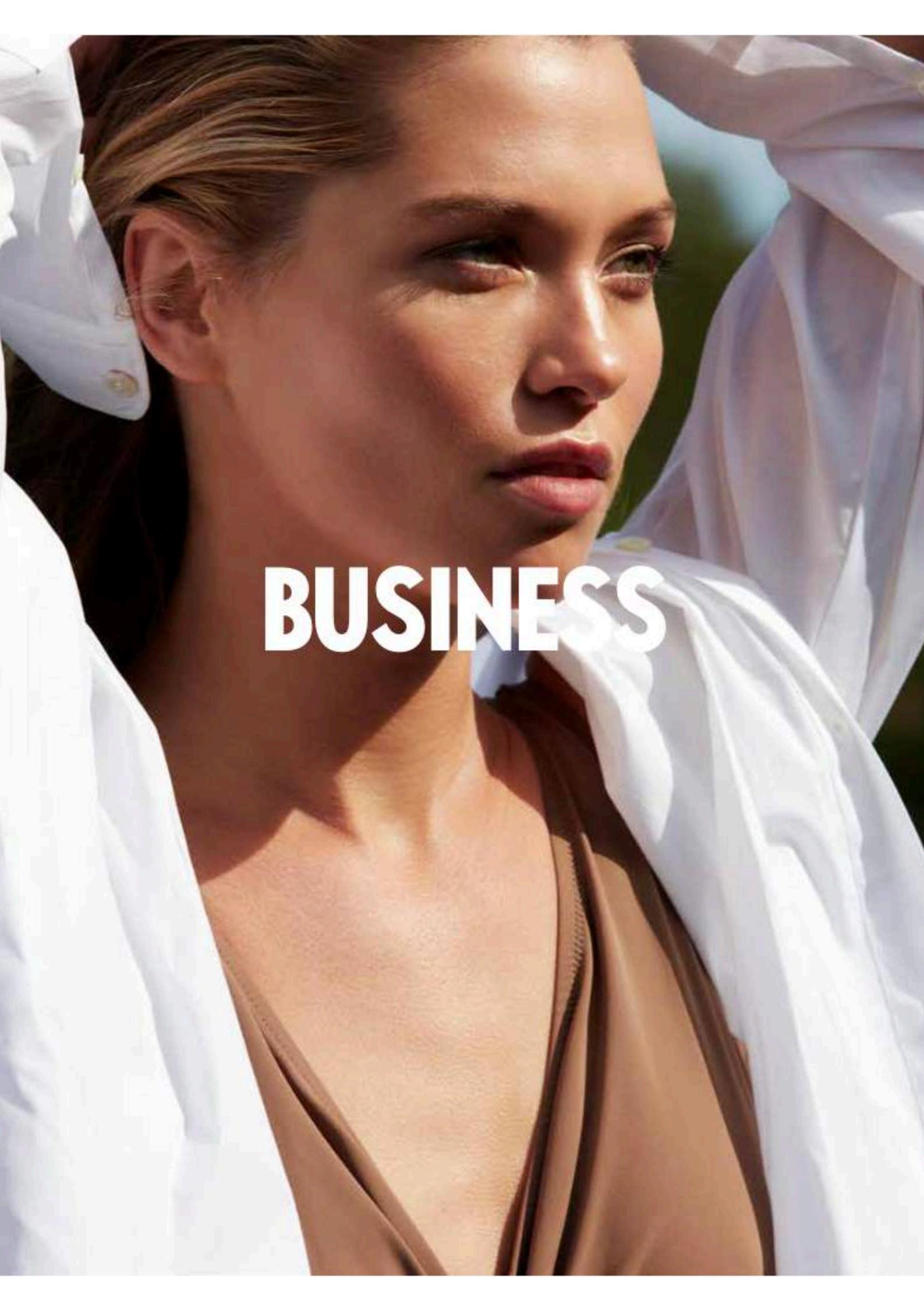
Attractive financial profile with a primarily variable cost base, operating profit margin resilience and strong cash flow conversion

7

Long-term commitment from the founding of 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 Brand Partners is fundamental when navigating through changes.



BUSINESS

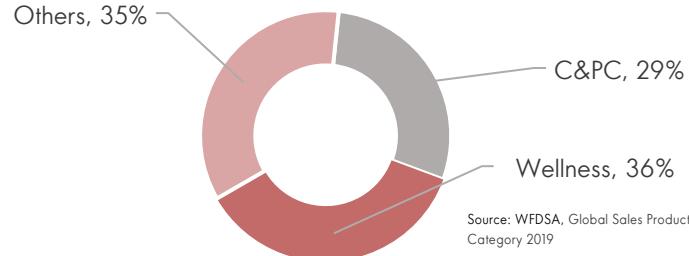
Industry

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 Brand Partners.

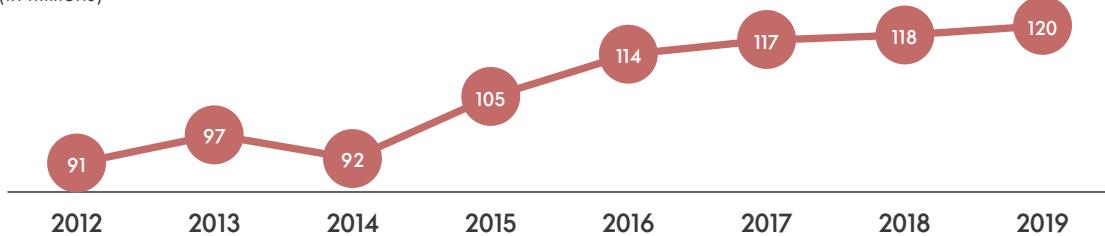
Direct selling as a sales method may seem best suited to emerging markets without a developed retail sector. Lately, however, new trends in customer behaviour have been putting traditional retail to the test, including growing demand for home delivery, personal shoppers and, in particular, online shopping. 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 Cosmetics & Personal Care are the most attractive categories within direct selling

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



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)

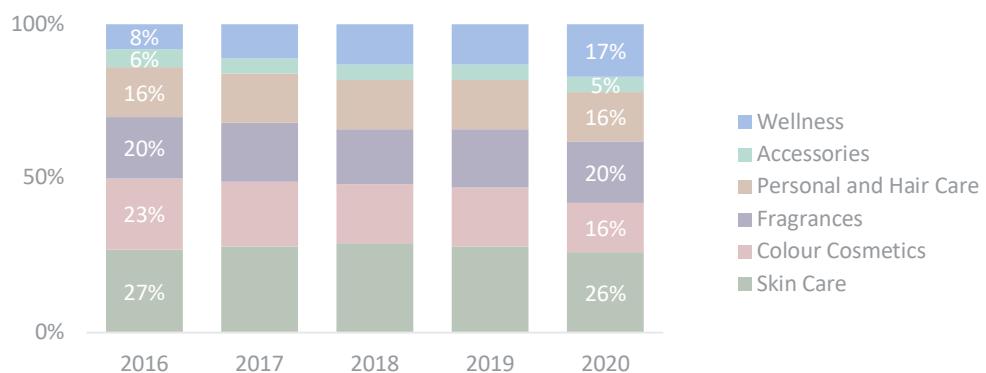
Products

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

	What	Why
Skin Care	Anti agers, facial moisturizer, cleansers, toners, face masks, hand care, acne treatments, sun protection and male skin care.	Business & earning opportunity Loyalty builder Activity driver
Wellness	Vitamins and dietary supplements, nutritional shakes, weight management and wellbeing products.	Business & earning opportunity Loyalty builder
Colour Cosmetics	Lipsticks, foundations, eye liner & eye shadows, mascaras, powders, bronzers and nail products.	Door opener Activity driver
Fragrances	Perfumes, colognes, eau de toilettes, aromatherapy oils and body sprays	Activity & recruitment driver Loyalty builder Earning opportunity
Personal & Hair Care	Shampoos, conditioners, toothbrushes and toothpastes, bath/shower gels and bar soaps, deodorants, hair styling and foot care.	Door opener Activity driver Add-on sales
Accessories	Non-cosmetic products such as beauty tools, fashion accessories, wellness accessories, men accessories and jewelry.	Activity & recruitment driver Add-on sales

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



“Wellness by Oriflame offers a range of high-quality and nutritious products and lifestyle advice for living a long, happy and healthy life”



Product launches during 2020

In 2020 we have further increased our positioning of Beauty by Sweden throughout new launches and the entry of a new product category. At the same time, the exceptional challenges driven by the Covid-19 pandemic, have impacted the performance of our product categories in different ways. Our strategic category Wellness continued to show great performance in 2020. This was driven on one hand by an increased interest for products with positive health benefits due to the pandemic, but also by our focus on increasing Wellness penetration. We also had successful launches like the Natural Balance berry bar with protein and the Prebiotic Fibre Drink. Within our other strategic category Skin Care, we further expanded our premium anti-aging brand NovAge by addressing the first signs of aging with the launch of NovAge Skinergise and the increased challenge of adult break-outs through our NovAge Clarifying system. Furthermore, we successfully re-launched our value tier brand Essentials and launched an advanced Sun Care line, called Sun 360. The overall Skin Care category performance was however negatively impacted by the weak performance in China. In Colour Cosmetics we started to upgrade our largest make up brand The One, now called The One Stockholm. The quality of the products has been significantly improved, resulting in positive reviews from consumers, with the highlight of our new non-transferable lipstick The One Colour Unlimited Ultra Fix. Sales however suffered alongside the overall make up market during the pandemic with less consumers using make up when working from home or wearing face masks. In Fragrance we gained market share thanks to very strong new launches like Eclat Amour and Toujour, Infinita, Joyce, Debonair, Mister Giordani Aqua and All or Nothing, our most premium fragrances to date, winner of a FiFi Award in Russia. Sales of Personal and Hair Care remained stable with very positive launches of North For Men Subzero and our pediatrician endorsed premium Baby Care range Baby O as well as Beautanicals, our first Vegan PHC brand. In 2020 we also entered the fast-growing category of Essential Oils with Mind & Mood, a brand of essential oils to support emotional balance with results proven by neuroscience.

Product Development

Oriflame places 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 to nature. Ingredients from endangered sources are never used and products are not tested on animals.

Research and Development

Oriflame employs 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?

1. Customer: Best result for skin and health
2. Brand Partner: Added value and income opportunity
3. Leader: Business growth and profitability
4. Company: Profitable growth, brand and loyalty

Digital

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 Brand Partners, to deliver marketing information, to drive online ordering and to enhance end consumer retention. During the year ended December 31, 2020, 98% of global orders were placed online as compared to 38% in 2008, with approximately 62% of those orders placed through a mobile device in 2020.

The Brand Partners use the digital 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. The Brand Partners can both share individually created content, or that professionally curated by Oriflame and offered to the Brand Partners through the social media library for use in their personal social channels. Products are either delivered personally by a Brand Partner or shipped directly to the customer from one of Oriflame's distribution centers.

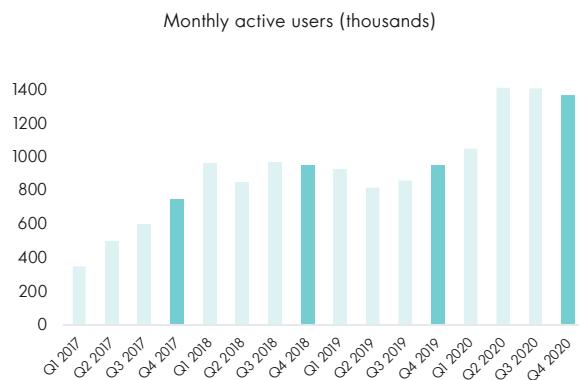
Oriflame Website

Our website allows customers and Brand Partners to purchase the full range of products online. The website offers an established cloud-based business and customer support function, improving the digital experience of the customers and Brand Partners 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 73 million unique users and 3.5 billion page views in 2020 as compared with 21 million unique users and 1.5 billion page views in 2008.

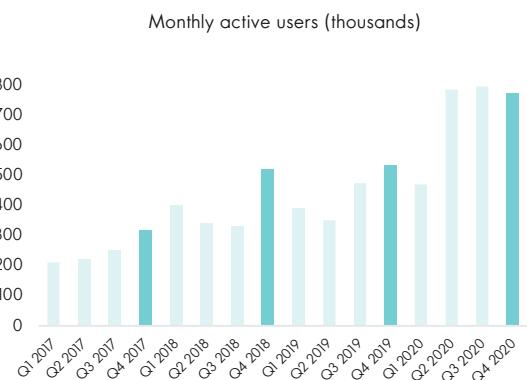
Oriflame Apps

The Oriflame app contains daily product updates, offers, beauty inspiration and expert advice and allows consumers to manage their account and orders. Roughly one-third of Oriflame's global orders are placed using the Oriflame app. The Oriflame Business app allows Brand Partners 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 Colour 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, 2020, the Oriflame app and Oriflame Business app had respectively approximately 1.3 million and 750,000 active monthly users 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 social 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 more than 10 million fans and there are around 750,000 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 Brand Partners 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 Brand Partners' self-generated social media content. Additionally, there is limited television, print and billboard advertising in selected countries in order to further support our brand image.

Supply chain

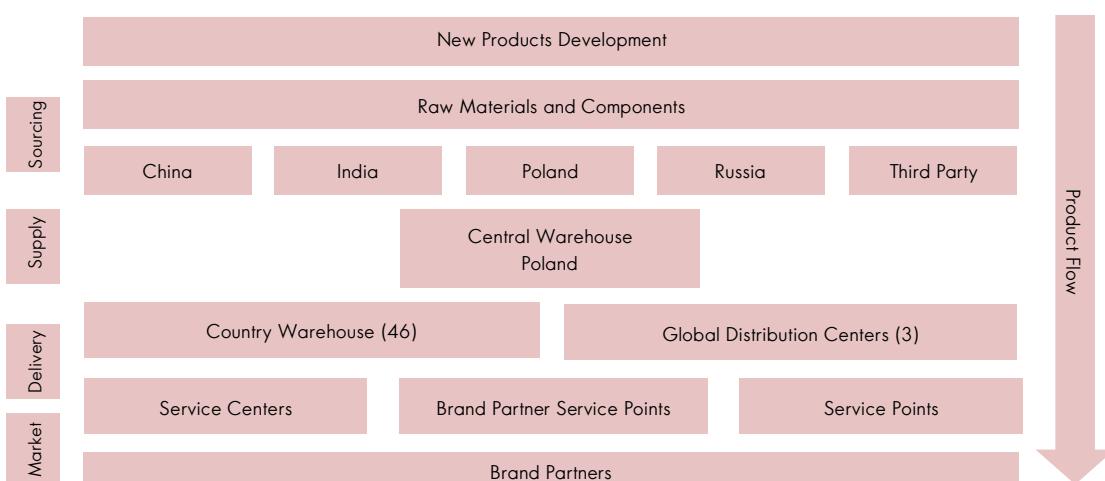
Oriflame has a centralized supply chain network, automated and manual pick-and-pack operations and a network of warehouses, which support the local sales markets, ensure product availability for our Brand Partners, minimize working capital needed as well as optimize costs, greenhouse gas emissions and energy consumption. Globally, Brand Partners can place their orders via online channels or visit a Brand Partner run service point, which are located throughout the markets. Alternatively, Oriflame run service centers, where Brand Partners can place, pay for, and collect their orders.

Oriflame global product availability, measured as the total number of units ordered by Brand Partners compared to the number of units shipped to Brand Partners (unit fill rate – UFR%), has remained on average above 95% since 2017, an increase from 93% in the previous periods. Depending on the location, most of the orders are delivered to Brand Partners within 24 to 72 hours. Our working capital needs measured by the Days of Inventory (DOI) needed are constantly going down from the average of 174 DOI in the past years to around 150 DOI in 2020. Our focus on continued improvements delivered significant material optimizations in 2020.

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, where the products are picked, packed, and sent to consolidation points or directly to the customers. Global Distribution Centers serve several markets. The final stage in the supply chain is the last mile distribution (LMD) channel to our customers, and the selected channel is dependent and specific to the product, the geographic region, and the choice of our Brand Partner. We ship via home deliveries (courier companies) and pick-up points (i.e. parcel machines, kiosk, grocery stores, etc.)

The following table illustrates the supply chain:



Distribution

To manage distribution of our products globally, there is a central warehouse in Poland and Global Distribution Centers in Poland, Hungary and Russia. The central warehouse and the Global Distribution Centers are the main inventory holding points for most of the stock, serve the immediate service centers and pick-and-pack individual Brand Partner orders for Brand Partners service points and home deliveries. 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 and third-party manufacturing facilities.

