2021 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 2.5 million Members, generating annual sales of around €1.0 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.

https://afjochnickfoundation.com/
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 2.5 million Members, 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 our 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

2021 in brief

Sales in around
60
countries

€1.0b
in sales

Founded in
1967

5,205
Average full-time equivalent employees

2.5m
Members

15.4%
adjusted operating margin

98%
of all orders placed online

6
different product categories

~1,500
products

For more than 50 years, Oriflame has responded and adapted its business to challenges united by strong shared values.

CEO comment

Another year has ended – a year in which we successfully navigated our business through various challenges, primarily related to the Covid restrictions around the world. Although we saw sequential improvements in the fourth quarter compared to the third quarter, nothing could have prepared us for what was waiting around the corner in 2022. During 2021, the pandemic continued to impact our possibilities to fully exploit our social business model, in which gatherings to train, motivate and celebrate our Brand Partners are an important factor in growing our business. This affected our activity levels and recruitment numbers for the year. The actions we took to improve our sales resulted in improvements during the fourth quarter, although there is still a gap that needs to be closed before we can return to growth. Despite higher input costs and overall cost inflation, we managed to maintain stable profit and improved profitability thanks to effective cost control, pricing and efficiency measures.

Progress in sustainable innovation

Under these circumstances, it was certainly encouraging to see the rapid technological development of online tools continuously being launched and used within our community. Our successful product launches during the year also laid a solid foundation for developing our business in this digital environment and for future growth.

In addition, we continued to deliver on our sustainability objectives. In 2021, our emissions reduction targets were approved by the Science Based Targets initiative as being consistent with the levels required to meet the goals of the Paris Agreement. Oriflame was recognised by the Financial Times and Statista as a Climate Leader among a selected group of European companies that have made the greatest reduction in GHG emissions intensity during a five-year period. We were also ranked as an ESG Industry Top Rated Company by Sustainalytics, with a number seven ranking out of 101 global companies within household products. We are truly committed to our sustainability programme and look forward to further achievements ahead.

Sales initiatives and margin enhancements

The short-term actions we are taking to regain our sales momentum include stronger recruitment and activation initiatives, more activity-driven product segments, renewed focus on social gatherings, meetings and conferences to boost sales, and increased usage of digital sales tools, especially our recently launched eCatalogue. The lifting of Covid restrictions is essential for many of these actions. In parallel, we intend to further adjust the cost structure and improve cost efficiency as well as price adjustments in line with inflation and will continue to utilise Oriflame's asset-light model, reduce overhead costs and focus on deleveraging over time.

Challenges are part of our life

We published our full-year interim management statement on February 24, 2022 – the same day as the terrible war in Ukraine started. I said in the report that our key focus going forward is on regaining our sales momentum and continuously pursuing an efficient, profitable and cash-generative business. That is still true, but since then the world and our priorities have had to change for the near future. The war in Ukraine is affecting us at Oriflame both emotionally and directly. Our main priority has been to ensure the personal safety and provide every possible support to our employees and their families and to help our Brand Partners and people in Ukraine. We have drastically restricted our business in Russia and are monitoring developments closely. For more than 50 years, Oriflame has responded and adapted its business to challenges united by strong shared values. Togetherness, spirit and passion have guided the company, our culture and decisions for a long time. We are present in 60 countries worldwide where people have been working side by side for years. We will continue to do so as we celebrate our 55th anniversary in 2022.

Magnus Brännström, CEO & President

Financial highlight

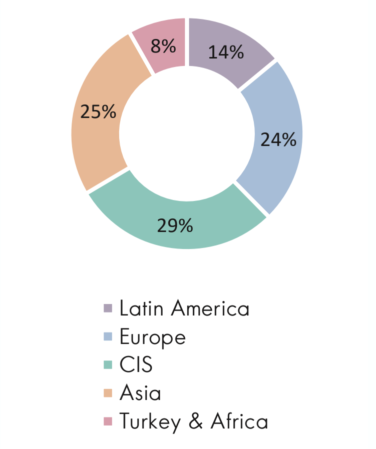
2021 was a year where we managed to navigate our business through various challenges. The pandemic continued to impact our business. Local sales decreased with single digit numbers versus prior year – with healthy profitability supported by lower selling and marketing expenses and lower administrative expenses. Our key focus ahead is on regaining the sales momentum and to continuously drive an efficient, profitable and cash generating business.

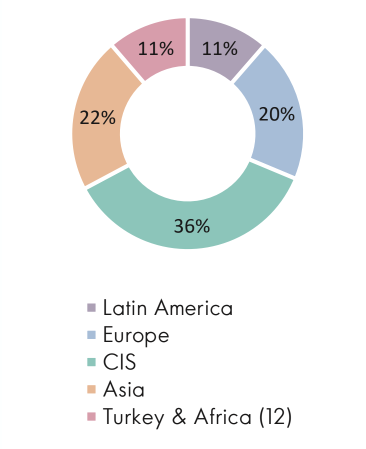
- Local currency sales decreased by 9% and Euro sales decreased by 12% to €1,016.5m (€1,156.9m).
- Adjusted EBITDA margin was 18.6% (15.4%) and adjusted EBITDA amounted to €188.9m (€178.6m).
- Adjusted operating margin was 15.4% (12.3%), negatively impacted by 110 bps from currencies, and adjusted operating profit was €156.4m (€141.9m).
- Adjusted net profit was €71.5m (€31.4m).

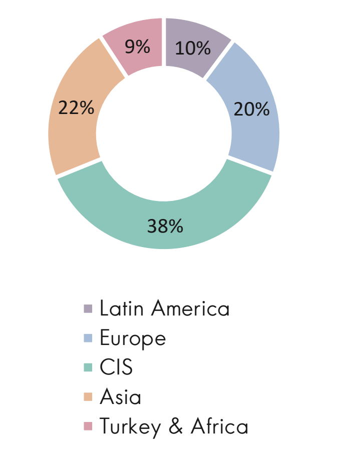
Financial summary* (€m)	12 months ended 31 December 2021	2020	Change %
Sales	1,016.5	1,156.9	(12%)
Adj. Gross margin, %	68.1	68.3	
Adj. EBITDA	188.9	178.6	6%
Adj. EBITDA margin, %	18.6	15.4	
Adj. Operating profit	156.4	141.9	10%
Adj. Operating margin, %	15.4	12.3	
Adj. Net profit	71.5	31.4	128%
Adj. Cash flow from operating activities	40.8	160.8	(75%)
Adj. Cash flow before financing activities	75.2	191.5	(61%)

* 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 111.

Regional sales | **Members*** | **Operating profit**



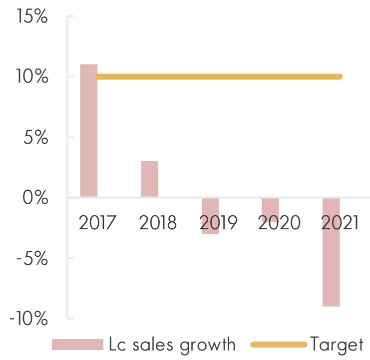




*All Independent Brand Partners and online customers who have placed at least one order within the last three months.

Local currency sales growth

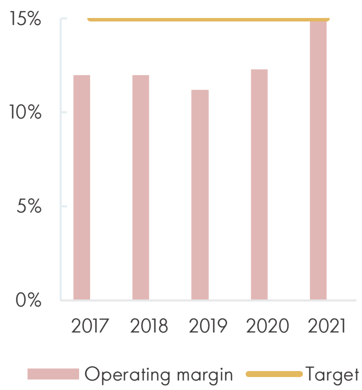
Oriflame aims to achieve local currency sales growth of approximately 10% per annum.



In 2021, local currency sales decreased by 9%, which was below the company's long-term financial target.

Operating margin

Oriflame aims to achieve an operating margin of 15%.



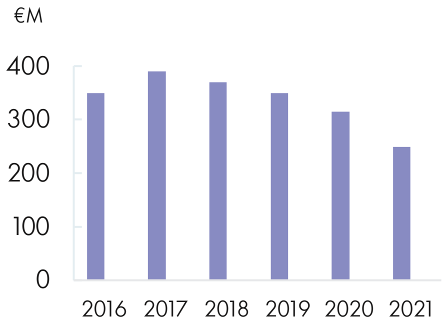
The adjusted operating margin increased to 15.4%, up from 12.3% the year before. The adjusted operating margin was negatively impacted by 110 bps from currencies.

Opportunity for Brand Partners

Target

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

*Registered actives who are eligible to benefit and earn from the Oriflame Success Plan (business/commission plan).



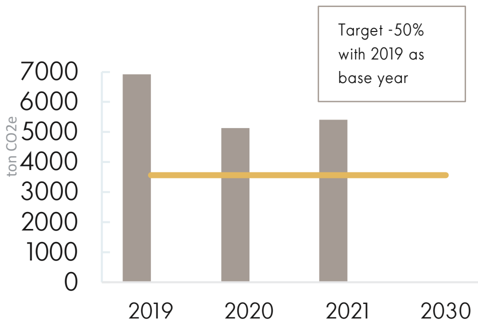
Comment

In 2021, we paid out €249 million, a decrease from €315 million in 2020. This amount includes payments related to the participation of Independent Brand Partners* (also referred as Brand Partners) in sales conferences. The decrease was due to the lower sales volume (mainly impacted by the Covid-19 pandemic), changes in the business remuneration plan for Independent Brand Partners and cancellation of the international conferences in 2021.

Respect for nature

Science-Based Target

Reduce absolute Scope 1 and 2 GHG emissions 50% by 2030 from a 2019 base year.

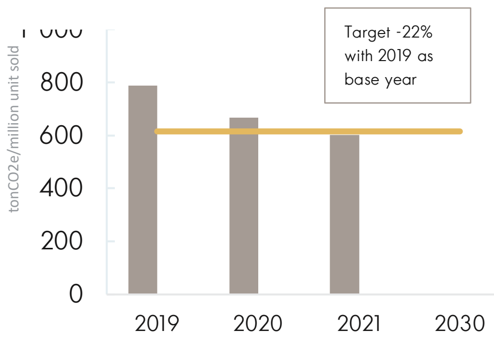


Comment

Oriflame commits to reduce absolute Scope 1 and 2 GHG emissions by 50% in 2030 from a 2019 base year. This target was approved by the Science-Based Targets Initiative as consistent with the goals of the Paris Agreement. By the end of 2021, Oriflame had achieved a 22% reduction since 2019.

Science-Based Target

Reduce Scope 3 GHG emissions 22% per unit sold by 2030 from a 2019 base year.



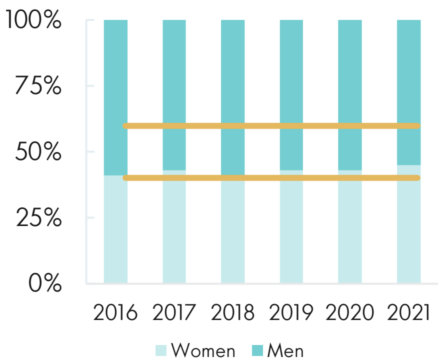
Comment

Oriflame commits to reduce Scope 3 greenhouse gas (GHG) emissions per unit sold by 22% in 2030 from a 2019 base year. This target was approved by the Science-Based Targets Initiative as consistent with the goals of the Paris Agreement. By the end of 2021, Oriflame achieved a 24% reduction since 2019.

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 2021, with 45% women and 55% men in the global management team.

For more sustainability targets, please see the 2021 Sustainability Report

STRATEGY

1

Focus on Skin Care and Wellness, and an optimised product portfolio, to drive positive product mix.

Oriflame offers a wide range of high-quality products at affordable prices and wants to be primary choice for people who love Beauty, Wellbeing and Cosmetics. Today our Customers and Independent Brand Partners are offered products in six categories and Oriflame aims to have a balanced mix across the business by managing the geographical footprint and the product portfolio. Focus is nevertheless on Skin Care and Wellness as a growing share of these categories 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.

2

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 the long-term. Oriflame intends to continue to improve the earning opportunities for the Brand Partners by an 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.

3

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

The main ambition for Oriflame is to develop and further penetrate the markets in which it currently operates. Growth of sales is enabled by equal focus on the number of Independent Brand Partners engaged with Oriflame as well as growth in the productivity per Brand Partner. This is achieved by both focusing on Skin Care and Wellness as well as responding to new consumer trends and expanding the digital platform. Furthermore, Oriflame continues to evaluate entering into new markets, if strategically in line with Oriflame's long term goals.

4

Further increase profit margins through targeted manufacturing efficiency

Oriflame aims to further improve the capacity utilization in manufacturing through various supply-chain efficiency measures, such as increasing the insourcing of 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 its production capability in order to continue to grow the in-house production, which contributes to increased margins.

5

Continue to utilise 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 of 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 utilise its low capital-intensive start-up costs to allow expansion, switch or reduce 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 movement towards online sales. In 2021, 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 2.5 million Members 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 personalised 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

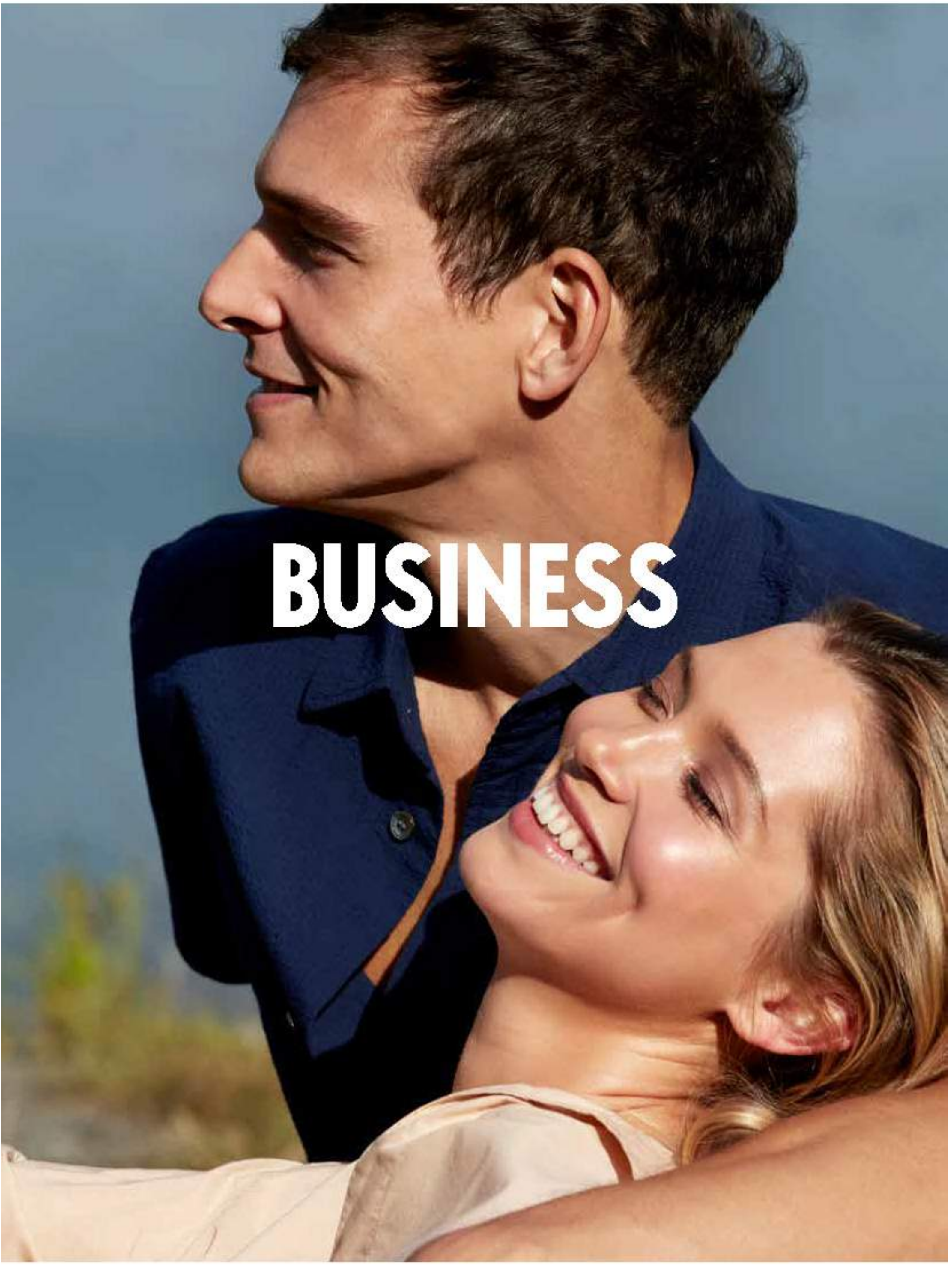
Company benefits

- 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 Beauty and Wellbeing
2	Agile operating model with proven ability to adapt to changes in regional customer trends, regulatory environments or other exceptional challenges with a diversified geographic footprint
3	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
4	A digitally enabled sales model with leading digital tools to enable Brand Partners to sell and register new Brand Partners online
5	Attractive financial profile with a primarily variable cost base, operating profit margin resilience and strong cash flow conversion
6	Long-term commitment from the founding af Jochnick family and a strong management team with an unparalleled combined experience
7	Strong corporate culture of Togetherness, Spirit and Passion that unites the global community of employees and Brand Partners is fundamental when navigating through changes
8	Strong brand anchored in our Swedish heritage, expressing our values of progressiveness, natural and science-based product development
9	All are welcome to Oriflame, where it's easy to join but also provides an opportunity for people to grow and fulfil their dreams
10	Our company is committed to a sound and sustainable operating model allowing both people and planet to grow


BUSINESS

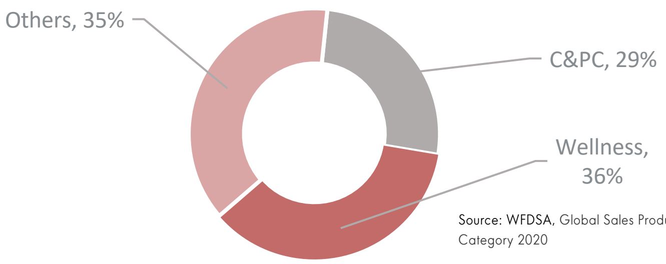
Industry

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 behavior 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.

