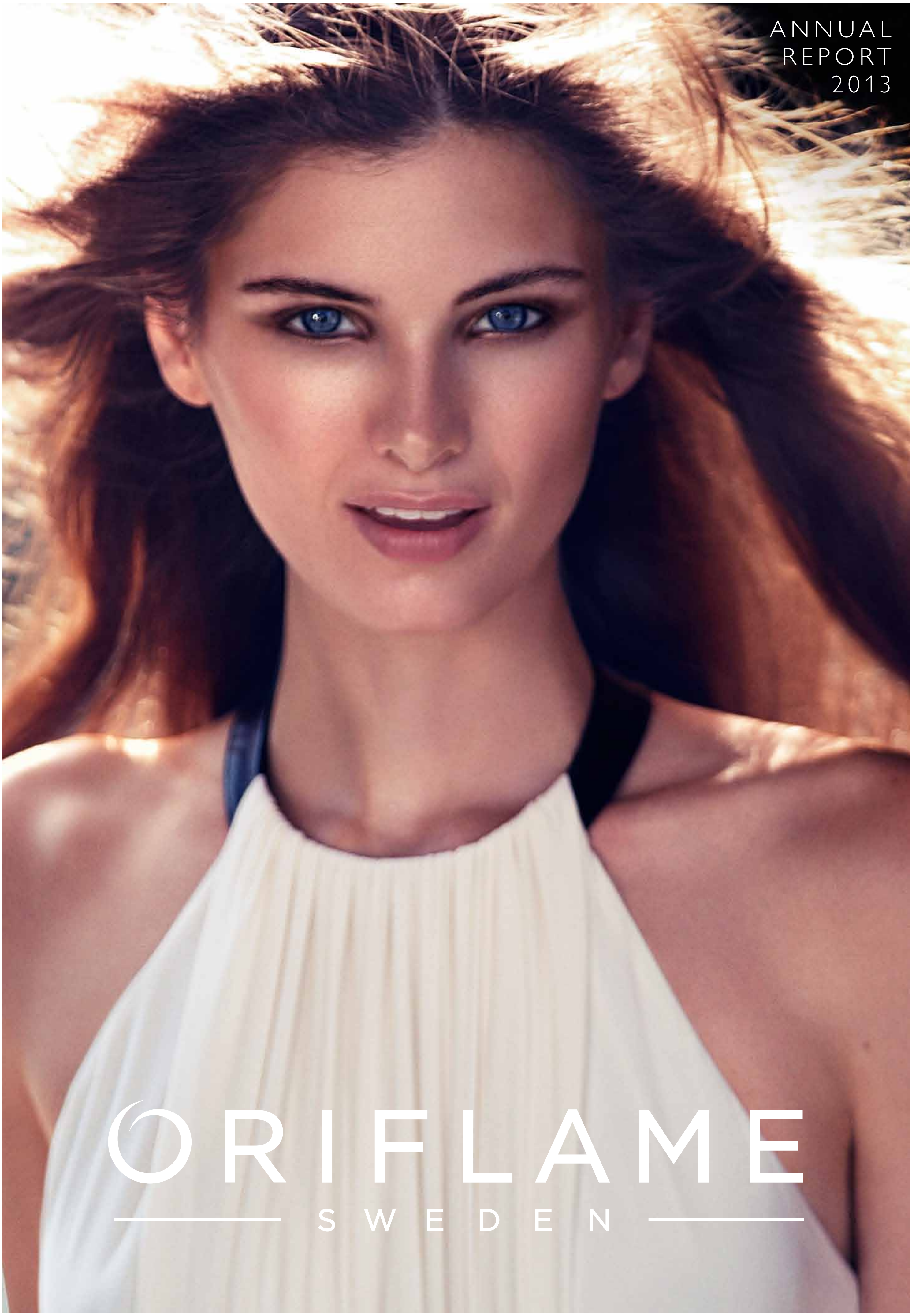


ANNUAL REPORT 2013

ORIFLAME

SWEDEN

Quick guide

Company overview

Oriflame

The combination of an attractive beauty offering, an easily accessible business opportunity and an organisation of passionate people create the foundation for fulfilling dreams.

BUSINESS MODEL

Through its unique business concept – Make Money Today and Fulfil Your Dreams Tomorrow™, Oriflame offers a leading business opportunity for people who want to start making money the day they join and work towards fulfilling their personal dreams and ambitions.

A sales force of over 3 million independent Oriflame Consultants has seized this opportunity and is successfully marketing Oriflame's extensive portfolio of beauty products, creating combined annual sales of around €1.4 billion.

HISTORY IN BRIEF

Oriflame was founded in Sweden in 1967 by the brothers Jonas and Robert af Jochnick and Bengt Hellsten. They wanted to give people the opportunity to benefit from good skin care and attractive cosmetics through products inspired by the natural beauty associated with Sweden. Rather than investing in a chain of stores, they decided to move the retail operations into the homes of Swedish consumers. For over 45 years, Oriflame has remained true to its original concept of beauty products inspired by Swedish nature and an entrepreneurial spirit. Today, Oriflame is a global beauty company selling direct in more than 60 markets.

PRODUCT OFFERING

Oriflame's product offering builds on more than four decades of skincare and cosmetics expertise – combining innovation and inspiration from nature. The Company provides a broad range of high-quality products for everyday use at affordable prices, following the main principles for its product offering:

- High purity ingredients and strict manufacturing standards
- Assured product performance at value for money
- High ethical standards and stringent environmental policies

Oriflame offers products in six categories – Skin Care, Colour Cosmetics, Fragrance, Personal & Hair Care, Accessories and Wellness.

VISION

To be the No 1 Beauty Company Selling Direct

MISSION

To Fulfil Dreams

MARKET ENTRIES

1967	1968	1969	1970	1972	1978	1985	1986	1989	1990	1991	1992	1993
Sweden Denmark	Finland	Norway	UK	Netherlands	Spain	Portugal	Indonesia	Chile	Czechoslovakia	Poland Hungary Mexico	Russia Turkey Latvia	Ukraine Slovakia Greece

1994	1995	1996	1997	1998	2000	2001	2002	2003	2005	2006	2008	2011	2012	2013
Bulgaria	Peru Lithuania Romania	Macedonia Ecuador Croatia India	Estonia Morocco Egypt Slovenia Sri Lanka	Azerbaijan Colombia Bosnia	Kazakhstan Thailand Georgia	Serbia & Montenegro	Mongolia	Armenia Moldova Vietnam	Belarus	China	Pakistan Kyrgyzstan	Algeria	Kenya Uganda Tanzania	Tunisia Nigeria Myanmar




Strategic cornerstones

Oriflame's overall objective is to create profitable growth through an attractive beauty offering and an easily accessible business opportunity for its Consultants. Its extensive geographical footprint, with operations in some of the growth markets with the highest potential in the world, and very strong market positions in a number of more mature markets, provides a solid basis for further opportunities. Oriflame strives for optimised resource allocation to achieve sourcing and operational efficiency with a sustainable profile. The strategic initiatives come under four cornerstones.

BRANDS & PRODUCTS

Oriflame shall continuously develop and provide a broad range of distinct brands in different affordable price segments to meet varied demands and preferences within and between markets. The portfolio covers a wide range of beauty products in six product categories. To meet consumer demands, the portfolio is developed constantly with a high level of product renewal each year. In late 2012, Oriflame launched its new brand promise "Your Dreams – Our Inspiration™", to further emphasise the aim of becoming the company that best understands people's dreams. In 2013, work began to gather and understand dreams, for example by allowing anyone to create their own dream board on the Oriflame website.

NETWORK MARKETING

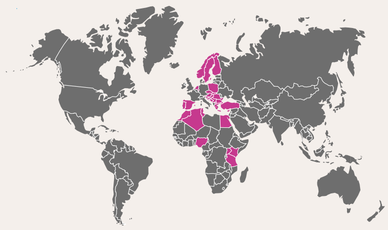
By continuously improving the consumer offering and earnings opportunities, Oriflame will attract an increasing number of Consultants. In order to be the preferred brand, Oriflame shall offer the most attractive success plan and training opportunities. The key marketing tool is a frequently distributed catalogue, combined with an increasing number of relevant online applications.

WORLD CLASS SERVICE

Oriflame strives to constantly cut lead times, raise service levels and build capacity closer to the customer to support growth, all in a sustainable manner. Flexible and user-friendly systems support the work of Oriflame Consultants and employees and contribute to efficiency throughout the organisation.

PEOPLE & CULTURE

To retain employees and attract an ever-increasing sales force, Oriflame shall offer great motivation and development potential. Oriflame's culture is based on entrepreneurship and respect for and belief in peoples' capabilities. Attracting and keeping talent is crucial to the Company's future success.



Markets

CIS & Baltics

Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Mongolia, Russia, Ukraine

2013 DEVELOPMENT IN BRIEF

- Local currency sales decreased by 7%
- Active consultants decreased by 5% to 1.7 million Oriflame Consultants
- Sales in the region's largest market Russia decreased by 4% in local currency

Unsatisfactory development impacted by weak demand for cosmetics in some of the core markets, primarily Ukraine. Revised Success Plan introduced during the spring.

OPERATIONS

PRODUCTION

Moscow, Russia – Global factory supplying all regions Lipsticks, Lipglosses
Noginsk, Russia – Currently under construction

GROUP DISTRIBUTION CENTRES

Kiev, Ukraine – Serving the Ukrainian market
Noginsk, Russia – Serving primarily the Russian market

OFFICES

Regional Office in Moscow, Russia

CATALOGUE PRINTING

Russia and CIS markets printed in Ukraine

EMEA

Algeria, Bosnia, Bulgaria, Croatia, Czech Rep., Egypt, Finland, Greece, Holland, Hungary, Kenya, Morocco, Macedonia, Montenegro, Nigeria, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden, Tanzania, Tunisia, Turkey, Uganda

2013 DEVELOPMENT IN BRIEF

- Local currency sales decreased by 3%
- Active consultants decreased by 1% to 0.9 million Oriflame Consultants
- Sales growth strong in Africa and Turkey
- Operations started in Nigeria and Tunisia

Overall development impacted by weak consumer markets in Southern and Central Europe. Administrative and supply chain functions further centralised and delivering efficiency gains while some of the core activities were decentralised to better respond to local market needs.

OPERATIONS

PRODUCTION

Warsaw, Poland – Global factory supplying all regions. Skin Care, Body care/toiletries, Colour Cosmetics (colour emulsions)
Ekerö, Sweden – Global factory supplying all regions. Toiletries, Fragrances

GROUP DISTRIBUTION CENTRES

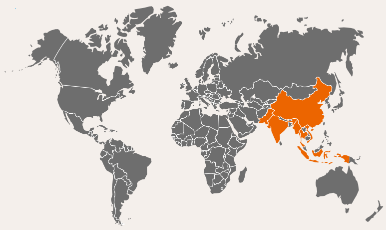
Warsaw, Poland – Serving nine markets,
Budapest, Hungary – Serving eleven markets

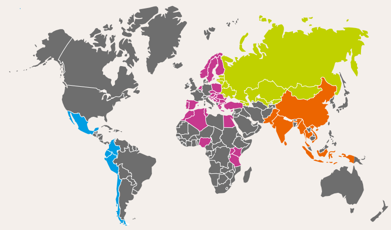
OFFICES

Regional Office in Warsaw, Poland

CATALOGUE PRINTING

Turkey and the majority of the African markets are printed locally in each market. All other EMEA markets printed in Poland





Markets

Asia

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

2013 DEVELOPMENT IN BRIEF

- Local currency sales increased by 21%
- Active consultants increased by 18% to 0.6 million Oriflame Consultants
- Strong sales growth in India and Indonesia
- Operations started in Myanmar

Strong sales development and operating margin held up despite strong currency headwind.

OPERATIONS

PRODUCTION

Noida, India – Skin Care, Body care/toiletries, Colour Cosmetics
Kunshan and Beijing, China – Skin Care, Body care/toiletries, Colour Cosmetics, Wellness

OFFICES

Regional Office in Bangkok, Thailand and Delhi, India

CATALOGUE PRINTING

Printed locally in each market

Latin America

Chile, Colombia, Ecuador, Mexico, Peru

2013 DEVELOPMENT IN BRIEF

- Local currency sales increased by 19%
- Active consultants increased by 29% to 0.2 million Oriflame Consultants
- Strong sales growth in all markets

Strong sales development driven by increase in active consultants and solid operating margin improvement from cost control and leverage on overheads.

OPERATIONS

OFFICES

Regional Office in Santiago, Chile

CATALOGUE PRINTING

Produced and printed in Chile for all Latin American markets

Group

Oriflame is currently present in more than 60 markets, including markets operated by franchisees

2013 DEVELOPMENT IN BRIEF

- Local currency sales decreased by 1%
- Active consultants increased by 1% to 3.5 million Oriflame Consultants

A year of mixed development in the different regions – continued challenges in many parts of CIS and Europe while strong development in Asia, Latin America, Africa and Turkey. Several initiatives carried out delivering underlying margin improvement however overshadowed by strong currency headwind.