Production

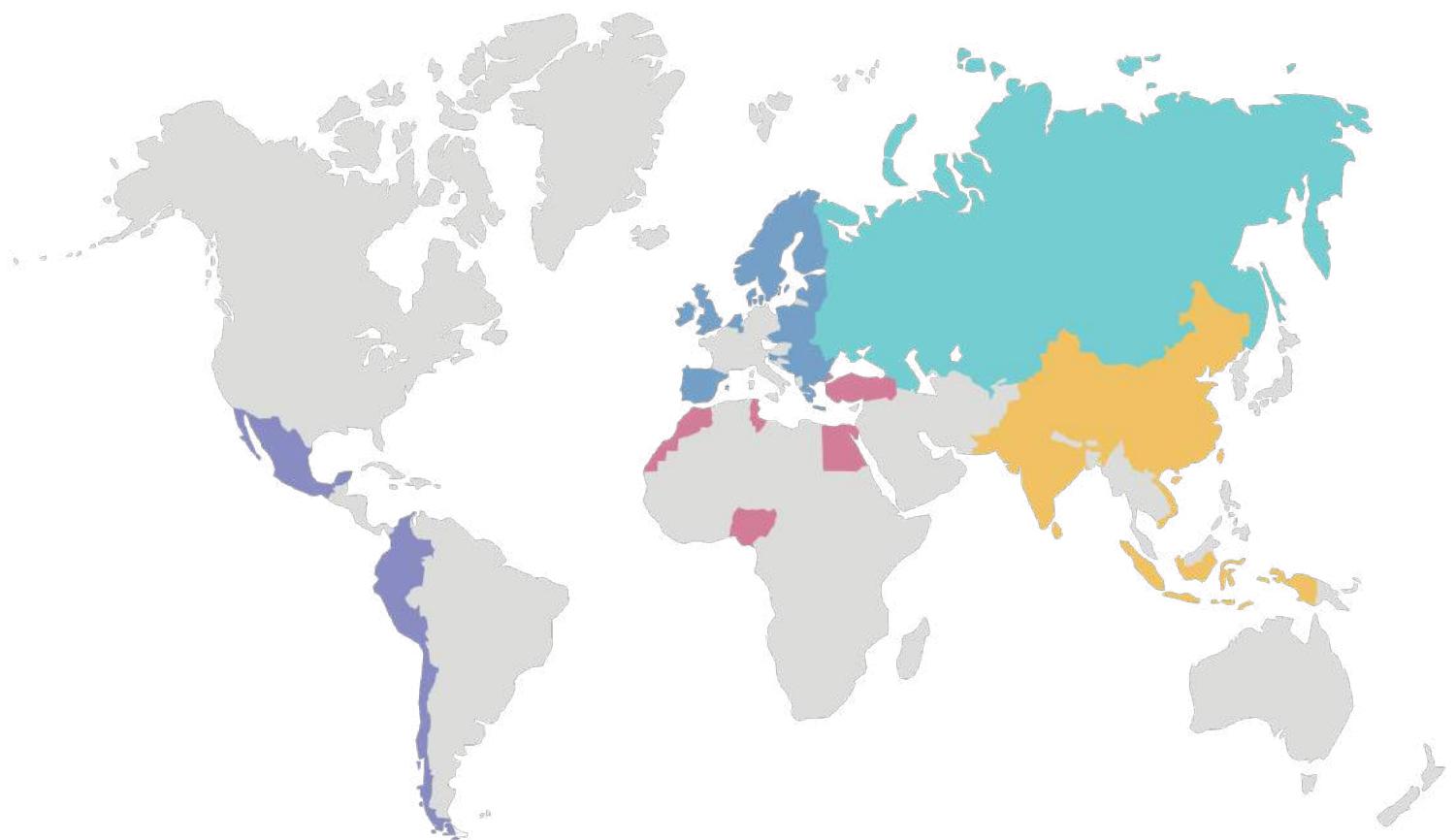
The products are manufactured either by the company's own manufacturing facilities or by third-party manufacturers, depending on where they can be produced most efficiently. Oriflame maintains six factories located in China, India, Poland and Russia and above 60% of the products are manufactured in-house. The remaining part is outsourced to independent subcontractors and suppliers in Europe 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. Despite Covid-19 outbreak, production volumes from third party customers doubled in 2020 vs 2019 and several new projects with 2021/22 launch dates were awarded to Cetes cosmetics, which is the in-house manufacturing division of Oriflame.

Geographic markets

Oriflame is present in more than 60 markets, including markets operated by franchisees, divided into five geographic markets. During 2020 sales decreased by 2% in local currency to €1,156.9 million mainly due to challenges in some of the Asian markets offset by positive development in CIS, Turkey & Africa and Europa. All regions were impacted by the pandemic situation. Local currency sales increased by 10% in CIS, by 6% in Turkey & Africa and by 1% in Europe and decreased by 14% in Asia and by 6% in Latin America.



Latin America

Since 1989 Oriflame is present in Latin America, with current presence in Chile, Colombia, Ecuador, Mexico and Peru. The markets were particularly hard hit by the Covid-19 pandemic impact in 2020. Despite this, Latin America remains an important growth region for the Group with significant growth opportunities.

2020 development in brief

- Local currency sales decreased by 6% and euro sales decreased by 16%
- Independent Brand Partners remained stable at 0.3 million
- The adjusted operating margin was 8.8%* (10.1%)
- strong sales development in Peru in spite of a sharp gross domestic product (GDP) contraction

Regional Office in Mexico City (Mexico).

Catalogue creation is in the regional office in Mexico City. Catalogue print is in Mexico and Ecuador for all Latin American markets.

Europe

This is the original region of the group, today consisting of Bosnia-Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, Greece, Holland, Hungary, Kosovo, Latvia, Lithuania, North Macedonia, Montenegro, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden and UK & Ireland. Oriflame is a well-known household beauty brand in most of the Central European markets. A new modern Brand Partner compensation plan were introduced in Finland, Holland and UK/Ireland fuelling the growth of Western Europe.

2020 development in brief

- Local currency sales rose by 1% and euro sales remained stable
- Independent Brand Partners were stable around 0.6 million
- The adjusted operating margin was 13.3%* (12.6%)
- Positive sales development in Western Europe.

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 10 markets
- BUDAPEST (HUNGARY) – Serving 13 markets

Regional Office in Warsaw (Poland).

Catalogue creation of European catalogues in Poland. Catalogues are printed in Poland.

* Excludes non-recurring items as stated in the alternative performance measures section on page 112.

CIS

CIS has for almost 30 years been an important region for the group. In 2020 Oriflame had presence in Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Russia, Ukraine and Uzbekistan. In 2020 business in the region developed well despite tough market environment. Focus on digitalization and e-commerce development supported business growth. The Uzbekistan market, that opened in 2019, showed very quick development with significant growth in the number of brand partners.

2020 development in brief

- Local currency sales rose by 10% and euro sales decreased by 1%
- Independent Brand Partners were stable at 1.0 million
- The adjusted operating margin was 18.3%* (15.0%)
- Positive sales growth and significantly improved operating margin, despite tough market conditions, driven by growth in recruitment of new Brand Partners
- Best performing markets were Azerbaijan and Uzbekistan.

Production

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

Group Distribution Centres

- 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

Oriflame entered Asia in 1986, and currently has operations in China, India, Indonesia, Vietnam, Pakistan, Sri Lanka. 2020 saw a slowdown in sales due to negative impact from the pandemic, which prevented business as usual operations where events and conferences are important sales drivers. The continued transformation to a more digital platform and higher focus on Wellness and Skincare products progressed well during 2020.

2020 development in brief

- Local currency sales decreased by 14% and euro sales decreased by 17%
- Independent Brand Partners remained stable at 0.7 million
- The adjusted operating margin was 17.0%* (19.2%)
- All major markets had a decline in sales during 2020; negative operating profit impact was partially mitigated through postponed costs and savings due to restructuring initiatives

Production

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

Regional Offices

 in Jakarta (Indonesia), Shanghai (China), New Delhi (India) and Singapore

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

* Excludes non-recurring items as stated in the alternative performance measures section on page 112.

Turkey & Africa

Turkey & Africa is one of the most dynamic and high-growth potential regions in the Group. At the end of the period it included Turkey, Morocco, Egypt, Nigeria, Tunisia and Algeria. During 2020 Africa Regional office was relocated from Poland to Turkey, thus establishing the centre of activities of the new region Turkey & Africa.

2020 development in brief

- Local currency sales increased by 6% and euro sales decreased by 4%
- Independent Brand Partners decreased to 0.3 million
- The adjusted operating margin was 19.8%* (17.6%)
- The best performing market was Tunisia

Regional Office is in Istanbul (Turkey)

Catalogue creation and printing The regional catalogue creation also moved from Poland to Turkey during 2020. The majority of the countries' catalogues are printed locally.

* Excludes non-recurring items as stated in the alternative performance measures section on page 112.

A photograph of three women standing in a field of tall, golden grass. They are all wearing flowing, light-colored dresses (pink, tan, and cream) and are holding hands. The background is a dense forest of green trees.

SUSTAINABILITY

Creating value

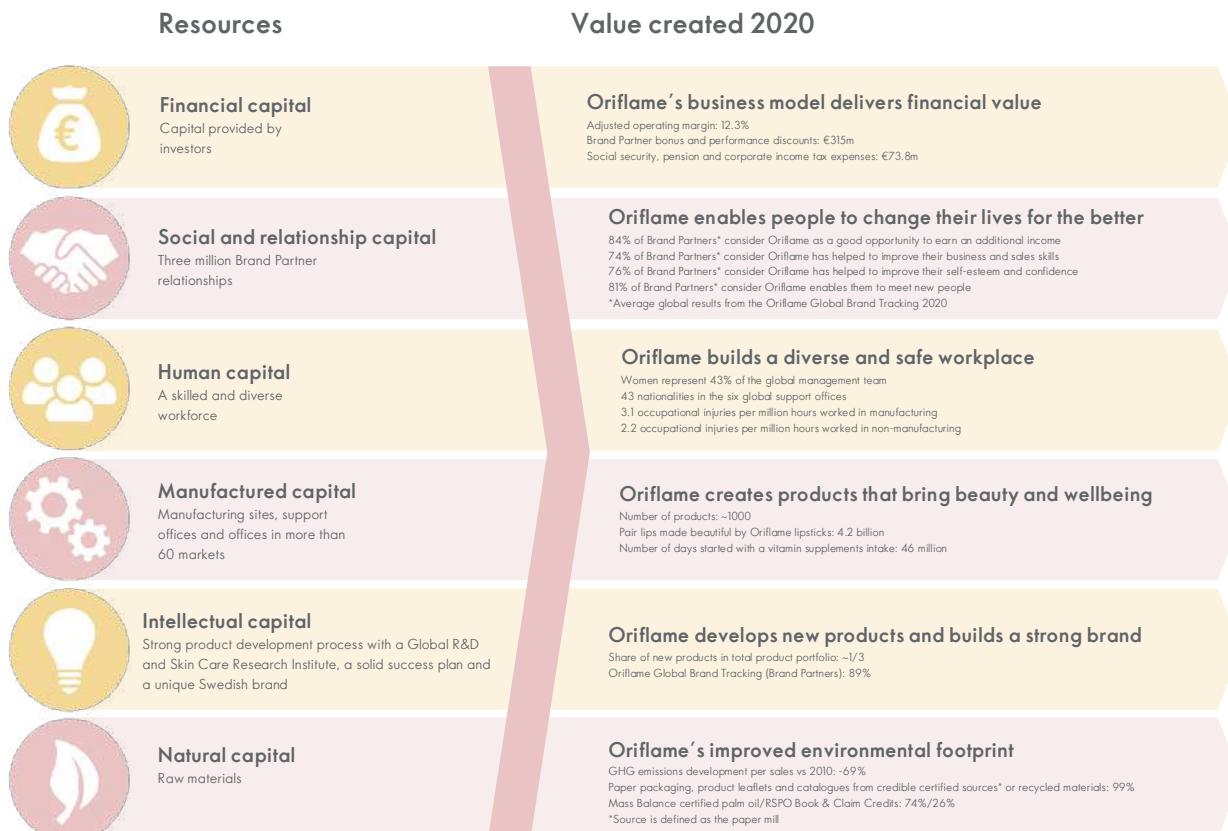
Our formula

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

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

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

How Oriflame created value



Sustainability strategy

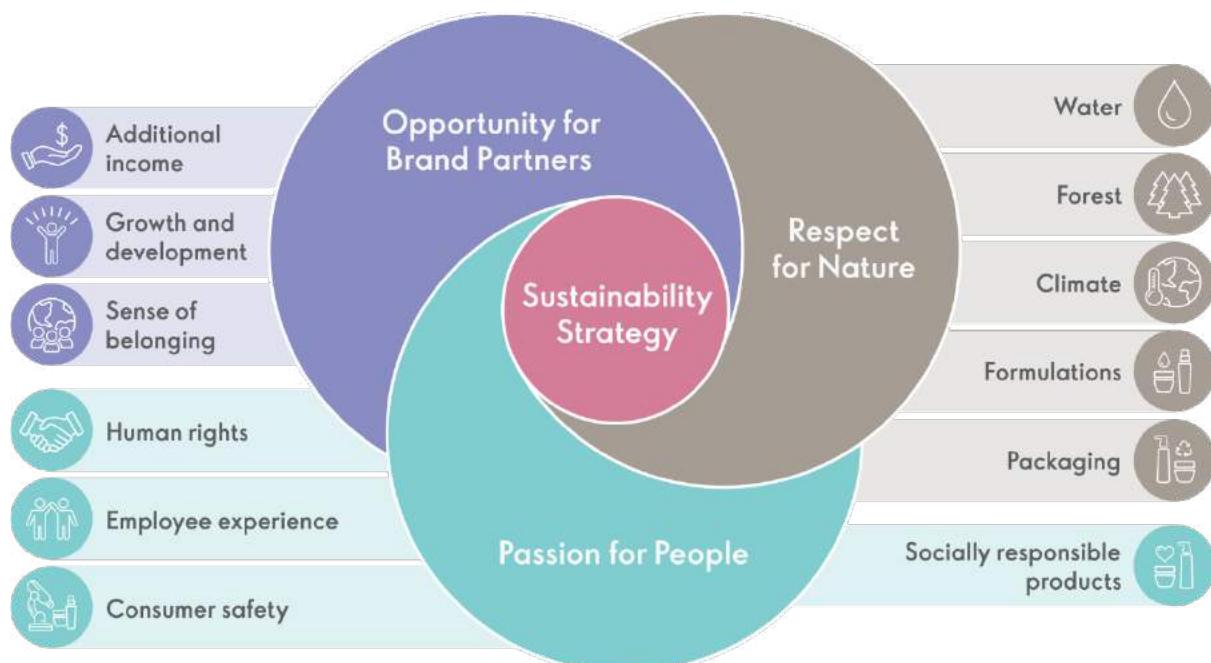
Sustainability is core to who we are as a company – it is integral to our Swedish heritage, our brand and our mission to fulfil dreams. Our long-term commitment to sustainability is also reflected in our Beauty by Sweden brand positioning – beauty is about more than how you look, it's about how you feel, 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: Opportunity for Brand Partners, Respect for Nature and Passion for People.

This detailed strategy taps into the very heart of the Oriflame business model, where opportunities provided to Brand Partners 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.

Strategy structure

Oriflame's three core areas are underpinned by 12 sub-areas which contain 45 targets with different time horizons, with most new targets set for 2025.



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

Opportunity for Brand Partners

Oriflame's business reaches around three million Independent Brand Partners and millions of 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.

Opportunity for Brand Partners



€315 million

distributed to Oriflame Brand Partners
in bonuses and other forms of recognition

76%
of Brand Partners* consider Oriflame has helped to **improve their self-esteem and confidence**

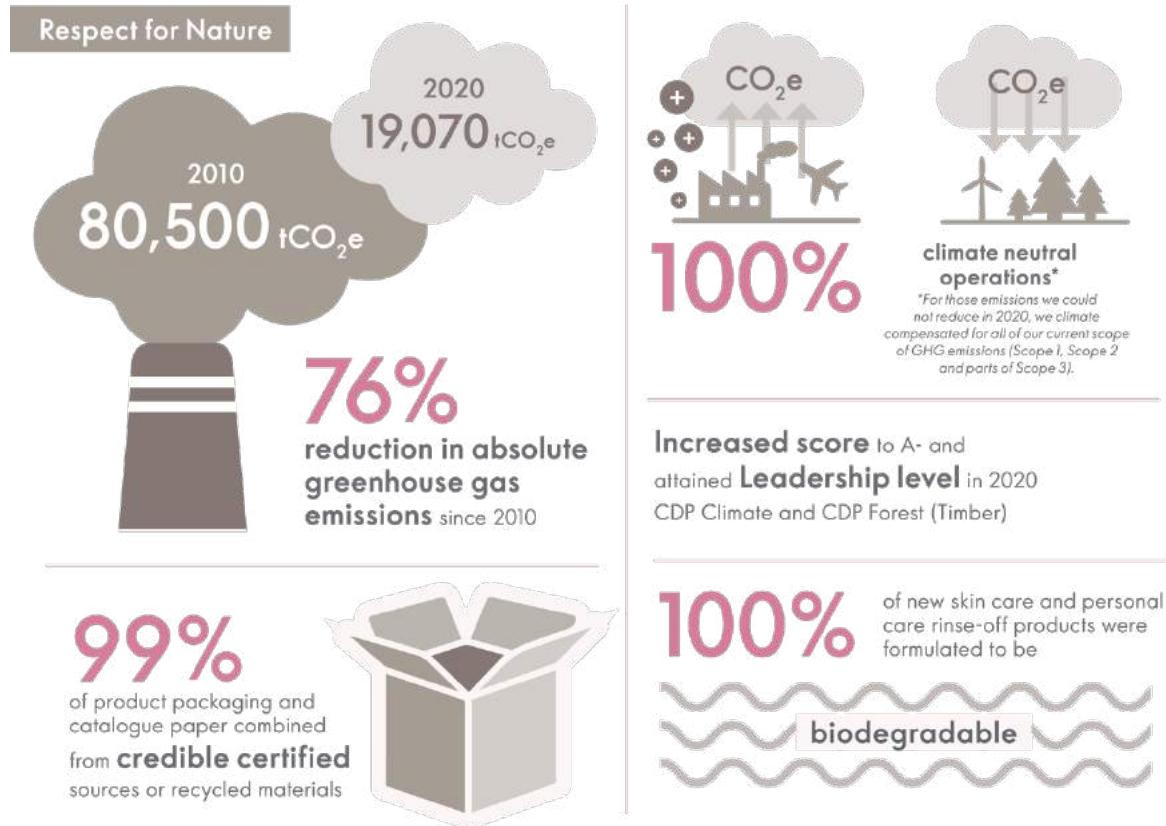
84%
of Brand Partners* consider Oriflame as a good opportunity to **earn an additional income**

81%
of Brand Partners* consider Oriflame enables them to **meet new people**

74%
of Brand Partners* consider Oriflame has helped to **improve their business and sales skills**

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, decarbonizing the demand for energy, fuel and ingredients, safeguarding animal welfare, and driving demand for environmentally responsible packaging and formulas.