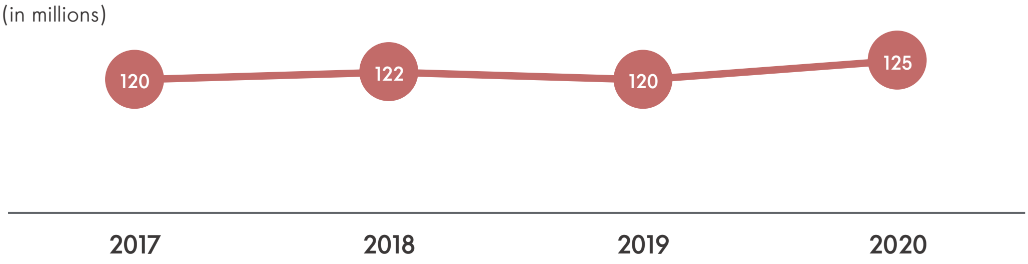
Wellness and Cosmetics & Personal Care are the most attractive categories within direct selling

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



Source: WFDSA, Global Sales Product Category 2020

Global direct selling independent sellers (in millions)



Source: WFDSA, Global statistics, https://wfdsa.org/global-statistics/

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.

We believe that the Oriflame Beauty Offering is characterised by two very distinct strategic challenges: the first one being to strengthen and grow the part of our business focusing on recommending holistic beauty routines and personalised solutions with a strong link to our brand Beauty by Sweden, and with a clear Brand Partner value-add. The other one being to protect and continue growing market share and profit streams from our more traditional campaign-driven offering, where the digital transformation of the shopping experience is a key strategic success factor.

Product offering

The Beauty Routine Offering, is centered around our holistic beauty routines in Wellness, Premium Skincare and recently added Essential Oils. The product offering is science- and benefit focused and is the ultimate carrier of our brand and Holistic Beauty positioning. The selling model is centered around our Brand Partners, who are promoting and recommending our routines in a systematic way, offering personalised solutions both face-to-face and offline. The selling method of beauty routines is primarily based on training and testimonials, done by Brand Partners. When we sell solutions and results, the reason to buy is not the price, but the benefits the customer gets. Our strategic goal is to be able to sell beauty routines without merchandising on individual products in all our markets in future.

The Consumer Goods Offering, makes our beauty offering complete. We sell products that are complementing (not cannibalising) the Routine Offering in areas of Colour Cosmetics, Fragrance, Skin- and Personal & Hair Care (non-routine) and Accessories. This part of our offering is more end-consumer driven with a portfolio reflecting key market trends in a quick and agile way. Products are easy to buy and easy to sell, offered at a relevant price. Here we drive a campaign-based selling model, with a "now or never" proposition mainly driven by newness, offers and story - all activated in the printed catalogue and digital campaigns, supported by social media activation and digital insights. The main purpose of this offering is to drive activity and unit sales, as well as to create a vibrant and attractive side of our brand, based on trends and personal expression. We focus on, as a competitive advantage, creating new products, new engaging content and offers that are on the latest consumer trend and which add excitement, sales and buzz to our beauty community.

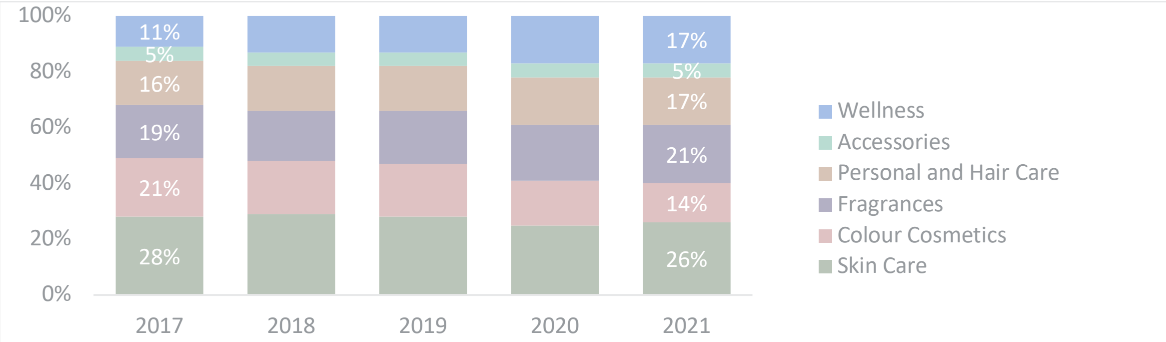
Why focus on Skin Care and Wellness and routines?

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

*Brand Partner who sponsors and leads a team of other Brand Partners and have thereby qualified for the independent Manager level or higher in the Oriflame Success Plan.

	What	Why
Skin Care Premium	Anti agers, facial moisturizer, cleansers, toners, face masks, hand care, acne treatments, sun protection and male skin care.	Beautiful skin Business & earning opportunity Loyalty builder Activity driver
Wellness	Vitamins and dietary supplements, nutritional shakes, weight management and wellbeing products.	Healthy lifestyle Business & earning opportunity Loyalty builder
Mind & Mood	Essential Oils	Aromatherapy
Skin Care	Anti agers, facial moisturizer, cleansers, toners, face masks, hand care, acne treatments, sun protection and male skin care.	Beautiful skin Business & earning opportunity Loyalty builder Activity driver
Colour Cosmetics	Lipsticks, foundations, eye liner & eye shadows, mascaras, powders, bronzers and nail products.	Looking beautiful and personal expression 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.	Washing and taking care of body Door opener Activity driver Add-on sales
Accessories	Non-cosmetic products such as beauty tools, fashion accessories, wellness accessories, men accessories and jewelry.	Fashion and exclusivity Activity & recruitment driver Add-on sales

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



Product launches during 2021

In 2021 we continued to experience challenges caused by the Covid-19 pandemic as well as weak performance in China, which have impacted the performance of all product categories to some extent. However, we have continued strengthening our Beauty by Sweden portfolio through new launches. In the Wellness category we launched our first Meal Replacement, followed by a Probiotic concept together with Prebiotic Fibre which offers improved gut health and a healthier life, as well as the Natural Balance Bar in chocolate flavour. In China, we launched Calcium & Vitamin D for children. Within our other strategic category, Skin Care, we further expanded our premium NovAge brand with the launch of the ProCeuticals range. In China we launched it under the S-Dermic brand, an addon to a normal routine of concentrated, precision treatments featuring powerful well-known active ingredients, such as Vitamin C and Retinol. Moreover, we launched NovAge The Brilliance Range helping to improve uneven skin tone, dark spots, and other skin tone discolourations and the Skinrelief range targeting the needs of sensitive, reactive skin with anti-ageing benefits. Through design and communication refreshment of our mass skincare Optimals brand, we took the brand to a more Swedish expression. In Fragrance we achieved strong growth within our Premium and Upper Mass price shelves following strong launches of Signature Parfum and Divine Exclusive as well as FIFI Award winners .SE Swedish experience and Giordani Gold Essenza Blossom. In 2021 we finalised an upgrade of our largest Colour Cosmetics brand, The One Stockholm, and launched a premium brand Lysa, specially created for China. Under The One Stockholm brand we successfully restaged our bestselling concept Wonderlash mascara and introduced an innovative concept, Irresistible Touch High Shine Lipstick. In Personal and Hair Care, we upgraded the hair care brand - Eleo, and the oral care offering, Optifresh. The male offer was strengthened by the North For Men Power Max range. We further expanded sales of our Essential Oils brand, Mind & Mood within the Oriflame markets.

Product Development

Oriflame places strong emphasis on innovation and product development, and the product portfolio has historically been characterised by a high proportion of new products. 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 specialised knowledge and assistance in testing new products.

"We believe in the power of natural ingredients, and that with scientific support, it creates the most effective results. Whatever your skin type and age are, our huge range of the latest skin care ingredients are tailored just for you."

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 sales and to enhance customer retention. During the year ended December 31, 2021, 98% of global orders were placed online as compared to 38% in 2008, with approximately 65% of those orders placed through a mobile device in 2021.

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 about a relevant and attractive product with their friends through social media. 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.

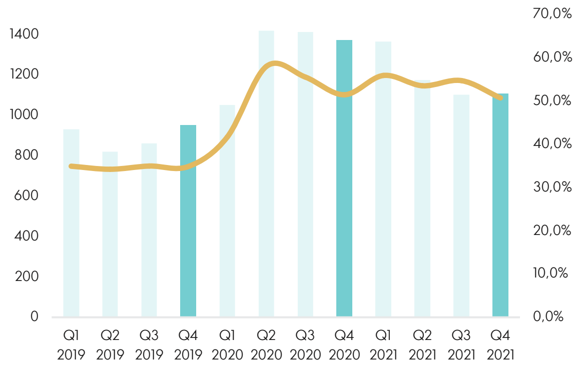
Oriflame Website

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, also ensuring that commissions for any purchase generated from such activity is attributed to the referring Brand Partner. The website had 68 million unique users and 3.6 billion page views in 2021.

Oriflame Apps

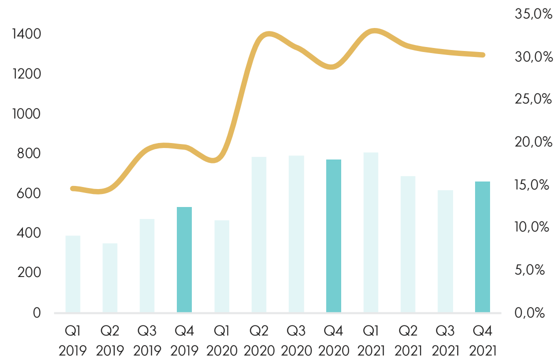
The Oriflame app contains daily product updates, offers, beauty inspiration and expert advice and allows consumers to manage their account and orders. Roughly one-third of Oriflame's global orders are placed using the Oriflame app. The Oriflame Business app allows Brand Partners to manage their business through the tracking of personal goals, bonus points and reward points as well as growing and developing their network. As of December 31, 2021, the Oriflame app and Oriflame Business app had respectively approximately 1.1 million and 700,000 active monthly users as compared to none in 2008.

The Oriflame app



Monthly active **Oriflame app** users (thousands) vs share of member count

The Oriflame Business app



Monthly active **Business app** users (thousands) vs share of member count

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 11 million fans and there are around 830,000 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 to further support our brand image.

Supply chain

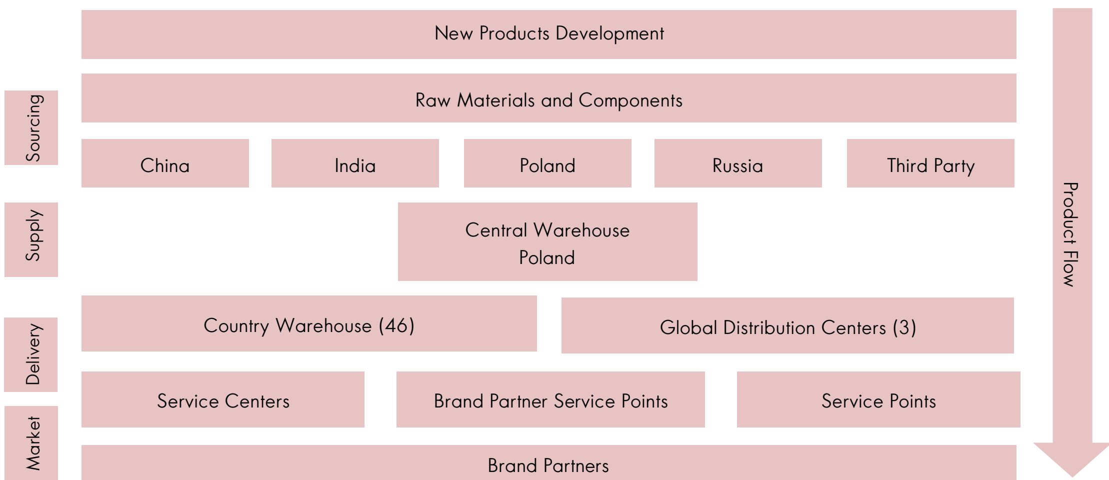
Oriflame has a centralised supply chain network, automated and manual pick-and-pack operations and a network of warehouses, which support the local sales markets, ensure product availability for our Brand Partners, minimise working capital needed as well as optimise costs, greenhouse gas emissions and 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) are constantly going down from the average of 174 DOI in the past years to 150-160 DOI in last two years. A digitalization program is underway to further improve Oriflame service to Brand Partners and decrease inventory levels. Our focus on continued improvements within operations delivered significant material optimizations in 2021.

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 70% of the products are manufactured in-house. The remaining part is outsourced to independent subcontractors and suppliers in Europe and Asia.