OPERATIONS

PRODUCTION

Six production facilities in five countries plus one under construction

GROUP DISTRIBUTION CENTRES

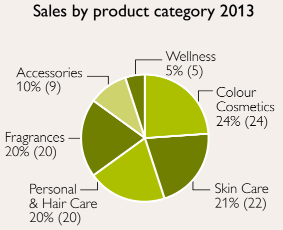
Four Group Distribution Centres in four countries

OFFICES

Corporate Offices in Schaffhausen and Fribourg, Switzerland and in Luxembourg

Group Support Offices in Dublin, Ireland, New Dehli, India, Prague, Czech Republic, Stockholm, Sweden, and Warsaw, Poland

Financial overview



LONG-TERM FINANCIAL TARGETS

- Oriflame Cosmetics aims to achieve local currency sales growth of approximately 10 percent per annum and an operating margin of 15 percent.

FINANCIAL ACHIEVEMENTS 2013

- Local currency sales decreased by 1% and Euro sales amounted to €1,406.7m (€1,489.3m).
- EBITDA amounted to €166.5m (€204.2m).
- Adjusted operating margin was 10.1% (11.8%) resulting in an adjusted operating profit of €142.4m (€175.1m).
- Adjusted net profit amounted to €84.4m (€121.5m) and adjusted EPS amounted to €1.52 (€2.13).
- Cash flow from operating activities amounted to €112.1m (€183.7m).

KEY FIGURES

€ million unless stated otherwise	2013	2012
Sales	1,406.7	1,489.3
Gross profit	986.4	1,053.0
Gross margin, %	70.1	70.7
EBITDA	166.5	204.2
Adjusted operating profit	2)142.4	175.1
Adjusted operating margin, %	2)10.1	11.8
Adjusted net profit	2)84.4	121.5
Return on capital employed, ROCE, %	25.4	30.8
Cash flow from operating activities	112.1	183.7
Cash flow from operating activities, per share, €	2.02	3.22
Equity/assets ratio, %	21.9	31.9
Net interest-bearing debt	1)275.9	1)214.0
Interest cover	7.6	9.7
Adjusted earnings per share, diluted, €	2)1.52	2.13
Active Consultants* ('000)	3,460	3,422
Average number of full-time equivalent employees	7,340	7,465

THE SHARE

- Oriflame Cosmetics was introduced on the NASDAQ OMX Nordic Exchange on 24 March 2004.
- On 31 December 2013, the number of shareholders and SDR holders was 10,498. Each SDR represents one share.
- During 2013, an average of 222,063 shares were traded per day on the NASDAQ OMX Nordic Exchange.
- The last price paid on 30 December 2013 was SEK 197.50 giving Oriflame a total market capitalisation of SEK 11.3 billion.

DIVIDEND PROPOSAL

The Board of Directors has adopted a dividend policy to the effect that, absent changes in the Company's operations or capital structure, Oriflame intends to distribute, over the long term, at least 50 percent of the Company's annual profit after tax as dividends. For 2013, the Board of Directors proposes that the Annual General Meeting resolves a distribution of up to €1.00 (€1.75) per share, corresponding to up to 71 percent of net profit, to be paid out in quarterly instalments, with the first instalment of €0,25 per share (or the Swedish Krona equivalent per SDR) to be paid following the Annual General Meeting, and that the Board of Directors is given a mandate to decide on the subsequent quarterly installments.

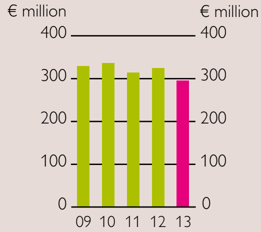
1) Net interest-bearing debt includes US Loan fair value. The net interest-bearing debt at hedged values would be €263.3m (31.12.2013) respectively €179.2m (31.12.2012).

2) Before restructuring costs of €5.8m

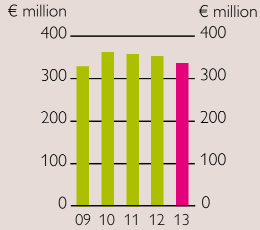
* Oriflame is from the first quarter 2013 reporting one measure of the number of consultants - active consultant - which is the number of Oriflame Consultants that has placed at least one order during the quarter. The comparative figures have been restated for 2011 and 2012.

SALES BY PRODUCT CATEGORY

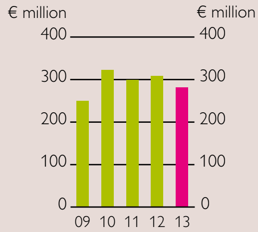
SKIN CARE



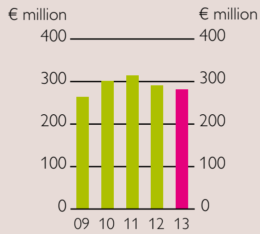
COLOUR COSMETICS



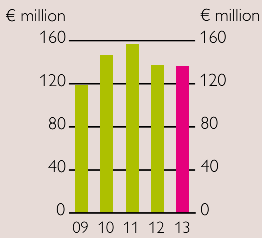
FRAGRANCE



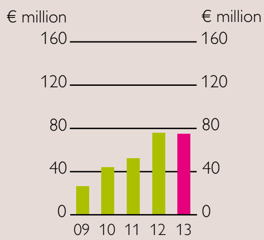
PERSONAL & HAIR CARE



ACCESSORIES



WELLNESS



Statement from the CEO

Opportunities and bright spots among ongoing challenges

A year ago, I wrote that the challenging climate in many of our markets would persist for some while. Yet at the same time my view of Oriflame's opportunities was brighter than ever. As we have seen, the developments in 2013 have largely reflected this picture. During the year, Oriflame took a great number of measures and implemented changes to pave the way for higher growth and profitability. However, many of our main markets remained unstable during the year, which impacted the ability of our measures to achieve their full effect. At the same time, thanks to sound cost control and the steps taken to enhance efficiency, we reported improved underlying profitability when adjusting for the negative currency effects.

Looking back at 2013, our major challenge was finding the right approach to drive sales growth in a tough market climate in our major regions, CIS and Europe. Ukraine remains a major challenge due to the instability and uncertainty in the country. At the same time, I am delighted to see that our newer markets in Asia, Africa and Latin America are progressively gaining ground, with increased sales and margins. In 2013, these regions accounted for close to 30 percent of total sales, with a growth rate of around 20 percent. We continued to extend our geographical footprint, entering Myanmar, Nigeria and Tunisia during the year, all of which offer major growth potential.

An important initiative for growth is the renewed remuneration plan we launched in CIS in the spring of 2013 with the aim of sharpening our competitive edge and ensuring our Consultants' revenue opportunities through even better incentives. Following the initial phase, we have looked at the impact the remuneration plan has achieved and are making further improvements in the spring to clarify and communicate its advantages. Several markets have an updated remuneration plan in store, which will be adapted to local conditions and circumstances. Furthermore, we have launched fresh tools for recruitment, sales training and motivation to strengthen the sales force with loyal, ambitious leaders.

Wherever we are in the world, our goal is to deliver the greatest customer experience on the market. One of the ways we aim to do this is by maintaining a world-class service level for our Consultants. During the year, Oriflame continued to report very high service levels – the highest ever – while maintaining good inventory levels. We are becoming increasingly efficient through our global distribution centres, with closer proximity to both Consultants and customers. Oriflame's new distribution centre in Noginsk opened in 2013, accounting for 30 percent of volumes in Russia at the end of the year. The manufacturing unit in Noginsk and the production plant for Wellness products in Roorkee, India, will meet LEED™ certification requirements. Both facilities are expected to open in the autumn.

During the year, we have successfully launched our brand promise, Your Dreams – Our Inspiration™ – building on consumers' and Consultants' dreams of beauty and entrepreneurial success. 2013 also saw the launch of a number of strong, exciting new products, and I would like to mention in particular our hair colourant range HairX TruColour – our first in this product area. In fact, this area accounts for more than one-sixth of the global cosmetics market. Furthermore, several new products were launched in our anti-ageing product series Ecollagen with advanced plant stem cell technology.

Our sustainability work continues in line with the ambitious targets we have previously set. There are two examples in particular that I would like to highlight, in our continuing endeavours to source responsible raw materials for our products. I am proud to say that we have come a long way for two of our main commodities; paper and palm oil. The vast majority of our paper is credibly certified and our entire palm oil usage is covered by GreenPalm credits.

Oriflame's business model is based on close interpersonal relationships; an exchange that can take place in all forms – in personal meetings or online. In 2013, the number of visitors to Oriflame's websites continued to rise. More than 90 percent of all orders are placed online, and our Consultants make extensive use of online tools. An exciting development during the year was the introduction of Oriflame's online beauty destination in the Nordics and parts of Russia. Here consumers can find attractive product presentations, news and trends and have the opportunity to buy products directly and have them delivered to their home. We believe that this model is a good complement to our other channels and it will be extended to more markets.

In addition to our global supply chain initiatives that have been underway for a long time, we have made further efficiency-enhancing changes in our organisation. These changes are mainly aimed at shortening lead times, extending existing global shared service functions and boosting catalogue efficiency through making the catalogues more relevant to the markets' needs. I am pleased to see that the measures we have taken are proceeding in line with our plans, and contributing to the improved underlying profitability of the past year. We will ensure that we can continue to capitalise on the changes we make and benefit from our comparative advantage of being a relatively small, flexible and agile player on many markets.

To sum up, during the year we faced persisting challenges and sustained tough conditions in many of our main markets – conditions that we cannot influence, but that we can adapt to. There are an increasing number of opportunities and bright spots; we offer a very attractive business opportunity and we are present in markets where we see further potential for profitable growth. We have an efficient organisation with world-class service for our Consultants and consumers. We have a strong brand that stands for innovation and progressiveness. With a tried-and-tested, flexible business model and talented colleagues and partners, the fundamentals are in place to achieve growth.

Magnus Brännström

Magnus Brännström
CEO and President

The Oriflame Brand

– Your Dreams – Our Inspiration™

Oriflame's brand promise Your Dreams – Our Inspiration™ is based on its mission of fulfilling dreams. Dreams of beauty and personal development – in the spirit of its Swedish origins. By nurturing ideas, hopes and dreams, Oriflame seeks to offer the latest beauty solutions for everybody and the most attractive business opportunity for its Consultants.

Oriflame's conviction is that beauty products that make people look their best, in turn make them feel good, wanting to do their best and enjoying all the opportunities that life offers. By taking its inspiration from the many dreams of people around the world – dreams of both beauty and entrepreneurial success – and by offering an attractive opportunity to market its products, Oriflame aims to become the number one beauty company selling direct.

A LIVING HERITAGE

Oriflame's Swedish heritage goes back to the very first products containing natural birch extracts, and many of its products are still inspired by and contain ingredients from nature today. This Swedish essence also means progressiveness – a constant pursuit of better solutions, capitalising on science, innovation and staying in tune with the times, fashion and trends.

With a strong ethical focus, Oriflame acts in an honest, transparent and fair way in all of its relationships. This results in the constant pursuit of sustainability in its business model, with focus on creating opportunities to improve lives, bringing beauty and wellbeing through responsible products, and pursuing environmental sustainability.

CONSISTENT CORPORATE CULTURE

Oriflame's corporate culture was formed in the Company's early years out of passionate work and financial growth in a climate of fierce competition and tough challenges, and is a direct result of the approach that proved most stimulating and effective. Consistently throughout the organisation, Oriflame's corporate culture is built on principles such as respect for and belief in others, entrepreneurial spirit, customer focus and demands on quality, and is reflected throughout the operations and in Oriflame's approach to sustainability. Today, almost 50 years after it was founded, Oriflame is a global beauty company still true to its brand's core identity – passionate about fulfilling dreams in a Swedish, natural, progressive and ethical way.

CARING FOR PEOPLE'S DREAMS

After a process of defining its brand more closely, Oriflame launched its new brand promise during 2012 and 2013, internally and externally, with the aim of making the brand stronger and more aligned, and to raise brand attractiveness among Oriflame Consultants, consumers and employees. Oriflame is to be perceived as the best in the world at understanding and caring for people's dreams. Its promise, Your Dreams – Our Inspiration™, covers both the beauty offering and the business opportunity for Oriflame Consultants. In 2013, large focus was put on implementation of the new brand promise throughout all parts of the organisation with the objective of the brand promise to permeate all parts of the operations, from texts in the catalogues to how the products are developed and produced. A number of activities were carried out during the year related to this theme, such as inviting customers and consultants to share their dreams in a Dream Board, a creative website function to express your dreams in images.

As a part of this process, Oriflame has initiated measures including closer cooperation between the product development and market communications units.