Passion for People

Oriflame is a people's company. At Oriflame, both the employees and the Brand Partners 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 Brand Partners, 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.

Passion for People



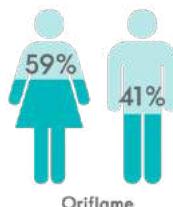
nationalities represented in our global workforce

Our employees watched more than
68,000 hours
of video content and spent
3,320 hours
studying on LinkedIn Learning

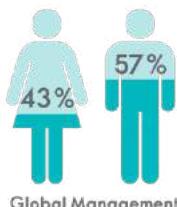


Organised the global digital
CEO Connect: Secret Edition, with
3,000 employees in
58 countries attending live.
The event won "Event of the Year"
in Event Awards Russia in the

Best Online Conference
category

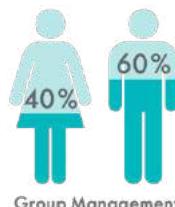


Oriflame

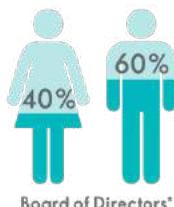


Global Management

Gender
balance



Group Management



Board of Directors*

Supporting the Sustainable Development Goals

The 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals (SDGs) were adopted by all United Nations member states in 2015. The SDGs are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. These goals intend to create long-term action in order to address the world's most pressing issues until 2030.

Oriflame has recognized the importance of the SDGs since they were conceived in 2015. Although we have an opportunity to support all of the goals set, we have identified some to be more relevant to our business, particularly as we deliver on our sustainability strategy. Read more about how we work to fulfil these goals in our Sustainability Report.





CORPORATE GOVERNANCE

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.

THE GROUP STRUCTURE

The governance and supervision of the Oriflame Group's activities are since the 2019 restructuring distributed between the following three entities: Oriflame Holding Ltd (formerly Walnut Midco Ltd), Oriflame Investment Holding Plc (formerly Walnut Bidco Plc), and Oriflame Holding AG.

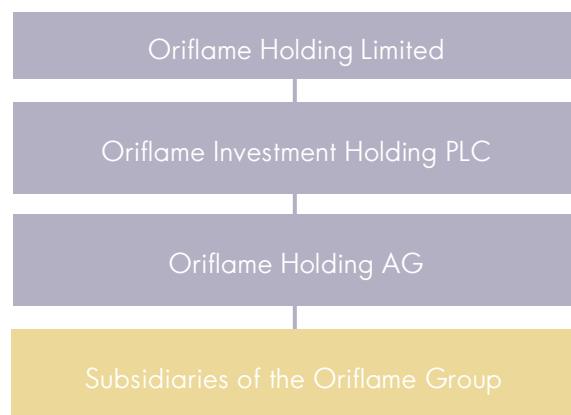
Oriflame Holding Ltd ("the Parent") is a private limited liability company incorporated under the laws of Jersey on 20 May 2019 with a registration number 129092 and registered office address of 47 Esplanade, St Helier,

Jersey JE1 0BD. The Parent's main investments include all of the issued and outstanding share capital of Oriflame Investment Holding Plc.

Oriflame Investment Holding 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.

Oriflame Holding AG (OHAG) is a private limited liability company incorporated under the laws of Switzerland on 18 July 2019.

Group structure as of 31 December 2020



BOARD OF DIRECTORS AND ALLOCATION OF DUTIES AND RESPONSIBILITIES

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 the Parent, the Issuer, and OHAG 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"). In accordance with the Organisational Regulations, Oriflame Holding Limited shall exclusively undertake external shareholder relationship and accounts consolidation activities. Oriflame Holding Limited may also take any decision relating to the financing of the Oriflame Group. Oriflame Investment Holding PLC may manage the financing of the Oriflame Group, e.g. arranging, amending, maintaining, servicing and cancellation of credit facilities, private placements, issuing of bonds, by and on behalf of the Group. Oriflame Holding AG shall undertake all other activities - except those that are non-transferrable - including all operational and strategic activities of the Group including the oversight of the Group manufacturing division Cetes Cosmetics. 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 limited (the Parent)	Oriflame Investment Holding PLC (the Issuer)	Oriflame Holding AG (OHAG)
Alexander af Jochnick (Chairman)	Alexander af Jochnick (Chairman)	Alexander af Jochnick (Chairman)
Magnus Bränström	Magnus Bränström	Magnus Bränström (CEO & President)
Anna af Jochnick	Anna af Jochnick	Anna af Jochnick
Per Hesselmark	Per Hesselmark	Robert af Jochnick
Gunilla Rudebjer	Gunilla Rudebjer	Anders Dahlvig
		Per Hesselmark
		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 of the Operational Board 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").

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.

Unless explicitly stated, the description of the procedures and activities of the Board that follows in this Corporate Governance report refers to that of the Operational Board. During 2020, the Operational Board held 10 board meetings. The secretary at the board meetings is in-house counsel Pontus Andreasson. 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.

2020 Board and committee attendance

Board members	Board meetings			Audit committee meetings	Remuneration committee meetings
	The Parent	The Issuer	OHAG		
Alexander af Jochnick (Chairman)	6	3	10	9	5
Magnus Brännström	6	3	10	-	-
Anders Dahlvig	-	-	10	-	-
Robert af Jochnick	-	-	9	-	-
Anna af Jochnick	6	3	10	-	-
Per Hesselmark	6	2	9	9	5
Anna Malmhake*	-	-	6*	-	-
Gunilla Rudebjer	6	3	10	9	-
Total number of meetings	6	3	10	9	5

* Board member of Oriflame Holding AG until 12 August 2020

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 the shareholders. During 2020 the remuneration of the directors and committees has remained unchanged, and is distributed 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 audit committee member. The remuneration committee members receive no compensation for their committee work. Director fees are only paid for one board assignment, irrespective of the number of Company Group boards a director may be a member of.

Independence according to the Code: Directors Anders Dahlvig 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. Alexander af Jochnick, Anna af Jochnick 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 Oriflame's shareholders.

For more information about the directors, please see below on page 41.

REMUNERATION COMMITTEE

Following the 2019 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. During 2020 the Remuneration Committee held five meetings.

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 Oriflame Holding AG (the Operational Board) of any matter of importance to the Oriflame Group's operations. The audit committee was during 2020 composed as follows: Gunilla Rudebjer (committee chair), Alexander af Jochnick and Per Hesselmark. The CFO and the Senior Director Global Assurance report to the audit committee and, together with the company's auditors, are invited to all regular audit committee meetings. The audit committee meets at least four times per year. During 2020 the Audit Committee has met nine times.

AUDITOR

The annual general meeting held on 27 July 2020 resolved to reelect KPMG AG as independent auditor of the Parent, who issues the consolidated accounts of the Oriflame Group, until the close of business of the next annual general meeting. KPMG AG has been engaged as independent auditor for the Oriflame Holding Ltd Group. KPMG AG was auditor of the acquired 2019 Oriflame Holding AG Group for many years. The audit consolidation team is headed by Hélène Béguin of KPMG AG, Zurich. 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. On 12 May 2020 Hélène Béguin met with the Operational Board without management being present.

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). 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 and Head of Commercial Division
- Antonia Simon-Stenberg, Vice President Sustainability, Quality, Packaging and Direct Procurement
- Alexandra de Greck, Vice President Product Marketing
- Elena Aylott, Vice President Global Employee Experience
- Emma Hågemo, Vice President Commercial Division Asia

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 next page.

REGIONAL MANAGEMENT

Oriflame distributes its products through a network of approximately 3 million independent Oriflame Brand Partners in more than 60 countries. Group segmentation is based on cosmetics sales by geographic business area consolidated under two Global business areas: GBA Asia and GBA Latin America, Europe, Turkey & 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 54 markets. In 10 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 consists of the following key components:

- i. Fixed base salary
- ii. Variable short-term incentive in the form of annual bonus linked to an increase in operating profit (Group Management Bonus)
- iii. Variable long-term incentives
- 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. *Variable long-term incentives*

Equity-based option plan

In 2020 the ultimate parent company of the Oriflame Holding Ltd group, Oriflame Partners Ltd ("OPL"), established a Management Investment Program (MIP). Key management personnel of the Group were offered to buy warrants (options) to subscribe for new shares in OPL. The key terms and conditions related to the options are as follows; all options are to be settled by the physical delivery of shares of OPL against cash contribution equal to the market price of the shares at grant date (exercise price). No equity instruments of Oriflame Holding Ltd are to be granted and no recharge will be made by OPL. The options are issued as part of an investment unit, which consists of two shares and eight options and must be purchased at grant date at fair value. Each series of options has its own cut-off value. The cut-off value is a fair value of the shares of OPL that needs to be achieved for the option to become exercisable. The terms of the options provide that in case of cash dividend the strike price and cut-off values will automatically decrease by a corresponding amount. For further details on the MIP, please see Note 5.1 of the Annual report.

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 5.1 of the consolidated financial statements.

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 pension scheme. The pension allocations are based on fixed remuneration and do not take into account any variable remuneration.

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.

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

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

BOARD OF DIRECTORS ORIFLAME HOLDING LIMITED



ALEXANDER AF JOCHNICK

Board member and Chairman of Oriflame Holding Limited.
Board member and Chairman of Oriflame Investment Holding Plc.
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.
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 of Jochnick Foundation.

Not independent from the company's major shareholders.



ANNA AF JOCHNICK

Board member of Oriflame Holding Limited.
Board member of Oriflame Investment Holding Plc.
Board member of the Oriflame Group as of 2018.
Board member of Oriflame Holding AG.
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.



MAGNUS BRÄNNSTRÖM

Chief Executive Officer (CEO) & President
Board member of Oriflame Holding Limited.
Board member of Oriflame Investment Holding Plc.
Board member of the Oriflame Group as of 2005.
Board member of Oriflame Holding AG.
Born in 1966.
MSc Uppsala University (Sweden).
Vice 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 Oriflame Holding Limited.
Board member of Oriflame Investment Holding Plc.
Board member of the Oriflame Group as of 2019.
Board member of Oriflame Holding AG.
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.



GUNILLA RUDEBJER

Board member of Oriflame Holding Limited.
Board member of Oriflame Investment Holding Plc.
Board member of the Oriflame Group as of 2018.
Board member of Oriflame Holding AG.
Born in 1959.
Chair of the Audit Committee.
MSc Stockholm School of Economics (Sweden).
Board member of Ambea, 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. 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 Commercial Division Asia



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, Packaging and Direct Procurement

Report on internal control, risks and monitoring

In 2010, Oriflame 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 and 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 and is now a component of the Global Assurance team.

CONTROL ENVIRONMENT & RESPONSIBILITIES

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 also ensures that the organisational structure is logical and transparent, with clear roles, responsibilities and processes that facilitate the effective management of operational risks and enable the company to fulfil its goals. This process includes the evaluation by the Board of the business performance through periodic reports that contain results, forecasts, and targets. The Board also reviews the interim and annual reports before they are presented externally.

The Audit Committee (composed of board members) monitors the effectiveness of internal controls and 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 Global Assurance team is a regular invitee to the Audit Committee meetings to report on the latest developments on risks, internal controls, related policies, procedures and to formally request approval of the Audit Committee, where relevant.

For each business area and corporate function, the Chief Financial Officer has appointed a Vice-President Finance, who is responsible for the implementation and documentation of internal controls, for reporting in accordance with company guidelines, and ensuring compliance with applicable laws and regulations. Each Vice-President Finance may be supported by one or several Regional Finance Directors. The Group Internal Control team is responsible for the design of internal controls as well as for their implementation in each entity of the Oriflame group. The controls are performed and documented by personnel in each entity and at the Global Services centres of our outsourced accounting partner IBM. The Global Assurance team verifies the documentation of internal controls implemented locally and the Global Services centres. The team specifically considers 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 initiating and monitoring the execution of the improvements and changes in their areas of responsibility.

Since 2011, the company operates an internal control software platform, which enables the reporting and the documentation of internal controls, as well as the preservation of historical data.

RISK ASSESSMENT

The major risks for material misstatements in the financial reporting have been continuously reviewed since 2009 and now cover the following topics:

- Cash and banks, Inventory, Sales operations, Credit to customers, Accounts Payable, Fixed Assets, Procurement, Data Protection, Payroll, Physical Security, Health and Safety
- Information Technology related to group systems
- Treasury hedging
- Tax Reporting
- Group Financial Consolidation

INTERNAL CONTROLS

The controls stem from a risk analysis of the processes set by the Global Services for the Oriflame group, as well as from a group-wide risk analysis of the value chain. For each identified risk that is not avoided by the various processes, a risk mitigation is defined by the Global Assurance team. Where relevant, an internal control is designed by the Group Internal Control team and added to the internal control software before the various stakeholders are trained on its execution.

The Vice Presidents Finance also monitor the operations by performing analytical controls such as reviews of forecasts and budgets, analyses of results and balance sheet items, business reviews and commentaries on the performance of entities and group functions. The result of this monitoring is periodically reported to the management and the concerned group functions. The functional departments regularly monitor their respective areas of responsibility to identify potential risks and errors.

INFORMATION AND COMMUNICATION

The company maintains information and communication channels intended to ensure the effective delivery of financial information. Policies and guidelines (including on financial reporting) are revised periodically and 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 Oriflame intranet to ensure that accurate and appropriate information is provided to external parties.

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 or the relevant team in the Global Services are asked to perform or correct the control and provide new or relevant evidence. Regional Finance Directors are also involved in the continuous improvement of the internal control system on request of the Internal Control team.

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, business partners and ensure legal compliance. Our Code of Conduct and supporting Policies are available to all employees, in several languages. Their content is also explained to employees in several ongoing classroom trainings and e-learning courses.

We encourage 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. Ensuing recommendations or instructions are communicated to the management to be implemented where 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 our suppliers. More information is available in the Sustainability Report.

HEALTH & SAFETY

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

PRINCIPAL RISKS AND UNCERTAINTIES

The main risk drivers for the Oriflame group are (i) the wide geographical spread of Oriflame activities (including the ensuing complex regulatory frameworks and rapidly evolving economic and political environments), and (ii) the entire supply chain from the procurement of raw materials, to the manufacturing, transport, and warehousing of goods.

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 trans-national regulations from countries where it does not operate. This generates an ever evolving and complex regulatory environment.	Oriflame has implemented a code of conduct and policies and is performing daily screening for sanctions compliance of all suppliers and top-earning brand partners.
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 and social selling industry in order to avoid being seen or mixed up with unethical companies and initiating dialogue with local authorities by explaining the direct and social selling business model. Over the last years, thanks to growth in new regions, the group geographical footprint has become more balanced.
Geographical business concentration	Oriflame, being exposed to various legislations, may be exposed to local challenges and restrictions affecting large parts of its business.	Oriflame is constantly assessing the possibilities of expansion in existing or in new markets.
Viral and bacterial outbreaks triggering restriction measures	The emergence of Covid-19 during 2020 triggered massive quarantine measures as well as an economic downturn and affected Oriflame operations worldwide. Any future viral or bacterial outbreak may affect Oriflame due to effects on personnel and restrictions on operations.	The highly digitalised sales operations of Oriflame (98% of the orders are placed on-line) are a significant mitigation factor to restrictions affecting physical places of work.
		The diversified geographical footprint contributes to reduce risk generated by local restrictions and the variable cost structure reduces the impact from potential revenue losses.
OPERATIONAL RISKS (1)		
Risk of disruption of in-house manufacturing and main logistic 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 our insurers. The 2019 reviews found that suitable measures are implemented to prevent significant loss and business interruption at these facilities. Moreover, the Property Damage and Business Interruption insurance covers for lost inventory, raw material, equipment, and subsequent lost profit. 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 and organisational measures. It also has a cyber security and privacy insurance covering liability of data breach.
Breach of data protection regulations	In line with the European legislation, most jurisdictions have been reinforcing their privacy laws. A major data incident is likely to trigger material fines and personal liabilities for the managers.	Oriflame is performing testing of products and has implemented a claim process. The company further ensures that products developed for local specific needs are subject to thorough testing. The company maintains an International Liability insurance to cover its responsibility towards third parties.
Adverse reaction of consumer to a product	Consumers may experience adverse reactions due to personal intolerance to ingredients used by Oriflame or their potential contamination. The legislation on wellness products is also generally more severe than for cosmetics.	Oriflame has localised the manufacturing of some products in its India and China factories, resulting in several sources for the same product. This approach should be further extended, including third-party local manufacturers. The group also allocates the product manufacturing by variant to reduce supplier dependency (e.g. various shades of the same colour cosmetics products are made by different suppliers).
Dependency on finished products suppliers	Oriflame tends to allocate the manufacturing of specific products to one supplier only. The company may be exposed to capacity issues and financial health issues at suppliers.	Oriflame has implemented specific partnership with suppliers and should further extend them. The company works on formulations which balance commodities and specialized raw material. It also implements a multi sourcing strategy.
Dependency on raw materials	Oriflame often uses specialized raw materials that are not commodities and for which no substitute or alternatives are available. There may be consequences such as a pressure on prices and demand.	Oriflame is considering a systematic approach for supplier financial screening. Oriflame has engaged with critical suppliers to mitigate their financial risks and defined continuity plans.
Supplier financial risks	Oriflame currently does not systematically perform financial audit of their suppliers.	