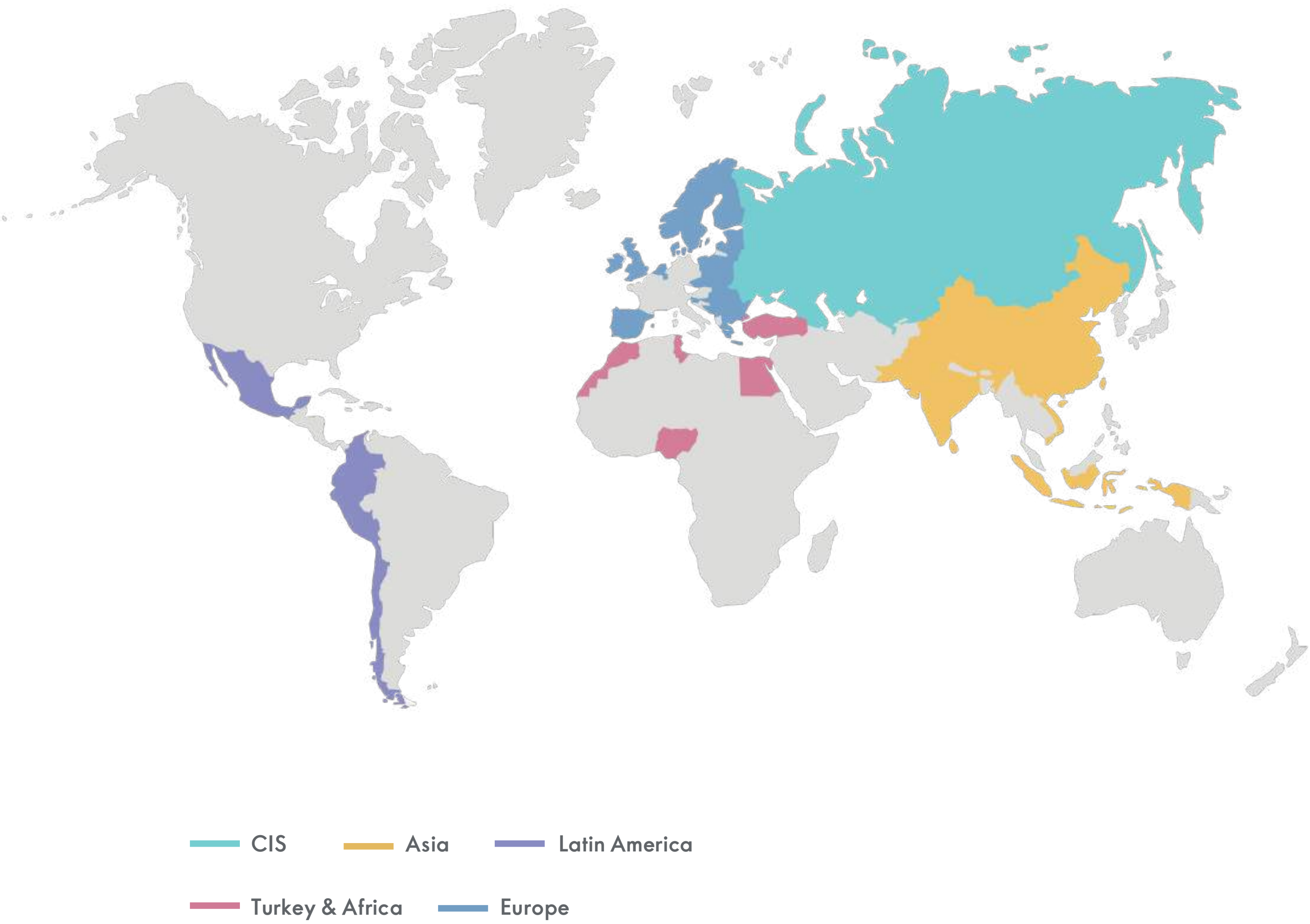
The maintenance of in-house manufacturing capabilities allows flexibility to support sales growth by controlling the growth and development of high margin products as well as supporting quality control and manufacturing turn-around times. The Oriflame quality assurance team works with both in-house manufacturing 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 the difficult circumstances due to Covid-19 pandemic, that continued to influence manufacturing, sales value for external customers grew by 39% in 2021 vs. 2020. In the coming years Oriflame aims to continue to expand in the third party segment.

Geographic markets

Oriflame is present in more than 60 markets, including markets operated by franchisees, divided into five geographic areas. During 2021 local currency sales decreased by 9% and Euro sales decreased by 12% to €1,016.5 million due to various challenges. The pandemic continued to impact the ability to fully exploit Oriflame´s social selling business model, where gatherings to train, motivate and celebrate Brand Partners are important to drive a growing business. This affected activity levels and recruitment numbers for the year. All regions were impacted by the pandemic situation. Local currency sales decreased in all regions; by 20% in Asia, by 4% in CIS, by 5% in Europe, by 2% in Latin America and by 16% in Turkey & Africa.



Latin America

Since 1989 Oriflame is present in Latin America. We have a presence currently in 5 countries comprising Chile, Colombia, Ecuador, Mexico and Peru. All markets continued to be affected by Covid-19 during 2021, especially Mexico, which was also hit by fierce competition through E-Commerce. Despite this, Latin America remains an important growth region for the Group with significant growth opportunities.

2021 development in brief

- Local currency sales decreased by 2% and Euro sales decreased by 4%
- Independent Brand Partners decreased by 14% to 0.3 million
- The operating margin was 13.3% (adjusted operating margin of 8.8% in 2020*)
- Despite political instability, Peru kept double digit constant rate growth
- Ecuador and Chile also achieved double digit growth at constant rate

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 home region of the group, which includes the following markets: Bosnia-Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, Greece, the Netherlands, Hungary, Ireland, Kosovo, Latvia, Lithuania, North Macedonia, Montenegro, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden and the United Kingdom. Oriflame is a household beauty company with high brand awareness in many Central and Eastern European markets. During year 2021 the new modern Brand Partner compensation plan continued to be rolled out, with implementation in Sweden and Norway. The region also underwent a reorganization and was split into 5 sub-regions: Central, Mediterranean, North, North-East and Balkans.

2021 development in brief

- Local currency and Euro sales decreased by 5%
- Independent Brand Partners decreased by 11% to 0.5 million
- The operating margin was 15.9% (adjusted operating margin of 13.3% in 2020*)
- Positive sales development in Europe North, stable in Europe Balkans.

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 111.

CIS

CIS has for almost 30 years been an important region for the group. In 2021 Oriflame had a presence in Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Russia, Ukraine and Uzbekistan. In 2021 the business development in the region slowed down in tough market environment. Focus on digitalization and e-commerce development continues supporting online activities and sales.

2021 development in brief

- Local currency sales decreased by 4% and euro sales decreased by 10%
- Independent Brand Partners decreased by 12% to 0.9 million
- The operating margin was 24.3% (adjusted operating margin of 18.3% in 2020*)
- Operating margin significantly improved, despite tough market conditions, supported by pricing, offers and efficiencies in selling and administrative expenses.
- Best performing market was Mongolia.

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. 2021 was another difficult year in Asia with a sales decline in all major Asian markets. Sales were still impacted negatively by Covid with difficulties holding events and conferences, and also negative impact from increased competition from local e-commerce brands. The increased focus on digital tools and Wellness/Skincare categories progressed according to plan.

2021 development in brief

- Local currency sales decreased by 20% and euro sales decreased by 21%
- Independent Brand Partners decreased by 21% to 0.5 million
- The operating margin was 15.9% (adjusted operating margin of 17.0% in 2020*)
- All major markets had a decline in sales during 2021 and negative operating profit impact was partially mitigated through postponed costs for events and conferences, as well as savings in administrative costs from 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 111.

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 sales in Turkey, Morocco, Egypt, Nigeria and Tunisia.

2021 development in brief

- Local currency sales decreased by 16% and euro sales decreased by 25%
- Independent Brand Partners decreased by 18% to 0.3 million
- The operating margin was 20.6% (adjusted operating margin of 19.8% in 2020*)
- The best performing market was Morocco

Regional Office is in Istanbul (Turkey)
Catalogue creation and printing. The regional catalogue creation is performed from Istanbul, Turkey. The majority of the countries' catalogues are printed locally.

* Excludes non-recurring items as stated in the alternative performance measures section on page 111.

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 recognised, from the jobs it generates to the skills it nurtures.

How Oriflame created value

Financial capital
Capital provided by investors

Oriflame´s business model delivers financial value
Adjusted operating margin: 15.4%
Brand Partner bonus and performance discounts: €249m
Social security, pension and corporate income tax expenses: €60.8m

Social and relationship capital
2.5 million Member relationships

Oriflame enables people to change their lives for the better
84% of Brand Partners* consider Oriflame as a good opportunity to earn an additional income
74% of Brand Partners* consider Oriflame has helped to improve their business and sales skills
76% of Brand Partners* consider Oriflame has helped to improve their self-esteem and confidence
81% of Brand Partners* consider Oriflame enables them to meet new people
*Average global results from the Global Brand Tracking 2020.

Human capital
A skilled and diverse workforce

Oriflame builds a diverse and safe workplace
Women represent 45% of the global management team
45 nationalities in the six global support offices
0.6 occupational injuries per million hours worked in manufacturing
1.2 occupational injuries per million hours worked in non-manufacturing

Manufactured capital
Manufacturing sites, support offices and sales offices in more than 60 countries

Oriflame creates products that bring beauty and wellbeing
Number of products: ~1,500
Pair lips made beautiful by Oriflame lipsticks: 3.0 billion
Number of days started with a vitamin supplements intake: 35 million

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

Oriflame develops new products and builds a strong brand
Share of new products in total product portfolio: ~38%
Share of new products in wellness portfolio: ~13%
92% of Brand Partners* consider Oriflame as a brand they can trust
*Results from the Global Brand Tracking 2021

Natural capital
Raw materials

Oriflame´s improved environmental footprint
Scope 1 and 2 GHG emission development in absolute terms vs 2019: -22%
Scope 3 GHG emissions development per unit sold vs 2019: -24%
Product packaging and catalogue paper combined from credibly certified sources or recycled materials: 99%
Mass Balance certified palm oil and palm kernel oil derivatives in our raw materials portfolio/RSPO Book & Claim Credits: 84%/16%

Sustainability strategy

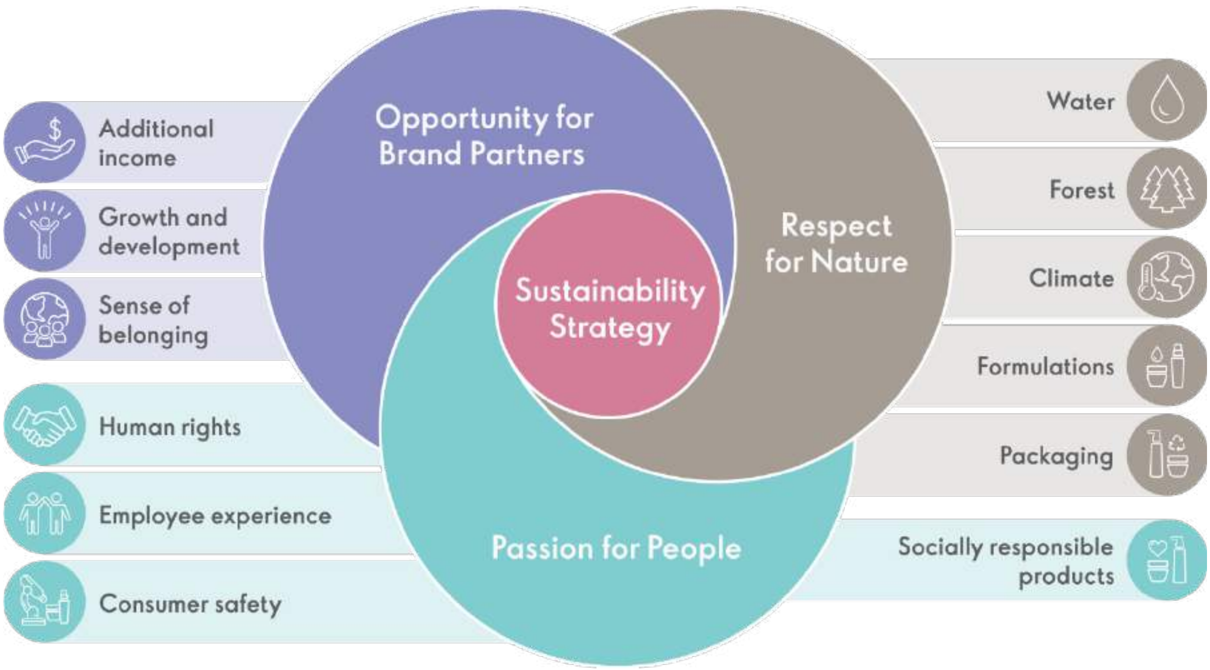
Sustainability is core to who we are as a company – it is integral to our Swedish heritage, our brand and our mission to fulfil dreams. Our long-term commitment to sustainability is also reflected in our Beauty by Sweden brand positioning – beauty is about more than how you look, it's about how you live,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

Strategy structure

Oriflame's three core areas are underpinned by 12 sub-areas which contain 41 goals and commitments with different time horizons.



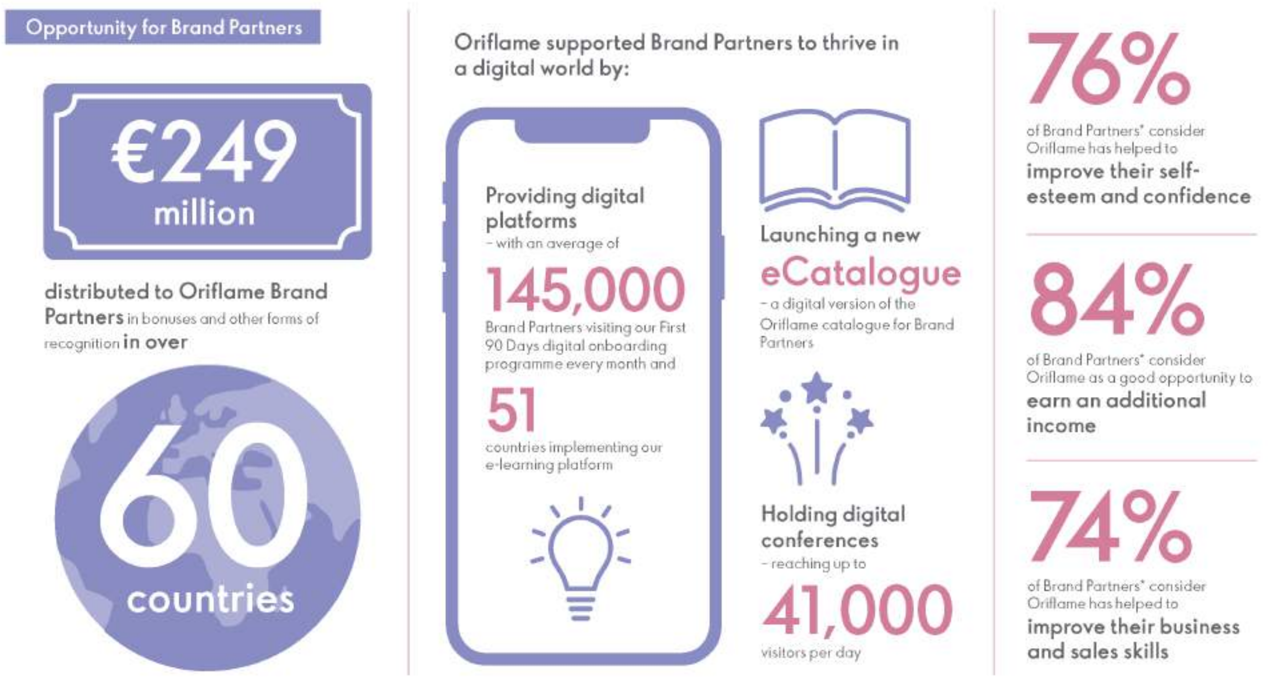
Read more in the Oriflame Sustainability Report at www.oriflame.com.

Oriflame recognised as an ESG Industry Top-Rated company
Oriflame was ranked 7th out of 101 global companies in the category "Household products" by the ESG research company Sustainalytics[1] and was therefore recognised as an ESG Industry Top-Rated company. Sustainalytics reviewed the Oriflame sustainability strategy and performance on all three dimensions of Environmental, Social and Governance (ESG). Oriflame received a rating of 21.0 on a scale of 0-100, with 0 indicating negligible ESG risk.

Sustainalytics' ESG risk ratings measure a company's exposure to industry-specific material ESG risks – as well as how well a company manages these risks. This way of measuring ESG risks enables a fair comparison across all industries. Sustainalytics, a Morningstar company, is a leading independent ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies.

Opportunity for Brand Partners

Oriflame's business reaches around 2.5 million Members 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 the 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.