GLOBAL BRAND WITH EXTENSIVE POTENTIAL

An important part of Oriflame's branding initiatives is global brand tracking – that is, regularly assessing brand awareness, perception and attractiveness in different markets. The results indicate that

Oriflame has a strong brand with an established position in many of its markets, and in some countries it is the number one cosmetics brand. In other markets where Oriflame started operations more recently, the brand is in a build-up phase with great potential for more brand adopters. The strategy is to build a global brand locally. Communication initiatives can be carefully tuned to a specific target group and market, but the perception of Oriflame must be the same globally.

INTEGRATED MARKETING ACTIVITIES

To ensure consistent brand building and facilitate these efforts throughout the organisation, Oriflame provides a common brand identity system. Also, the planning and preparation of marketing activities, advertising and PR are gradually becoming more integrated between the regions and global functions, while each country is responsible for adaptation and implementation in its respective market. More strategically planned marketing activities have proved effective and are also required to optimise the use of online channels and social media, which are crucial today.

BRANDING THROUGH PARTNERSHIPS

Oriflame foresees major potential for promoting the brand through well-matched partnerships with celebrities, specialists and organisations. Since 2011, the Company has worked with the Women's Tennis Association (WTA), and this partnership has been extended and broadened to apply globally. The WTA tennis stars inspire women around the world to look great, have fun and be the best they can be – a perfect setting for the Oriflame brand. This partnership was highly successful also in 2013, attracting a great deal of attention and media coverage around the world. In 2014, Oriflame expects more focus in Asia as the WTA moves its Championship from Istanbul to Singapore.

The Business Model

– offering opportunities to improve lives

For over 45 years, Oriflame has remained true to its original concept of high-quality beauty products inspired by nature and an entrepreneurial spirit. Today, Oriflame is a global beauty company with direct sales in more than 60 countries worldwide.

A RESILIENT BUSINESS CONCEPT

Oriflame's business model offers people around the world the opportunity to improve their lives, providing entrepreneurial challenges for Oriflame Consultants, attractive career opportunities for employees and unique shopping experiences for customers. Constantly encountering new conditions, opportunities and challenges, Oriflame's business model is still proving valid.

It all started in Sweden in 1967 when Oriflame was founded by brothers Jonas and Robert af Jochnick together with Bengt Hellsten. They wanted to give people the opportunity to benefit from good skin care products and cosmetics, through products inspired by the natural beauty associated with Sweden. Rather than investing in a chain of stores, they decided to move the retail operations into the homes of Swedish consumers.

Since then, Oriflame has given millions of people in Europe, Asia, South America and Africa the opportunity to start their own businesses, often in countries where freedom of enterprise was discouraged or restricted to an elite. In that sense, Oriflame has helped to tear down walls, especially for women. Oriflame built its first cosmetics factory in Warsaw after the fall of the Berlin wall and was early to enter countries such as Indonesia and India.

OFFERING A LEADING BUSINESS OPPORTUNITY

Through its unique business concept – Make Money Today and Fulfil Your Dreams Tomorrow™, Oriflame offers a leading business opportunity for people who want to start making money the same day they join, and work towards fulfilling their personal dreams and ambitions. A sales force of approximately 3.5 million independent Oriflame Consultants has seized this opportunity and successfully markets Oriflame's broad portfolio of beauty products, generating combined annual sales of around €1.4 billion. Oriflame's strategy for reaching its goal to become the number one cosmetics company selling direct is built on four cornerstones.

ORIFLAME'S CORNERSTONES

- Brands & Products
- Network Marketing
- World Class Service
- People & Culture

Oriflame's most valuable competitive strengths are found in these areas, and every action taken within the Company is to be aligned with the guiding principles for these cornerstones. Read more about these on page 3.

VALID IN BOTH EMERGING AND MATURE MARKETS

Oriflame's business model has proven successful in both emerging and mature markets. The key drivers for becoming an Oriflame Consultant, such as being your own boss, setting your own goals, the low barriers of entry and exit, non-discrimination in terms of gender, ethnicity, age, education, physical condition or financial resources, are all in line with a growing population of entrepreneurs that is less dependent on secure employment – in a global trend of aspiring for more freedom.

Today, Oriflame has a broad geographical footprint with operations in over 60 countries in Europe, Asia, Africa and Latin America. Many of these are emerging markets or developing countries with the potential to reach higher living standards and greater freedom of enterprise. Taking part in the development of these countries, providing people with a chance to earn much-needed money and flourish as individuals, is in line with Oriflame's concept of encouraging enterprise and personal fulfilment. Presence in emerging markets, with rapid growth from low levels, also offers great potential for Oriflame to attract Consultants and new groups of customers as the economy improves and demand for cosmetics increases.

MAKING MONEY FROM DAY ONE

The Oriflame business opportunity means that Consultants can make money the day they join. With minimal start-up costs and no long-term commitments, becoming an Oriflame Consultant is easy. An Oriflame Consultant orders products at a reduced price and can sell them to end customers, thus making an immediate profit on sales. Oriflame Consultants, who invite others to join and build a team of Consultants, earn additional income based on the team's sales.

CONFERENCES FOR EXCITING EXPERIENCES AND COMPANY UPDATES

Every year, Oriflame invites its top Consultants to major international conferences in exotic locations, where key initiatives are launched and new products are presented. Equally important, the conferences provide a venue for leaders to exchange ideas with founders, top management and each other.

In 2013, Regional Gold Conferences were held in Dubai, Paris and the Dominican Republic for a total of around 4,000 participants while the Executive Conference was held in Oman for the top 300 participants and the Diamond Conference for the top 1,000 participants took place in Goa, India.

AN ATTRACTIVE BUSINESS OPPORTUNITY FOR ORIFLAME CONSULTANTS

Oriflame's business opportunity for its Consultants can be summarised into six key points.

1. Low entrance fee – easy to join and no risk.
2. Beauty products inspired by dreams – with the best of nature, science and trends – created in Sweden.
3. Wide assortment at affordable prices that are easy to sell with frequent attractive catalogues and leading online tools.
4. You choose: extra money, part-time income or a full time career with unlimited earning opportunity.
5. Personal growth and development in Oriflame Academy at no cost.
6. Enjoy a direct selling company and a global community with a human touch.

The Oriflame online beauty destination

– a new online shopping experience

Stylish product presentations, interesting news and trends – and delivery direct to the customer's home. The Oriflame online beauty destination is the next iteration of the Company's online shopping experience.

In the last years, Oriflame has continuously developed its online availability, with a number of online functions for Oriflame Consultants and customers. In 2013, Oriflame took another important step in its online offering when launching the pilot of Oriflame online beauty destination.

With the online beauty destination, customers are able to shop on the Oriflame site with the products being delivered directly to the customer's home – complementing the current business model and taking selling direct even more digital. It offers the Consultants yet another way to serve their customers while making it easier for those who just want to visit the site and make a purchase.

Beyond offering the wide portfolio of Oriflame's Swedish, innovative beauty products, the online beauty destination also presents editorial content on the latest in beauty news and trends, video tutorials for the perfect look as well as offering a glimpse into the extensive research and development efforts conducted by Oriflame. The editorial content is produced on both local and global basis, based on what is popular in Oriflame's many markets.

The Oriflame online beauty destination was first launched in Norway and Sweden in the second quarter 2013 and was expanded at the end of the year to also cover the Moscow and St Petersburg areas in Russia. The launches of the new online beauty destination have been very well received by the Oriflame Consultants for its attractive and inspiring content and focus is currently on training them on how to use in order to create incremental business while preparing for global roll-out.

Direct Selling

– meeting new market conditions

Direct selling is meeting the new market conditions in a progressive manner by adjusting the shopping experience to the consumer as regards time, place, entertainment and personal touch. Moreover, with its global supply chain structure in place, Oriflame's direct selling model is an excellent fit with online shopping.

Direct selling as a traditional sales method may seem best suited to emerging markets without a developed retail sector. Lately, however, new consumer behaviour has been putting traditional retail to the test with, for instance, growing demand for home delivery, personal shoppers and, in particular, online shopping. As competition for consumers' attention and confidence increases, direct selling offers a unique way of gaining loyal customers. Today, key sources of consumer information are word of mouth, dissemination in social media, blogs, fan clubs or informal gatherings with friends, particularly for purchasing beauty products. Many consumers 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.

CATALOGUES – THE MOST IMPORTANT SALES TOOL

The Oriflame catalogue is how the brands and products come to life for consumers and Oriflame Consultants. The catalogues are stores without walls, providing Oriflame Consultants with their most important, tangible sales tool – in printed or digital form. By providing consumers with the ultimate shopping experience at their chosen time and place, the Oriflame catalogue supports the business opportunity of Consultants. The stronger the consumer offering, the greater the potential to sell and grow the business. Alongside the catalogue, online social networks are turning into important forums for sales and recruitment activities, supported by PR, events, leaflets, posters at service centres and – for major launches in key markets – TV, printed media and billboards.

A new Oriflame catalogue is distributed every three weeks in all markets except Asia, Africa and Turkey, where the distribution period is four weeks. Each catalogue edition has its own theme and includes a display of selected products as well as new offers and seasonal promotions.

In 2012, Oriflame started a project to develop a new structure and layout for the Oriflame catalogues. A new catalogue design, with major changes in several areas, was launched and developed further in 2013. The aim is to create an even more attractive and inspiring shopping experience for customers and a stronger sales tool for Oriflame Consultants. More focus is placed on images and texts presenting the products, highlighting their quality, along with interesting reading about fashion, beauty and trends. The new catalogue layout increases recognition between the catalogue and the Oriflame web shop. Reactions to the new catalogue design have been positive both from consumers and Oriflame Consultants.

Each region plans and produces its own catalogue editions. In 2014, a process of transferring greater responsibility for catalogue production to the regions will be initiated, as part of Oriflame's efforts to bring the operations even closer to its markets, Consultants and customers around the globe. Based on common guidelines, regions can customise catalogue content and expression to market needs and preferences. Globally, the catalogue is printed in over 40 languages and is also available for viewing online and as a tablet version in most markets.

MANY STEPS IN THE CATALOGUE PROCESS

To enhance efficiency in the process of creating so many versions and editions of catalogues, planning every detail is essential. The catalogue is designed to answer the customer needs by creating relevant information about the product and other interesting content, such as articles, editorials, beauty guides etc. This process involves a great deal of analysis of current and historical results and market trends, and also creativity in developing new, exciting ideas and promotions. It is a case of striking a balance between sales volume and margin objectives, and long-term branding and customer demand for an exciting shopping experience.

ONLINE FUNCTIONS FOR ORIFLAME CONSULTANTS AND CUSTOMERS

Oriflame's digital strategy aims to support the overall vision of becoming the number one direct selling beauty company, with long-term efforts adapted to the rapid developments of the digital business universe. As demand for online availability increases, the sales force is provided with new, efficient tools to enable them to conduct their business activities in this environment. Both Oriflame Consultants and customers must be offered fast, reliable and intuitive order management. Moreover, the digital arena provides an increasingly important branding channel.

Utilisation of online tools continued to increase during the year. At the end of the year, more than 90 percent of total orders were placed online. New, simplified ordering and registration processes were gradually implemented in the last two years, and are now available in most markets. In 2013, Oriflame launched its e-catalogue application in further markets, enabling more Oriflame Consultants to promote the latest catalogue and products on social networks, blogs, websites and also to take orders directly through the application.

INCREASED REACH IN SOCIAL MEDIA

Oriflame's reach on major social media platforms such as Facebook, YouTube, vKontakte and Pinterest increased significantly during the year. On Facebook, Oriflame has more than 4 million fans and is now one of the biggest beauty brands on Facebook. Other social media channels, such as the blogs of major fashion and beauty influencers in key markets, play a key role in branding and fuelling sales. Oriflame now hosts some of the major fan pages for beauty companies in many of its markets and more than 50 local versions of official fan pages in total. The Company constantly invents new, efficient ways of promoting its beauty offering and campaigns on social platforms in order to attract new visitors, Oriflame Consultants and customers.

HEIGHTENED ACTIVITY ON ORIFLAME'S WEBSITES

Oriflame has seen a major increase in unique visitors to its websites during the last few years, and the number of unique visitors viewing Oriflame's websites increased substantially in 2013 to around 40 million, with more than 4 million visits originating from social media sites. An increasing number of people previously not connected to the Company have visited the websites based on spontaneous or prompted interest in Oriflame through social media, search engine optimisation or product marketing initiatives.

With a significant and growing number of site visitors, Oriflame sees a growing opportunity to convert these into Consultants, besides increasing sales through this channel. In that endeavour, Oriflame took an important further step in its online offering in 2013, when it launched a pilot version of Oriflame's online beauty destination, which offers inspiring editorial content and the possibility for customers to shop on the Oriflame site with product delivery directly to the customer's home. The pilot launch was in Norway, Sweden and the Moscow and St Petersburg areas, Russia, and is now after first positive response and learnings planned for global roll-out over the next few years. Read more about Oriflame's online beauty destination on page 14.

Besides the ongoing development of Oriflame's online beauty destination, a new global platform for the entire Oriflame website is planned for launch in 2014, built to cater to the increased need of social media integration, with updated design, functionality and content.