RISK AREA	DESCRIPTION	RISK MITIGATION
OPERATIONAL RISKS (2)		
Theft/unauthorised access, modification of data	Deletion of data could lead to severe disruption while modification of data could be done to commit a fraud. Theft (criminal intent) or unauthorised access (no criminal intent) to data could lead to industrial espionage, whistleblowing, 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 policies and building awareness of users. Oriflame has improved security operations capabilities (including enhanced precautionary measures and access control as well as detection and response capabilities).
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. In 2020, Oriflame has reduced the number of its in-house systems to ensure a better continuity. Oriflame maintains Cyber Security insurance to cover the damage resulting from material business interruptions. Oriflame has further differentiated its products in neighbouring markets when their selling price is different. Oriflame constantly evaluates the legal environment and its exposure.
Parallel import / Cross Border sales	Some identical Oriflame products are sold at different prices in neighbouring markets, which in case of cross-border selling, may trigger some sales and legal issues.	
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 a centralized intercompany dividend distribution process.
Wage tax (withholding tax)	The majority of Oriflame brand partners 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 brand partners.	Where possible the treatment of the non-registered brand partners is pre-agreed with the competent authorities or documented in an advice from independent tax professionals. When possible, the brand partner remuneration plan is adjusted to comply with the applicable law and regulations and withholding is done where obviously required.
Counterparty exposure	Oriflame operates globally and has transactions in different currencies. Due to the nature of its business, the Group must enter contractual relationships with Financial Institutions. Therefore, Oriflame may be exposed due to the risk of insolvency and bankruptcy of these Financial Institutions.	The Group seeks to enter only into a relationship with Financial Institutions with an investment-grade long-term credit rating from S&P, Moody's and/or Fitch. Oriflame has a Counterparty Risk Exposure Procedure with defined limits per counterparty dependant on their rating is in place.
Foreign Currency Exposures	Oriflame operates globally in several markets and in different currencies. Thus, the Group is exposed to adverse movements in foreign currency exchange rates. There are committed and uncommitted transactions exposures as well as strategic currency exposures.	The company hedges the committed and uncommitted transactions on an ongoing basis to mitigate current and future impacts on the profit and loss due to adverse currency movements. However, due to the geographical diversity of Oriflame, there may not be always a suitable hedge for a portion of the currencies the Group is exposed to.
		Wherever it is possible the negative impact of devaluation is gradually mitigated by increasing local selling prices.
SUSTAINABILITY RISKS		
Environmental regulation / legislation	Legislative changes in operating markets on environmental topics (e.g. waste, plastics, etc...) are changing rapidly. The legislation could subsequently change unpredictably in many of our markets outside the European Union.	Oriflame has updated its sustainability strategy to further mitigate the risks and create opportunities. It 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 measures to guarantee the respect of human rights in its own factories, warehouses, distributions centres and offices. However, a significant exposure remains with external suppliers in emerging economies.	Oriflame has implemented a supplier qualification process which includes audits of its suppliers. Oriflame has rolled out a Supplier Code of Conduct since 2012 and all the company suppliers must adhere to it.
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 Employees and Supplier Codes of Conduct as well as a reporting system for compliance breaches.
Effects of climate change on Oriflame operations	Climate change could affect the access of Oriflame to certain raw materials due to physical accessibility and material changes in market prices. Natural hazards and disasters resulting from climate change (e.g. floods, weather) may affect Oriflame operations	The principal decision-makers (around 200 employees) take an annual compliance pledge, confirming their compliance with the Oriflame code of conduct for the past year and committing to compliance for the following year.
		Oriflame has reduced its impact and Carbon dioxide emissions to avoid being affected by potential legal and regulatory restrictions. Oriflame is stepping up its market monitoring for raw materials, whose supply is likely to be affected by climate change, to manage on the long term their availability and prices. Also, Oriflame is constantly searching for alternate formulations.
		Oriflame is committing to set science-based climate targets for 2030 for its operations and value chain.

FINANCIALS

Consolidated income statement

PERIOD ENDED 31 DECEMBER		1 January - 31 December 2020	20 May - 31 December 2019
€'000	Note		
Sales	3.1	1,156,911	646,141
Cost of sales		(380,327)	(518,498)
Gross profit		776,584	127,643
Selling and marketing expenses		(358,584)	(206,532)
Distribution and infrastructure		(27,895)	(15,568)
Administrative expenses		(286,366)	(164,392)
Operating profit / (loss)*		103,739	(258,850)
Financial income	3.4	29,342	33,772
Financial expenses	3.4	(110,021)	(109,180)
Net financial costs		(80,680)	(75,408)
Net profit / (loss) before income tax		23,059	(334,258)
Current tax	3.5	(33,027)	(14,179)
Deferred tax	3.5	10,247	72,364
Total Tax expense / income		(22,780)	58,185
Net profit / (loss) attributable to the owners of the Company*		279	(276,072)

* The analysis of operating profit and net profit is disclosed in the Annual Report on page 112

The attached notes on pages 59 to 109 form an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

PERIOD ENDED 31 DECEMBER		1 January - 31 December	20 May - 31 December
€'000	Note	2020	2019
Profit / (loss) for the period		279	(276,072)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of net defined benefit liability, net of tax	5.2	(1,950)	(225)
Total items that will not be reclassified subsequently to profit or loss		(1,950)	(225)
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations	7.1	(61,786)	3,558
Effective portion of changes in fair value of cash flow hedges, net of tax	7.1	13,250	3,741
Total items that are or may be reclassified subsequently to profit or loss		(48,536)	7,300
Other comprehensive income for the period, net of tax		(50,486)	7,074
Total comprehensive income for the period attributable to the owners of the Company		(50,207)	(268,998)

The attached notes on pages 59 to 109 form an integral part of the consolidated financial statements.

Consolidated statement of financial position

31 December €'000	Note	2020	2019
Assets			
Property, plant and equipment	4.1	109,508	143,385
Right-of-use Assets	4.2	37,398	66,781
Intangible assets & Goodwill	4.3	833,648	877,728
Investment property		542	542
Deferred tax assets	3.5	36,136	34,224
Other long-term receivables		131	134
Total non-current assets		1,017,363	1,122,793
Inventories	4.4	127,696	191,165
Trade and other receivables	4.5	51,165	75,524
Tax receivables		14,046	18,280
Prepaid expenses		16,968	14,965
Derivative financial assets	7.3	1,340	2,356
Cash and cash equivalents	7.2	241,947	143,474
Total current assets		453,162	445,763
Total assets		1,470,526	1,568,556
Equity			
Share capital	7.1	653,081	653,081
Reserves	7.1	(41,237)	7,300
Retained earnings		(287,042)	(285,372)
Total equity attributable to the owners of the Company		324,802	375,008
Liabilities			
Interest-bearing notes	2.2	725,012	744,686
Employee benefits	5.2	23,529	16,141
Lease liabilities	7.3	22,359	48,156
Other long-term liabilities		1,068	1,064
Derivative financial liabilities	7.3	17,677	-
Deferred income		178	222
Provisions	4.8	6,028	-
Deferred tax liabilities	3.5	59,311	64,284
Total non-current liabilities		855,161	874,553
Lease liabilities	7.3	15,784	19,614
Trade and other payables	4.6	100,089	129,938
Contract liabilities		11,852	14,242
Tax payables		18,496	18,361
Accrued expenses	4.7	134,807	122,403
Derivative financial liabilities	7.3	1,241	3,193
Employee benefits	5.2	-	2,920
Provisions	4.8	8,294	8,322
Total current liabilities		290,563	318,994
Total liabilities		1,145,724	1,193,548
Total equity and liabilities		1,470,526	1,568,556

The attached notes on pages 59 to 109 form an integral part of the consolidated financial statements

Consolidated statement of changes in equity

Period ended 31 December		Attributable to the owners of the Company					
€'000	Note	Share capital	Translation reserve	Hedging reserve	Total reserves	Retained earnings	Total equity
At 20 May 2019		-	-	-	-	-	-
Loss for the period		-	-	-	-	(276,072)	(276,072)
Other comprehensive income for the period		-	3,558	3,741	7,300	(225)	7,074
Total comprehensive income for the period		-	3,558	3,741	7,300	(276,298)	(268,998)
Issue of ordinary shares	7.1	653,081	-	-	-	-	653,081
Share incentive plan		-	-	-	-	(1,998)	(1,998)
Share incentive plan – modification to cash-settled share-based plan		-	-	-	-	(7,076)	(7,076)
Total transactions with owners of the Company		653,081	-	-	-	(9,074)	644,006
At 31 December 2019		653,081	3,558	3,741	7,300	(285,372)	375,008
At 1 January 2020		653,081	3,558	3,741	7,300	(285,372)	375,008
Profit for the period		-	-	-	-	279	279
Other comprehensive income for the period		-	(61,786)	13,250	(48,536)	(1,950)	(50,486)
Total comprehensive income for the period		-	(61,786)	13,250	(48,536)	(1,671)	(50,207)
At 31 December 2020		653,081	(58,228)	16,991	(41,237)	(287,042)	324,802

The attached notes on pages 59 to 109 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows

PERIOD ENDED 31 DECEMBER

€'000

Note 2020 2019

		3.3, 4.1, 4.2	34,605	20,113
Operating activities				
Net profit/(loss) before income tax			23,059	(334,258)
Adjustments for:				
Depreciation of property, plant and equipment and right-of-use assets	3.3, 4.1, 4.2	34,605	20,113	
Amortisation of intangible assets	3.3, 4.3	15,349	7,906	
Impairment	4.1	1,210	558	
Change in fair value of borrowings and derivatives financial instruments	3.4	(642)	(141)	
Deferred income		(71)	2,000	
Share incentive plan		-	(1,998)	
Unrealised exchange rate differences		8,748	(5,285)	
Profit on disposal of property, plant and equipment, intangible assets and leased assets		(1,007)	(454)	
Interest income	3.4	(28,048)	(18,667)	
Interest and other financial expenses	3.4	90,678	94,483	
		143,883	(235,741)	
Decrease in trade and other receivables, prepaid expenses and derivatives financial assets		15,385	21,733	
Decrease in inventories		46,871	301,626	
Increase in trade and other payables, accrued expenses and derivatives financial liabilities		5,558	14,174	
Increase in provisions		6,501	5,634	
Cash generated from operations		218,197	107,426	
Interest received		2,146	4,775	
Interest and bank charges paid		(58,921)	(76,780)	
Income taxes paid		(28,058)	(14,165)	
Cash flow from operating activities		133,364	21,260	
Investing activities				
Proceeds on sale of property, plant and equipment, intangible assets		1,105	799	
Purchases of property, plant and equipment	4.1	(6,938)	(7,201)	
Purchases of intangible assets	4.3	(117)	(701)	
Acquisition of subsidiary, net of cash acquired	2.1	-	(687,012)	
Cash flow used in investing activities		(5,949)	(694,115)	
Financing activities				
Proceeds from borrowings		102,520	816,639	
Repayments of borrowings		(102,520)	(266,432)	
Proceed from issuance of new shares	7.1	-	279,624	
Payment of lease liabilities	2.2	(17,833)	(10,765)	
Dividends paid		(52)	(16)	
Cash flow from / (used) in financing activities		(17,885)	819,051	
Change in cash and cash equivalents		109,529	146,196	
Cash and cash equivalents at the beginning of the year		143,474	-	
Effect of exchange rate fluctuations on cash held		(11,056)	(2,722)	
Cash and cash equivalents at the end of the year	7.2	241,947	143,474	

The attached notes on pages 59 to 109 form an integral part of the consolidated financial statements

Notes to the consolidated financial statements

1. • Basis of preparation

1.1 General information

Oriflame Holding Limited (the "Company") – renamed from Walnut Midco Ltd in April 2020 – is a holding 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 OBD. 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 2020 comprise the Company and its subsidiaries (together referred to as the "Group").

1.2 Basis of accounting

- **General principles**

The consolidated financial statements have been prepared in accordance with IFRS Standards. They were authorised for issue by the Board of Directors on 9 April 2021.

As the Company was founded on 20 May 2019, the prior year comparative figures cover the period 20 May to 31 December 2019. No transactions occurred between the foundation of the Company and the acquisition of the Oriflame Group in July 2019 beside the equity issuance at incorporation amounting to 1 EUR.

The Company is a first-time adopter of IFRS but no further disclosures are required under IFRS 1 as the Company has just been founded.

These consolidated financial statements are presented in euro. All amounts have been rounded to the nearest thousand, unless otherwise indicated. The functional currency of Oriflame Holding Ltd is euro.

- **Basis of measurements**

The consolidated financial statements have been prepared on historical cost basis unless stated otherwise in the respective note's accounting policy section.

- **Presentation Currency and foreign currency transaction**

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 are translated into the functional currency at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising on revaluation of monetary assets and liabilities are recognised in the consolidated income statement in financial expenses or income. 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.

Assets and liabilities of foreign operations, including goodwill and fair value adjustments 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.

1.3 Use of judgements and estimates

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 given circumstances. Actual results may differ from these estimates.

A. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- **Note 4.2 - Leases:** extension or termination options require judgement to assess if it is reasonably certain or not to exercise an option in a lease contract. This judgement has an impact on the duration of the leases which considers the renewal or terminal option (to the extent the company reasonably expects to exercise it) and consequently on the lease liabilities and right-of-use assets.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation at 31 December 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- **Note 3.5 – Income Taxes:**
 - recognition of deferred tax assets linked to the availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised.
 - Uncertain tax treatments
- **Note 4.3 – Intangible assets and goodwill:** impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts.

1.4 Standards issued but not yet effective

All new or amended IFRS standards and interpretations issued but not yet effective are not expected to have any material impact on the annual consolidated financial statements of the Oriflame Group.

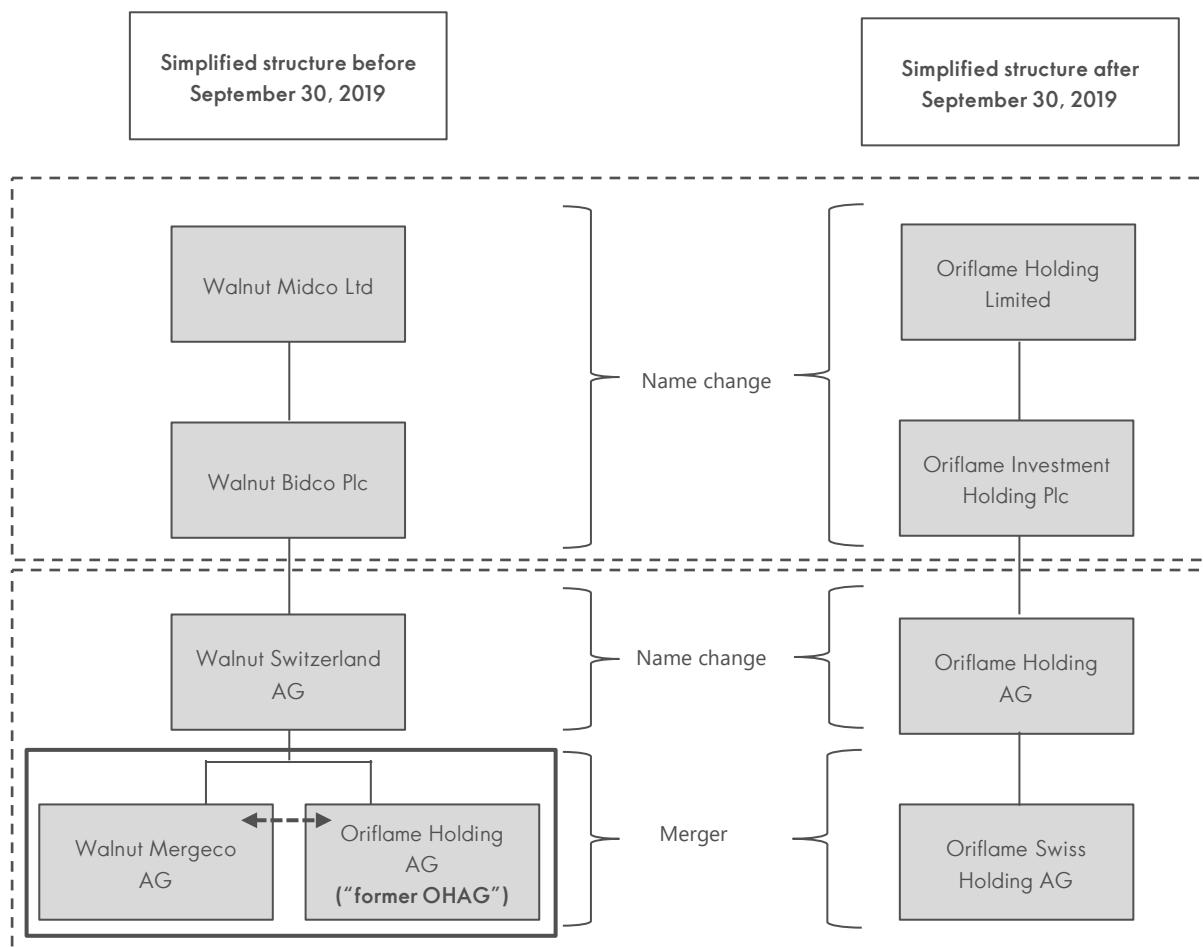
2. • Significant events and transactions

2.1 Acquisition of subsidiary

The Company together with Oriflame Investment Holding Plc were incorporated on 20 May 2019 with the purpose to effect the acquisition of the Oriflame Group. Oriflame Investment Holding Plc announced a public offer (the Offer) on 22 May 2019 to the shareholders of Oriflame Holding AG (OHAG) to tender all their shares in Oriflame to take control over the Oriflame group and to de-list it from the Nasdaq Stockholm stock exchange.

On 1 July the Walnut Group obtained control over the Oriflame Group. The shares tendered in the Offer together with the shares already held or otherwise controlled amounted to 91.33%. Shortly after the acquisition the remaining shares were acquired. As of 17 July 2019, the former Oriflame Group was de-listed from the Nasdaq Stockholm stock exchange.