*Average global results from the Oriflame Global Brand Tracking 20.

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, and driving demand for environmentally responsible packaging and formulations.

Oriflame part of global initiative spearheading transparency in product sustainability
Oriflame has joined EcoBeautyScore Consortium, a global initiative creating an industry-wide system for assessing the environmental impact of cosmetic products, to facilitate consumers in making more informed choices around the sustainability of their cosmetics.

EcoBeautyScore Consortium is unique in the industry in its approach and design, bringing together large and small Cosmetics and Personal Care companies, as well as professional associations, from across four continents, to collaborate in finding a solution that is science led, specific to Cosmetics and with a global scope. Work has already begun, with a target of end of 2022 for a footprinting and scoring prototype.

As full corporate members of EcoBeautyScore Consortium, Oriflame is proactively responding to the growing consumer demand for greater transparency around the environmental impact of their products. This membership will benefit our own customers and Brand Partners and will drive meaningful change in the cosmetics industry from within.

**We are continuously working to reduce our emissions. For those emissions we could not reduce in 2021, we climate compensated for our GHG emissions in Scope 1, Scope 2 and parts of Scope 3.*

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

*Source: Kantar, Who Cares, Who Does 2021? Issue 3, September 2021 **Oriflame Holding Ltd

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 been a member of the United Nations Global Compact since 2009 and has recognised the importance of the SDGs since they were conceived in 2015. Although we have an opportunity to support all 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 not relevant.

Oriflame also deviates from the Code concerning the shareholders' influence on share and share-price related incentive schemes for the executive management – such incentive schemes are resolved by the board of directors.

THE GROUP STRUCTURE

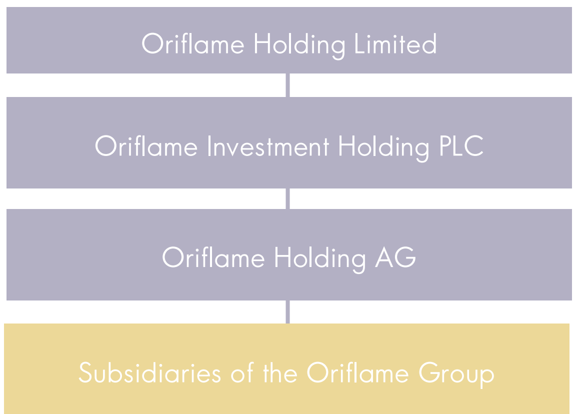
The governance and supervision of the Oriflame Group's activities are since the 2019 restructuring distributed between the following three entities: Oriflame Holding Limited (formerly Walnut Midco Ltd), Oriflame Investment Holding Plc (formerly Walnut Bidco Plc), and Oriflame Holding AG.

Oriflame Holding Limited (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 2021



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.

In 2021, the Boards of the Parent, the Issuer, and OHAG established joint rules of procedures which set forth how and when the Boards convene, 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 exclusively undertook external shareholder relationship and accounts consolidation activities. Oriflame Holding Limited could also take any decision relating to the financing of the Oriflame Group. Oriflame Investment Holding PLC managed the financing of the Oriflame Group, for example arranging, amending, maintaining, servicing and cancellation of credit facilities, private placements, issuing of bonds, by and on behalf of the Group. Oriflame Holding AG undertook 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.

In 2022 the operational and strategic activities of the Group will move to the Board of Oriflame Investment Holding PLC and Oriflame Holding Limited. This will be reflected in revised Organisational Regulations and relocation of relevant senior management personnel.

Board composition

In 2021, the Board compositions were as follows:

Oriflame Holding limited (the Parent)	**Oriflame Investment Holding PLC (the Issuer)**	**Oriflame Holding AG (OHAG)**
Alexander af Jochnick (Chairman) Magnus Brännström Anna af Jochnick Per Hesselmark Gunilla Rudebjer	Alexander af Jochnick (Chairman) Magnus Brännström Anna af Jochnick Per Hesselmark Gunilla Rudebjer	Alexander af Jochnick (Chairman) Magnus Brännström (CEO & President) Anna af Jochnick Robert af Jochnick Anders Dahlvig Per Hesselmark Ilaria Resta 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 elects 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, in 2021 the supervision of the operational activities of the Oriflame Group was exercised by the board of directors of Oriflame Holding AG.

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 OHAG. During 2021, OHAG held 9 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.

2021 Board and committee attendance

	Board meetings				
Board members	The Parent	The Issuer	OHAG	**Audit committee meetings**	**Renumeration committee meetings**
Alexander af Jochnick (Chairman)	6	1	9	6	3
Magnus Brännström	6	1	9	-	-
Anders Dahlvig	-	-	9	-	-
Robert af Jochnick	-	-	9	-	-
Anna af Jochnick	6	1	9	-	-
Per Hesselmark	6	1	9	6	3
Ilaria Resta*	-	-	3*	-	-
Gunilla Rudebjer	6	1	9	6	-
Total number of meetings	**6**	**1**	**9**	**6**	**3**

* Board member of Oriflame Holding AG since 29 June 2021

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. For the period from the 2021 annual general meeting until the 2022 general meeting the remuneration of the directors and committees is as follows (previous period in brackets):

EUR 80,000 (80,000) to the Chair of the Board; EUR 50,000 (EUR 40,000) to each non-executive Director of the Board; EUR 15,000 (EUR 15,000) to the chairman of the audit committee, and EUR 10,000 (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, Ilaria Resta and Gunilla Rudebjer are 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 on page 43.

REMUNERATION COMMITTEE

Following the 2019 delisting and group restructuring of Oriflame and although no longer a legal requirement, Oriflame has continued its practice of having a Remuneration Committee. The 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 the 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 2021 the Remuneration Committee held three 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 OHAG of any matter of importance to the Oriflame Group's operations. The audit committee was during 2021 composed as follows: Gunilla Rudebjer (committee chair), Alexander af Jochnick and Per Hesselmark. The CFO and the Vice President 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 2021 the Audit Committee met six times.

AUDITOR

On 29 June 2021 KPMG AG was re-elected as the independent auditor, who issues the consolidated accounts of the Oriflame Group, until the close of business of the next annual general meeting. KPMG AG was auditor of the acquired 2019 Oriflame Holding AG Group for several 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. During the financial year 2021 Hélène Béguin met with the OHAG Board on 23 February 2021 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:

- Elena Aylott, Vice President Global Employee Experience
- Michael Cervell, Senior Vice President Group Strategy, Sales System & Brand
- Thomas Ekberg, Senior Vice President and Head of Global Business Area Asia
- Alexandra de Greck, Vice President Global Consumer Goods Business Unit
- Emma Hågemo, Vice President Commercial Division Asia
- Edyta Kurek, Vice President Global Beauty Routines Business Unit
- Johan Rosenberg, Senior Vice President and Head of Commercial Division
- Antonia Simon-Stenberg, Vice President Sustainability, Direct Procurement, Quality and Packaging

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 the next page.

REGIONAL MANAGEMENT

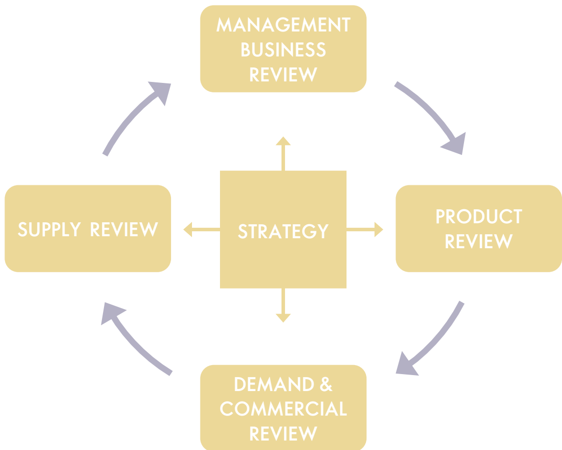
Oriflame distributes its products through a network of approximately 2.5 million Members in more than 60 countries. Group segmentation is based on cosmetics sales by geographic business area consolidated under two Global business areas: GBA Asia and GBA Latin America, Europe, Turkey & Africa and CIS. 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)*
Subject to minimum operating profit and cash flow threshold being met, 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 Consolidated financial statements.

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 HoldingPlc.
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 af 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).

Board member Viceroy AB.

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 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, SkiStar and Swedish Space Corporation (SSC).

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.

ELENA AYLOTT
Vice President Global Employee Experience.

MICHAEL CERVELL
Senior Vice President Group Strategy, Sales System & Brand.

ALEXANDRA DE GRECK
Vice President Global Consumer Goods Business Unit.

THOMAS EKBERG
Senior Vice President Global Business Area Asia.

EMMA HÅGEMO
Vice President Research and Development and Commercial Division Asia

EDYTA KUREK
Vice President Global Beauty Routines Business Unit

JESPER MARTINSSON
Deputy CEO, SVP and Head of Global Business Area 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, Direct Procurement, Quality and Packaging

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.

Internal Control remains a permanent function within the Oriflame Group and is now a component of the Global Assurance team, which conducts and monitors the internal controls.

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 policies and internal guidelines, that 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 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 reports to the Audit Committee 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 processes related to 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, global function 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.

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, Balance sheet, 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. Oriflame aims to automate as many processes as possible to mitigate any potential risks. Where relevant, an internal control is designed by the Group Internal Control team and added to the internal control questionnaire in the internal control system.

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.

Oriflame operates an internal control software platform, which enables the reporting and the documentation of internal controls, as well as the preservation of historical data. All markets and functions submit the relevant controls and documents and the Global assurance team verifies them on a monthly, quarterly and annual basis.

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 the 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 Global Assurance 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.

Oriflame encourages employees to openly report concerns and to ask compliance related questions. Since 2007, Oriflame operates a compliance reporting web line, guaranteeing confidentiality and protection to employees reporting in good faith. All allegations of breaches of the Oriflame Code of Conduct are investigated ensuing recommendations or instructions are communicated to the management to be implemented where necessary. Oriflame introduced the possibility to all employees and 3rd parties to report anonymously the concerns related to breaches of the Code of Conduct or any relevant laws and regulations and has a process of evaluation and follow up.

Oriflame maintains a process of monitoring and reporting any fraud action. The Global assurance team coordinates the investigation and protective measures to be taken. Any fraud case is assessed from a risk perspective and controls are updated if required.

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 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 and geopolitical uncertainty	Oriflame operates directly in more than 60 countries, across 4 continents and subject to national and trans-national regulations from these countries. This generates an ever evolving and complex regulatory environment. The geopolitical instability in some regions leads to potential uncertainty of future economic development.	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. Oriflame is focusing on Russia -Ukraine conflict by monitoring the situation, creating the mitigation plans and carefully performing the sanction screening.
Ambiguity in direct sales and e-commerce regulations	There are few legislations regulating the direct selling industry in the markets where Oriflame operates. Lack of regulations can create potential legal risks that affect the Company's business, financial conditions, and results of operations.	Oriflame actively promote the ethical behavior of the Brand Partners within the direct and social selling industry and coordinates with works with the world federation of direct selling association (WFDSA) as well as with local direct selling associations 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. Oriflame made Code of Ethics and Rules of conduct for the Brand Partners as integral part of marketing plan.
Geographical business concentration	Oriflame, operating in various legislative environments, may be exposed to local challenges and restrictions affecting large parts of its business. The concentration and dependence on few markets implies high business risk.	Over the last years, thanks to growth in new regions, the group geographical footprint has become more balanced. Oriflame is constantly assessing the possibilities of expansion in existing or in new markets.
Digital dependencies and cyberthreats	The cyber security threats are growing globally that cascading the consequences across societies and in Oriflame.	Oriflame has implemented several measures to strengthen the cyber security and established a dedicated security operational center. Oriflame has reduced the number of its in-house systems and upgraded the main operational system. Oriflame maintains Cyber Security insurance to cover the damage resulting from material business interruptions.
Pandemic situation	Covid-19 pandemic triggered quarantine measures and other restriction as well as an economic downturn and affected Oriflame operations worldwide. Home office and travel restrictions negatively impacted Oriflame business. Any future viral or bacterial outbreak may affect Oriflame due to effects on personnel and restrictions on operations.	The highly digitalized 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. High share of vaccinated employees particular in warehouses and factories supports the continuity of operation. Oriflame continues monitoring carefully and following the governmental recommendation of safety measures.
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. The measures are implemented and monitored to prevent significant loss and business interruption at these facilities. The combination of in-house and outsourced manufacturing is used to consider the alternative options. The Property Damage and Business Interruption insurance covers for lost inventory, raw material, equipment, and subsequent lost profit.
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 has taken many initiatives to mitigate risks worldwide, among others the implementation of key data protection policies and procedures, an incident response program, and data protection trainings. Additionally, the company has taken IT technical and organizational measures. A dedicated security operational center is monitoring infrastructure and protecting it, that also strengthen the personal data protection. It also has a cyber security and privacy insurance covering liability of data breach. Any new data protection legislations in markets are monitored and implemented accordingly in coordination with local management team.

RISK AREA	DESCRIPTION	RISK MITIGATION
OPERATIONAL RISKS (2)		
Quality and safety of Oriflame products	Distributing products with the highest quality and safety standards is essential for Oriflame. Any potential product quality or safety issue, adverse reaction due to intolerance to ingredients or contamination of a product, could negatively impact the reputation of Oriflame with potential regulatory or financial consequences.	Oriflame continuously monitors the regulatory environment applicable to its products and implements processes in manufacturing, transport and distribution to comply with applicable regulation. Oriflame has implemented Quality Management Systems in its in-house manufacturing and performs appropriate Quality Assurance activities, including thorough product testing, audits at third-party manufacturers and consumer claims processes in all markets where it operates. The company maintains an International Liability insurance to cover its responsibility towards third parties.
Dependency on finished products suppliers	Oriflame allocates the manufacturing of specific products to one supplier only as multiplying suppliers for single products increase the complexity (e.g. product registration) and costs. The company may be exposed to capacity issues and financial health issues at suppliers.	Oriflame has in-sourced the manufacturing of some products in its factories wherever possible. Oriflame continues to diversify the manufacturers and suppliers for our most critical products by establishing the alternative supplier or considering the in-house manufacturing to spread the volume.
Dependency on raw materials	Oriflame often uses specialized raw materials that are not commodities and for which there are limited available substitutes or alternatives. There may be shortages and pressure on prices.	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.
Supplier financial risks	Oriflame does not systematically perform financial audit of their current suppliers.	Oriflame implemented a systematic review of the financial health of its direct suppliers at onboarding. The company is considering a systematic ongoing monitoring, to manage the increase of financial risks at these suppliers.
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 unauthorized access (no criminal intent) to data could lead to industrial espionage, loss of competitive edge, investigations, etc.	The company has taken adequate measures by IT Security and compliance specialists, taking technical measures, developing confidentiality and information protection polices and building awareness of users. Oriflame has improved the information security and is maintaining the training to the employees.
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. The Cyber Security covers the inherent potential loss of sales for business interruptions longer than 48 hours.
Parallel import / Cross Border sales	Some identical Oriflame products are sold at different prices in neighboring markets, which in case of cross-border selling, may trigger some sales and legal issues.	Oriflame has further differentiated its products in neighboring markets when their selling price is different. Oriflame constantly evaluates the legal environment and its exposure.