ONLINE TOOLS TO ENHANCE BUSINESS GROWTH

Oriflame Consultants are offered a number of methods to help them succeed. These include the Oriflame Academy training programme, and different tools gathered under a common system: SARPIO – Sales and Recruitment Processes in Oriflame. This was developed to offer Oriflame Consultants support in managing their businesses, while ensuring that they consistently convey the Oriflame brand. SARPIO is a proven system and path for sustained growth and advancement in the Oriflame Success Plan reward system. This includes various tools that help Oriflame Consultants to track performance of their networks and identify action areas that can improve business efficiency and drive growth. It also enhances communication with the sales force. Due to the increased presence of Oriflame Consultants in the digital world and the global online trend, Oriflame now also include modules with best practice for how to develop the business also online.

Results from Oriflame's leading edge skin care science

Oriflame's passion for science and innovation continues to grow, and the range of skin care products is constantly updated and improved with the leading edge of skin care science to provide a broad portfolio of anti-ageing products for maturing skin.

As we age, external aggressors like pollution and UV rays take their toll on the skin. The cells that keep skin architecture firm and youthful diminish. Collagen, one of the main building blocks of skin, gets damaged and its production slows down. The result is the appearance of fine lines, and later, more pronounced wrinkles. As one of the leaders in skin care science, Oriflame's Skin Research Institute in Stockholm is always looking for new breakthroughs in anti-ageing skin care.

Having always been inspired by nature, Oriflame's search for breakthroughs started in the plant kingdom. In nature, plants are exposed to harsh environments such as UV radiation, temperature changes, pollution, drought, floods, insect attacks and herbivores. Also, due to their immobility, plants have to be highly resilient. In order to survive, they produce natural active compounds that serve as an effective defence system, while also providing an infinite anti-ageing mechanism. Plant stem cells are at the core of this mechanism – they are the source of the eternal growth and renewal of plants from season to season, and the only cells in the plant that never age.

By studying plant stem cells, the Skin Research Institute discovered that plant stem cell extracts can boost the skin's own collagen production, in effect re-plumping wrinkles from within and substantially reduce the amount of wrinkles. The use of plant stem cells, besides being at the leading edge of skin care science and providing greatly enhanced formulas for Oriflame's range of skin care products, is also highly sustainable and 100 percent traceable. The sourcing of raw materials is of fundamental importance to Oriflame. As a company that has always respected environmental and ethical concerns, safeguarding natural resources and significantly lowering its ecological footprint through the use of plant stem cells affords a number of important benefits:

- The production of an active ingredient from plant stem cells requires roughly ten times less water than traditional methods
- By cultivating its own plant stem cells at the Skin Research Institute, fields can instead be used for vital food cultivation and less energy and water is consumed in harvesting and processing
- Biodiversity is protected because only a very small part of a plant is required to initiate a plant stem cell line and no plants need to be removed from the wild

From great discoveries comes the biggest transformation in skin care!

The Ecollagen range – new and revolutionary

Oriflame's best-selling Ecollagen range – now boosted by a revolutionary anti-wrinkle formulation using the unique technology of plant stem cell extract

The smooth, plump appearance of younger-looking skin is due to the presence of healthy collagen levels, but these diminish with age, causing wrinkles to form. Plant stem cells are truly unique as they are the only eternal, never-ageing cells in the plant. In addition, the cells from the unique plant Nicotiniana Sylvestris are now proven to boost skin collagen by more than +200 percent*, enabling skin to be younger-looking for longer.

In 2007, when Ecollagen was first launched, Oriflame scientists discovered three natural peptides, which work in synergy, boosting cellular energy production and the skin's self-defence mechanisms, culminating in significant wrinkle reduction. Now, with the combination of tri-peptides and plant stem cells, Ecollagen will breathe new life into your skin. Plants need to be more resistant to changes in the environment, which makes them highly resilient – imagine the same benefits for human skin.

HIGHLY EFFECTIVE IN WRINKLE REDUCTION

Wrinkles form with the loss of skin density – but the revolutionary ingredients in Oriflame's new Ecollagen range mean worrying about wrinkles will be a thing of the past. Its innovative technology is powerful, enabling skin to re-plump wrinkles from within, leading to a transformation with the reduction of up to -33 percent of wrinkles in just 12 weeks.**

** Plant stem cell extract, tested in vitro*

*** Clinically tested over 12 weeks on 31 women on Day + Night Creams*

Oriflame's products

– for everyone and every occasion

Oriflame provides an extensive range of distinct brands in different price segments to meet varied demand and preferences within and between markets. The extensive product portfolio, featuring innovation, creativity and the highest ingredients standards, has been built up over the years and is constantly adapted to new needs and trends.

The portfolio covers a wide spectrum of beauty products – skin care solutions for every need, exclusive and high-quality fragrances, a broad and sophisticated range of colour cosmetics, numerous hair and body care items, innovative wellness products and a variety of fashion accessories. Many of these products are used and enjoyed every day by Oriflame's customers around the world. Today, customers are offered a total of around 1,000 cosmetics products, and more than a third of these are renewed over a year.

Personal and Hair Care had a challenging year, mainly affected by competition from low-priced and heavily discounted products in the retail channel. However Accessories and Fragrances categories improved from the year before, while Skin Care and Colour Cosmetics' performance remained fairly stable. The impressive growth of Oriflame's newest product category – Wellness products, launched four years ago – continued during the year through greater customer penetration, new market entries and new concepts launched.

A WIDE RANGE OF INNOVATIVE PRODUCTS

Many of Oriflame's products feature a high level of innovation based on extensive research. Examples include Time Reversing Day & Night Cream and the Ecobeauty range that offers Oriflame's most natural, ethical and environmentally responsible products. In the search for sustainable anti-ageing active ingredients, Oriflame has enhanced its capability in developing formulas that can boost and rejuvenate ageing skin, for instance in the newly re-launched Ecollagen skin care product. Read more about Ecollagen on page 19.

One of the most important marketing events of the year was the successful launch of Oriflame's first hair colorant, HairX TruColor, in the CIS markets, which will be followed by more markets in 2014. This is the Company's first step into the important hair colorants product group, which represents a large part of the global cosmetics market. Another major marketing event was the re-launch of Oriflame's largest Skin Care brand Optimals. Within its Colour Cosmetics brands Oriflame Beauty and Giordani Gold, Oriflame launched three major concepts – Volume Build Mascara, Voluptuous Lipstick and Colour Drop Lipstick – the first lipstick ever to be formed after the shape of the lips.

Other new products successfully launched during the year were Vivacity Eau de Toilette for women in the Fragrance Category, and Triple Core 3D Lipstick – a unique concept within the Company's largest brand Oriflame Beauty. Oriflame also launched an improved Sun Zone – a whole range of sun protection products, further capturing the growth opportunities displayed by this fast-growing product group. The development of the Wellness category continued during the year. A key event in 2013 in this category was the launch of Natural Balance Soup, which contributed to boosting sales.

CELEBRITY-ENDORSED LAUNCHES

Endorsements from celebrities and specialists are important success factors in new product launches and marketing campaign promotion. During the campaigns, the chosen partners are presented in catalogues, advertising and Oriflame Consultant magazines to attract interest in the products and strengthen the brand image. The partnership with Demi Moore for product development, endorsement and marketing continued throughout the year with the launch of a second concept with a luxurious make-up collection and My Red, a cross category collection. The notable launch of the Power Woman fragrance was endorsed by the Russian celebrity Tina Kandelaki in the CIS, while the Hollywood actress Malin Åkerman successfully supported the Volume Build Mascara launch.

AWARDS FOR QUALITY AND INNOVATION

In 2013, several Oriflame products won awards for their quality and innovation in different parts of the world. A few examples are the Oriflame Beauty Wonder Lash mascara that was rewarded with the title "World´s Best Beauty Product" in Poland and the Cosmopolitan Beauty Award in Latvia, where Oriflame received seven Grand Prix including Bioclinic Adult Skin Anti-Breakout Day/Night as the best anti-breakout cream and Oriflame Ecobeauty Smoothing Eye Cream as the best Eco eyecream. In Russia, Oriflame was appointed the Fifi Russian award for the Power Woman fragrance, the Effie Brand of the Year for More by Demi, the TopBeauty Awards for Optimals and also BioRus for Ecobeauty.

DECADES OF SKIN CARE AND COSMETICS RESEARCH

Oriflame's product offering is a result of decades of skin care and cosmetics research, and takes its inspiration from its Swedish heritage. The products are developed using cutting-edge technology and are manufactured according to the highest quality standards. Ingredients are of high purity and selected according to stringent ethical and environmental policies.

The Company's accumulated knowledge and experience has been gathered into one dedicated Research & Development team based in two locations – Dublin, Ireland and Stockholm, Sweden. In Dublin, focus is on product development. Experts develop and clinically test high-performance formulations while providing technical support in the areas of regulatory affairs, product safety, sustainability and industrialisation to the manufacturing facilities. These projects deliver technology and innovative new products for the Skin Care, Colour Cosmetics, Fragrance and Personal & Hair Care categories. In Sweden, focus is on skin biology research.

MANY STEPS FROM IDEA TO LAUNCH

The process from idea to launch can take several years, involving substantial resources through various functions such as marketing, R&D, manufacturing and distribution. Staying at the forefront of trends and needs is essential for delivering a strong, timely offering to the market. This is important for gaining new customers and keeping existing ones loyal to the brand. Oriflame's customers come from various parts of the world and have different habits, incomes and needs. Creating attractive offers for such a diversified customer base requires a broad product range, very rapid pace and instant response to new trends. Staying ahead of competition and bringing innovation in launch after launch are constant challenges. A strong team of brand managers representing the different product categories constantly monitors trends, consumer needs and the competitive environment to stay ahead of the competition and gain valuable insights. Ideas originate from various sources such as international trade fairs and exhibitions, global trend reports, research projects and focus groups.

Colour Cosmetics

The contribution of the Colour Cosmetics category remained stable compared to 2012, accounting for 24 percent of total sales. The category was further strengthened with major launches of mascara within all brands. The main focus of the mass-market brand Oriflame Beauty was the introduction of new and innovative concepts, like the Volume Build Mascara endorsed by Swedish Hollywood actress Malin Åkerman. The festive Christmas collection of Power Shine lipstick and new Palladium Nail Polish drove sales in the seasonal period, resulting in the most successful nail polish launch in Oriflame history. InStyle Magazine Poland awarded the New Studio Artist Cream blush Best Beauty Buys 2013 as the best product in its category. A highlight within the premium brand Giordani Gold was the introduction of Lash Panorama Mascara being one of the most successful launches for the brand in 2013. The Very Me brand continued to perform well in 2013 with successful launches such as Extrendalash Mascara & Nail Paint Nail Polish.

Skin Care

The Skin Care category accounted for 21 percent of total sales in a challenging market environment. In 2013, two big Skincare brands were re-launched, Optimals and Ecollagen. The mass market skin-care brand Optimals was re-launched with the patented Antioxidant Lingon 50:50 and the premium skincare range Ecollagen was the first in the world to make anti-wrinkle products with plant stem cell technology accessible for a wider audience. The Ecollagen products show a decrease of up to 33 percent in wrinkle and fine lines – better than even the leading pharmacy and luxury brands. During the year, Oriflame's Skin Expert Panel was launched. Consisting of four skin care experts from the fields of science, clinical testing and skincare therapy, the panel was created to provide expert advice on products and all types of skin care questions.

Personal and Hair Care

The Personal and Hair Care category generated 20 percent of Oriflame's total sales in 2013. The Hair Care category was supported by the launch of Oriflame's first hair colourant products; Hair Colourant and HairX TruColour in the CIS region. The HairX Haircare range was re-launched during the year to very positive response and the rollout will continue in 2014. Oriflame's pillar brand in Intimate Hygiene, Feminelle, was also re-launched during the year and a new range of Feminelle Special Care+ was launched with positive response. The Feminelle brand is the no. 1 Intimate Hygiene brand on the entire directs selling market.

Fragrances

The Fragrance category generated 20 percent of total sales, with strong growth in Latin America and Asia. In the male segment, pillar brands such as Giordani Man and Eclat continued to show positive growth with the best new launch being the Giordani Man Incontro limited edition. For female fragrance, Divine and Love Potion also saw positive growth. The most successful launches were Pretty Swan and Power Woman, the latter supported by various local celebrities and won the acclaimed FIFI award in Russia. The successful collaboration with Hollywood star Demi Moore continued with the launch of My Red Eau de Parfum.

Accessories

The Accessories category generated 10 percent of total sales in 2013. New gift concepts worked well in the seasonal periods. The Fashion sector continued to contribute to the positive result with trendy bags, scarves and jewelries offered to Oriflame Consultants and consumers. A highlight of the year was the accessories mini-catalogue launched in the CIS region as well as several collections of accessories designed by Oriflame fashion expert, Swedish designer Valerie Aflalo.