Former OHAG was the parent of the Oriflame Group prior to the acquisition. In connection with the acquisition, Oriflame Swiss Holding AG (formerly Walnut Mergeco AG) was merged with Oriflame Holding AG on September 30, 2019, with Oriflame Swiss Holding AG as the surviving entity. Swiss Newco, an entity established for the purpose of the acquisition, which holds 100% of shares of Oriflame Swiss Holding AG, was renamed as Oriflame Holding AG on September 30, 2019.



For the six months ended 31 December 2019, the Oriflame group contributed with €646,141 million revenue and €8,243 million profit to the Group's results.

Consideration transferred

The value of all the shares acquired, including the contribution in kind (shares already held by the family and selected investors) was 227 Swedish Krona per share and corresponds to the price proposed in the public offer from 22 May 2019. It represents an average of €21.45.

The following table summarises the acquisition date fair value of consideration transferred.

€'000	
Cash	841,302
Contribution in kind – shares	373,456
Total consideration transferred	1,214,758

Acquisition-related costs

The Group incurred acquisition-related costs of €6,305 million on legal fees and professional fees which have been included in administrative expenses.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

Assets and liabilities	€'000
Tangible assets	217,010
Intangible assets	605,776
Deferred tax assets	34,474
Other long-term assets	149
Inventories	486,953
Trade and other receivables and prepayments	142,711
Cash and cash equivalents	153,361
Long term liabilities and deferred income	(67,173)
Deferred tax liabilities	(137,099)
Interest-bearing loans	(251,524)
Short term other liabilities and accrued expenses	(246,316)
Provisions	(2,721)
Total identified net assets acquired	935,600

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

€'000	
Consideration transferred	1,214,758
Fair value of identifiable assets	(935,600)
Goodwill	279,158

The goodwill is attributable mainly to the skills and technical talent of the Oriflame's work force.

Accounting Policies

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. The acquisition-related costs are charged to the income statement in the period in which they are incurred.

All subsidiaries are fully owned at 100%. Hence the Group does not have any non-controlling interests.

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 note "4.3 - Intangible assets and goodwill"

2.2 Loans and borrowings

€'000	2020	2019
Non-current liabilities		
Interest-bearing notes	725,012	744,686
	725,012	744,686

The terms and conditions of outstanding notes were as follows:

€'000	Currency	Interest rate	Year of maturity	2020		2019	
				Face value	Carrying Amount*	Face Value	Carrying Amount*
Revolving Credit Facility	EUR	Euribor + margin	2023	-	(2,333)	-	(3,253)
Senior Secured Notes - €475.0m	EUR	6.75%	2024	475,000	462,437	475,000	459,549
Senior Secured Notes - \$335.0m	USD	9.125%	2024	301,639	264,908	301,639	288,390
Total interest-bearing notes				776,639	725,012	776,639	744,686

* Difference between the face value and the carrying amount consists of the FX difference and the amount of capitalized front-end fees.

The Oriflame group acquired in July 2019 had completed the issuance of several private placements. All Private placement loans, of which a portion was designated at Fair Value through P&L, 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. Refer to note "2.1 - Acquisition of subsidiary" for additional information.

To finance the acquisition of the Oriflame Group, two Senior Secured Notes maturing in 2024 amounting to €475 million with a 6.750% interest and \$335 million with a 9.125% interest were issued on 2 August 2019. At the same time, the Group signed for a €100.0 million Revolving Credit Facility (RCF) with termination date December 2023. The facility was undrawn at year end. The negative carrying amount of €-2.333 million covers the capitalized front-end fees allocated to the RCF. Refer to note "7.3 - Risk Management - Liquidity risk" for additional information.

Security for the Notes and the Revolving Credit Facility

Guarantees

Certain material Oriflame Group companies have guaranteed from 2020 the primary debt obligations. The shares of these companies were pledged by their shareholders in favor of the Security Agent of the lenders.

Guarantees were given by Swiss, Luxembourg, Polish, Romanian, Russian, Mexican, Colombian and Indonesian companies of the Oriflame Group.

Security

Assets of the issuer / guarantors / credit facility borrowers are pledged from 2020 in favour of the relevant debt obligations. RCF ranks in priority versus the notes.

The amount of assets (book value) pledged as at 31st December 2020 amounted to:

- Cash (bank accounts)	€ 51.2 million
- Intercompany receivables	€ 64.0 million
- Intellectual property (Brand)	€ 546.2 million
Total	€ 661.4 million

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

	31 December 2019	Cash flows	Non-cash changes				31 December 2020
			Foreign exchange movement	Amortisation of transaction costs related to loans	Increase in leases	Decrease in leases	
Interest-bearing notes	744,686	-	(25,201)	5,526	-	-	725,012
Lease liabilities	67,770	(17,833)	(5,350)	-	6,563	(13,007)	38,143
Total liabilities from financing activities	812,456	(17,833)	(30,551)	5,526	6,563	(13,007)	763,155

The maturity of the lease liabilities varies between 2021 and 2028 with an interest rate range between 5.25% and 23.7%.

	20 May 2019	Cash flows	Non-cash changes				31 December 2019
			Foreign exchange movement	Fair value changes	Amortisation of transaction costs related to loans	Increase in leases	
Interest-bearing notes	-	745,877	(3,437)	-	2,246	-	-
Private Placement loans	-	(226,432)	(4,606)	(21,383)	897	-	251,524
Lease liabilities	-	(10,765)	453	-	-	6,130	(2,002)
Total liabilities from financing activities	-	508,680	(7,590)	(21,383)	3,143	6,130	(2,002)
							325,479
							812,456

The maturity of the lease liabilities varies between 2020 and 2028 with an interest rate range between 5.25% and 21.09%.

Accounting Policies

Debt instruments are initially recognised at fair value, net of transaction costs incurred, which is equal to the net proceeds received. Subsequently they are reported at amortised cost. Any discount between the net proceeds received and the principal value due on redemption is amortised over the duration of the debt instrument and is recognised as part of financing costs in the consolidated income statement using the effective interest rate method. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

3. • Performance of the year

3.1 Operating segments

- **Information about reportable segments**

The Group has six reportable segments, which represent the structure of financial information reviewed by the Corporate Committee, consist of the following: Latin America, Europe, CIS, Asia, Turkey & Africa 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. The items related to the purchase price allocation (PPA), which resulted from the acquisition of the Oriflame group as described in the note "2.1 - Acquisition of subsidiary", are reported as unallocated items. This covers PPA impact on inventories amounting to €13.8 million (€308.4 million) – see note "4.4 - Inventories" – and depreciation of identified intangible assets in the PPA amounting to €14.5 million (€7.3 million) – see note "4.3 - Intangible assets and goodwill". Net financing costs and total income tax expense are also not allocated.

- Reconciliations of information on reportable segments to the amounts reported in the financial statements

As per 31 December 2020

€'000	Latin America	Europe	CIS	Asia	Turkey & Africa	Manufacturing	All other segments	Total segments	Unallocated items	Total
Sales	146,092	247,541	317,309	317,905	108,282	13,429	6,352	1,156,911	-	1,156,911
Operating Profit	11,866	32,131	57,683	52,336	20,071	6,833	1,552	182,472	(78,733)	103,739
Net financing costs	-	-	-	-	-	-	-	-	-	(80,680)
Net profit before income tax	-	-	-	-	-	-	-	-	-	23,059
Total income tax expense	-	-	-	-	-	-	-	-	-	(22,780)
Net profit	-	-	-	-	-	-	-	-	-	279
Capital Expenditure	(358)	(229)	(967)	(1,380)	(141)	(2,417)	-	(5,493)	(1,562)	(7,054)
Depreciation & Amortisation	(3,182)	(4,357)	(4,666)	(7,863)	(1,434)	(6,123)	-	(27,623)	(22,331)	(49,955)
Impairment	-	(218)	(881)	(112)	-	-	-	(1,210)	-	(1,210)
Goodwill	34,453	55,314	58,501	80,805	21,351	-	-	250,424	-	250,424

As per 31 December 2019

€'000	Latin America	Europe	CIS	Asia	Turkey & Africa	Manufacturing	All other segments	Total segments	Unallocated items	Total
Sales	94,029	129,817	165,524	189,757	57,403	6,105	3,505	646,141	-	646,141
Operating Profit/(loss)	10,350	14,688	24,878	35,390	8,246	5,657	1,000	100,209	(359,059)	(258,850)
Net financing costs	-	-	-	-	-	-	-	-	-	(75,408)
Net loss before income tax	-	-	-	-	-	-	-	-	-	(334,258)
Total income tax income	-	-	-	-	-	-	-	-	-	58,185
Net loss	-	-	-	-	-	-	-	-	-	(276,072)
Capital Expenditure	(874)	(541)	(864)	(1,821)	(387)	(1,580)	-	(6,066)	(1,835)	(7,902)
Depreciation & Amortisation	(1,895)	(2,388)	(3,102)	(4,378)	(1,087)	(3,422)	-	(16,274)	11,745	(28,019)
Impairment	-	(102)	(457)	-	-	-	-	(558)	-	(558)
Goodwill	38,971	57,058	72,439	86,253	24,436	-	-	279,158	-	279,158

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

€ million	31 December 2020	20 May – 31 December 2019
Russia	180.6	101.3
China	130.0	72.8
Jersey	-	-
Other	846.3	472.0
Total	1,156.9	646.1

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

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

€ million	2020	2019
Russia	99.5	136.8
Jersey	-	-
Other	881.6	951.6
Total	981.1	1,088.4

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

A major country is defined as one with non-current assets as described above greater than 10 percent of consolidated non-current assets.

- **Product categories information**

The group generates revenue from the sale of cosmetics products to its customers which are divided in the following categories:

€ million	31 December 2020	20 May – 31 December 2019
Skin Care	293.0	169.5
Colour Cosmetics	187.7	120.3
Fragrances	235.2	127.5
Personal and Hair Care	194.0	104.5
Accessories	53.5	34.8
Wellness	193.5	89.6
Total	1,156.9	646.1

Major customers

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

Accounting Policies

Performance obligations and revenue recognition policies

(i) Sales of goods

Revenue which excludes value added tax and other applicable turnover taxes, represent sales to independent Brand Partners, on-line customers and licensed distributors (all together "Customers"). The independent Brand Partners are individual members, who can benefit from the Oriflame business plan, while the on-line customers cannot. 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.

Customers obtain control of Oriflame's products when the goods are delivered to them and have been accepted. Invoices are usually payable within 30 days, paid in advance or by credit card. 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 Brand Partners.

(ii) Sales programs

Revenue is allocated between the sales programs and the other components of sale. The amount allocated to loyalty programs is deferred in the statement of financial position as contract liabilities and is recognised as revenue when the Group has fulfilled its obligation to supply the free or discounted products under the terms of the programs or when it is no longer probable that the points under the programs will be redeemed.

The group has various programs running for the Brand Partners, which are changing very often. Therefore, a simplified approach was chosen to book the impact of these programs. The impact of the programs 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.

3.2 Research and development

The group is engaged in research and development activities to evaluate and improve our existing range and develop new products. During the 2020 period an amount of €10.7million (€6.3 million 20 May – 31 December 2019) was recognised in the income statement as an expense mainly in administrative expenses.

3.3 Depreciation and amortisation

€'000	31 December 2020	20 May – 31 December 2019
Depreciation	34,605	20,113
- in Cost of sales	7,484	3,912
- in administrative expenses	27,121	16,201
Amortisation	15,349	7,906
- in Cost of sales	75	62
- in administrative expenses	15,274	7,844
Depreciation and amortisation expenses	49,955	28,019

3.4 Net financial costs

€'000	31 December 2020	20 May – 31 December 2019
Interest income on bank deposits and receivables	2,146	1,009
Cross currency interest rate swaps income	25,902	12,471
Change in fair value of financial assets and liabilities at fair value held for trading:		
- Forward exchange rate contracts gain	1,293	132
- Interest rate swaps gain	-	292
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
Foreign exchange gain, net	-	268
Total financial income	29,342	33,772

€'000	31 December 2020	20 May – 31 December 2019
Bank charges and interest expense on notes carried at amortised cost	(60,990)	(30,844)
Interests on lease liabilities	(4,718)	(2,926)
Interest expense on loan carried at fair value	-	(1,115)
Interest expense on USPP loans repayment	-	(31,084)
Financial expenses from refinancing (see note 2.2)	-	(9,576)
Cross currency interest rate swaps expense	(19,445)	(10,659)
Amortisation of capitalized front-end fees	(5,526)	(3,149)
Options expense	-	(1,462)
Change in fair value of financial assets and liabilities at fair value held for trading:		
- Forward exchange rate contracts loss	(652)	-
- Cross currency interest rate swaps loss	-	(20,306)
Foreign exchange losses, net	(18,692)	-
Total financial expenses	(110,021)	(109,180)
Net financial costs	(80,680)	(75,408)

Accounting Policies

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 statement 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 statement as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the consolidated income statement using the effective interest rate method.

3.5 Income Taxes

A. Amounts recognised in the consolidated income statements

€'000	31 December 2020	20 May - 31 December 2019
Current tax expense		
Current year tax expense	(32,342)	(14,906)
Change in estimate related to prior years	(685)	727
	(33,027)	(14,179)
Deferred tax expense/income:		
- Origination and reversal of temporary differences	9,853	75,513
- Changes in tax rates	10	435
- Utilisation of tax losses carried forward	(2,297)	(1,208)
- (Recognition)/Derecognition of previously unrecognised/recognised deductible temporary differences	2,343	(5,045)
- Recognition of previously unrecognised tax losses carried forward	339	2,670
	10,247	72,364
Total Tax expense / income in the consolidated income statement	(22,780)	58,185

B. Reconciliation of effective tax rate

	31 December 2020	20 May - 31 December 2019		
	%	€'000	%	€'000
Net profit/(loss) before income tax		23,059		(334,258)
Average applicable tax	20.6%	(4,760)	22.8%	76,085

Adjustment to tax expenses

Non-deductible expenses / non-taxable income	(5.4)%	1,240	(0.7)%	(2,499)
Utilisation of previously unrecognised tax losses carried forward	0.0%	-	0.0%	63
Recognition of previously unrecognised tax losses carried forward	(1.5)%	339	0.8%	2,670
Recognition of previously unrecognised / derecognition of previously recognised deductible temporary differences	(10.2)%	2,343	(1.5)%	(5,045)
Increase / Release of Uncertain Tax Positions	(0.5)%	114	(0.2)%	(702)
Withholding taxes	24.7%	(5,969)	(0.5)%	(1,567)
Other taxes	2.3%	(525)	(0.2)%	(676)
Change in estimate related to prior years	3.0%	(685)	0.2%	727
Current-year losses for which no deferred tax asset is recognised	90.2%	(20,791)	(3.2)%	(10,806)
Income taxed at different rate	(24.4)%	5,642	(0.1)%	(64)
Effective tax	98.8%	(22,780)	17.4%	58,185

* Average applicable tax rate is calculated as weighted average by multiplying profit before tax in absolute values by the domestic tax rate in each individual jurisdiction. The tax rates of the Group's subsidiaries vary between 0 percent and 32 percent. Tax at applicable tax rate amounts to 20.6% (22.8%). The Applicable tax rate decreased due to slightly different country mix and decreased weight of high tax jurisdictions in Oriflame markets.

Effective tax rate for the Group excluding non-recurring items is presented in section **Alternative performance measures** on page 112.

C. Movement in deferred tax balances

Deferred tax assets and liabilities at 31 December 2020 and 2019 are attributable to the items detailed in the table below:

€'000	2020			2019			Movement
	Assets	Liabilities	Net	Assets	Liabilities	Net	
Property, plant and equipment &							
intangible assets	2,252	59,589	(57,337)	2,518	62,487	(59,969)	2,632
Leases	6,829	6,973	(144)	13,390	13,375	16	(160)
Inventories	8,958	1,149	7,809	10,734	4,608	6,125	1,684
Trade and other receivables	3,237	267	2,969	3,514	268	3,246	(277)
Accruals	11,054	610	10,444	7,733	4	7,728	2,716
Other	11,525	363	11,163	8,004	571	7,433	3,729
Tax losses carried forward	1,922	-	1,922	5,360	-	5,360	(3,439)
Tax assets/(liabilities) before set off	45,777	68,951	(23,175)	51,253	81,313	(30,060)	6,885
Set off of tax	(9,641)	(9,641)		(17,029)	(17,029)		
Net tax assets /liabilities	36,136	59,311	(23,175)	34,224	64,284	(30,060)	

Recognised in other comprehensive income in relation to cash flow hedges	(88)
Recognised in other comprehensive income in relation to re-measurement of the net defined benefit liability	262
Translation difference	3,188
Deferred tax income	10,247

D. Deferred tax assets

Recognition of deferred tax assets

Deferred tax assets, including those related to unused tax losses and unused tax credits, 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 and unused tax credits have not been recognised:

€'000	2020	2019
Tax losses / unused tax credits *	294,530	219,926

* Of which €0.7 million (€2.2 million) expire within one year, €5.1 million (€8.9 million) expire between one and five years and €288.8 million (€208.9 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. Majority of unrecognized losses relate to group entities located in Luxemburg and the United Kingdom.

Accounting Policies

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. The amount of current tax payable or receivable represents the best estimate of the tax amount expected to be paid, including penalties, 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.

Any interests are accrued in the statement of financial position and are recognised as a finance expense in the income statement. 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.

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 statement of financial position. Deferred tax assets, including those related to unused tax losses and unused tax credits, 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 to the extent that:

- the Group is able to control the timing of the reversal of the temporary differences, and
- it is probable that the temporary difference will not reverse in a foreseeable future.