RISK AREA	DESCRIPTION	RISK MITIGATION
FINANCIAL RISKS		
Cash Expatriation from emerging economies	Oriflame operates in many emerging economies where there are various restrictions on the free flow of capital to group holding companies.	A centralized intercompany dividends distribution process is in place. Oriflame regular assess the development of hard currency availability, intercompany debt and cash repatriation restriction in the markets, reviews all compliant alternatives of cash expatriation.
Wage tax (withholding tax)	Many Oriflame independent Brand Partners are not registered as entrepreneurs neither for (personal) income tax nor for VAT, most of them follows the local regulations, but Oriflame can't be aware of all individual tax status that causes the potential risk of some Brand Partners being not fully compliant. In certain countries 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 were obviously required. Oriflame communicates to the Brand Partners their tax obligation in the terms and conditions when they join the company.
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 dependent 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. Oriflame maintain the global Hedging policy to make sure the hedging done in proper way. The negative impact on devaluation is gradually mitigated by increasing the local selling prices in the markets.
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 in many markets. European Commission develops a renewed sustainable finance strategy to re-orient investments towards more sustainable technologies, develop sustainable finance initiatives and standards.	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. Oriflame continues developing the sustainability reporting to reflect changes in legislation and stakeholder requirements.
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. Still 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. The key managers (around 750 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.
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	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

€'000	Note	2021	2020
Sales	3.1	1,016,488	1,156,911
Cost of sales		(324,692)	(380,327)
Gross profit		**691,796**	**776,584**
Selling and marketing expenses		(293,434)	(358,584)
Distribution and infrastructure		(26,337)	(27,895)
Administrative expenses		(227,375)	(286,366)
Operating profit*		**144,650**	**103,739**
Financial income	3.4	24,604	29,342
Financial expenses	3.4	(133,281)	(110,021)
Net financial costs		**(108,676)**	**(80,680)**
Loss from associates, net of tax	4.4	(101)	-
Profit before income tax		**35,872**	**23,059**
Income tax expense	3.5	(35,160)	(22,780)
Profit for the period*		**712**	**279**

* The analysis of operating profit and net profit is disclosed in the Annual Report on page 111

The attached notes on pages 61 to 106 form an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

PERIOD ENDED 31 DECEMBER

€'000	Note	2021	2020
Profit for the period		**712**	**279**
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	3,081	(1,950)
Total items that will not be reclassified subsequently to profit or loss		**3,081**	**(1,950)**
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations	7.1	21,969	(61,786)
Cash flow hedges - effective portion of changes in fair value, net of tax	7.1	(10,426)	13,250
Total items that are or may be reclassified subsequently to profit or loss		**11,543**	**(48,536)**
Other comprehensive income for the period, net of tax		**14,624**	**(50,486)**
Total comprehensive income for the period attributable to the owners of the Company		**15,336**	**(50,207)**

The attached notes on pages 61 to 106 form an integral part of the consolidated financial statements.

Consolidated statement of financial position

31 December €'000	Note	2021	2020
Assets			
Property, plant and equipment	4.1	109,739	109,508
Right-of-use-Assets	4.2	37,034	37,398
Intangible assets & Goodwill	4.3	834,392	833,648
Investment in associates	4.4	94	-
Investment property		542	542
Deferred tax assets	3.5	24,660	36,136
Other long-term receivables and prepaid expenses		1,999	131
Derivative financial assets	7.3	21,314	-
Total non-current assets		**1,029,775**	**1,017,363**
Inventories	4.5	155,482	127,696
Trade and other receivables	4.6	47,354	51,165
Tax receivables		16,181	14,046
Prepaid expenses		20,792	16,968
Derivative financial assets	7.3	610	1,340
Cash and cash equivalents	7.2	118,853	241,947
Total current assets		**359,274**	**453,162**
Total assets		**1,389,049**	**1,470,526**
Equity			
Share capital	7.1	653,081	653,081
Reserves	7.1	(29,694)	(41,237)
Retained earnings		(313,769)	(287,042)
Total equity		**309,618**	**324,802**
Liabilities			
Interest-bearing notes	2.1	721,837	725,012
Employee benefits	5.2	10,677	23,529
Lease liabilities	7.3	26,149	22,359
Other long-term liabilities		2,006	1,068
Derivative financial liabilities	7.3	-	17,677
Deferred income		144	178
Provisions	4.9	12,678	6,028
Deferred tax liabilities	3.5	55,627	59,311
Total non-current liabilities		**829,117**	**855,161**
Lease liabilities	7.3	13,102	15,784
Trade and other payables	4.7	115,474	100,089
Contract liabilities		10,393	11,852
Tax payables		17,766	18,496
Accrued expenses	4.8	84,314	134,807
Derivative financial liabilities	7.3	1,454	1,241
Employee benefits	5.2	4,383	-
Provisions	4.9	3,430	8,294
Total current liabilities		**250,314**	**290,563**
Total liabilities		**1,079,431**	**1,145,724**
Total equity and liabilities		**1,389,049**	**1,470,526**

The attached notes on pages 61 to 106 form an integral part of the consolidated financial statements

Consolidated statement of changes in equity

Period ended 31 December €'000	Note	Share capital	Translation reserve	Hedging reserve	Total reserves	Retained earnings	Total equity
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**
At 1 January 2021		**653,081**	**(58,228)**	**16,991**	**(41,237)**	**(287,042)**	**324,802**
Profit for the period		-	-	-	-	712	712
Other comprehensive income for the period		-	21,969	(10,426)	11,543	3,081	14,624
Total comprehensive income for the period		**-**	**21,969**	**(10,426)**	**11,543**	**3,793**	**15,336**
Dividends	7.1	-	-	-	-	(30,520)	(30,520)
Total contributions and distributions		**-**	**-**	**-**	**-**	**(30,520)**	**(30,520)**
At 31 December 2021		**653,081**	**(36,259)**	**6,565**	**(29,694)**	**(313,769)**	**309,618**

The attached notes on pages 61 to 106 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows

PERIOD ENDED 31 DECEMBER			
€'000	**Note**	**2021**	**2020**
Operating activities			
Profit before income tax		**35,872**	**23,059**
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets	3.3, 4.1, 4.2	31,413	34,605
Amortisation of intangible assets	3.3, 4.3	11,894	15,349
Impairment	4.1	-	1,210
Change in fair value of borrowings and derivatives financial instruments		(615)	(642)
Deferred income		(2,390)	(71)
Unrealised exchange rate differences		(2,143)	8,748
Profit on disposal of property, plant and equipment, intangible assets and leased assets		(1,192)	(1,007)
Loss from associates, net of tax	4.4	101	-
Interest income	3.4	(23,503)	(28,048)
Interest and other financial expenses	3.4	129,298	90,678
		178,734	**143,883**
(Increase)/decrease in trade and other receivables, prepaid expenses and derivatives financial assets		(3,350)	15,385
(Increase)/decrease in inventories		(24,853)	46,871
Increase/(decrease) in trade and other payables, accrued expenses and derivatives financial liabilities		(25,862)	5,558
Increase in provisions		1,223	6,501
Cash generated from operations		**125,892**	**218,197**
Interest received		1,459	2,146
Interest and bank charges paid		(115,014)	(58,921)
Income taxes paid		(29,377)	(28,058)
Cash flow from/ (used in) operating activities		**(17,040)**	**133,364**
Investing activities			
Proceeds on sale of property, plant and equipment, intangible assets		2,116	1,105
Purchases of property, plant and equipment	4.1	(8,134)	(6,938)
Purchases of intangible assets	4.3	(859)	(117)
Cash flow used in investing activities		**(6,877)**	**(5,949)**
Financing activities			
Proceeds from borrowings	2.1	732,533	102,520
Repayments of borrowings	2.1	(786,252)	(102,520)
Payment of lease liabilities	2.1	(16,808)	(17,833)
Dividends paid		(30,520)	(52)
Cash flow used in financing activities		**(101,046)**	**(17,885)**
Change in cash and cash equivalents		(124,963)	109,529
Cash and cash equivalents at the beginning of the year		241,947	143,474
Effect of exchange rate fluctuations on cash held		1,870	(11,056)
Cash and cash equivalents at the end of the year	7.2	**118,853**	**241,947**

The attached notes on pages 61 to 106 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 Ltd (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 JEI 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 2021 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 20 April 2022.

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 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 2021 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 on the expected tax payable and the corresponding assessment on whether it is probable or not that tax authorities will accept a tax treatment.
- **Note 4.3 – Intangible assets and goodwill**: impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts.

1.4 New and amended standards adopted by the group

The group has elected to adopt early the amendment "Covid-19-Related Rent Concessions beyond 30 June 2021". Refer to note "4.2 Leases" for additional information.
Other new or amended IFRS standards which became effective January 2021 have had no material effect on the group's financial statements.

1.5 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 Loans and borrowings

€'000	2021	2020
Non-current liabilities		
Interest-bearing notes	721,837	725,012
	721,837	**725,012**

The terms and conditions of outstanding notes were as follows:

€'000	Currency	Interest rate	Year of maturity	2021 Face value	2021 Carrying Amount*	2020 Face Value	2020 Carrying Amount*
Revolving Credit Facility	EUR	Euribor + margin	2025/2023	-	(1,705)	-	(2,333)
Senior Secured Notes - €250.0m	EUR	3-month Euribor + 4.250%**	2026	250,000	245,737	-	-
Senior Secured Notes - $550.0m	USD	5.125%***	2026	457,533	477,806	-	-
Senior Secured Notes - €475.0m	EUR	6.75%	2024	-	-	475,000	462,437
Senior Secured Notes - $335.0m	USD	9.125%	2024	-	-	301,639	264,908
Total interest-bearing notes				**707,533**	**721,837**	**776,639**	**725,012**

* Difference between the face value and the carrying amount consists of the FX difference and the amount of front-end fees deducted from proceeds.
** Swapped into fixed EUR with margin 0.14%
*** Swapped € interest rate 3.47%

Oriflame's long-term debt as of December 31, 2021 consists of €250m Floating Rate Senior Secured notes due 2026 (the "Euro Notes") and $550m Senior Secured Notes (the "Dollar Notes") due 2026 which were successfully issued on 4 May 2021. The Euro Notes bears interest at a rate of the sum of (i) three-month EURIBOR (with 0% floor), plus (ii) 4.250% per annum, reset quarterly. The Dollar Notes bears interest at a rate of 5.125% per annum. After hedging the average interest rate of both Notes is 3.8% excluding the effect from amortisation of front-end fees deducted from the proceeds. The proceeds from the offering of the Notes, together with cash on hand, were used (i) to redeem on 6 May 2021 the €475m aggregate principal amount of 6.750% Senior Secured Notes due 2024 and $335m aggregate principal amount of 9.125% Senior Secured Notes due 2024 in full, and (ii) to pay the costs, fees and expenses incurred in connection with the refinancing. The Revolving Credit Facility (RCF) remained in place with the same committed amount of €100m and conditions and it has been extended to October 2025. As of 31 December 2021 and 2020, nil was drawn down from the RCF.

The old €475m Notes and the old $335m Notes were repaid in May 2021 for a total amount of €761.3m. The redemption price of the old €475m Notes and the old $335m Notes comprised 100% of the principal amount of the old Notes, plus the make-whole premium in the amount of €41.3m and accrued and unpaid interest from 1 February 2021 in the amount of €15.2m which were recognized as financial expenses in the income statement.

Hedge

Following the issuance of the New Notes in May 2021, the Group entered a series of cross-currency interest rate swaps and an interest rate swap in order to hedge the currency exposure on the USD denominated Notes and the risk on the floating interest rate on the EUR denominated Notes.

The $335m aggregate principal amount of 9.125% Senior Secured Notes due 2024 and repaid in 2021 were hedged with two cross-currency interest rate swaps:

Cross-Currency Interest Rate Swaps

	Maturity	Pay	Receive
		6.475%	9.125%
1	01 August 2024	€162.0m	$180.0m
		6.423%	9.125%
2	01 August 2024	€139.5m	$155.0m

Following the repayment of the Senior Secured Notes due in 2024 in May 2021, the $180.0m swap was amended and extended and the $155.0m swap was terminated and a new swap was traded to match the terms of the new debt on 4 May 2021.

In addition, the Company entered four additional new cross-currency interest swaps with various counterparties in order to hedge the full notional amount of the USD denominated Notes ($550.0m) and into an interest rate swap (€250.0m amortizing by €50.0m every year) that effectively converts the floating interest rate on the EUR denominated Notes Euribor 3m (floor 0%) plus 4.25% to a fixed interest rate of 4.385% (4.25% plus 0.135%).

Cross-Currency Interest Rate Swaps

	Maturity	Pay	Receive	Carrying amount €'000
1	04 May 2026	3.100% €128.5m	5.125% $155.0m	11,751
2	04 May 2026	3.130% €162.0m	5.125% $180.0m	(1,270)
3	04 May 2026	3.950% €25.0m	5.125% $30.0m	1,219
4	04 May 2026	3.830% €29.1m	5.125% $35.0m	1,579
5	04 May 2026	3.940% €41.6m	5.125% $50.0m	2,050
6	04 May 2026	3.710% €83.3m	5.125% $100.0m	4,961
			Total	**20,290**

Interest Rate Swap

	Maturity	Pay	Receive	Carrying amount €'000
1	04 May 2026	0.135% €250.0m	Euribor 3m (floor 0%) €250.0m	587

Security for the Notes and the Revolving Credit Facility

Guarantees

Certain material Oriflame Group companies have guaranteed from 2020 the primary debt obligations (Notes and Revolving Credit Facility). The shares of these companies were pledged by their shareholders in favour of the Security Agent of the lenders. Guarantees were given by Swiss, Luxembourg, Dutch, Polish, Romanian, Russian, Mexican, Colombian and Indonesian companies of the Oriflame Group.

In 2021 due to Group refinancing the guarantees and security were confirmed by relevant Group companies (the Obligors) in compliance with the requirements of the Amendment and Restatement Agreement related to the revolving facility agreement and the 2021 Notes.

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.

On 21 March 2022, the Board of Directors in Oriflame Holding Limited designated the Russian entities Cetes Cosmetics LLC and Oriflame Cosmetics LLC as Unrestricted Subsidiaries under, and in accordance with, the indenture governing the senior secured notes due 2026 (the "Notes") issued by Oriflame Investment Holding Plc (the "Indenture") and the Oriflame Group revolving credit facility (the "Revolving Credit Facility"). In accordance with the terms of the Indenture, in connection with the designation as Unrestricted Subsidiaries, the guarantees of the Notes provided by Cetes Cosmetics LLC and Oriflame Cosmetics LLC, as well as the pledges of capital stock of those entities are being released. In addition, the guarantees from those companies of the Revolving Credit Facility (and the related share pledges) are also being released.

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

€ million	**2021**	**2020**
Cash (bank accounts)	15.5	51.2
Intercompany receivables	76.0	64.0
Intellectual property (Brand)	546.2	546.2
Total	**637.7**	**661.4**

The Company does not have financial maintenance covenants. It has certain debt and restricted payments covenants which limit the amount of indebtedness and payments to related parties outside the Group. The Company was in compliance with all of its covenants related to the outstanding debt as of December 31, 2021.

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

	31 December 2020	**Cash flows**	**Non-cash changes**				**31 December 2021**
			Foreign exchange movement	**Transaction costs related to loans**	**Increase in leases**	**Decrease in leases**	
Interest-bearing notes (old)	725,012	(761,252)	15,258	20,981	-	-	-
Interest-bearing notes (new), including RCF	-	707,533	26,068	(11,764)	-	-	721,837
Lease liabilities	38,143	(16,808)	1,245	-	19,894	(3,223)	39,251
Total liabilities from financing activities	**763,155**	**(70,526)**	**42,571**	**9,218**	**19,894**	**(3,223)**	**761,088**

The maturity of the lease liabilities varies between 2022 and 2029 with an interest rate range between 2.86% and 22.0%.

	31 December 2019	Cash flows	Non-cash changes				31 December 2020
			Foreign exchange movement	Transaction costs related to loans	Increase in leases	Decrease in leases	
Interest-bearing notes, including RCF	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%.

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 excluding allocation of global support and corporate offices´costs. Sales presented in the segment reporting are only revenues from external customers.