Wellness

The Wellness category continued its growth during 2013, however at a slower pace than previous years. The category accounted for 5 percent of total sales in 2013. The Natural Balance Soups were launched in January and had a positive development during the year. In the fourth quarter, Botanical Infusions, a blend of selected herbal extracts to be mixed with hot or cold water, and the Natural Balance Shakes were launched, as well as Multivitamin and Mineral essentials. WellnessPacks and Natural Balance Shakes continued being global top sellers for Oriflame during 2013.

Market

– challenges and opportunities ahead

Oriflame has a wide geographical footprint with presence in more than 60 countries and is one of the market leaders in around half of these markets. Until the end of 2013 operations were organised in the following regions – CIS and Baltics, including Russia and other former Soviet republics; EMEA, including Europe, Middle East and Africa; Asia and Latin America. As of 2014, Oriflame operates in the following structure of global business areas: CIS excluding Baltic countries, Europe including Baltic countries, Turkey, Africa & Asia and Latin America.

This revised geographical split is more relevant for Oriflame in terms of better reflecting common challenges, opportunities and development. In general terms, Latin America and Turkey, Africa & Asia can be said to represent the main current and future growth markets whereas Europe and CIS include more mature markets.

A LONG-TERM GROWTH STRATEGY

The beauty and direct selling industry is well-positioned for future growth and Oriflame is one of the leaders in the industry. Globalisation has opened up extensive potential markets around the world where Oriflame's business model has a very good fit. Today, Oriflame is active in more than 60 countries, of which a majority is defined as emerging or frontier markets. The Company's wide geographic footprint combined with the direct selling business model forms the foundation for a long-term growth strategy.

2013 – MIXED PICTURE IN DIFFERENT MARKETS

During the year, Oriflame continued to face challenging market conditions in many parts of CIS and Europe. The situation was particularly difficult in Ukraine.

An important step was taken in March, when an updated and improved Success Plan, Oriflame's compensation plan for Consultants, was introduced in CIS with the aim of adapting Oriflame's sales and marketing plan to the competitive environment in the various markets. The new Success plan is being evaluated and further improvements will be introduced in 2014.

The development in Oriflame's key current and future growth markets in Latin America, Turkey, Africa and Asia, was very strong, driven mainly by an increase in active Consultants. These markets now constitute close to 30 percent of the Company's total sales. The Company expanded its its geographical footprint during the year by opening up operations in Myanmar, Tunisia and Nigeria.

A STRONG COMPETITOR

Being a cosmetics company selling direct means that Oriflame competes both with major cosmetics manufacturers for end customers as well as with other direct sellers for consultants.

In Eastern Europe, direct sales as a channel is estimated to have around 16 percent of the total cosmetics and toiletry market, compared with the global average of approximately 11 percent. The two largest cosmetics companies in Eastern Europe selling direct are by a wide margin Oriflame and Avon, but there are many other direct sellers competing for consultants, such as Russian Faberlic, American Amway and Mary Kay. Moreover Oriflame competes with global manufacturers such as Procter & Gamble, L'Oréal, Unilever and Beiersdorf.

In Latin America, direct selling is very popular, representing about 26 percent of the cosmetics and toiletry market. Oriflame is still a small player competing with Avon as well as local companies such as Natura, Belcorp, Yanbal and Jafra.

Asia's beauty market is dominated by Procter & Gamble, Unilever and L'Oréal, in addition to Japanese manufacturers. However, direct sales have a significant share of the market in many Asian countries. Amway and Mary Kay are the largest direct sellers in China, while Oriflame and Amway have the largest market shares among direct sellers in Indonesia and India.

THE MARKET OF BEAUTY PRODUCTS

Beauty products and direct sales are a compelling combination. The cosmetics industry is recognised as one of the fastest-growing consumer products sectors and it is the most important sector for the direct sales industry, representing about one-third of total global direct sales. For the next five-year period, the global market for cosmetics and toiletries is forecasted to grow by an annual average of 2.9 percent at constant prices, reaching $524 billion in 2018, according to Euromonitor.

Global Operations

– improved service levels and reduced inventories

Around 600 million products are sourced annually from about 60 suppliers and shipped to Oriflame's markets worldwide. The Global Operations Strategy focuses on making the processes as efficient and reliable as possible for Oriflame Consultants and customers by better aligning supply and sales in the Group.

Oriflame's global operations strategy involves cutting lead times and increasing flexibility in the end-to-end supply chain by consolidating inventories in Group Distribution Centres closer to main markets and eliminating intermediate warehouses. Supporting growth through sustainable production, increasing share of in-house manufacturing and sourcing regionally where appropriate are other important features of the supply operations. The aim is to have a base of flexible, efficient and quality-orientated suppliers that ensure product availability, quality, delivery times, reliability and accuracy in all of Oriflame's markets. The goal is to always deliver on promises to Oriflame Consultants.

BENEFITS FROM AN ENHANCED PLANNING SYSTEM

The basis for an efficient supply chain at a global company like Oriflame is an effective planning system for control at every stage. Two years ago, a new planning system was implemented and rolled out in all regions. The use of this system substantially increases immediate transparency in terms of delivery times and quantities, and strengthens collaboration between all entities involved in the planning process.

The use of the enhanced planning and supply chain systems has led to shorter lead times, and clearly contributed to consistently higher service levels. Despite of the highest service levels ever, inventories fell from the previous year. Constant process improvements, further regional product sourcing initiatives and the consolidation of inventory in Europe are other contributory factors. Oriflame will continue to prioritise its efforts to improve service and inventory levels and overall flexibility in the supply chain. In November and December, the agility of the Oriflame supply chain was put to the test after the main warehouse in India burned down and the inventory was totally destroyed. Despite the fire, service in India was maintained to the highest level thanks to a rapidly implemented disaster recovery plan.

FACTORIES AND SUPPLIERS – ALL WITH THE SAME HIGH QUALITY STANDARD

Oriflame's quality assurance team works both with in-house manufacturing operations and subcontracted suppliers to achieve consistent compliance with the high quality, safety, ethical and environmental standards set by the Company, regardless of the location of the manufacturing site. Products must comply with stringent international regulatory requirements and are extensively tested to ensure optimum safety, efficiency and quality. Oriflame has one quality standard, regardless of where the product is manufactured.

IN-HOUSE PRODUCTION

Oriflame manufactures close to 60 percent of its cosmetics product volumes in-house and aims to increase this share over time. Five Oriflame-owned factories produce skincare creams and liquids, foundations, mascaras, lipsticks and lip glosses, personal care and hair care products as well as fragrances. A sixth facility manufactures wellness products for the Chinese market.

Construction work on Oriflame's new production and distribution facility in Russia, located in Noginsk in the Moscow region, proceeded as planned in 2013. During the year an important milestone in the redesign of Oriflame's global distribution network was reached by the start-up of regular operations in the new Group Distribution Centre (GDC) at this location. With the distribution centre up and running, the on-site works in Noginsk are concentrated to developing the factory building. The installation work for the utilities will progress into mid-2014, in parallel with the production installation works to enable commissioning of the factory construction after the summer, and to start production in the Personal and Hair Care category during the second half of the year.

In India, a new production site for wellness products was purchased in 2013 and refurbishment and installation works have commenced in order for the factory to be ready for production of Oriflame products in 2014.

EXTERNAL SUPPLIERS

External suppliers in Western and Central Europe, Russia, Ukraine and Asia produce the remainder of the product range, including cosmetics, accessories and wellness products. In different regional sourcing initiatives, Oriflame strives to source as closely to its markets as possible to shorten the supply chain and increase service levels. During the year, the Company added new suppliers at strategic locations, particularly in the CIS region and India. For example, Oriflame's efforts in developing a CIS sourcing alternative for fragrances were successful with deliveries commencing from a new fragrance supplier in western Ukraine in 2012 – a cooperation that will be extended to cover more fragrances.

LOGISTICS – STRIVING FOR HIGHER EFFICIENCY AND SUSTAINABILITY

Oriflame has implemented a supply and sourcing strategy for logistics operations besides the existing Cosmetic Good Manufacturing Practice (GMP) Standard. The general strategy is to move product sourcing and catalogue printing closer to the current and future Group Distribution Centre facilities and major markets, as described above. The aim is to improve transportation procedures and reduce lead times, transportation costs, greenhouse gas emissions and energy consumption.

Oriflame prefers sea shipping, truck freight and rail cargo and attempts to limit air shipments as far as possible. The Company is always exploring possible logistics alternatives. During the year, attempts to enhance the efficiency of all freight, with more goods in each transport unit, were successful, delivering benefits in terms of both efficiency gains and reduced CO^2 emissions. Moreover, the use of new shipping procurement procedures based on digital tools resulted in more favourable transportation contracts in 2013.

DISTRIBUTION – GROUP DISTRIBUTION CENTRES SERVING MORE MARKETS

Oriflame's strategy is to consolidate the warehouses into Group Distribution Centres (GDC) in order to optimise transportation costs, reduce inventories and increase service levels. Oriflame Consultants are served directly from the GDCs whenever possible. Today, Oriflame operates GDCs in Warsaw, serving eleven markets, and in Kiev, serving Ukraine. The GDC in Budapest, opened in 2011, added three markets to its network this year, thus also serving eleven markets in total. In Noginsk, Moscow, a new distribution facility, serving the large Russian market, opened in March 2013, now serving about a third of total Russian volumes, and an extension of its territorial scope is being evaluated. The Noginsk GDC is an important step in the Company's efforts to improve operational efficiency, reduce inventory and move closer to customers. It is a state-of-the-art facility built according to the highest environmental standards with LEED™ green building certification, and with capacity for picking and packing over one million units per day.

Read more about Oriflame's sustainability work regarding the supply chain in the Sustainability section on pages 32-45.

Oriflame's Moscow Distribution Centre – efficient, more sustainable and LEED™ certified

Right from the start, Oriflame planned its new production and distribution facility in Noginsk, Moscow, to be a top performer from a sustainability perspective. In 2013, it became certified by the international green building certification system LEED™ as the third building of this type to be certified in Russia.

Leadership in Energy & Environmental Design, LEED™, is an international green building certification system that addresses the entire building lifecycle and recognises best-in-class building strategies.

The Noginsk project incorporated several innovative environmentally conscious measures, from building materials, energy use and how the facility functions with regard to the local environment. A number of initiatives have been designed to lower the building's energy consumption, for example the improved energy generation efficiency resulting from the nearby cogeneration plant, thus using locally generated energy. The façade is triple-glazed and a highly efficient mechanical ventilation system facilitates a more efficient building operation. In addition, an aluminium-zinc roof ensures that summer heat is not absorbed into the building, thereby reducing the need for air conditioning.

Transportation to the site has been planned to limit the use of cars by reducing car parking, encouraging the use of cycling for local workers and by the provision of a company bus service to transport workers from nearby villages.

The quality of the indoor environment has a significant influence on health, productivity, and quality of life. Focus has been to create a healthy indoor environment through system design, construction quality control and careful attention to material specification. Internal fit-out materials have been selected with environmental impact in mind; these include materials with a high percentage of recycled content, the use of local and regional materials and wood certified by the Forest Stewardship Council.

When operations started in the Noginsk Global Distribution Centre in 2013, it became Oriflame's first LEED™ certified building. Oriflame will continue to pursue LEED™ Green Building scheme certification for all new constructions and major renovations.

Sustainability

– conducting business responsibly

Oriflame's long-term vision is to become a sustainable company. This means living within the limits of the planet, respecting the environment and contributing to a fair society where all people can prosper. It is about meeting the Company's needs without compromising the ability of future generations to meet their needs.

Oriflame has been working with environmental issues all along its almost five decades of operations and has been expanding its efforts gradually to cover a larger scope of sustainability issues. Responsible business practices have been, and still are key to Oriflame's success and future growth. Whether in its day-to-day business activities or in the impact of its products, Oriflame is committed to achieving ever higher standards of social and environmental performance to accelerate progress towards its long-term vision of becoming a sustainable company. In 2013, Oriflame continued its efforts to integrate sustainability into all areas of its business. Whilst progress has been made, Oriflame recognises that this is a long journey and there is much more still to be done.

AN ENHANCED SUSTAINABILITY PLAN

In order to expand and deepen its work on sustainability, Oriflame adopted a new comprehensive sustainability strategy in 2013, with a broader set of commitments covering product development, social issues and environmentally focused targets. In the process of preparing the sustainability plan, Oriflame conducted a materiality assessment to gain a clearer view of the Company's most material issues.

The first step of the materiality assessment was to use the existing knowledge of the Company's direct and indirect impacts to identify the most important areas and issues based on current data and analysis. In addition to this an extensive review of media, industry associations and peers was conducted. The resulting long-list of identified areas was then prioritised based on input from different stakeholder groups, and the final short-list summarises the most material areas with the greatest relevance to focus on and where initiatives can have the most impact. In addition, ethical and environmental risks are continuously being identified, assessed and addressed both in Oriflame's general risk assessment process and through specific sustainability related risk assessments.