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

4. • Operating Assets and Liabilities

4.1 Property, plant and equipment

€'000	Freehold land & buildings	Leasehold improvements	Plant & machinery	Furniture & equipment	Computer equipment	Motor vehicles	Under const- ruction	Total
Cost								
At 20 May 2019								
Additions through business combinations (note 2.1)	97,081	10,992	25,003	4,831	3,952	1,301	-	143,159
Additions	159	1,717	2,219	1,081	1,383	504	137	7,201
Disposals	(312)	(73)	(26)	(304)	(29)	(10)	-	(754)
Re-classification	-	-	-	33	-	-	(33)	-
Translation	2,966	349	748	208	178	60	(1)	4,508
At 31 December 2019	99,893	12,985	27,945	5,848	5,483	1,855	103	154,112
Additions	307	1,674	2,872	630	1,382	41	32	6,938
Disposals	(480)	(842)	(57)	(285)	(122)	(172)	-	1,958
Re-classification	-	137	-	-	-	-	(137)	-
Translation	(19,714)	(1,771)	(3,451)	(671)	(569)	(220)	1	(26,393)
At 31 December 2020	80,006	12,182	27,309	5,523	6,174	1,504	-	132,699
Accumulated depreciation and impairment								
At 20 May 2019								
Charge for the year	(1,828)	(2,174)	(2,585)	(806)	(1,106)	(379)	-	(8,879)
Impairment	-	(356)	(56)	(144)	(3)	-	-	(558)
Disposals	140	20	1	51	6	3	-	220
Translation	(499)	(233)	(472)	(147)	(122)	(37)	-	(1,510)
At 31 December 2019	(2,187)	(2,743)	(3,112)	(1,047)	(1,225)	(413)	-	(10,727)
Charge for the year	(3,134)	(3,264)	(4,676)	(1,481)	(2,048)	(645)	-	(15,248)
Impairment	(1,098)	(112)	-	-	-	-	-	(1,210)
Disposals	174	538	7	222	117	109	-	1,166
Translation	821	1,056	418	298	214	22	-	2,829
At 31 December 2020	(5,426)	(4,525)	(7,363)	(2,009)	(2,942)	(927)	-	(23,191)
Net Book Values								
At 20 May 2019	-	-	-	-	-	-	-	-
At 31 December 2019	97,706	10,242	24,833	4,802	4,257	1,442	103	143,385
At 31 December 2020	74,580	7,658	19,946	3,515	3,232	578	-	109,508

Impairment

During 2020, the Group recognised an impairment loss in administrative expenses totaling €1.2 million mainly coming from buildings for which their carrying amount exceeded the recoverable amount (€0.6 million for the comparative period in 2019).

Disposals

In 2020, the Group sold property, plant and equipment with a net book value of €0.8 million (€0.5 million) resulting in a profit on disposal of property, plant and equipment of €0.3 million (€0.3 million) booked as Administrative expenses in the income statement.

Contractual commitment

At year-end 2020, the Group has various contractual commitments amounting to €0.4 million (nil) mainly in relation to leasehold improvement work to be done.

Accounting Policies

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost 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.

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.

Any gain or loss on disposal on a property, plant and equipment item is recognised in the income statement in administrative expenses.

Identifiable property, plant and equipment acquired through a business combination are measured at the date of acquisition at their fair values.

(ii) Subsequent costs

Subsequent costs are only capitalised to the extent that it is probable that the future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as they incurred.

(iii) Depreciation

Depreciation is charged to the income statement 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. Leasehold improvements 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

(iv) Impairment

The carrying amount of the property, plant and equipment is 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.

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

The recoverable amount of assets is the greater of their fair value less cost to sell and their 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.

4.2 Leases

€'000	Land & buildings	Motor vehicles	Others	Total
Cost				
At 20 May 2019	-	-	-	-
Additions through business combinations (note 2.1)	69,617	3,384	307	73,308
Increases	5,711	419	-	6,130
Derecognition of right-of-use assets	(1,893)	(163)	(34)	(2,090)
Translation	625	7	(2)	(630)
At 31 December 2019	74,060	3,646	271	77,978
Increases	5,788	2,210	54	8,053
Derecognition of right-of-use assets	(15,125)	(689)	(100)	(15,914)
Translation	(5,136)	(125)	(14)	(5,276)
At 31 December 2020	59,588	5,043	211	64,841
Accumulated depreciation				
At 20 May 2019	-	-	-	-
Charge for the year	(10,338)	(826)	(71)	(11,234)
Derecognition of right-of-use assets	240	27	7	274
Translation	(227)	(10)	-	(237)
At 31 December 2019	(10,324)	(809)	(63)	(11,197)
Charges for the year	(17,731)	(1,519)	(107)	(19,357)
Derecognition of right-of-use assets	1,795	278	34	2,107
Translation	985	34	(15)	1,004
At 31 December 2020	(25,275)	(2,017)	(151)	(27,443)
Net Book Value				
At 20 May 2019	-	-	-	-
At 31 December 2019	63,736	2,837	208	66,781
At 31 December 2020	34,312	3,026	60	37,398

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). Some leases contain a renewal or termination option.

The net derecognition of right-of-use buildings of €13.3 million is mainly explained by the restructuring and reorganisation that were implemented at the beginning of 2020 and for which several rent contracts were resigned earlier than initially expected.

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	31 December 2020	20 May - 31 December 2019
Interests on lease liabilities	4,718	2,926
Expenses related to short term leases	4,870	2,265
Expenses related to low value assets lease	52	15

Amount recognized in the statement of cash flows

€'000	31 December 2020	20 May - 31 December 2019
Total cash outflow for leases	22,551	13,691

The group has applied the practical expedient from the IFRS 16 leases amendment, "Covid-19-Related Rent Concessions", issued in May 2020 by the International Accounting Standards Board. This amendment allows the lessee not to recognize the rent concessions that occur as a direct consequence of the Covid-19 pandemic as a lease modification but to recognize them directly in the income statement as a variable lease payment. Rent concessions due to Covid-19 pandemic recognized in the income statement during the year 2020 amounted to €0.2 million.

Accounting Policies

Leases are capitalized in the statement of financial position 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.

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.

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. Later, in case of a lease reassessment with a renewal or termination option, the lease payments in the renewal period are calculated using a revised discount rate based on the remaining duration.

Finally, where applicable, the lease payments are adjusted every year, based on the change in the consumer price index in the preceding year.

In case the lease liability is remeasured, 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.

4.3 Intangible assets and goodwill

A. Reconciliation of carrying amounts

€'000	Brand	Recipes & Formulas	Consultants portfolio	Other intangibles	Software	Goodwill	Total
Cost							
At 20 May 2019	-	-	-	-	-	-	-
Additions through business combinations (note 2.1)	546,234	37,527	14,086	4,800	3,129	279,158	884,934
Additions	-	-	-	117	584	-	701
Translation	-	-	-	-	73	-	73
At 31 December 2019	546,234	37,527	14,086	4,917	3,786	279,158	885,708
Additions	-	-	-	64	52	-	117
Disposals	-	-	-	-	(23)	-	(23)
Translation	-	-	-	-	(97)	(28,734)	(28,831)
At 31 December 2020	546,234	37,527	14,086	4,982	3,718	250,424	856,971
Accumulated amortisation							
At 20 May 2019	-	-	-	-	-	-	-
Charge for the year	-	(3,753)	(3,522)	-	(632)	-	(7,906)
Translation	-	-	-	-	(74)	-	(74)
At 31 December 2019	-	(3,753)	(3,522)	-	(706)	-	(7,980)
Charge for the year	-	(7,505)	(7,043)	(33)	(768)	-	(15,349)
Disposals	-	-	-	-	4	-	4
Translation	-	-	-	-	2	-	2
At 31 December 2020	-	(11,258)	(10,565)	(33)	(1,467)	-	(23,323)
Net Book Value							
At 20 May 2019	-	-	-	-	-	-	-
At 31 December 2019	546,234	33,774	10,565	4,917	3,080	279,158	877,728
At 31 December 2020	546,234	26,269	3,522	4,948	2,251	250,424	833,648

The intangible assets were identified following the acquisition of Oriflame Holding AG as part of the purchase price allocation (see note "2.1 – Acquisition of subsidiary").

Brand

The brand covers the fair value of the Oriflame brand which was determined by applying the relief from royalty method. The Oriflame brand exists for more than 50 years (founded in 1967). All products are sold under the Oriflame brand name. As long as the Group will exist, the brand will be used to generate revenue. It is therefore defined to have an indefinite useful life for which an impairment test is performed on a yearly basis.

Recipes & formulas

Recipes & formulas cover self-developed recipes and formulas which are essential for the in-house manufacturing of unique high-quality products and ensuring a standardized product composition. The Fair value of this intangible assets was determined by applying the relief royalty method. The useful life of recipes & formulas was estimated to be 5 years.

Consultants portfolio

Consultants portfolio represents the fair value of a three million Independent Brand Partners' (consultants) network. It was determined by applying the replacement cost method and the useful life of this intangible assets was defined to be 2 years.

Other intangibles

This intangible asset contains mainly property rights for a dry food composition technology used in some of the Group's wellness products (€4.8 million). The 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 and unlimited right to use it.

Software

Software mainly covers self-developed tools notably selling and online applications used by the Group to sell their products and interact with their Independent Brand Partners. It was determined by applying the replacement cost method and is defined to have a 5 years useful life notably due to the requirements regarding a permanent further development in accordance with technological innovations and trends.

Goodwill

The purchase price allocation from the acquisition of Oriflame Holding AG resulted in a goodwill of €279.2 million.

B. Impairment test

Impairment tests for goodwill

Goodwill is monitored at the level of the five Cash Generating Units (CGU), being Oriflame's geographical business areas: Latin America, Europe, CIS, Turkey & Africa and Asia. It was allocated proportionally to the sales of each region as follows:

Segment (in €'000)	2020	2019
Latin America	34,454	38,971
Europe	55,342	57,058
CIS	58,501	72,439
Turkey & Africa	21,352	24,436
Asia	80,805	86,253
Total	250,454	279,158

The recoverable amounts of the CGUs were based on their value in use, determined by discounting the future cash flows to be generated from the continuing uses of the CGUs. The carrying amounts of the CGUs were determined to be lower than their recoverable amounts. Hence, no impairment loss was recognised in any of the CGUs.

The 2020 key assumptions used in the estimation of value in use were as follows:

In percent	Latin America	CIS	Europe	Turkey & Africa	Asia
Discount rate	10.2%	12.1%	9.2%	17.0%	10.5%
Terminal value growth rate	2.7%	4.1%	2.2%	8.1%	3.2%

The 2019 key assumptions used in the estimation of value in use were as follows:

In percent	Latin America	CIS	Europe	Turkey & Africa	Asia
Discount rate	11.4%	13.2%	10.4%	19.4%	11.6%
Terminal value growth rate	2.7%	4.1%	2.3%	8.8%	3.3%

The discount rate was based on the risk-free rate of the five CGUs adjusted with a sustainable implied market risk premium of 6%.

Five years of cash flows were included in the discounted cash flow model. The terminal value growth rate of each CGU represents the average inflation of the business areas in which Oriflame operates (weighted based on the sales of the main markets within the CGUs).

Budgeted Operating Profit was based on expectations of future outcomes, taking into account past experiences, adjusted for anticipated revenue growth. Revenue growth was projected as well based on historical experience and estimated sales volume and price growth from each sales entity given the best knowledge of the market at the time of the budget.

Based on the above assumptions, no impairment cost was recognised on the goodwill in 2020 and in 2019.

Impairment test for the brand

The brand is monitored at Group level. Its recoverable amount was based on its value in use, determined by discounting the future cash flows to be generated from the continuing uses of the group operations. The carrying amount of the brand turned out to be lower than its recoverable amount. Hence, no impairment loss was recognised on the brand.

The 2020 key assumptions used in the estimation of value in use were as follows:

In percent	Group
Discount rate	11.3%
Terminal value growth rate	3.7%

The 2019 key assumptions used in the estimation of value in use were as follows:

In percent	Group
Discount rate	11.6%
Terminal value growth rate	3.8%

The discount rate was based on the risk-free rate of the Group adjusted with a sustainable implied market risk premium of 6%.

Five years of cash flows were included in the discounted cash flow model. The terminal value growth rate of the Group represents the average inflation of the business areas in which Oriflame operates (weighted based on the sales of the main markets within the CGUs).

Budgeted Operating Profit was based on expectations of future outcomes, taking into account past experiences, adjusted for anticipated revenue growth. Revenue growth was projected as well based on historical experience and estimated sales volume and price growth from each sales entity given the best knowledge of the market at the time of the budget.

Based on the above assumptions, no impairment cost was recognised on the brand in 2020 and in 2019. Management made several sensitivity analyses and concluded that any reasonable possible adverse change in the key assumptions would not reduce the recoverable amount below its carrying amount.

Accounting Policies

(i) Recognition and measurement

Purchased intangible assets

Purchased intangible assets are capitalized to the extent they meet the following general criteria:

- It is probable that future economic benefits associated with the asset will flow to the company; and
- The cost of the assets to the company can be measured reliably

The cost of a purchase intangible assets includes the purchase price, including import duties, non-refundable purchase taxes, and any directly attributable costs of preparing the asset for its intended use.

Internally generated intangible assets

The Group develops internally software which are capitalised if all of the criteria described under above under "purchased intangible assets" are fulfilled.

The cost of an internally generate intangible asset includes:

- Direct labour costs
- Direct materials and services
- Production and development overhead costs
- Any other costs that can be directly attributed to the development of the intangible asset

Intangible assets acquired through a business combination

The costs of intangible assets acquired in a business combination are recognised at their acquisition date fair values.

Goodwill

Goodwill is recognised at the date of acquisition and is measured as a residual. It represents the excess of the cost of acquisition over the fair value of the net identifiable assets acquired. Goodwill is allocated to cash-generating units.

(ii) Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it meets the capitalisation criteria as stated under the above section "Purchased intangible assets".

(iii) Amortisation

Amortisation is charged to the consolidated income statement 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, the brand 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 and software between 3 and 5 years.

(iv) Impairment

The carrying amount of the intangible assets with definite useful life is 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 statement.

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.

4.4 Inventories

€'000	2020	2019
Raw materials	16,922	19,602
Work in progress	183	85
Finished goods	122,871	182,887
Other inventories	14,048	18,164
Inventory reserves	(26,328)	(29,573)
Total inventory	127,696	191,165

During 2020 the Group wrote down €14.3 million (€5.8 million during the comparative period in 2019) inventory. The increase of write down during 2020 is explained mainly by the worldwide Covid-19 pandemic. Lockdowns in many markets negatively impacted the sale of certain product categories such as Colour cosmetics and Accessories. It resulted in an excess of stock on certain products which had to be written down as they will be outdated, or newer products will replace them.

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 2020 were €380.3 million (€518.5 million during the comparative period in 2019). The significant amount in 2019 is explained by the inventory acquired and recognised at fair value through the business combination as described in the note "2.1 – Acquisition of subsidiary". The inventory acquired at fair value and consumed during the period had an estimated impact in the income statement of around €308.4 million.

Accounting Policies

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.

4.5 Trade and other receivables

€'000	2020			2019		
	Gross carrying amount	Expected credit loss allowance	Total	Gross carrying amount	Expected credit loss allowance	Total
Trade receivables	40,551	(11,696)	28,855	46,123	(5,306)	40,817
Other receivables	22,842	(533)	22,309	34,800	(93)	34,707
Total	63,393	(12,229)	51,165	80,923	(5,399)	75,524

Other receivables include mainly VAT receivable as well as other receivables from credit card companies, customs and other.

Over 90% of orders are placed online. The majority of Oriflame's revenue is collected through advance payments or credit card resulting in low level of invoiced sales via trade receivables.

The allowance account 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 expected credit loss allowance on the trade receivables covers mainly trade receivables which are overdue for more than six months and which are fully provided for. They are kept in the books until all legally available means for collecting the receivable are exhausted. This process can last several years.

The ageing of trade receivables at the reporting date was:

€'000	2020			2019		
	Gross	Expected credit loss allowance	Net	Gross	Expected credit loss allowance	Net
Not overdue	24,691	(618)	24,074	34,796	(790)	34,006
Overdue up to 6 months	8,293	(3,785)	4,508	10,549	(4,516)	6,032
Overdue older than 6 months	7,567	(7,294)	273	778	-	778
Total	40,551	(11,696)	28,855	46,123	(5,306)	40,817

The movement in the expected credit loss allowance in respect of trade receivables during the period was as follows:

€'000	2020	2019
Balance as at 1 st January 2020 / 20 th May 2019	5,306	-
Net remeasurement of loss allowance recognised in the income statement	6,921	5,306
Amounts written off	(530)	-
Balance at 31 December	11,696	5,306

Accounting Policies

Trade receivables are initially recognised when they are originated. A trade receivable without a significant financing component is initially measured at the transaction price which represents the amount of consideration to which the Group expects to be entitled for transferring the promised goods or services to the customer.

Impairment on the trade receivables are recognised in the income statement in selling and marketing expenses and foreign exchange gains and losses are recognised in the income statement respectively in financial income and financial expenses.

The Group applies the simplified approach permitted by IFRS 9 to measure lifetime expected credit losses (ECLs) for trade receivables.

This allowance varies from market to market depending on the latest trends in collectability of the trade receivables. Historical loss rates are adjusted to reflect information about current conditions, and reasonable and supportable forecasts of future economic conditions.

4.6 Trade and other payables

€'000	2020	2019
Trade payables	41,303	51,388
Other payables	58,786	78,551
Total trade and other payables	100,089	129,938

Other payables cover mainly payables to Brand Partners (performance discounts and bonuses), VAT payables and payables to suppliers.