Unallocated items

Global support and corporate offices´ costs and capital expenditure are not allocated to the operating segments. 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 in 2019, are reported as unallocated items. This covers depreciation of identified intangible assets in the PPA amounting to €11.0 million (€14.5 million) – see note "4.3 - Intangible assets and goodwill" and for the period 2020 additional €13.8 million impact coming from the fair value revaluation of the acquired inventories. Net financing costs, loss from associates and 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 2021

€'000	Latin America	Europe	CIS	Asia	Turkey & Africa	Manu-facturing	All other segments	**Total segments**	Unallocated items	**Total**
Sales	139,547	234,051	285,535	251,077	81,703	18,704	5,872	**1,016,488**	-	**1,016,488**
Operating Profit	18,535	37,121	69,471	39,893	16,836	11,184	1,655	**194,694**	(50,044)	**144,650**
Net financing costs										**(108,676)**
Loss from associates, net of tax										**(101)**
Profit before income tax										**35,872**
Income tax expense										**(35,160)**
Profit for the period										**712**
Capital Expenditure	(472)	(488)	(1,106)	(1,095)	(852)	(3,186)	-	**(7,199)**	(1,794)	**(8,993)**
Depreciation & Amortisation	(2,755)	(4,324)	(5,061)	(6,853)	(1,414)	(4,948)	-	**(25,356)**	(17,951)	**(43,306)**

As per 31 December 2020

€'000	Latin America	Europe	CIS	Asia	Turkey & Africa	Manu-facturing	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)**
Profit before income tax										**23,059**
Total income tax expense										**(22,780)**
Profit for the period										**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)**

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

€ million	**2021**	**2020**
Russia	165.5	180.6
China	107.2	130.0
Jersey	-	-
Other	743.7	846.3
Total	**1,016.5**	**1,156.9**

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	**2021**	**2020**
Russia	110.8	99.5
Jersey	0.0	-
Other	873.0	881.6
Total	**983.8**	**981.1**

It includes non-current assets other than deferred tax assets and derivative financial assets. 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	**2021**	**2020**
Skin Care	266.8	293.0
Colour Cosmetics	144.5	187.7
Fragrances	210.1	235.2
Personal and Hair Care	173.4	194.0
Accessories	45.7	53.5
Wellness	176.0	193.5
Total	**1,016.5**	**1,156.9**

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, online customers and licensed distributors (all together "Customers"). The independent Brand Partners are individual members, who can benefit from the Oriflame business plan, while the online 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 sales 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, cash bonus 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 2021 period an amount of €10.3million (€10.7 million) was recognised in the income statement as an expense mainly in administrative expenses.

3.3 Depreciation and amortisation

€'000	2021	2020
Depreciation	**31,413**	**34,605**
- in Cost of sales	7,843	7,484
- in administrative expenses	23,569	27,121
Amortisation	**11,894**	**15,349**
- in Cost of sales	46	75
- in administrative expenses	11,847	15,274
Depreciation and amortisation expenses	**43,306**	**49,955**

3.4 Net financial costs

€'000	2021	2020
Interest income on bank deposits and receivables	1,503	2,146
Cross-currency interest rate swaps income	22,044	25,902
Change in fair value of financial assets and liabilities at fair value through profit or loss:		
- Forward exchange rate contracts gain	470	1,293
- Interest rate swaps gain	587	-
Total financial income	**24,604**	**29,342**

€'000	2021	2020
Bank charges and interest expense on notes carried at amortised cost[1]	(46,434)	(60,990)
Interests on lease liabilities	(3,814)	(4,718)
Interest expense on old secured notes repayment (refer to note 2.1)	(41,292)	-
Cross-currency interest rate swaps expense	(15,015)	(19,445)
Amortisation of front-end fees deducted from proceeds[2]	(22,744)	(5,526)
Change in fair value of financial assets and liabilities at fair value through profit of loss:		
- Forward exchange rate contracts loss	(486)	(652)
Foreign exchange losses, net	(3,496)	(18,692)
Total financial expenses	**(133,281)**	**(110,021)**
Net financial costs	**(108,676)**	**(80,680)**

[1] The significant decrease in the interest and bank charges paid compared to prior year was mainly due to the refinancing which occurred in May 2021. The new Senior Secured Notes issued have lower average interest rate (average of 3.8% after hedging) than the old secured notes (average of 6.6% after hedging).

[2] The significant increase in the amortisation of front-end fees deducted from proceeds is mainly due to the amortisation of the front-end fees related to the old secured notes of €19.0 million – see note 2.1 for additional information.

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	2021	2020
Current tax expense		
Current year tax expense	(27,766)	(32,342)
Change in estimate related to prior years	1,032	(685)
	(26,734)	**(33,027)**
Deferred tax expense/income:		
- Origination and reversal of temporary differences	(5,109)	9,853
- Changes in tax rates	17	10
- Utilisation of tax losses carried forward	(389)	(2,297)
- Recognition/(Derecognition) of previously unrecognised/(recognised) deductible temporary differences	(3,511)	2,343
- Recognition of previously unrecognised tax losses carried forward	566	339
	(8,427)	**10,247**
Total Tax expense / income in the consolidated income statement	**(35,160)**	**(22,780)**

B. Reconciliation of effective tax rate

		2021		2020
	%	€'000	%	€'000
Net profit before income tax		35,872		23,059
Average applicable tax	17.0%	(6,103)	20.6%	(4,760)
Adjustment to tax expenses				
Non-deductible expenses / non-taxable income	8.0%	(2,886)	(5.4)%	1,240
Utilisation of previously unrecognised tax losses carried forward	0.0%	-	0.0%	-
Recognition of previously unrecognised tax losses carried forward	(1.6)%	566	(1.5)%	339
Recognition of previously unrecognised / (derecognition) of previously (recognised) deductible temporary differences	9.7%	(3,511)	(10.2)%	2,343
(Increase) / Release of Uncertain Tax Positions	0.4%	(132)	(0.5)%	114
Withholding taxes	14.9%	(5,350)	24.7%	(5,969)
Other taxes	1.7%	(623)	2.3%	(525)
Change in estimate related to prior years	(2.9)%	1,032	3.0%	(685)
Current-year losses for which no deferred tax asset is recognised	56.6%	(20,309)	90.2%	(20,791)
Income taxed at different rate	(5.9)%	2,155	(24.4)%	5,642
Effective tax	**98.0%**	**(35,160)**	**98.8%**	**(22,780)**

* 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 31 percent. Tax at applicable tax rate amounts to 17.0% (20.6%). 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 111.

C. Movement in deferred tax balances

Deferred tax assets and liabilities at 31 December 2021 and 2020 are attributable to the items detailed in the table below:

	2021			2020			
€'000	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**	**Movement**
Property, plant and equipment & intangible assets	2,059	58,009	(55,949)	2,252	59,589	(57,337)	1,387
Leases	8,462	7,305	1,157	6,829	6,973	(144)	1,302
Inventories	5,499	440	5,059	8,958	1,149	7,809	(2,750)
Trade and other receivables	3,029	207	2,821	3,237	267	2,969	(148)
Accruals	8,522	963	7,560	11,054	610	10,444	(2,885)
Other	7,340	447	6,893	11,525	363	11,163	(4,270)
Tax losses carried forward	1,493	-	1,493	1,922	-	1,922	(428)
Tax assets/liabilities before set off	**36,405**	**67,371**	**(30,966)**	**45,777**	**68,951**	**(23,175)**	**(7,792)**
Set off of tax	(11,744)	(11,744)		(9,641)	(9,641)		
Net tax assets /liabilities	**24,660**	**55,627**	**(30,966)**	**36,136**	**59,311**	**(23,175)**	

Recognised in other comprehensive income in relation to cash flow hedges	(91)
Recognised in other comprehensive income in relation to re-measurement of the net defined benefit liability	313
Translation difference	(857)
Deferred tax cost recognised in profit and loss	**(8,427)**

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	2021	2020
Tax losses / unused tax credits *	329,351	294,530

* Of which €0.01 million (€0.7 million) expire within one year, €0.4 million (€5.1 million) expire between one and five years and €328.9 million (€288.8 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.

There is a tax benefit available in one jurisdiction that the Group has operations in and that may be utilized from 2024 onwards or at latest from 2025 onwards, which currently cannot be reliably estimated due to the changes in the global environment and future profitability forecast.

Accounting Policies

Income taxes for the year comprise current and deferred taxes, calculated using rates enacted or substantively enacted at the balance sheet date. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

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 represents the best estimate of the tax amount expected to be paid, including penalties, 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 1 January 2020	**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**
Additions	318	1,482	3,735	644	1,757	198	-	8,134
Disposals	(3,100)	(1,699)	(61)	(280)	(268)	(407)	-	(5,815)
Translation	5,630	444	1,244	194	181	73	-	7,765
At 31 December 2021	**82,854**	**12,409**	**32,227**	**6,081**	**7,844**	**1,368**	**-**	**142,783**
Accumulated depreciation and impairment								
At 1 January 2020	**(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)**
Charge for the year	(2,790)	(2,605)	(4,301)	(1,381)	(1,919)	(445)	-	(13,440)
Disposals	2,103	1,645	23	222	333	340	-	4,667
Translation	(331)	(154)	(397)	(68)	(101)	(28)	-	(1,079)
At 31 December 2021	**(6,443)**	**(5,639)**	**(12,037)**	**(3,236)**	**(4,629)**	**(1,060)**	**-**	**(33,044)**
Net Book Values								
At 1 January 2020	**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**
At 31 December 2021	**76,411**	**6,771**	**20,190**	**2,845**	**3,214**	**309**	**-**	**109,739**

Impairment

During 2021, the Group did not recognise any impairment losses (€1.2 million).

Disposals

In 2021, the Group sold property, plant and equipment with a net book value of €1.1 million (€0.8 million) resulting in a profit on disposal of property, plant and equipment of €1.0 million (€0.3 million) booked as Administrative expenses in the income statement.

Contractual commitment

At year-end 2021, the Group has no contractual commitments (€0.4 million).

(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 1 January 2020	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**
Increases	18,068	1,804	21	19,894
Derecognition of right-of-use assets	(9,895)	(1,404)	(3)	(11,301)
Translation	1,413	(21)	1	1,392
At 31 December 2021	**69,174**	**5,422**	**230**	**74,826**
Accumulated depreciation				
At 1 January 2020	(10,324)	(809)	(63)	(11,197)
Charge 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)**
Charges for the year	(16,526)	(1,383)	(63)	(17,972)
Derecognition of right-of-use assets	7,004	1,339	3	8,346
Translation	(452)	(308)	38	(722)
At 31 December 2021	**(35,250)**	**(2,368)**	**(174)**	**(37,792)**
Net Book Values				
At 1 January 2020	**63,736**	**2,837**	**208**	**66,781**
At 31 December 2020	**34,312**	**3,026**	**60**	**37,398**
At 31 December 2021	**33,925**	**3,054**	**56**	**37,034**

Office building
The Group leases buildings such as offices and warehouses. 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 €2.9 million covers early termination of leased assets or leases modified at better conditions, notably because of the Covid-19 pandemic situation. In 2020, the net derecognition of right-of-use buildings amounted to €13.3 million. It was mainly due to 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.

Commitment
During 2021, the Group entered into a five year rental contract for offices which commences in April 2022. The contract can be terminated after three years by paying a penalty. The minimum commitments related to this rental contract amounts to €7.5 million.

Amount recognised in profit or loss

€'000	2021	2020
Interests on lease liabilities	3,814	4,718
Expenses related to short term leases	2,943	4,870
Expenses related to low value assets lease	106	52

Amount recognized in the statement of cash flows

€'000	2021	2020
Total cash outflow for leases recognised as liability	20,621	22,551

Cash outflow from leases directly expensed (short term leases and low value assets leases) amounted to €3.0 million (€4.9 million).

The group has applied the practical expedients from the IFRS 16 leases amendment, "Covid-19-Related Rent Concessions" and "Covid-19-Related Rent Concessions beyond 30 June 2021", issued respectively in May 2020 and in March 2021 by the International Accounting Standards Board. These amendments allow 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 recognised in the income statement during the year 2021 amounted to €0.1 million (€0.2 million).

Accounting Policies

Leases are capitalised 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 1 January 2020	**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**
Additions	-	-	-	125	734	-	859
Disposals	-	-	(14,086)	-	-	-	(14,086)
Translation	-	-	-	-	87	11,713	11,800
At 31 December 2021	**546,234**	**37,527**	**-**	**5,106**	**4,540**	**262,137**	**855,544**
Accumulated amortisation							
At 1 January 2020	**-**	**(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)**
Charge for the year	-	(7,505)	(3,522)	(59)	(808)	-	(11,894)
Disposals	-	-	14,086	-	-	-	14,086
Translation	-	-	-	-	(21)	-	(21)
At 31 December 2021	**-**	**(18,764)**	**-**	**(92)**	**(2,296)**	**-**	**(21,152)**
Net Book Values							
At 1 January 2020	**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**
At 31 December 2021	**546,234**	**18,764**	**-**	**5,014**	**2,244**	**262,137**	**834,392**

Brand

The brand covers the fair value of the Oriflame brand which was determined by applying the relief from royalty method in 2019 following the acquisition of the Group. It is subsequently measured at cost. 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 in 2019 following the acquisition of the Group by applying the relief royalty method. It is subsequently measured at cost. 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 in 2019 following the acquisition of the Group by applying the replacement cost method and the useful life of this intangible asset was defined to be 2 years. It is subsequently measured at cost. This intangible asset was fully amortised during 2021 and was disposed of the books.

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. An impairment test is performed on a yearly basis. No impairment cost was recognised on the other intangibles in 2021 and in 2020.

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 in 2019 following the acquisition 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. It is subsequently measured at cost. Other software are carried at cost and amortised over the useful life.

Goodwill

The purchase price allocation from the acquisition of Oriflame Holding AG in 2019 resulted in a goodwill of €279.2 million. The goodwill was pushed down locally within the Cash Generating Units. The movement in the net book value of €11.7 million (€-28.7 million) is purely explained by foreign exchange rates converted into Euro at the end of the reporting period.

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:

Segments (in €'000)	2021	2020
Latin America	35,104	34,453
Europe	55,705	55,314
CIS	63,561	58,501
Turkey & Africa	19,953	21,351
Asia	87,815	80,805
Total	**262,137**	**250,424**

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 2021 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%	12.3%	11.0%	13.1%	11.2%
Terminal value growth rate	2.7%	4.2%	2.1%	8.2%	2.9%

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 discount rate was based on the risk-free rate of the five CGUs adjusted with a sustainable implied market risk premium of 6.4% (6.0%).

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 2021 and in 2020. 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.

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 2021 key assumptions used in the estimation of value in use were as follows:

In percent	Group
Discount rate	11.7%
Terminal value growth rate	3.8%

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 discount rate was based on the risk-free rate of the Group adjusted with a sustainable implied market risk premium of 6.4% (6.0%).

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 2021 and in 2020. 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 that they meet:

1) The definition of an intangible asset
   - An intangible asset to be recognised needs to be *identifiable* (i.e. is separable or arises from contractual or other legal rights)
   - The asset is *controlled* by the entity as a result of past events (i.e. power to obtain the future economic benefits flow from the asset)

2) The recognition 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 following can be demonstrated.

- the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- the intention to complete the intangible assets and use or sell it.
- the ability to use or sell the intangible asset.
- how the intangible asset will generate probable future economic benefits.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

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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) 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.

(iii) 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 Investment in associates

Carrying amount of interests in associates

€'000	2021	2020
Balance at 1 January	**-**	**-**
Additions	103	-
Share of net results	(10)	-
Translation	2	-
Balance at 31 December	**94**	**-**

On 29 September 2021, the shareholding of Natural Swedish Cosmetics SARL was modified through an increase of the share capital from DZD 100,000 (around EUR 600) to DZD 1,000,000 (around EUR 6,000). Following this transaction, the Group shareholding in the entity was diluted to 49% and the company became an associate. Total assets and liabilities deconsolidated from the entity amounted to €0.1 million each.

For the Group, there was no cash impact with this transaction as its share increase was done through the conversion of retained results and the shareholding was diluted with the entry of a new shareholder. The company will now import and sell beauty accessories but not through a direct selling network anymore.