EXPECTATIONS OF STAKEHOLDERS

Oriflame's success is created by the people in and around the Company; Oriflame's Consultants, customers, employees, suppliers, shareholders, civil society and the public at large. These stakeholders expect global companies to pursue the highest standards of social and environmental responsibility. Oriflame is determined to become a leader of that agenda. This is why the Company is in continuous dialogue with various stakeholder groups in order to better understand and incorporate their expectations.

Stakeholders are engaged through a range of methods, from Consultant meetings and consumer questionnaires to investor dialogues. In addition, co-operation with non-governmental organisations (NGOs) to discuss sustainability challenges and receive regular feedback on the Company's efforts is seen as vital for accountability and continuous improvement. In 2013, Oriflame continued to meet with NGOs in individual meetings as well as in industry meetings focusing on specific environmental and social challenges. In December 2013 the CEO convened a stakeholder workshop with NGOs to gather specific feedback on the new sustainability strategy and commitments.

KEY SUSTAINABILITY AREAS

Oriflame's new sustainability strategy defines three key areas for the Company's sustainability efforts

IMPROVE PEOPLE'S LIVES

A cornerstone in Oriflame's operations is, and has always been, to create opportunities to improve people's lives – for Consultants and customers, employees and suppliers, but also in a broader sense by its community involvement and support for social causes.

RESPONSIBLE PRODUCTS

Continuously improving the sustainability profile of product ranges is part of Oriflame's strategy to bring beauty and wellbeing in a responsible way. Oriflame's goal is to continue developing products that meet the highest social, ethical and environmental standards.

ENVIRONMENTAL SUSTAINABILITY

Driving environmental sustainability, not only across Oriflame's own activities but throughout the value chain, is a key long-term goal. Focus areas include the sourcing of renewable and sustainable materials whenever possible, reduction of emissions to air and water, and reducing the amount of waste produced.

For each of these three key areas, Oriflame has set a range of commitments and time-bound targets designed to improve performance and move the company closer to its long-term vision of becoming sustainable. Read more about the commitments on page 36, 40 and 44. The sustainability strategy will be updated regularly, with new commitments added and existing standards raised.

ORGANISING FOR SUSTAINABILITY

Oriflame's sustainability plan is overseen by the Chief Executive Officer and the Board of Directors. The responsibility of fulfilling Oriflame's ambitious commitments sits firmly within every part of the organisation. To ensure that the sustainability agenda permeates all parts of the business, a section dedicated to sustainability issues is included for all levels of the Company's internal education programme, the Oriflame Academy. This is complemented by on-going communication through the Oriflame intranet and other channels. Oriflame is also working on new ways to engage employees as well as our more than 3 million Oriflame Consultants globally on these crucial issues.

Create opportunities to improve lives

The Business Opportunity for Oriflame Consultants empowers people to fulfil their own dreams. Oriflame is also working to ensure that the rights of people employed at Oriflame, as well as throughout the supply chain, are respected and that our workplaces are safe and rewarding. In addition, through the Oriflame Foundation, a number of educational initiatives are supported, allowing children and young women to change their lives for the better.

ORIFLAME CONSULTANTS

A founding principle of Oriflame was to give people an opportunity to earn an extra income or run their own business and, in so doing, improve their lives. Oriflame offers an attractive business opportunity for its Consultants around the world, making it easy and risk-free to join. Through paying out bonuses and other forms of recognition, Oriflame distributed more than €350 million directly to its Consultants in 2013, many of whom are women in developing countries. Being an Oriflame Consultant means personal growth and development through free training programs and belonging to a company with a human touch and a friendly, dynamic and global community.

EMPLOYEES

With a presence in more than 60 countries, Oriflame is a global company offering a truly international working environment for its employees. The Company aspires to reflect the globally diverse audience that it serves. In addition to hiring the best talent, Oriflame believes that diversity of gender, nationality and culture leads to the creation of better perspectives, ideas and products. Each office worldwide is a venue for diversity and shared experiences. The international environment offers opportunities to work with people of many different nationalities, participate in global projects or transfer to a position in another part of the Oriflame world.

Oriflame is committed to providing a safe and healthy working environment for all employees. The Company works hard to reduce risks of ill health and accidents, and to improve the working environment at all offices and factories.

SUPPLIERS

Through audits and close co-operation with suppliers, Oriflame works to ensure compliance with labour standards and principles and its own guidelines. Oriflame has developed a comprehensive Supplier Code of Conduct valid for all suppliers globally and this document outlines requirements regarding working conditions, health and satefy, discrimination and environmental impact. The work to improve the Company's supplier management process is ongoing. Oriflame adopts a risk based, 5-step approach which sets out requirements and details how suppliers are prioritised, evaluated, scored and developed. During 2013 a new self-assessment tool was launched to strategic suppliers. The trial results were positive and the tool will be futher rolled out to all key suppliers during 2014.

For accessories suppliers, Oriflame works in co-operation with established trading houses that conduct annual audits of their sub-contractors. In addition to these audits, Oriflame conducts its own audits to ensure compliance with the Supplier Code of Conduct, and verify that necessary actions are taken for any non-compliance. During 2013 audits were also carried out of all the key trading houses themselves to evaluate their systems and processes. Oriflame has staff located in both China and India dedicated to conducting audits of working conditions and environmental matters. In 2013, Oriflame audited 23 percent of global accessories suppliers, just missing its 25 percent target.

HUMAN RIGHTS

Oriflame has a responsibility towards the people whose lives are touched by its operations. The Company takes a strong stance on social and ethical issues, and adheres to the Universal Declaration of Human Rights and the United Nations Global Compact. The ten principles of the Global Compact, which apply to human rights, labour standards, the environment and anti-corruption, have been integrated into the Oriflame Code of Conduct and other corporate policies to ensure that they permeate all aspects of the business. To strengthen internal knowledge and understanding of human rights, an education program focusing on key management is being developed and will be launched in 2015. As part of advancing the Company's efforts, Oriflame also participates in the Swedish Network for Business and Human Rights, a business network focusing on exchanging best practices.

COMMUNITY INVOLVEMENT

Oriflame seeks to contribute to efforts and projects that create long-term positive effects for people and their communities also in a wider sense. Providing education is one of the most effective ways of achieving this. The primary mission of Oriflame's community involvement is therefore to help children and young women by means of a wide range of educational initiatives, providing them with opportunities to change their lives for the better. This firm commitment to support self-help is the guiding principle of Oriflame's community involvement, and is also in line with its business model. Read more about Oriflame's initiatives through Oriflame Foundation on page 37.

Commitments

Create opportunities to improve peoples lives

1. PROVIDE ORIFLAME'S UNIQUE BUSINESS OPPORTUNITY TO OUR CONSULTANTS

1.1 Commitment: Continue to grow the business in order to increase the number of individuals receiving payout from the Success Plan as well as the total amount paid out to Oriflame Consultants annually.
Progress: New.

1.2 Commitment: Help raise self-esteem by doubling the number of Oriflame Consultants trained via Oriflame Academy.
Progress: New.

2. USE THE POWER OF OUR NETWORKS TO FACILITATE SOCIAL & ENVIRONMENTAL PROGRESS

2.1 Commitment: Reduce consumer environmental impact by providing educational information to 1 million people by 2016.
Progress: New.

3. PROVIDE SAFE AND REWARDING PLACES TO WORK

3.1 Commitment: Create great places to work by improving employee engagement survey ratings year on year.
Progress: New.

4. RESPECT HUMAN RIGHTS FOR THOSE TOUCHED BY OUR OPERATIONS

4.1 Commitment: Educate our employees on our business responsibility to respect human rights. All in global management team by 2015.
Progress: New.

4.2 Commitment: Respect Human Rights by setting up a corporate HR Due Diligence Process by 2015 which includes the requirement to conduct HR risk assessments for all new markets.
Progress: New.

4.3 Commitment: Continue implementation of the Oriflame Global Supplier Evaluation Program.
Progress: New.

5. SUPPORT ORIFLAME FOUNDATION TO ALLOW CHILDREN AND YOUNG WOMEN TO CHANGE THEIR LIVES FOR THE BETTER

5.1 Commitment: Help educate children by doubling the amount of money donated to Oriflame Foundation by 2020.
Progress: New.

5.2 Commitment: Support Oriflame Foundation by engaging 100% of our established market in Oriflame Foundation fundraising activities by 2016.
Progress: New.

Educational initiatives

Oriflame seeks to contribute to efforts and projects that create long-term positive effects and providing education is one of the most effective ways of achieving this. The primary mission of Oriflame's community involvement is therefore to help children and young women by means of a wide range of educational initiatives, providing them with opportunities to change their lives for the better and enabling them to fulfil their dreams.

ORIFLAME FOUNDATION

In order to reach its full potential, the strategic direction of Oriflame's charity work is developed under one umbrella – the Oriflame Foundation. With its aim to create long-term positive effects for people and their communities, educational projects is a primary focus.

The Oriflame Foundation is an independent Luxembourg Foundation founded by Oriflame Cosmetics S.A. with the aim of increasing the overall level and quality of community investment provided across Oriflame markets. Guiding and structuring all activities in this way enables improved impact, best practice sharing and increased overall community investment across different markets. The Oriflame Foundation provide grants from its own funds to selected projects initiated by Oriflame's local markets and contributing with donations when Oriflame Consultants are involved in fundraising. For cost efficiency reasons, certain projects launched under the Oriflame Foundation umbrella may be fully or partly funded directly by the local Oriflame entity.

FOCUS ON EDUCATION

Oriflame's community involvement efforts are focused on various activities, which also go beyond traditional classroom-based education, and range from building social skills and mentoring to supporting orphans and foster families. For example, in Spain, after collecting money for two years, "La peque Aldea", a kindergarten specially built for children coming from unstable families, finally opened its doors. Thanks to Oriflame Consultants' support and constant effort, 48 children are now receiving education and have their basic needs covered.

Responsible products

– bringing Beauty and Wellbeing

Oriflame's goal is to continuously improve the sustainability profile of all its products. The ambition is to launch at least one sustainability related product innovation annually. The safety and sustainability profile of the ingredients are of the highest importance, and all ingredients are reviewed thoroughly. Developing products that meet the highest social and ethical standards will continue to be a priority.

PRODUCT DEVELOPMENT AND ENVIRONMENT

To successfully improve the environmental profile of Oriflame's products, sustainability must be fully integrated into the entire product development process. When formulating new concepts, Oriflame strives to design innovative products that, where possible, use ingredients with a low environmental impact and are ethically sourced. Many Oriflame products are inspired by nature, and the aim is to incorporate plant ingredients and actives in the product formulations. Materials from protected or endangered flora and fauna species are not used. All new cosmetic raw materials go through a sustainability review process, and scientific reports on environmental issues are continuously monitored. This enables the Company to take action and, where possible, phase out the use of certain ingredients that may have negative impact on the environment and replace them with alternatives with lower impact.

Oriflame is continuing to sell products under its Ecobeauty brand. The lessons learnt from developing Ecobeauty are now being used in the development of other Oriflame products. Oriflame views Ecobeauty as an innovation "laboratory" and a symbol of the Company's wider commitments to implementing more sustainable business practices.

PALM OIL

Oriflame uses palm oil as an ingredient in numerous cosmetic formulations. Since there are serious environmental pressures caused by the palm oil industry's rapid expansion into eco-sensitive areas, the sourcing of sustainable palm oil continues to be a key focus area for Oriflame. Since 2010 Oriflame has purchased GreenPalm credits covering 100 percent of its consumption, and the long-term goal is to source 100 percent physically segregated palm oil. In 2013, Oriflame's palm oil approach resulted in a high score, 11 of 12 possible points, in WWF's Palm Oil Buyers' Scorecard, ranking companies on their palm oil sourcing practices.

PACKAGING

Oriflame's key packaging materials consist of paper, plastics and glass. The Company is continuously working on initiatives to reduce the components' environmental impacts, for example by selecting materials from renewable sources, by reducing the total materials used, making sure that as many packaging components as possible are recyclable and finally by gradually increasing the share of recycled materials. Read more about Oriflame's initiatives in the case study on page 41.

PRODUCT DEVELOPMENT AND SAFETY

For Oriflame, the safety and wellbeing of its consumers are crucial. All cosmetic products are formulated to be safe in accordance with the provisions of the European Cosmetics Regulation (EC No 1223/2009) and other major international regulations. In markets where regulations are less developed, Oriflame applies the European regulation requirements for safety as a minimum.

A step-wise approach to safety evaluation of cosmetic products is employed at Oriflame and performed throughout the product development process. First, Oriflame's expert teams rigorously evaluate all new raw materials to ensure they meet our purity and quality requirements and are safe for use. A safe concentration for each ingredient in each product type is then evaluated before the safety of each final product is confirmed by testing at independent specialised laboratories using human volunteers and non-animal testing methods. The safety evaluation process continues even after the product has been launched by actively collecting feedback from consumers and using it to further strengthen the safety of our products.