4.7 Accrued expenses

€'000	2020	2019
Performance discounts & Bonus	24,186	27,210
Staff related accruals	32,663	19,375
Accrued interest	24,835	25,730
Other accruals	53,123	50,087
Total accrued expenses	134,807	122,403

Other accruals cover mainly goods and services received but not invoiced at the reporting date yet and accruals for other incentives to Brand Partners.

4.8 Provisions and Contingencies

- **Provisions**

€'000	Restructuring	Claims & Other	Total
Balance at 31 December 2019	6,091	2,231	8,322
Provisions made during the year	8,386	9,834	18,220
Provisions used during the year	(10,921)	(431)	(11,352)
Provisions reversed during the year	(423)	(98)	(521)
Translations	(223)	(124)	(347)
Balance at 31 December 2020	2,910	11,412	14,322
Non-current	-	6,028	6,028
Current	2,910	5,384	8,294
Total provisions	2,910	11,412	14,322

The movements in the restructuring provision during the twelve months ended 31 December 2020 primarily come from restructuring due to operational efficiency initiatives within all the regions as well as in the global functions such as closure of sales offices and staff reductions. Restructuring costs totaling €10.1 million were recognized within administrative expenses during the first half of 2020. Most of the restructuring costs recognised during 2020 were already settled. The outstanding balance of €2.9 million is expected to be settled during 2021.

The provisions for "Claims & Other" increased by €9.8 million during the twelve months ended 31 December 2020 to cover mainly legal claims and/or procedures with local authorities in different countries in relation to VAT, customs and personal income taxes.

The proceedings in relation to VAT, customs and personal income taxes are mainly resulting from audit conducted by the local authorities in different countries and cover various technical areas which are either not clarified in the local tax legislations (e.g. absence of specific rules and/or regulations for the direct selling industry) or for which authorities came to another conclusion on the treatment than the respective Oriflame Group entity.

The classification of these provisions is based on the expected settlement considering the dispute and the expected timing of the final decision.

- **Contingencies**

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 €1.9 million (€6.5 million) representing tax potential litigations of €1.1 million (€3.9 million) and other claims of €0.8 million (€2.6 million). Other claims contingent liabilities cover possible or present obligations mainly in relation to VAT, customs, personal income tax and withholding tax.

Bank guarantees

At 31 December 2020, the Group had bank guarantees in place of €6.2 million (€5.7 million).

Accounting Policies

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 its main features should have been announced to those affected by it. Future operating losses are not provided for.

Contingent liabilities

A contingent liability represents:

- a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) a present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - the amount of the obligation cannot be measured with sufficient reliability

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

5. • Employee benefits

5.1 Share-based payment arrangements

Equity-settled share option program

In 2020 Oriflame Partners Ltd (OPL - a company incorporated in Jersey, Channel Islands and ultimate parent company of the Oriflame Holding Ltd group) established a Management Investment Program (MIP). Key management personnel of the Group were offered to buy warrants (options) to subscribe for new shares in OPL.

No equity instruments of Oriflame Holding Ltd are to be granted and no recharge will be made by Oriflame Partners Ltd (OPL) as part of the MIP. The options are issued as part of an investment unit, which consists of two shares and eight options and must be purchased at grant date at fair value. Each series of options has its own cut-off value. The cut-off value is a fair value of the shares of OPL that needs to be achieved for the option to become exercisable. The terms of the options provide that in case of cash dividend the strike price and cut-off values will automatically decrease by a corresponding amount.

The fair value of the employee share options has been measured using the Black-Scholes formula.

Expected volatility is based on the historical volatility of companies which are deemed to be as closely comparable to Oriflame as possible. In addition, the historical analysis includes consideration of the historical volatility in the Oriflame share (prior to delisting in 2019).

The lack of marketability discount is based on studies, which compare the prices in transactions regarding stocks before a company goes public and the offering price and also studies, which compare prices in private transactions regarding not listed stocks and the market price of publicly traded stocks of the same company in the same point of time.

The key terms and conditions related to the options are as follows; all options are to be settled by the physical delivery of shares of OPL against cash contribution equal to the market price of the shares at grant date (exercise price).

Grant Year	Number of investments Units in thousands	Vesting conditions	Contractual expiry date of warrants						
			1	2	3	4	5	6	7
2020	191 750	Being in services and fair value of OPL share reaching targeted levels							30 June 2025

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows:

Warrants series	1	2	3	4	5	6	7	8
Cut-off value (€)	30.00	33.60	37.20	40.80	44.40	48.00	51.60	55.20
Fair value at grant date (€)	4.90	4.63	4.33	4.40	3.75	3.47	3.21	2.97
Share price at grant date (€)					21.60			
Exercise price (€)					21.60			
Expected volatility (weighted average)					40.0%			
Expected life					4.6 years			
Lack of marketability discount					25.0%			
Risk free interest (based on Swedish government bonds)					-0.36%			

MIP participants can exercise options and sell OPL shares and options only to OPL or its shareholders.

No expense related to MIP are recognised in the income statement of Oriflame Holding Ltd due to the conditions of the scheme.

Share Incentive and retention Plan (SIP)

After the acquisition of the publicly listed Oriflame Holding AG group in 2019 the new Oriflame Holding Ltd group kept the existing (2016 – 2019) share incentive plans, which were issued by the former Oriflame Holding AG. The SIP was designated as incentive and retention plan for the group's executive and senior management.

Under the 2016 -2019 SIP participants had to stay invested in Oriflame shares they already owned or had to purchase Oriflame shares at the current market price as Investment Shares. In return, the participants were entitled, within an Investment Period of normally three to five years, 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 the Group's adjusted operating profit over the Investment Period. In order to be eligible for any Achievement Shares, normally the participants had to i) remain employed by Oriflame throughout the Investment Period, and ii) keep their Investment Shares for the entire Investment Period.

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.

In 2020, the total amount of share-based payment recorded in Administrative Expenses was €6.4 million cost (€2.0 million income). At the reporting date the total SIP liabilities were €10.4 million (€6.9 million).

The terms and movement in number of Investment Shares outstanding

SIP	2019			2018			2017			2016		
Vesting period	2024	2023	2022	2023	2022	2021	2022	2021	2020	2021	2020	2019
Initial term in			Feb-19			Apr-18			Mar-17			Apr-16
No of Investment shares outstanding at 1 July 19	71,000	71,000	71,000	70,700	70,700	70,700	69,415	69,415	70,215	68,842	68,842	-
Forfeited	(4,600)	(4,600)	(4,600)	(5,400)	(5,400)	(4,800)	(6,289)	(6,289)	100	(7,838)	(7,838)	-
Vested	-	-	-	-	-	-	-	-	-	-	-	-
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	-
Forfeited	(2,400)	(2,400)	(2,400)	(3,000)	(3,000)	(3,600)	(1,689)	(1,689)	(2,039)	(789)	(1,839)	-
Vested	-	-	-	-	-	-	-	-	(68,276)	-	-	-
Expired	-	-	-	-	-	-	-	-	-	-	(59,165)	-
No of Investment shares outstanding at 31 Dec 20	64,000	64,000	64,000	62,300	62,300	62,300	61,437	61,437	-	60,215	-	-

Accounting Policies

Management Investment Program (MIP)

The plan is a group share-based payment plan which is equity settled and no expenses are recognised because the grant was made at fair value.

Share Incentive and retention Plan (SIP)

Until 31 December 2019, the share incentive program issued by the former Oriflame Holding AG allowed employees to receive shares of the company. Following the acquisition of Oriflame Holding AG by Oriflame Holding Ltd, the SIP remained in place. 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 plan was modified to cash-settled share-based plan where the share reference was moved to Oriflame Partners Ltd, the ultimate owner of Oriflame Holding Ltd.

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 SIP expense is recorded based on the fair value of the shares of Oriflame Partners Ltd as of the reporting date. The fair value was estimated using the Income approach, which is based on the present value of the cash flows, that the business can be expected to generate in the future. Such cash flows are present valued at a discount rate (the cost of capital) that reflects the time value of money and the risks associated with the cash flows. As appropriate, adjustments such as net debt are made to arrive at the value of the equity.

5.2 Employee benefits

€'000	Note	2020	2019
Net defined benefit liability		11,991	10,855
Liability for other long-term employee benefits*		1,150	1,282
Cash-settled share-based payment liability	5.1	10,388	6,925
Total employee benefits liabilities		23,529	19,062
Non-current		23,529	16,141
Current		-	2,920
		23,529	19,062

* It covers liability for long-service leave, leave benefit and other long-term employee benefits.

Employee benefit expenses

€'000		31 December	20 May -
		2020	31 December
Salaries and wages		148,111	76,587
Social security contributions		26,718	13,827
Pension expenses		5,516	3,572
Share-based payments (income) / expenses		6,367	(1,998)
		186,713	91,989

Employee benefit expenses are mainly recognised in administrative expenses for €170.5 million (€83.4 million) and in cost of sales for €16.2 million (€8.6 million).

The average number of full-time equivalents in 2020 was 5,660 (6,118 for the period 20 May – 31 December 2019).

Defined contribution plans

During the year, companies operating defined contribution schemes recognised for these schemes €4.2 million pension costs (€2.1 million for the comparative period in 2019).

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. 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 2020 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 €1.4 million (€1.2 million). The net defined benefit liability at year end amounts to €12.0 million (€10.9 million).

In 2021, €1.6 million (€1.8 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.

€'000	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2020	2019	2020	2019	2020	2019
Balance at 1 January 2020 / 20 May 2019	26,555	-	(15,700)	-	10,855	-
Net defined benefit liability from business combination (Note 2.1)	-	25,838	-	(15,457)	-	10,381
Included in income statement						
Service cost						
- Current service cost	2,475	1,492	-	-	2,475	1,492
- Past service cost	(1,343)	(398)	-	-	(1,343)	(398)
Administrative expenses	-	-	59	28	59	28
Interest expense / (income)	257	215	(83)	(93)	174	121
Defined benefit cost included in income statement	1,388	1,308	(24)	(66)	1,365	1,242
Included in Other Comprehensive Income (OCI)						
Remeasurements loss / (gain)						
Effect of changes						
- in demographic assumptions	(569)	-	-	-	(569)	-
- in financial assumptions	1,867	(109)	-	-	1,867	(109)
Effect of experience adjustments	860	287	-	-	860	287
Return on plan assets (excluding interest income)	-	-	8	53	8	53
Total remeasurements included in OCI	2,158	179	8	53	2,166	231
Other						
Exchange differences included in the income statement	(337)	553	25	(322)	(312)	231
Contributions						
- Employers	-	-	(1,914)	(1,082)	(1,914)	(1,082)
- Participants	36	15	(36)	(15)	-	-
Insurance premiums for risk benefits	(368)	(197)	(368)	197	-	-
Benefit payments from/to the plan	(330)	(1,140)	161	991	(169)	(149)
Total Other	(999)	(770)	(1,396)	(231)	(2,395)	(1,000)
Balance at 31 December	29,103	26,555	(17,112)	(15,700)	11,991	10,855

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

€'000	2020			2019		
	Switzerland	Other Countries	Total	Switzerland	Other Countries	Total
Defined benefit obligation	25,312	3,791	29,103	22,638	3,918	26,555
Fair value of plan assets	(16,420)	(692)	(17,112)	(14,898)	(803)	(15,700)
Net defined benefit liability	8,892	3,098	11,991	7,740	3,115	10,855

(b) Actuarial assumptions

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

€'000	2020		2019	
	Switzerland	Other countries	Switzerland	Other countries
Discount rate, %	0.15%	1.5% - 7.05%	0.35%	2% - 9%
Interest rate for the projection of the savings capital, %	0.15%	0% - 12.5%	0.35%	0% - 12%
Future salary increases, %	1.5%	1.3% - 9.2%	1.5%	1.5% - 9%
Mortality probabilities	BVG 2015 generational tables	various	BVG 2015 generational tables	various

The expected benefit payments are as follows:

€'000	2020		2019	
	Switzerland	Other countries	Switzerland	Other countries
Less than one year	686	227	28	410
Between 1 - 5 years	2,373	899	302	1,188
Over 5 years	2,774	3,276	1,181	3,511

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

Duration	2020	2019
	Years	Years
Switzerland	20.3	21.0
Other countries	4.8 - 15.8	7.3 - 16.1

(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. The impact on the other countries is considered insignificant for the Group.

€'000	31 December 2020		31 December 2019	
	0.25% Increase	0.25% Decrease	0.25% Increase	0.25% Decrease
Discount rate	(1,228)	1,322	(1,150)	1,214
Future salary increases	429	(430)	415	(414)
Future pension increases	641	(640)	503	(503)

Accounting Policies

Obligations for contributions to defined contribution pension plans are recognised as an expense in the consolidated income statement 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. 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 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.

6. • Consolidation

6.1 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.

6.2 List of subsidiaries

The Company holds, whether directly or indirectly, 100 percent 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 ²	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 Investment Holding Plc [*] 1	Jersey	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 [*] 2	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.	Poland	100
Oriflame Property Investments SP z.o.o.	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	Switzerland	100
Oriflame Holding AG	Switzerland	100
Oriflame Swiss Holding AG	Switzerland	100
CETES Cosmetics AG	Switzerland	100
Oriflame East Africa Tanzania Ltd	Tanzania	100

Oriflame Kozmetik Urunleri Ticaret Ltd Sirketi	Turkey	100
Oriflame Tunisie S.A.R.L.	Tunisia	100
Limited Liability Company Oriflame Ukraine	Ukraine	100
Foreign Enterprise "ORIFLAME" Limited Liability Company	Uzbekistan	100
Oriflame Vietnam Ltd.	Vietnam	100

*¹ In April 2020, Walnut Bidco Plc, Jersey, a subsidiary of the Group, was renamed to Oriflame Investment Holding Plc

*² In liquidation

In January 2020, Oriflame East Africa Uganda Ltd, Uganda, a former subsidiary of the Group, was liquidated.

In December 2020, Oriflame Cosmetics (Thailand) Ltd and Oriflame Management Asia Ltd, Thailand, two former subsidiaries of the Group, were liquidated (liquidation registered on 4th January 2021).

7. • Capital and Risk Management

7.1 Capital management

• Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Oriflame Group advocates a conservative leverage ratio, aiming for a strong capital structure with strong liquidity. The capital structure is defined as net secured debt (see table hereafter) in relation to adjusted EBITDA defined below. The long-term target is to have a ratio below 2.5 x adjusted EBITDA. Net secured debt / adjusted EBITDA was 2.8 as of 31 December 2020. (3.5 as of 31 December 2019).

The dividend policy of the Company is to make distributions aligned with the above described long term capital structure target.

€'000	2020	2019
Senior Secured Notes - € 475.0 million	475.0	475.0
Senior Secured Notes - \$ 335.0 million	273.0	298.2
Revolving Credit Facility (RCF)	-	-
Secured debt	748.0	773.2
less cash and cash equivalents	(241.9)	(143.5)
Net Secured debt	506.1	629.7
Operating profit	103.7	(195.8) *
Depreciation, amortisation and impairment	51.2	49.0 *
Share incentive plan	-	(1.8) *
Purchase Price Allocation (PPA) items	13.7	308.4 *
Non-recurring items	10.1	21.4 *
Impairment included in non-recurring items	(0.1)	(0.6) *
Adjusted EBITDA	178.6	180.8 *
Net Secured debt / Adjusted EBITDA	2.8	3.5

* Covers a period of 12 months. For 2019, in addition to the six months period 1st July – 31st December 2019, the six months period 1st January to 30th June 2019 (prior to the Oriflame Group acquisition) is added to allow a proper comparison.

• Share capital

Oriflame Holding Limited, the parent company has one class of stated capital. The shares are issued at no par value and have equal rights to dividends. Shareholders are entitled to one vote per share at annual and general meetings of the Company. The shares totaling €653.1 million were issued by:

- Contribution in cash for €279.6 million
- Contribution in kind for €373.5 million (contributions of Oriflame Holding AG shares)

Share capital	No. of shares	€'000
Issuance of ordinary shares on 20 May 2019	37,194,092,461	653,081

Since the issuance of the ordinary shares as mentioned above, there was no movement in the stated capital which amounts to €653.1 million as at 31 December 2020.

- **Nature and purpose of reserves**

€'000	2020	2019
Translation reserves	(58,228)	3,558
Hedging reserve	16,991	3,742
Reserves	(41,237)	7,300

Translation reserves:

A foreign exchange loss of €61.8 million arising from the translation of financial statements of foreign subsidiaries was recognised during the period 2020 (€3.6 million gain).

Hedging reserve:

The hedging reserve comprises the effective portion of the cumulative net change in fair value of the cash flow hedging instruments. During the period in 2020, a gain of €13.2 million was recognised on the hedging reserve (€3.7 million gain).

Impact of financial instruments in other comprehensive income

€'000	31 December 2020	20 May - 31 December 2019
Changes in fair value of cash flow hedges:		
Foreign currency risk*	6,977	(2,776)
Interest rate risk**	8,166	3,752
Tax on changes in fair value of cash flow hedges	(88)	-
Changes in fair value of cash flow hedges reclassified to profit or loss:		
- Cost of sales	(1,694)	2,845
- Current tax	(111)	(79)
Effective portion of changes in fair value of cash flow hedges, net of tax	13,250	3,741

* 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 2021.

** The Group applies cash flow hedge accounting for related cross currency interest rate swaps.

- **Dividends**

On 23rd February 2021, the Board of Directors decided to pay a dividend of €30.5 million, given the Company's much improved financial and cash position at the end of the year. The dividend has not been recognised as liabilities and there are no tax consequences.

7.2 Cash and cash equivalents

Cash and cash equivalents consist 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 form an integral part of the Group's cash management. They are included as a component of cash and cash equivalents.