Income statement impact of associates

€'000	2021	2020
Share of net results	(10)	-
Loss from loss of control	(107)	-
Gain on currency translation adjustments recycled from Other Comprehensive Income	16	-
Loss from associates, net of tax	**(101)**	**-**

Accounting Policies

An associate is an entity over which the Group has significant influence. The latter is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. It may be obtained when the Group has 20% or more of the voting rights in the investee or has a Board member in the Board of the investee.

An investment in associate is accounted for using the equity method. In other words, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of investee's other comprehensive income.

4.5 Inventories

€'000	2021	2020
Raw materials	19,050	16,922
Work in progress	51	183
Finished goods	147,929	122,871
Other inventories	13,440	14,048
Inventories reserves	(24,988)	(26,328)
Total inventories	**155,482**	**127,696**

During 2021 the Group wrote down €9.2 million (€14.3 million) inventories. 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.

The increase in inventories during 2021 is primarily due to lower sales than planned.

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 2021 were €324.7 million (€380.3 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.

4.6 Trade and other receivables

	2021			2020		
€'000	Gross carrying amount	Expected credit loss allowance	Total	Gross carrying amount	Expected credit loss allowance	Total
Trade receivables	41,607	(13,942)	27,664	40,551	(11,696)	28,855
Other receivables	20,762	(1,071)	19,690	22,842	(533)	22,309
Total	**62,368**	**(15,014)**	**47,354**	**63,393**	**(12,229)**	**51,165**

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:

	2021			2020		
€'000	**Gross**	**Expected credit loss allowance**	**Net**	**Gross**	**Expected credit loss allowance**	**Net**
Not overdue	23,448	(353)	23,094	24,691	(618)	24,074
Overdue up to 6 months	7,224	(2,948)	4,276	8,293	(3,785)	4,508
Overdue older than 6 months	10,935	(10,641)	294	7,567	(7,294)	273
Total	**41,607**	**(13,942)**	**27,664**	**40,551**	**(11,696)**	**28,855**

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

€'000	2021	2020
Balance as at 1 January	**11,696**	**5,306**
Net remeasurement of loss allowance recognised in the income statement	4,004	6,921
Amounts written off	(1,758)	(530)
Balance at 31 December	**13,942**	**11,696**

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.

4.7 Trade and other payables

€'000	2021	2020
Trade payables	52,855	41,303
Other payables	62,619	58,786
Total trade and other payables	**115,474**	**100,089**

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

4.8 Accrued expenses

€'000	2021	2020
Performance discounts & Bonus	23,365	24,186
Staff related accruals	13,970	32,663
Conferences	9,806	16,446
Accrued interest	6,827	24,835
Other accruals	30,346	36,677
Total accrued expenses	**84,314**	**134,807**

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

4.9 Provisions and Contingencies

- **Provisions**

€'000	Restructuring	Claims & Other	Total
Balance at 1 January 2021	**2,910**	**11,412**	**14,322**
Provisions made during the year	522	5,932	6,454
Provisions used during the year	(2,541)	(320)	(2,861)
Provisions reversed during the year	(269)	(2,101)	(2,370)
Translations	9	555	563
Balance at 31 December 2021	**630**	**15,478**	**16,108**
Non-current	-	12,678	12,678
Current	630	2,800	3,430
Total provisions	**630**	**15,478**	**16,108**

The movements in the restructuring provision during the twelve months ended 31 December 2021 primarily come from the usage of the restructuring provision made in 2020 due to operational efficiency initiatives within all the regions as well as in the global functions such as closure of sales offices and staff reduction. The outstanding balance of €0.6 million is expected to be settled during 2022.

The provisions for "Claims & Other" increased by €5.9 million during the twelve months ended 31 December 2021 to cover mainly legal claims and/or procedures with local authorities in different countries in relation to VAT and personal income taxes. The proceedings in relation to VAT, customs and personal income taxes as of 31 December 2021 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 (€1.9 million) representing tax potential litigations of €0.9 million (€1.1 million) and other claims of €1.0 million (€0.8 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 2021, the Group had bank guarantees in place of €6.8 million (€6.2 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,
- it is probable that an outflow of economic benefits will be required to settle the obligation, and
- a reliable estimate can be made of the amount of 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 be 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

In 2020 Oriflame Partners Ltd (OPL - a company incorporated in Jersey, Channel Islands and ultimate parent company of the Oriflame 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
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)

The Share Incentive and retention Plan is 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 2021, the total amount of share-based payment recorded in Administrative Expenses was €6.0 million income (€6.4 million cost). At the reporting date the total SIP liabilities were €4.4 million (€10.4 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 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	-	-
Forfeited	(400)	(400)	(400)	-	-	-	-	-	-	-	-	-
Vested	-	-	-	-	-	-	-	-	-	-	-	-
Expired	-	-	-	-	-	(62,300)	-	(61,437)	-	(60,215)	-	-
No of Investment shares outstanding at 31 Dec 21	63,600	63,600	63,600	62,300	62,300	-	61,437	-	-	-	-	-

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)

The SIP expense, which represents a cash-settled share-based plan, is recorded based on the fair value of the shares of Oriflame Partners Ltd as of the reporting date. The fair value is 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	2021	2020
Net defined benefit liability		9,438	11,991
Liability for other long-term employee benefits*		1,239	1,150
Cash-settled share-based payment liability	5.1	4,383	10,388
Total employee benefits liabilities		**15,060**	**23,529**
Non-current		10,677	23,529
Current		4,383	-
		15,060	**23,529**

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

Employee benefit expenses

€'000	2021	2020
Salaries and wages	123,932	148,111
Social security contributions	21,253	26,718
Pension expenses	6,166	5,516
Share-based payments (income) / expenses	(6,005)	6,367
	145,346	**186,713**

Employee benefit expenses are mainly recognised in administrative expenses for €119.3 million (€170.5 million) and in cost of sales for €26.0 million (€16.2 million).

The average number of full-time equivalents in 2021 was 5,205 (5,660).

Defined contribution plans

During the year, companies operating defined contribution schemes recognised for these schemes €3.9 million pension costs (€4.2 million).

Defined benefit plans

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

Switzerland
The Group contributes to defined benefit plans in Switzerland. 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 2021 the minimum interest was 1.00 percent (1.00 percent). The actual contributions towards the old age risk as well as the benefits provided are based on the rules defined by the Board of Trustees of the foundation and are above the minimum requirements of the BVG.

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

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

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

The costs recognised in relation to the defined benefit plans during the year amounted to €2.3 million (€1.4 million). The net defined benefit liability at year end amounts to €9.4 million (€12.0 million).

In 2022, €1.8 million (€1.6 million) in employer contributions are expected to be paid for the defined benefit plans.

(a) Movement in net defined benefit liability

The below table illustrates the net defined benefit liability movements and its components during the period.

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
€'000	2021	2020	2021	2020	2021	2020
Balance at 1 January	**29,103**	**26,555**	**(17,112)**	**(15,700)**	**11,991**	**10,855**
Included in income statement						
Service cost						
- Current service cost	2,394	2,475	-	-	2,394	2,475
- Past service cost	(339)	(1,343)	-	-	(339)	(1,343)
Administrative expenses	-	-	41	59	41	59
Interest expense / (income)	235	257	(71)	(83)	164	174
Defined benefit cost included in income statement	**2,289**	**1,388**	**(30)**	**(24)**	**2,260**	**1,365**
Included in Other Comprehensive Income (OCI)						
Remeasurements loss / (gain)						
Effect of changes						
- in demographic assumptions	(1,592)	(569)	-	-	(1,592)	(569)
- in financial assumptions	(1,206)	1,867	-	-	(1,206)	1,867
Effect of experience adjustments	329	860	-	-	329	860
Return on plan assets (excluding interest income)	-	-	(926)	8	(926)	8
Total remeasurements included in OCI	**(2,469)**	**2,158**	**(926)**	**8**	**(3,395)**	**2,166**
Other						
Exchange differences included in the income statement	1,255	(337)	(845)	25	410	(312)
Contributions						
- Employers	-	-	(1,786)	(1,914)	(1,786)	(1,914)
- Participants	28	36	(28)	(36)	-	-
Insurance premiums for risk benefits	(329)	(368)	329	(368)	-	-
Benefit payments from/to the plan	(1,348)	(330)	1,306	161	(41)	(169)
Total Other	**(393)**	**(999)**	**(1,024)**	**(1,396)**	**(1,418)**	**(2,395)**
Balance at 31 December	**28,530**	**29,103**	**(19,092)**	**(17,112)**	**9,438**	**11,991**

In 2021, the positive impact in the demographic assumptions of €1.6 million is primarily due to the changes in the demographic basis in Switzerland. The new tables used (BVG 2020 generational tables) had an impact on various demographic assumptions such as mortality, disability, probability of being married, ... compared to the previous one (BVG 2015 generational tables).

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

	2021			2020		
€'000	Switzerland	Other Countries	Total	Switzerland	Other Countries	Total
Defined benefit obligation	25,005	3,525	**28,530**	25,312	3,791	**29,103**
Fair value of plan assets	(18,245)	(847)	**(19,092)**	(16,420)	(692)	**(17,112)**
Net defined benefit liability	**6,760**	**2,678**	**9,438**	**8,892**	**3,098**	**11,991**

(b) Actuarial assumptions

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

	2021		2020	
€'000	Switzerland	Other countries (Weighted average)	Switzerland	Other countries (Weighted average)
Discount rate, %	0.35%	6.6%	0.15%	7.0%
Future salary increases, %	1.5%	8.0%	1.5%	7.6%
Mortality probabilities	BVG 2020 generational tables	various	BVG 2015 generational tables	various

The expected benefit payments are as follows:

	2021		2020	
€'000	Switzerland*	Other countries	Switzerland*	Other countries
Less than one year	-	255	-	227
Between 1 – 5 years	-	1,040	-	899
Over 5 years	-	3,137	-	3,276

* Benefit payments for Switzerland do not have a cash impact for the Group as the benefit payments are settled by the pension fund.

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

Duration	2021 Years	2020 Years
Switzerland	18.7	20.3
Other countries (weighted average)	13.1	13.4

(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.

Switzerland	31 December 2021		31 December 2020	
€'000	0.25% Increase	0.25% Decrease	0.25% Increase	0.25% Decrease
Discount rate	(1,076)	1,153	(1,228)	1,322
Future salary increases	357	(361)	429	(430)

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 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, %
Oriflame Cosmeticos Argentina, S.A.*[1]	Argentina	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*[3]	Estonia	100
Oriflame Oy	Finland	100
Oriflame Cosmetics Ltd*[2]	Ghana	100
Oriflame Georgia LLC	Georgia	100
Special Trading Company Oriflame Caucasus*[3]	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	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.*3	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*3	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 December 2021 Oriflame Cosmeticos Argentina, S.A., a new subsidiary of the Group, was founded
*2 In June 2021, Oriflame Cosmetics Ltd, Ghana, a new subsidiary of the Group, was founded
*3 In liquidation

In September 2021, Natural Swedish Cosmetics SARL, a former subsidiary of the Group, became an associate and was deconsolidated. Refer to note 4.4. for additional information.

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 3.3 as of 31 December 2021. (2.8 as of 31 December 2020).

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

€'000	Note	2021	2020
Senior Secured Notes - €		250.0	475.0
Senior Secured Notes - $		485.6	273.0
Revolving Credit Facility (RCF)		-	-
Secured debt		**735.6**	**748.0**
less cash and cash equivalents	7.2	(118.9)	(241.9)
Net Secured debt		**616.8**	**506.1**
Operating profit		144.6	103.7
Depreciation, amortisation and impairment		43.3	51.2
Purchase Price Allocation (PPA) items		0.1	13.7
Non-recurring items		0.9	10.1
Impairment included in non-recurring items		-	(0.1)
Adjusted EBITDA		**188.9**	**178.6**
Net Secured debt / Adjusted EBITDA		**3.3**	**2.8**

- **Share capital**

Oriflame Holding Ltd, 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 2021.

- **Nature and purpose of reserves**

€'000	2021	2020
Translation reserves	(36,259)	(58,228)
Hedging reserve	6,565	16,991
Reserves	**(29,694)**	**(41,237)**

Translation reserves:
During the period 2021 a foreign exchange gain of €22.0 million arising from the translation of financial statements of foreign subsidiaries was recognised (€61.8 million loss) and €16 thousand foreign exchange gain (nil) was reclassified to profit or loss following the loss of control as described in the note "4.4 investment in associates".

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 2021, a loss of €10.4 million was recognised on the hedging reserve (€13.2 million gain).

Impact of financial instruments in other comprehensive income

€'000	2021	2020
Changes in fair value of cash flow hedges:		
Foreign currency risk*	(7,232)	6,977
Interest rate risk**	513	8,166
Tax on changes in fair value of cash flow hedges	(12)	(88)
Changes in fair value of cash flow hedges reclassified to profit or loss:		
- Cost of sales	155	(1,694)
- Foreign exchange differences***	(3,970)	-
- Current tax	120	(111)
Effective portion of changes in fair value of cash flow hedges, net of tax	**(10,426)**	**13,250**

* The group has entered into various forward exchange contracts with a nominal value of €72.2 million (€71.5 million) that hedge the cash flow variability due to foreign currency risk. Forward exchange contracts have maturity during 2022.
** The Group applies cash flow hedge accounting for related cross-currency interest rate swaps.
*** This amount corresponds to the amount recycled from OCI to profit or loss following the repayment of the debt in May 2021 and the closing of the related hedges.

- **Dividends**

On 23rd February 2021, the Board of Directors decided to pay a dividend of €30.5 million which was paid during the first quarter of 2021.

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	2021	2020
Cash	96,971	222,594
Short term deposits	21,882	19,353
Total cash and cash equivalents	**118,853**	**241,947**

- **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 or the Company enters 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 hedging transactions.

The Group hedges up to 100 percent of selected currency transaction exposures by entering 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 2021 there were a variety of forward exchange contracts outstanding for a nominal amount equivalent of €75.2 million (€74.9 million) with maturities ranging from January to December 2022, 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 €10.6 million (€8.1million) 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 2021, the fair value of these contracts was €0.018 million loss (€0.012 million loss).

The Group claims cash flow hedge accounting for a variety of forward contracts at a nominal amount of €61.6 million (€66.8 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 2021, the fair value of these forward contracts was €0.8 million loss (€0.1 million gain).

On 4 May 2021 the Company successfully issued €250m Floating Rate Senior Secured notes due 2026 (the "Euro Notes") and $550m Senior Secured Notes (the "Dollar Notes") due 2026 and at the same time entered a series of cross-currency interest rate swaps and an interest rate swap in order to hedge the currency exposure on the USD denominated Notes and the risk on the floating interest rate on the EUR denominated Notes. Following the repayment of the Senior Secured Notes due in 2024 in May 2021, the $180.0m swap was amended and extended and the $155.0m swap was terminated and a new swap was traded to match the terms of the new debt on 4 May 2021. In addition, the Company entered four additional new cross-currency interest swaps with various counterparties in order to hedge the full notional amount of the USD denominated Notes ($550.0m).

Exposure to currency risk

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

2021	RUB	IDR	INR	CNY	MXN	TRY
In €'000 equivalents						
Intra-group trading balances	15,412	1,577	473	1,683	720	246
Trade receivables/(payables)	-	-	-	-	-	-
Gross balance sheet exposure	**15,412**	**1,577**	**473**	**1,683**	**720**	**246**
Forward exchange rate contracts*	(14,155)	(261)	(90)	(255)	(3,889)	(286)
Net Exposure	**1,257**	**1,316**	**382**	**1,428**	**(3,168)**	**(40)**

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**

* 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	
€	2021	2020	2021	2020
RUB	86.91	82.14	84.07	90.68
IDR	16,959.38	16,539.55	16,100.42	17,240.76
INR	87.23	84.60	84.23	89.66
CNY	7.66	7.87	7.19	8.02
MXN	24.01	24.44	23.14	24.42
TRY	10.52	8.00	14.68	9.01

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 %	2021	2020
RUB	(0.4)	(0.5)
IDR	(0.2)	(0.3)
INR	(0.3)	(0.3)
CNY	(0.3)	(0.6)
MXN	(0.1)	(0.1)
TRY	(0.0)	(0.1)

Effect on Group equity in € million	2021	2020
RUB	(0.5)	(0.8)
IDR	(0.2)	(0.3)
INR	(0.1)	(0.2)
CNY	(0.5)	(0.7)
MXN	(0.1)	(0.2)
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.