The same stringent safety measures also apply to the wellness products. All ingredients in the Wellness by Oriflame range are of the highest food grade purity, fully approved internationally

for use in food, and selected for optimum safety and efficacy. Wellness products are formulated to comply with EU Regulation (EC No 178/2002), which lays down the General Principles and Requirements of Food Law and other related European legislation. In addition to this, they are also formulated in accordance with global health authorities' recommendations, including the World Health Organisation, the Institute of Medicine and the Nordic Nutrition Recommendations. To further ensure the safety of the range, products are evaluated by Swedish experts in the field of medical science and nutrition.

In 2013, there were no incidences of non-compliance with regulations and voluntary codes concerning the health and safety effects of Oriflame's cosmetic or wellness products during their life cycle in any market.

ANIMAL WELFARE

Oriflame is committed to supplying safe, efficacious, innovative products that comply with the most stringent international regulatory requirements. At the heart of this is Oriflame's commitment to animal welfare. Oriflame was among the first in the industry to reject animal testing. This choice was made when Oriflame was founded in 1967 and the Company continues to stand firmly behind this principle.

Oriflame does not conduct or request animal testing on any of its products or ingredients at any stage of the product development process. To test the product safety and efficacy, and to ensure their compliance with the highest safety standards, Oriflame's product safety testing is carried out by specialist laboratories under the supervision of qualified medical personnel. Following a detailed review of the product formulation by the Company's team of experts, clinical safety tests are conducted with consenting healthy volunteers (18 years of age minimum). Oriflame also employs in-vitro test methods (non-animal) for those tests that could cause injury or suffering to the volunteers (e.g. eye irritancy).

Oriflame must abide by the laws and regulations of the countries in which it operates and some countries may require test data gained through animal testing. Where this applies, Oriflame supplies complete product registration information including a full safety assessment in line with the requirements of the European Cosmetics Regulation. This should negate the need for any animal testing and the Company tries to persuade the relevant authorities to accept this data. Where this cannot be done, Oriflame must reluctantly submit the products for additional testing, which may include animal testing. The Company is, through its representation on the European Cosmetic Trade Association, Cosmetics Europe, actively supporting work to change local laws to bring them into closer alignment with European regulations.

Commitments

Bring Beauty & Wellbeing through responsible products

1. IMPROVE THE SUSTAINABILITY PROFILE OF OUR PRODUCTS

1.1 Commitment: Drive continuous progress by ensuring that product categories improve sustainability profile year-on-year.
Progress: New.

1.2 Commitment: Develop a tool to drive sustainability improvements in product development by 2014.
Progress: New.

1.3 Commitment: Continuously increase the use of post-consumer recycled (PCR) plastics in our cosmetic packaging materials.
Progress: On plan. PCR content is continuously being introduced in all new PET bottles and also gradually rolled-out in other tubes and jars.

2. FOCUS ON INNOVATION

2.1 Commitment: Launch at least one sustainable Oriflame product innovation annually, for example the innovative Ecobeauty range, from 2015.
Progress: New.

2.2 Commitment: Launch a biopolymer packaging.
Progress: New.

2.3 Commitment: Focus on innovation by increasing use of actives from plant biotechnology.
Progress: New.

3. FOCUS ON PRODUCT INGREDIENTS AND SAFETY

3.1 Commitment: Continue sustainability review of ingredients used across our product portfolio. Review all cosmetic ingredients by 2015.
Progress: New.

3.2 Commitment: Focus on ingredient impact and work to phase out prioritised ingredients from a safety, environmental or ethical perspective.
Progress: New. Currently fewer than 10 raw materials on the Sin 2.1 list (list of 626 chemicals identified by NGO ChemSec). These ingredients are being monitored.

3.3 Commitment: Continue to implement the Oriflame Product Safety Evaluation process ensuring a single global safety standard.
Progress: Updated. In 2013 there were no incidences of non-compliance with regulations and voluntary codes concerning the health and safety impacts of our Cosmetic or Wellness products. The safety evaluation process applies to 100% of our cosmetic and wellness products.

4. MARKET PRODUCTS THAT MEET HIGH SOCIAL AND ETHICAL STANDARDS

4.1 Commitment: Respect animal welfare by never using cosmetic ingredients derived from dead animals or which cause harm or suffering to animals.
Progress: Previously achieved / Ongoing. Please refer to the text body for more details.

Focus on packaging

Packaging plays a central role in the consumer's experience of Oriflame products, but at the same time its contribution to the Company's footprint is significant. Oriflame is continuously working on initiatives to reduce the environmental impacts of its packaging and the materials used – paper, plastics and glass.

CARTONS, LINERS AND LEAFLETS

Under its paper commitment, Oriflame is focusing on sourcing FSC certified material for all cartons, liners and leaflets. In 2013 Oriflame made agreements with its strategic suppliers to move all existing unit cartons, leaflets and liners to FSC while continuing to specify FSC for all future products. During 2013, over 90 percent of all paper based packaging was sourced from FSC certified forests with intact chain of custodies. Additionally, a rationalisation project was conducted to specify one standard board grade which is reduced in weight while increasing performance.

SELF-ADHESIVE LABELS

Oriflame uses labels on many of its packaging types and is continuously looking at new innovative materials. In 2013, a lighter material was tested, with a reduced weight of 38 percent in comparison with the previous industry standard, thereby saving both material and cost. In addition, by fitting more labels on every roll, production efficiency improves due to fewer changeover stops. The trials have been successful and Oriflame has started moving existing labels over to the new specification.

RECYCLED PLASTIC

Two years ago, Oriflame introduced post consumer recycled plastics, known as PCR plastics, in bottles and tubes, and they are extensively used in the Ecobeauty range and Love Nature. Due to the material being of recycled origin, there are small irregularities in colour which means that at times consistent colours cannot be achieved. Therefore PCR material cannot be used for all ranges, but Oriflame continues to specify this material whenever possible.

Drive environmental sustainability

Achieving environmental sustainability is a key goal of the sustainability strategy. Oriflame is continuously working to reduce its key impact areas; ensure that raw materials used are sourced from renewable and sustainable materials whenever possible, that emissions to air and water are reduced, that waste is minimised and finally that the impacts from activities, events, projects and facilities are reduced. The initial focus is on areas where initiatives have the most impact; however these goals apply across Oriflame's value chain and the scope is gradually increased.

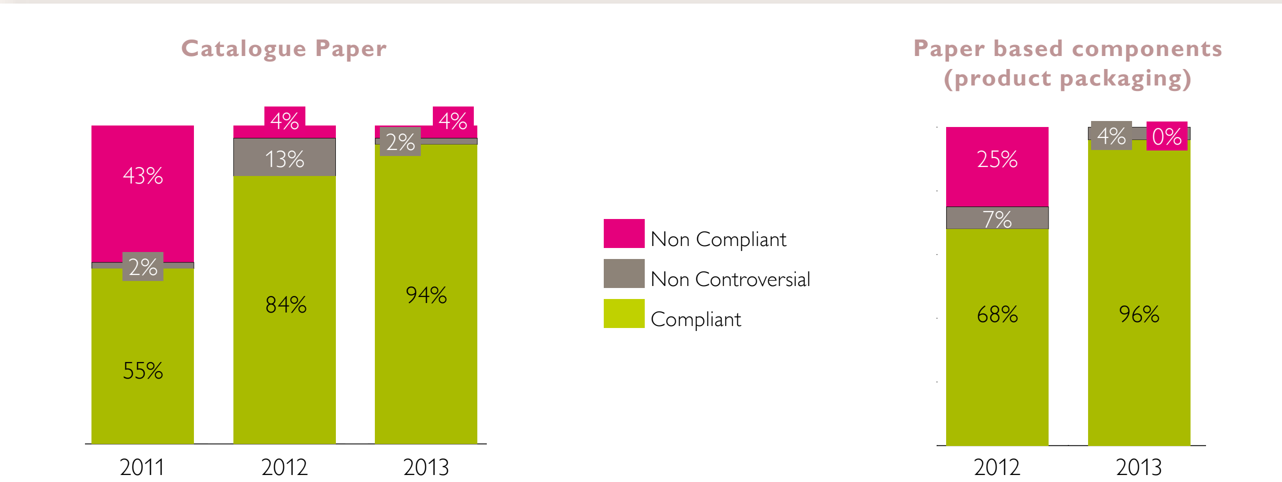
SUSTAINABLE SOURCING

A large proportion of the environmental impact of Oriflame's products occurs beyond the direct scope of the Company's operations. Sourcing of raw materials, such as paper and palm oil, is therefore a critically important impact area.

Paper and wood-based products are Oriflame's number one raw material, used in packaging materials as well as in publications, especially catalogues. In 2010, Oriflame started working in collaboration with the Rainforest Alliance, a global conservation organisation, to develop a responsible paper sourcing strategy and set ambitious sustainability targets. A paper guideline has been rolled out to all Oriflame catalogue and folding box suppliers globally and data on use and statistics on sources are gathered on an annual basis to ensure progress. In 2013, focus was put on following-up compliance among Oriflame's main corrugated board suppliers, and the results showed that more than 95 percent of the material surveyed complied with the Company's guidelines. The target of sourcing 75 percent of paper and board packaging and publications material from credibly certified or recycled origin was therefore achieved in 2013, two years ahead of schedule.

WATER

During 2013, Oriflame conducted a study assessing the lifecycle impact of water withdrawl and on ecosystems for seven representative products. The results are being analysed and will be used to prioritise further work within this area.



PRODUCTION SITES AND OFFICES

Increasing the sustainability profile of Oriflame's own facilities and operations is a key priority. The goal is to pursue LEED™ Green Building scheme certification for all new construction and major renovations and pursue environmental effectiveness on all premises. In 2013, the audit program, which was launched in 2012, continued to be rolled-out at internal production sites, warehouses and offices, focusing on energy efficiency and reducing greenhouse gas emissions. At all Oriflame's production sites, there are detailed programs with the aims to reduce not only energy and greenhouse gas emissions but also waste and water consumption. Each of these areas is the subject of targets to be met.

In September 2013, the new Global Distribution Center in Noginsk, Russia, was awarded LEED™ silver certification, making it one of the few industrial projects in Russia to gain such an independent certification. The production facility under construction at the same site is still in the process of being LEED™ certified prior to completion. Read more about the LEED™ Green Building certification of the Noginsk facility on page 31.

A strategy for improving the environmental profile of all offices worldwide is implemented and includes the provision of manuals for all office managers and guidelines for employees regarding energy use, recycling and other sustainability tips.

Environmental Data

ORIFLAME PRODUCTION SITES	2010	2011	2012	2013
Energy (MWh)	35,900	34,600	32,700	31,950
Gross GHG emissions (tonnes CO_2e)	10,100	9,700	9,300	9,600
Net GHG emissions (tonnes CO_2e)	9,200	8,900	8,200	5,300
Water (m^3)	170,600	155,100	142,400	142,400
Waste (tonnes)	4,900	3,700	3,400	3,000

LOGISTICS

Oriflame's overall supply strategy is to move the sourcing of products and printing of catalogues closer to the current and future Group Distribution Centre facilities and major markets. The aim is to improve transportation routes and thereby reduce greenhouse gas emissions and energy consumption, a strategy that has been successful.

The vast majority of the Oriflame's shipments are conducted by sea and truck freight. The packaging and loading routines for ship containers and trucks are continuously being reviewed to optimise space usage, thereby reducing energy consumption. The average number of pallets shipped in each truck and container have increased by more than 50 percent since 2010. When selecting road carriers the aim is to utilise EUR 4, 5 and 6 standard trucks wherever possible, thus reducing particle emissions. Oriflame also works hard to limit air shipments to the greatest extent possible.

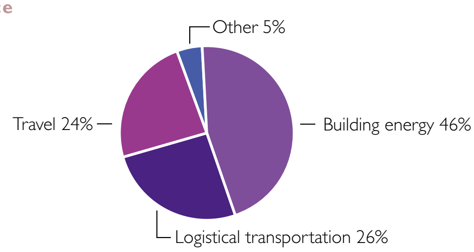
Carbon intensity

	2010	2011	2012	Change 2010-2012
GHG emissions (tonnes per M€ sales)	49.95	47.66	42.40	-15%

Progress for 2013 will be published through the CDP

Emissions by Source and Scope 2012

Source



Scope 1:

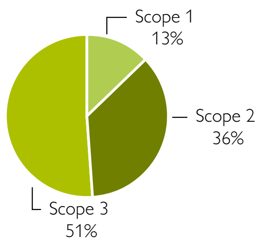
All direct emissions, i.e. fuel use

Scope 2:

All indirect emissions from consumption of purchased electricity, heat or steam

Scope 3:

Other indirect emissions, such as resulting from outsourced transport and business travel



Commitments

Drive environmental sustainability

1. SOURCE RENEWABLE AND SUSTAINABLE MATERIALS WHENEVER POSSIBLE.

1.1 Commitment: Source 100% certified physically segregated palm oil by 2020.
Progress: On plan. In 2012, Oriflame produced a foaming product with RSPO certified segregated sustainable palm kernel oil. We aspire to increase the use of certified physically segregated palm oil in products over the next few years to demonstrate our support for the RSPO. However, currently there is a limited amount of certified physically segregated palm oil materials available, making progress slower than we would wish.