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

€'000	2020	2019
Cash	222,594	127,909
Short term deposits	19,353	15,564
Total cash and cash equivalents	241,947	143,474

7.3 Risk Management

- **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.

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 incurs financial liabilities, to manage market risks. Generally, the Group seeks to apply hedge accounting to manage volatility in profit or loss.

(i) 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 2020 there were a variety of forward exchange contracts outstanding for a nominal amount equivalent of €74.9 million (€76.7 million) with maturities ranging from January to December 2021, 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 €8.1million (€5.1million) 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 2020, the fair value of these contracts was €0.012 million loss (€0.024 million loss).

The Group claims cash flow hedge accounting for a variety of forward contracts at a nominal amount of €66.8 million (€71.5 million) that hedge the cash flow variability due to foreign currency risk inherent in either future transactions that result in recognition of non-financial liability or highly probable forecast transactions, mainly intra-group. The Group designates the fair value of forward foreign exchange contract to hedge its currency risk and applies a hedge ratio of 1:1. The critical terms of the forward exchange contracts are mostly aligned with the hedged item. The Group determines the existence of an economic relationship between the hedging instrument and the 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 2020, the fair value of these forward contracts was 0.1 million gain (€2.7 million loss).

In September 2019 the Group fully prepaid the U.S. private placement market notes in EUR and in USD issued prior to the acquisition of the Oriflame Group as described in the note "2.1 - Acquisition of subsidiary", together with the interest accrued to the International investors.

On 2nd August 2019, the Company successfully issued EUR 475 million and USD 335 million bonds due 2024 and at the same time entered into a series of cross currency interest rate swaps, effectively converting USD denominated bonds proceeds and obligations (principal and semi-annual interest) into euro denominated flows with average fixed rate of 6.45%.

Exposure to currency risk

The Group's exposure for some of its main currencies was as follow:

2020	RUB	IDR	INR	CNY	MXN	TRY
In €'000 equivalents						
Intra-group trading balances	17,328	1,104	(676)	2,950	3,191	1,207
Trade receivables/(payables)	-	-	-	-	-	-
Gross balance sheet exposure	17,328	1,104	(676)	2,950	3,191	1,207
Forward exchange rate contracts*	(15,071)	(1,218)	-	(280)	(4,997)	(555)
Net Exposure	2,257	(114)	(676)	2,670	(1,806)	652
 2019						
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

* 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 period:

€	Average rate		Reporting date rate	
	2020	2019	2020	2019
RUB	82.14	71.17	90.68	69.34
IDR	16,539.55	15,628.65	17,240.76	15,595.60
INR	84.60	78.48	89.66	80.19
CNY	7.87	7.80	8.02	7.82
MXN	24.44	21.47	24.42	21.22
TRY	8.00	6.35	9.01	6.65

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 %	20 May – 31 December	
	2020	2019
RUB	(0.5)	0.1
IDR	(0.3)	0.0
INR	(0.3)	0.1
CNY	(0.6)	0.1
MXN	(0.1)	0.0
TRY	(0.1)	0.0

Effect on Group equity in € million	2020	
	2020	2019
RUB	(0.8)	(0.8)
IDR	(0.3)	(0.4)
INR	(0.2)	(0.2)
CNY	(0.7)	(0.8)
MXN	(0.2)	(0.4)
TRY	(0.0)	(0.0)

(ii) 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.

Hedge

On 2nd August 2019, the Company successfully issued 9.125% Senior Secured Notes for an amount of USD 335 million and EUR 475 million. The Group entered into a series of cross currency swap, converting USD denominated bonds proceeds and obligations. Senior Secured Note for an amount of USD 180 million with a fixed rate of 9.125 % was effectively converted on 2 August 2019 to EUR 162 million with a fix interest rate of 6.475%, using a cross currency interest rate swap maturing 1 August 2024. Second Senior Secured Note for an amount of USD 155 million with the same fixed rate of 9.125% was effectively converted on the 2 August 2019 to EUR 139 million with a fixed interest rate of 6.423%, using a cross currency interest rate swap with a maturity date 1 August 2024.

The bonds are accounted as financial liability at amortised costs. The Group applies cash flow hedge accounting for related cross currency interest rate swaps.

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

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

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 Independent Brand Partners. Due to the nature of the direct sales industry, the Group does not have significant exposure to any individual customer.

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	2020	2019
Trade and other receivables	38,973	61,833
Cash and cash equivalents	241,947	143,474
Forward exchange rate contracts	43	71
Forward exchange rate contracts for hedging	1,297	333
Cross currency interest rate swaps for hedging	-	1,952
	282,260	207,663

Information about the Group's exposure to impairment losses for trade receivables are included in the note "4.5 – Trade and other receivables".

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.

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 enough 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 Group has a €100.0 million Revolving Credit Facility (RCF) with an interest of EURIBOR +200 bps to 300 bps depending on the leverage ratio. The full amount of the RCF was drawn down in March 2020 as a risk mitigation and was fully repaid in September 2020.

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

31 December 2020

€'000	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	More than 5 years
Non-derivative financial liabilities					
Interest-bearing notes	725,012	1,000,162*	51,540	948,622	-
Trade and other payables	86,277	86,277	86,277	-	-
Accrued expenses	100,900	100,900	100,900	-	-
Other long-term liabilities	1,068	1,068	-	1,068	-
Lease obligations	38,144	43,984	17,832	24,600	1,551
Derivative financial liabilities					
Forward exchange rate contracts	54	54	54	-	-
Cross currency interest rate swaps for hedging (cash flow hedge)**	17,677	17,677	-	17,677	-
Forward exchange rate contracts for hedging (cash flow hedge)	1,186	1,186	1,186	-	-
Total	970,319	1,251,309	257,791	991,967	1,551

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					
Interest-bearing notes	744,686	1,044,104*	51,534	992,570	-
Trade and other payables	112,494	112,494	112,494	-	-
Accrued expenses	102,221	102,221	102,221	-	-
Other long-term liabilities	1,009	1,009	-	1,009	-
Lease obligations	67,770	75,805	22,455	48,674	4,676
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	1,031,374	1,338,827	291,898	1,042,253	4,676

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

** The disclosed amounts relate to the accrued interest

- **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 2020 €'000	Carrying amount				Fair value		
	Fair value - hedging instruments	Mandatory at FVPL	Other financial liabilities	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value							
Forward exchange rate contracts	-	43	-	43	-	43	-
Cross currency interest rate swaps for hedging	-	-	-	-	-	-	-
Forward exchange rate contracts for hedging	1,297	-	-	1,297	-	1,297	-
<i>Total derivatives financial assets</i>	<i>1,297</i>	<i>43</i>	<i>-</i>	<i>1,340</i>	<i>-</i>	<i>1,340</i>	<i>-</i>
Total Financial assets measured at fair value	1,297	43	-	1,340	-	1,340	-
Financial liabilities measured at amortised cost							
Interest-bearing notes	-	-	(725,012)	(725,012)	(785,607)	-	-
Total Financial liabilities measured at amortised cost	-	-	(725,012)	(725,012)	(785,607)	-	-
Financial liabilities measured at fair value							
Forward exchange rate contracts	-	(54)	-	(54)	-	(54)	-
Cross currency interest rate swaps for hedging	-	(17,677)	-	(17,677)	-	(17,677)	-
Forward exchange rate contracts for hedging	-	(1,186)	-	(1,186)	-	(1,186)	-
<i>Total derivative financial liabilities</i>	<i>-</i>	<i>(18,918)</i>	<i>-</i>	<i>(18,918)</i>	<i>-</i>	<i>(18,918)</i>	<i>-</i>
Total financial liabilities measured at fair value	-	(18,918)	-	(18,918)	-	(18,918)	-

* The interest-bearing notes (USD 335 million and EUR 475 million senior secured notes due 2024) have been listed on The International Stock Exchange in the Channel Islands on 21 January 2020.

31 December 2019 €'000	Carrying amount				Fair value		
	Fair value - hedging instruments	Mandatory at FVPL	Other financial liabilities	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value							
Forward exchange rate contracts	-	71	-	71	-	71	-
Cross currency interest rate swaps for hedging	1,952	-	-	1,952	-	1,952	-
Forward exchange rate contracts for hedging	333	-	-	333	-	333	-
Total derivatives financial assets	2,285	71	-	2,356	-	2,356	-
Total Financial assets measured at fair value	2,285	71	-	2,356	-	2,356	-
Financial liabilities measured at amortised cost							
Interest-bearing notes	-	-	(744,686)	(744,686)	-	(1,024,793)	-
Total Financial liabilities measured at amortised cost	-	-	(744,686)	(744,686)	-	(1,024,793)	-
Financial liabilities measured at fair value							
Forward exchange rate contracts	-	(93)	-	(93)	-	(93)	-
Cross currency interest rate swaps for hedging	-	-	-	-	-	-	-
Forward exchange rate contracts for hedging	-	(3,100)	-	(3,100)	-	(3,100)	-
Total derivative financial liabilities	-	(3,193)	-	(3,193)	-	(3,193)	-
Total financial liabilities measured at fair value	-	(3,193)	-	(3,193)	-	(3,193)	-

The fair values for all other financial instruments which are classified as at amortised cost / other financial liabilities 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

The fair value is based on the market price as at 31 December 2020. Prior to the listing of the debt, the fair value was 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.

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)

Accounting Policies

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.

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 statement at the same time as the hedged transaction.

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

(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 statement.

8. Other information

8.1 Related parties

Parent and ultimate controlling party

All of the equity of Oriflame Holding Ltd is held by Oriflame Partners Holding Limited, which is a wholly owned subsidiary of Oriflame Partners Limited, which is in turn beneficially owned and controlled by two charitable foundations (af Jochnick Foundation, Jonas and Christian af Jochnick Foundation), members of the families of Robert af Jochnick and the late Jonas af Jochnick and related parties. The af Jochnick family has been deeply involved with the Oriflame Group since its founding in 1967. Other investments of the af Jochnick family include its listed holdings, Medicover, Nimbus Group and NCAB Group, and its unlisted holdings, R12 Kapital, Celox Group, NG Invest and ORESA Ltd. The af Jochnick family also conducts charitable work through the af Jochnick Foundation and the Jonas & Christina af Jochnick Foundation.

During the 2020 and 2019 periods, transactions with Oriflame entities, beside the MIP mentioned above with key management personnel in the note "5.1 – Share-based payment arrangements", amounted to less than €0.1 million in relation to administration services and office rent.

Transactions with key management personnel

The key management personnel compensation is as follows (€ '000):

For the year ended 31 December 2020, 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 €264 (€310). The chairman received €84 (€55).

For the year ended 31 December 2020, the Chief Executive Officer is entitled to receive total compensation of €2,045 (€574), of which €824 (€414) was salary, €715 (€0) share incentive plan*, €198 (€97) pension contributions under the pension scheme for senior management, and €308 (€63) other benefits and allowances, including social security.

For the year ended 31 December 2020 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 €4,794 (€1,751), of which €1,280 (€626) was salaries, €498 (€0) bonus, €914 (€0) share incentive plan*, €648 (€410) pension contributions under the pension scheme for senior management and €1,454 (€715) of other benefits and allowances, including social security.

*the compensation about the share incentive plan reflects the 2020 cost of future potential awards under ongoing share incentive plans as mentioned in the note "5.1 – Share-based payment arrangements".

Transactions and outstanding balances with other related parties (over €0.1 million)

€'000	Transaction value Year ended 31 December		Balance outstanding as at 31 December	
	2020	2019	2020	2019
NG Invest Beta AB	-	(828)	-	-
Medicover health care services	(395)	(204)	(31)	(26)

Administrative and employee costs are incurred on behalf of Medicover Holdings SA based in Luxembourg 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.

NG Invest Beta AB company based in Stockholm and active in the consulting services industry recharged in 2019 professional fees expenses which were related to the acquisition of the Oriflame Group in July 2019 as described in the note "2.1 - Acquisition of subsidiary".

All transactions with related parties are done on arm's length basis. During the year ending 31 December 2020 and 2019, no provision for doubtful debts and expense in respect of bad or doubtful debts due from related parties were recognised.

8.2 Government grants

€'000	2020	2019
Government grants	785	-
	785	-

The Group has been awarded two government grants totaling €0.8 million with attached conditions to keep the employment level during the Covid-19 pandemic. They are recognised as deferred income in the statement of financial position as at 31 December 2020.

Beside this, other government grants amounting to €1.0 million were recognised in the income statement within cost of sales and administrative expenses. These subsidies were received to support factories and sales entities in the context of the Covid-19 pandemic and several lockdowns and to offset staff costs.

Accounting Policies

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.

8.3 Subsequent events

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

Report of the Independent Auditor on the Consolidated Financial Statements

to the Board of Directors of Oriflame Holding Ltd., Jersey

Opinion

We have audited the consolidated financial statements of Oriflame Holding Ltd. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020 and 31 December 2019, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements (pages 54 – 109) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the periods then ended 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 provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the requirements of the Swiss audit profession, as well as the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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 all 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 in the annual report and we do not express any form of assurance conclusion thereon.

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

Responsibility of Management and Those Charged with Governance for the Consolidated Financial Statements

Management 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, management 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are 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 management.
- Conclude on the appropriateness of management's 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 those charged with governance 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



Kathrin Schünke
Licensed Audit Expert

Zurich, 9 April 2021

Alternative Performance Measures

Analysis of alternative performance measures

The performance of the Group is monitored by management by excluding non-recurring items and purchase price allocations (PPA) items coming from the acquisition of Oriflame as described in the note "2.1 - Acquisition of subsidiary" of the consolidated financial statements. This provides a better understanding of the group performance on its core activities.

Non-recurring items cover costs recognised during the first half of 2020 following a group restructuring due to operational efficiency initiatives within all the regions as well as in the global functions such as closure of sales offices and staff reductions. The total restructuring cost, which was recognised within administrative expenses, amounted to €10.1 million.

During the six months period in 2019, the Group identified non-recurring items totalling €47.7 million. These one-off costs came from:

- the acquisition of Oriflame Holding AG as described in the note "2.1 - Acquisition of subsidiary" of the consolidated financial statements (professional fees within operating profit and finance expenses due to the refinancing of the Group), as well as
- restructuring costs coming from operational efficiency initiatives in the CIS, Europe, Turkey & Africa and global functions, closing of smaller markets and legal restructuring of entities in Europe and Vietnam.

The PPA items cover mainly the fair value revaluation of the acquired inventories and the amortisation on newly identified intangible assets coming from the purchase price allocation. They amounted to €23.1 million in 2020 and amounted to €239.6 million during the six months period in 2019.

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

€'000	31 December 2020	20 May - 31 December 2019
Reported operating profit / (loss)	103,739	(258,850)
Purchase Price Allocation items	28,063	315,720
Administrative expenses related to the acquisition of Oriflame Holding AG	-	6,305
Restructuring costs*	9,954	7,413
Impairment related to restructuring costs*	112	558
Total non-recurring items and PPA items on operating profit	38,129	329,996
Adjusted operating profit	141,868	71,146

*Restructuring costs are mainly reported in administrative expenses. In 2019, minor costs were recognised in cost of sales selling and marketing expenses and distribution and infrastructure.

Adjusted net profit

€'000	31 December 2020	20 May - 31 December 2019
Reported net profit / (loss)	279	(276,072)
Purchase Price Allocation items	23,139	239,630
Non-recurring items	7,999	14,276
Financial expenses from refinancing	-	40,660
Adjusted net profit	31,417	18,494

Adjusted EBITDA

	31 December 2020	20 May - 31 December 2019
€'000		
Reported operating profit / (loss)	103,739	(258,850)
Depreciation, amortisation and impairment	51,165	28,577
Share incentive plan	-	(1,998)
EBITDA	154,904	(232,271)
Purchase Price Allocation items	13,714	308,424
Non-recurring items (excluding impairment)	9,954	13,718
Adjusted EBITDA	178,572	89,872

Adjusted Cash Flow from operating activities

	31 December 2020	20 May - 31 December 2019
€'000		
Cash flow from operating activities	133,364	21,260
Non-recurring and PPA items recognised during the period	11,122	55,170
Non-recurring items paid from prior periods/(Unpaid non-recurring items)	16,352	(8,983)
Adjusted Cash flow from operating activities	160,838	67,447

Adjusted Cash Flow before servicing debt

	31 December 2020	20 May - 31 December 2019
€'000		
Adjusted Cash flow from operating activities	133,364	21,260
Excluding Interest received	(2,146)	(4,775)
Excluding Interest and bank charges paid	58,921	76,780
Cash flow used in investing activities	(5,949)	(7,103)
Payment of lease liabilities	(17,833)	(10,765)
Non-recurring items and PPA	25,138	3,943
Adjusted Cash flow before servicing debt	191,494	79,340

Effective Tax Rate (ETR) without PPA and non-recurring items

€'000	31 December 2020	20 May - 31 December 2019	€'000	31 December 2020	20 May - 31 December 2019
Reported net profit before tax	23,059	(334,258)	Reported total tax expense / income	(22,780)	58,185
<i>Adjustment for:</i>					
PPA and non-recurring items	39,297	329,789	PPA and non-recurring items	(8,160)	(75,883)
Financial expenses from refinancing	-	40,660	Financial expenses from refinancing	-	-
Interest expense	61,462	30,544	Interest expense	-	-
Adjusted net profit before tax	123,818	66,735	Adjusted total tax expense	(30,939)	(17,697)
				31 December 2020	20 May - 31 December 2019
			ETR without PPA and non-recurring items	25.0%	26.5%

Financial calendar 2021

- Interim Management Statement 1 January - 31 March 2021, 27 May 2021
- Interim Management Statement 1 January - 30 June 2021, 25 August 2021
- Interim Management Statement 1 January - 30 September 2021, 18 November 2021

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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.



Report and information available at
www.oriflame.com