A sensitivity analysis on interest rates is non-material for the Group. All interest rates are fixed and as such a variation of interest rates would not have any impact on the profit and loss.

(iii) Hedge

Refer to note "2.1 Loans and borrowings" for additional information about the hedge to the currency exposure on the USD denominated Notes and the risk on the floating interest rate on the EUR denominated notes.

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 decided not to apply hedge accounting to the Interest Rate Swap (€250.0 million) and it is measured at fair value through the profit and loss.

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 of €0.4 million (2020: nil).

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	2021	2020
Trade and other receivables	37,971	38,973
Cash and cash equivalents	118,853	241,947
Forward exchange rate contracts	10	43
Forward exchange rate contracts for hedging	601	1,297
Cross-currency interest rate swaps for hedging	20,727	-
Interest rate swaps	587	-
	178,748	**282,260**

Information about the Group's exposure to impairment losses for trade receivables are included in the note "4.6 – 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. As at 31 December 2021 and 2020, the RCF was not drawn down.

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

31 December 2021 €'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	721,837	841,971*	26,571	815,400	-
Trade and other payables	104,846	104,846	104,846	-	-
Accrued expenses	60,537	60,537	60,537	-	-
Other long-term liabilities	1,068	1,068	-	1,068	-
Lease obligations	39,251	47,391	16,262	26,833	4,296
Derivative financial liabilities					
Forward exchange rate contracts	41	41	41	-	-
Forward exchange rate contracts for hedging (cash flow hedge)	1,412	1,412	1,412	-	-
Total	**928,992**	**1,057,266**	**209,669**	**843,301**	**4,296**

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**

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

** The disclosed amounts relate to the MTM values of the cross-currency interest rate swaps

- **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 2021	**Carrying amount**				**Fair value**		
€'000	**Fair value - hedging instruments**	**Mandatorily at FVPL**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value							
Forward exchange rate contracts	-	10	-	10	-	10	-
Cross-currency interest rate swaps for hedging*	20,727	-	-	20,727	-	20,727	-
Interest rate swaps	-	587	-	587	-	587	-
Forward exchange rate contracts for hedging	601	-	-	601	-	601	-
Total derivatives financial assets	*21,328*	*597*	-	*21,924*	-	*21,924*	-
Total Financial assets measured at fair value	**21,328**	**597**	**-**	**21,924**	**-**	**21,924**	-
Financial liabilities measured at amortised cost							
Interest-bearing notes	-	-	(721,837)	(721,837)	(670,061)	-	-
Total Financial liabilities measured at amortised cost	**-**	**-**	**(721,837)**	**(721,837)**	**(670,061)**	**-**	**-**
Financial liabilities measured at fair value							
Forward exchange rate contracts	-	(41)	-	(41)	-	(41)	-
Forward exchange rate contracts for hedging	(1,412)	-	-	(1,412)	-	(1,412)	-
Total derivative financial liabilities	*(1,412)*	*(41)*	-	*(1,454)*	-	*(1,454)*	-
Total financial liabilities measured at fair value	**(1,412)**	**(41)**	**-**	**(1,454)**	**-**	**(1,454)**	**-**

* The difference of €0.4 million on the carrying amount of the cross-currency interest rate swaps amounting to €20,7 million and the amount reported in the note "2.1 – Loans and borrowings" of €20.3 million is explained by the ineffectiveness of the hedges booked at inception of the debt (€0.8 million) and the credit risk adjustment on the debt hedges (€-0.4 million).

31 December 2020 €'000	Carrying amount Fair value - hedging instruments	 Mandatorily at FVPL	 Other financial liabilities	 Total	Fair value Level 1	 Level 2	 Level 3
Financial assets measured at fair value							
Forward exchange rate contracts	-	43	-	43	-	43	-
Forward exchange rate contracts for hedging	1,297	-	-	1,297	-	1,297	-
Total derivatives financial assets	*1,297*	*43*	-	*1,340*	-	*1,340*	-
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)	-
Total derivative financial liabilities	-	*(18,918)*	-	*(18,918)*	-	*(18,918)*	-
Total financial liabilities measured at fair value	**-**	**(18,918)**	**-**	**(18,918)**	**-**	**(18,918)**	**-**

The Level I Interest-bearing notes are listed on the International Stock Exchange.

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 2021 and 2020.

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 2021 and 2020 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 employee benefits for the key management personnel are as follows:

2021 €'000	Short-term employee benefits	Post-employment benefits	Share-based payment**	Total
Chief Executive Officer	1,077	198	-	**1,275**
Chairman of the Board of Directors	90	-	-	**90**
Members of the Board of Directors*	320	-	-	**320**
Members of the Corporate Committee*	2,558	511	-	**3,069**
Total	**4,045**	**709**	**-**	**4,754**

* Excluding the Chief Executive Officer

** The benefit about the share-based payment reflects the 2021 cost of future potential awards under ongoing share incentive plans as mentioned in the note "5.1 – Share-based payment arrangements".

2020 €'000	Short-term employee benefits	Post-employment benefits	Share-based payment**	Total
Chief Executive Officer	1,132	198	715	**2,045**
Chairman of the Board of Directors	84	-	-	**84**
Members of the Board of Directors*	264	-	-	**264**
Members of the Corporate Committee*	3,232	648	914	**4,794**
Total	**4,712**	**846**	**1,629**	**7,187**

* Excluding the Chief Executive Officer

** The benefit about the share-based payment 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)

	Transaction value Year ended 31 December		Balance outstanding as at 31 December	
€'000	2021	2020	2021	2020
Medicover health care services	(379)	(395)	(13)	(31)
Natural Swedish Cosmetics SARL	-	-	258	-

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.

Natural Swedish Cosmetics SARL is a new associate from the Group. The company imports and sells beauty accessories but not through a direct selling network anymore. Refer to note 4.4 for additional information.

All transactions with related parties are done on arm's length basis. During the year ending 31 December 2021 and 2020, 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	2021	2020
Government grants	-	785
	-	**785**

The conditions attached to the two government grants of €0.8 million awarded in 2020 were met during 2021. It resulted in the recognition of an income of the same amount in administrative expense. As at 31 December 2021, there was no such outstanding government grant.

In 2020, 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. In 2021, the Group did not recognise material government grants as a direct consequence of the Covid-19 pandemic other than the €0.8 million mentioned above.

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

On 24th February 2022 Russia invaded Ukraine. This Ukraine-Russia conflict, together with the developing sanctions, significantly impacted the operations in the CIS Global Business Area and consequently the entire group.
Since this date operations in Ukraine were closed to ensure the safety or our 115 employees and a range of support initiatives to support our employees and Brand Partners were coordinated.
The continuing war along with operational and legal challenges make it impossible to continue our Russian business in its current form. Therefore, operations in Russia have been reduced in March 2022 by suspending investments, marketing, training and events. Online sales to end consumers in Russia were also suspended.
Although it is not possible to estimate the full impact of the war on the group at this stage, as it will depend on its duration and many other parameters such as the various international sanctions against Russia, is expected to have a significant impact for the group in 2022. In 2021 Russia accounted for 16%, Belarus 2% and Ukraine 2% to the group sales with similar contribution to the group operating profit. As per 31 December 2021, Russia represented 11%, Belarus 0.5% and Ukraine 1% to the group's total assets.
At the date of issuance of these consolidated financial statements sales forecasts were reassessed in order to determine whether there is an indication for an impairment loss on the CIS and manufacturing reportable segments.
The outcome of this reassessment did not show an indication for an impairment loss subsequent to the reporting date. However, given the high uncertainty on the current situation and various potential outcomes in the coming months, the group will perform an impairment test for the 2022 half year closing.

On 21st March 2022, Cetes Cosmetics LLC and Oriflame Cosmetics LLC were designated as Unrestricted Subsidiaries. Additional information on this topic is provided in the note 2.1 and regarding the respective assets, liabilities, income and expenses of these entities on pages 109 and 110.

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 2021 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements (pages 56 – 106) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year 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 requirement 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 in the annual report. 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 the Board of Directors 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.
- 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, 20 April 2022

Additional information

Consolidated financial statements – Restricted and unrestricted subsidiaries

The following consolidated financial statements present, on a supplemental basis, the results of operations and the financial position for those subsidiaries of Oriflame which have been designated unrestricted subsidiaries for purposes of the Indenture and the Revolving Facility Agreement.

Cetes Cosmetics LLC and Oriflame Cosmetics LLC were designated as unrestricted subsidiaries on March 21, 2022 (the "Unrestricted Subsidiaries"). In this section, the Unrestricted Subsidiaries are excluded from the Oriflame's financial results as if they were unrestricted subsidiaries as of and for the year ended December 31, 2021. Accordingly, management believes that the following presentation is helpful to current and potential investors in the Senior Secured Notes as well as others.

Consolidated income statement

PERIOD ENDED 31 DECEMBER 2021

€'000	Oriflame Group Consolidated	"Restricted" subsidiaries	"Unrestricted" subsidiaries
Sales	1,016,488	850,930	165,558
Cost of sales	(324,692)	(231,704)	(92,988)
Gross profit	**691,796**	**619,225**	**72,571**
Selling and marketing expenses	(293,434)	(250,721)	(42,713)
Distribution and infrastructure	(26,337)	(22,084)	(4,253)
Administrative expenses	(227,375)	(208,923)	(18,452)
Operating profit	**144,650**	**137,497**	**7,152**
Financial income	24,604	24,467	137
Financial expenses	(133,281)	(131,559)	(1,721)
Net financial costs	**(108,676)**	**(107,092)**	**(1,584)**
Loss from associates, net of tax	(101)	(101)	-
Profit before income tax	**35,872**	**30,304**	**5,568**
Income tax expense	(35,160)	(33,563)	(1,598)
Profit / (loss) for the period	**712**	**(3,258)**	**3,970**

Consolidated statement of financial position

31 December 2021 €'000	Oriflame Group Consolidated	"Restricted" subsidiaries	"Unrestricted" subsidiaries
Assets			
Property, plant and equipment	109,739	47,110	62,629
Right-of-use-Assets	37,034	26,850	10,184
Intangible assets & Goodwill	834,392	796,440	37,953
Investment in associates	94	94	-
Investment property	542	542	-
Deferred tax assets	24,660	18,133	6,527
Other long-term receivables and prepaid expenses	1,999	1,999	-
Derivative financial assets	21,314	21,314	-
Total non-current assets	**1,029,775**	**912,483**	**117,292**
Inventories	155,482	128,968	26,514
Trade and other receivables	47,354	44,190	3,164
Intercompany receivables	-	(1,740)	1,740
Tax receivables	16,181	15,013	1,169
Prepaid expenses	20,792	19,192	1,600
Derivative financial assets	610	610	-
Cash and cash equivalents	118,853	115,381	3,472
Total current assets	**359,274**	**321,615**	**37,659**
Total assets	**1,389,049**	**1,234,098**	**154,951**
Total Equity	**309,618**	**222,670**	**86,948**
Liabilities			
Interest-bearing notes	721,837	721,837	-
Intercompany loans	-	(14,357)	14,357
Employee benefits	10,677	10,677	-
Lease liabilities	26,149	17,247	8,902
Other long-term liabilities	2,006	2,006	-
Derivative financial liabilities	-	-	-
Deferred income	144	144	-
Provisions	12,678	12,678	-
Deferred tax liabilities	55,627	51,674	3,952
Total non-current liabilities	**829,117**	**801,906**	**27,211**
Lease liabilities	13,102	11,266	1,836
Trade and other payables	115,474	105,527	9,947
Intercompany payables	-	(18,911)	18,911
Contract liabilities	10,393	8,442	1,950
Tax payables	17,766	17,766	-
Accrued expenses	84,314	76,166	8,148
Derivative financial liabilities	1,454	1,454	-
Employee benefits	4,383	4,383	-
Provisions	3,430	3,430	-
Total current liabilities	**250,314**	**209,522**	**40,792**
Total liabilities	**1,079,431**	**1,011,428**	**68,003**
Total equity and liabilities	**1,389,049**	**1,234,098**	**154,951**

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 which took place in July 2019. This provides a better understanding of the group performance on its core activities.

Non-recurring items cover:

- Restructuring costs: mainly coming from a group restructuring in 2020 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 amounting to €10.1 million. In 2021, restructuring costs amounted to €0.5 million.
- Expenses related to the refinancing in 2021 and recognised as financial expenses (€60.3 million) and as administrative expenses (€0.4 million). Refer to the note "2.1 Loans and borrowings" for additional information.

In 2021, the PPA items amounted to €10.8 million and covered mainly the amortisation on newly identified intangible assets. In 2020, they amounted to €28.1 million and covered mainly the amortisation on newly identified intangible assets and an additional fair value revaluation of the acquired inventories.

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

€'000	2021	2020
Reported operating profit	**144,650**	**103,739**
Purchase Price Allocation items	10,818	28,063
Administrative expenses related to the refinancing	374	-
Restructuring costs*	521	9,954
Impairment related to restructuring costs*	-	112
Total non-recurring items and PPA items on operating profit	**11,713**	**38,129**
Adjusted operating profit	**156,363**	**141,868**

*Restructuring costs are mainly reported in administrative expenses.

Adjusted net profit

€'000	2021	2020
Reported profit for the period	**712**	**279**
Purchase Price Allocation items	9,739	23,139
Non-recurring items	788	7,999
Financial expenses related to the refinancing	60,272	-
Adjusted net profit	**71,511**	**31,417**

Adjusted EBITDA

€´000	2021	2020
Reported operating profit	**144,650**	**103,739**
Depreciation, amortisation and impairment	43,306	51,165
EBITDA	**187,956**	**154,904**
Purchase Price Allocation items	92	13,714
Non-recurring items (excluding impairment)	895	9,954
Adjusted EBITDA	**188,942**	**178,572**

Adjusted Cash Flow from operating activities

€´000	2021	2020
Cash flow from / (used in) operating activities	(17,040)	133,364
Non-recurring and PPA items recognised during the period	55,309	11,122
Non-recurring items paid from prior periods	2,541	16,352
Adjusted Cash flow from operating activities	**40,810**	**160,838**

Adjusted Cash Flow before financing activities

€´000	2021	2020
Adjusted Cash flow from / (used in) operating activities	(17,040)	133,364
Excluding Interest received	(1,459)	(2,146)
Excluding Interest and bank charges paid	115,014	58,921
Cash flow used in investing activities	(6,877)	(5,949)
Payment of lease liabilities	(16,808)	(17,833)
Non-recurring items and PPA	2,321	25,138
Adjusted Cash flow before financing activities	**75,152**	**191,494**

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

€'000	2021	2020
Reported profit before income tax	**35,872**	**23,059**
Adjustment for:		
PPA and non-recurring items	12,307	39,297
Financial expenses related to refinancing	60,272	-
Interest expense	44,298	61,462
Adjusted net profit before tax	**152,749**	**123,818**

€'000	2021	2020
Reported total tax expense	**(35,160)**	**(22,780)**
Adjustment for:		
PPA and non-recurring items	(1,780)	(8,160)
Financial expenses related to refinancing	-	-
Interest expense	-	-
Adjusted total tax expense	**(36,940)**	**(30,939)**

	2021	2020
ETR without PPA and non-recurring items	**24.2%**	**25.0%**

Financial calendar 2022

- Interim Management Statement 1 January - 31 March 2022, 21 April 2022
- Interim Management Statement 1 January - 30 June 2022, 21 July 2022
- Interim Management Statement 1 January - 30 September 2022, 21 October 2022

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