1.2 Commitment: Promote sustainable palm oil by purchasing GreenPalm credits to cover 100% of our consumption.
Progress: Previously achieved / Ongoing. GreenPalm credits purchased to cover our full 2013 volume.

1.3 Commitment: Source 75% of wood fibre from credibly certified sources by 2015, 100% by 2020.
Progress: 2015 Target Achieved. With the support of the Rainforest Alliance we conducted a first supply chain analysis of the corrugated board purchased at our top 10 manufacturing and warehouse facilities. The results showed a more than 95% compliance with our paper commitment, most material being from recycled sources. In total, all paper and board surveyed in 2013 (catalogues, packaging cartons and corrugated board) therefore showed a compliance rate of 95%, well above the 2015 target of 75%. We will keep working to ensure that 100% of our paper is proven acceptable by our policy.

1.4 Commitment: Source 100% of catalogue paper from credibly certified origin by 2016.
Progress: On plan. For the third year running we conducted a supply chain analysis of our catalogue suppliers. During 2013, 94% of catalogue paper used was fully compliant with our paper commitment, i.e. sourced from a credibly certified source with an intact chain of custody (up from 84% during 2012).

1.5 Commitment: Source 75% of display packaging cartons and leaflets from FSC certified sources by 2013.
Progress: Achieved. The supply chain analysis of our packaging cartons and leaflets purchased during 2013 revealed that 92% of the material used was FSC certified, a significant increase from 53% during 2012 and well above the target of 75%. In total 96% was compliant with Oriflame's general paper guidelines.

1.6 Commitment: Source 100% of display packaging cartons and leaflets from FSC certified sources by 2016.
Progress: New.

1.7 Commitment: During 2014, investigate possibility to source more sustainable cotton.
Progress: New.

2. REDUCE EMISSIONS TO AIR

2.1 Commitment: Reduce CO_2 emissions from global Oriflame operations by 50% by 2020.
Progress: On plan. During 2012 total greenhouse gas emission from Oriflame's operations decreased by 10% in both relative and absolute terms. Since the base year 2010, relative emissions are down 18%. Progress for 2013 will be published online by Q3 2014.

2.2 Commitment: Reduce CO_2 emissions from factories by 20% by 2015.
Progress: On plan. We are continuously increasing our renewable energy share. At the Swedish and Polish production sites, 100% of electrical energy is sourced from certified renewable sources starting from January 2013. In addition, significant technical improvements have been implemented. Our Gross emission has decreased by 5% and Net emission has decreased by 42% in absolute terms since 2010.

2.3 Commitment: Reduce energy use in factories by 15% by 2015.
Progress: On plan. Energy use in absolute terms has decreased by 11% since 2010. Despite this, energy use per unit has increased by 2% since 2012. We are still working to meet the 2015 target.

2.4 Commitment: Increase renewable energy in factories to 70% by 2018. Long-term ambition to achieve 100% renewable energy in Oriflame owned buildings.
Progress: New. Currently 68% of total electrical consumption and 42% of total energy consumption at Oriflame's factories is renewable.

3. REDUCE EMISSIONS TO WATER

3.1 Commitment: Use only biodegradable cleansing ingredients in 100% of our Personal Care products.
Progress: Updated. Commitment has been rephrased with a more limited scope, unfortunately suitable biodegradable alternatives are not always available for certain high performing hair care formulations.

3.2 Commitment: Start to phase out plastic micro beads in all new products from 2014.
Progress: New.

4. REDUCE SOLID WASTE

4.1 Commitment: Reduce waste disposed at all our factories by 10% by 2015.
Progress: On plan. Waste produced per unit has decreased by 17% since 2010, in absolute terms this represents a decrease of 37%.

4.2 Commitment: Send no waste to land-fill from our factories by 2020.
Progress: New. Oriflame's two largest factories (OPP and OPS) have achieved zero waste to landfill during 2013, this represents approximately 90% of all waste produced at Oriflame's manufacturing sites.

4.3 Commitment: Increase recycling of packaging by gradually introducing recycling facilities at our service centres worldwide.
Progress: Behind plan. In 2013, 90% of Oriflame's offices and service centres were surveyed on recycling practices. Findings include that 30% of locations recycle at least three different materials. Most common materials are paper (60% of locations), carton (53%), plastic (31%) and glass (25%). The main reason not to recycle is the lack of infrastructure, as answered by 20% of respondents.

5. REDUCE IMPACT FROM ORIFLAME ACTIVITIES, EVENTS, PROJECTS & FACILITIES

5.1 Commitment: Pursue LEED™ Green Building scheme certification for all new construction and major renovations and pursue environmental effectiveness on all our premises.
Progress: On plan. Oriflame's new Global Distribution Centre in Noginsk, Russia, was awarded LEED™ silver certification during 2013. The manufacturing facility in the same location is in the process of being certified. This is also the case for our new facility under reconstruction in Roorkee, northern India.

5.2 Commitment: Reduce water use at all our factories by 10% by 2015.
Progress: On plan. Water consumption per unit has increased since 2010 due to a drop in units produced. In absolute terms a decrease of 16% since 2010 was achieved.

People and Culture

– the reason for success

Togetherness, spirit and passion are the guiding values of Oriflame's strong and consistent Company culture, promoting entrepreneurship and creativity. Everyone who joins Oriflame – Consultants or employees – should feel empowered by a stimulating and dynamic work environment that makes them grow as people and professionals.

CORPORATE CULTURE

Oriflame's people are the reason for its success. Diversity among employees and Consultants, and indeed among customers, is a key factor in the Company's great creativity and constant development. Oriflame operates in a multitude of languages on four continents where values, religious beliefs and political convictions vary tremendously from region to region. At such a global company, a strong and distinct corporate culture is key to the strong sense of belonging that characterises Oriflame – and also to the Company's success through the years.

Oriflame's culture is based on entrepreneurship and respect for and belief in people's capabilities. Oriflame strives to become the number one workplace with an inspiring corporate culture, by paying attention to the dreams and goals of both employees and Consultants. The aim is for everyone joining Oriflame to experience a stimulating and dynamic work situation that makes them grow as people and professionals.

Oriflame's core values derive from the team-playing, passionate people in the organisation, characterised by the pursuit of new solutions and improved results. Three guiding core values shall permeate all relationships and actions at Oriflame – Togetherness, Spirit and Passion.

TOGETHERNESS

People who work together and share the same goals achieve greater results. They motivate each other and know that pulling together is more rewarding than going it alone.

SPIRIT

People with a can-do spirit have a winning attitude and never give up. They are prepared and committed to do what it takes to succeed.

PASSION

Passionate people have the power to change the world. They love what they do and they believe in it. They know deep down that they can make a difference.

Oriflame works hard to ensure that everybody involved in the Company's mission understands the core values and principles of the Oriflame culture. For employees, the Oriflame Way is a one-day seminar presented by senior managers for this purpose. The seminar is given in several languages to fully reach the target audience, and CEO and President Magnus Brännström has personally conducted several of these training sessions. For Oriflame Consultants, the Company's core values are presented and discussed in the business opportunity presentation, at conferences and other gatherings and are embedded in all Oriflame Academy training and modules. They are also included in the Code of Conduct which is rolled out to all Oriflame employees and Consultants.

EMPLOYEES – CAREER OPPORTUNITIES WITH CHALLENGING ASSIGNMENTS

Oriflame offers challenging work assignments in various areas. The Company's international environment offers opportunities to work with people of many different nationalities, participate in global projects or transfer to a position in another part of the Oriflame world. The Company's operations provide opportunities in areas such as sales & operations, marketing, branding & communication, supply, finance, legal, IT & online, human resources and business development. In addition to these functions, Oriflame provides unique careers in research & development and catalogue creation. The research & development functions in Dublin and Stockholm employ over a hundred scientists and technical experts. A creative career at Oriflame offers a unique possibility to be involved in the production of one of the world's largest beauty publications. The core team comprises art directors, layout artists, layout editors and copywriters.

ATTRACTING TALENT IS CRUCIAL TO SUCCESS

Attracting and keeping talent in the Company is crucial to Oriflame's future success. Efforts are channeled into establishing structured human resource frameworks, explicit ownership and a sharp agenda for the Company's talent management procedures. Oriflame's employees grow both in their day-to-day work and through the Oriflame Academy for employees – a unique training programme covering a variety of relevant areas. There is great focus on leadership training for middle management and also channels for sharing expertise and best practices within the organisation.

An ongoing project is to clarify possible career paths in the Company, with the aim of promoting internal development. Also, a system of performance management has been designed, linking targets for individuals more clearly to the Company's strategy. In 2013, Oriflame introduced a new method of measuring an employee's potential and underlying skills, knowledge and abilities, called Oriflame Capabilities. The aim is to help employees to identify their capabilities that are important for high performance, superior results and organisational success.

Oriflame's international work environment is highly valued by students and young professionals. International summer internships and participation in student fairs are some of the activities deployed to strengthen Oriflame's brand among these groups of potential employees.

Oriflame's policy is to offer competitive and objective remuneration. Salary mapping is one way of ensuring the Company is compliant with equal opportunity law and policy in terms of gender-based differentiation.

Oriflame always strives for representative distribution with regard to gender and ethnicity for all categories of employees. Oriflame's overall workforce is predominantly female and it therefore also aims to have a higher share of women in management positions. In 2013, women represented 42 percent of the global management team, constituting the Company's top 400 managers.

ORIFLAME CONSULTANTS – OPPORTUNITIES FOR PERSONAL GROWTH AND DEVELOPMENT

One of Oriflame's founding principles was to give people an opportunity to "make money today and fulfil their dreams tomorrow", thus to earn extra income or run their own business and, in so doing, improve their lives. Oriflame offers an attractive business opportunity for its Consultants around the world, with low entrance fees and no stock required, making it easy and risk-free to join.

When joining, Oriflame Consultants get the chance to run their own business – setting their own targets and planning income and working hours – thereby improving and in some cases even completely changing their lives. The majority of people who join Oriflame shop merely for themselves, their families and a few friends, while others go on to make a full career with Oriflame, building a business and recruiting other Oriflame Consultants to their networks. However, Oriflame's direct contact with each and every one of its Consultants is important for ensuring the spirit and passion of the sales force.

Oriflame Consultants operate according to the Rules of Conduct for Independent Sales Consultants. The rules outline a set of principles for appropriate business behaviour, honesty and truthfulness, fair, thoughtful and responsive treatment of customers and high integrity and responsibility standards.

Regardless the size of the business, Oriflame has a well-developed system of tools and incentives to encourage the people who join the Company. An important part of this is the Success Plan, according to which Oriflame Consultants are rewarded for their own sales, as well as those of any Oriflame Consultants in their networks. In March 2013, Oriflame introduced an updated and improved Success Plan in the CIS region, which will reward loyalty and activity to an even higher degree. This updated version of the Success Plan is a step in adapting to the competitive environment by having different total offers in the various countries and regions, also regarding the reward system.

The Oriflame Success Plan provides an incentive to maximise network sales and recruit new Oriflame Consultants to extend the scope of their networks. Apart from receiving financial compensation, successful Oriflame Consultants also qualify for Director titles, depending on their achievements, as well as attendance at Oriflame conferences around the globe, where key initiatives are launched and new products are presented. Equally important, the conferences provide a venue for leaders to exchange ideas with founders, top management and each other.

TRAINING FOR GROWING

Oriflame offers a variety of training programmes for its Consultants, focusing on both personal development and business skills including product knowledge. Advanced training is provided through the Oriflame Academy. The core training of the Oriflame Academy is conducted by the leaders in the networks, while more advanced modules are predominantly managed by Oriflame's employed sales management representatives. Oriflame has developed and implemented online versions of these training courses and these e-learning courses are now important complements to physical meetings.

Statement from the Chairman

2013 was a year when Oriflame saw diverse development in our different markets. The performance was strong in our key growth markets, which is important for long-term success. At the same time, we dealt with challenges, with our largest markets Russia and Ukraine stagnating, and a major impact from negative currency effects. We saw continued fierce global competition from both direct sellers and traditional retailers. Regardless of external factors, our clear ambition is to turn around the development where we face challenges and to continue establishing operations in new markets when we see attractive opportunities. This means we must balance investments in growth regions with initiatives to strengthen performance in more mature markets.

NEW SOLUTIONS IN A TOUGH MARKET CLIMATE

Oriflame has an almost 50 year history of managing challenging and sometimes volatile market conditions. We have enjoyed fantastic growth throughout the decades, but have also encountered and tackled crises – and entered the next phase of the Company's development with renewed strength. The weak performance in our core markets in recent years is something we are working each day to address. It is complex and requires hard work and cost reductions, and also means we are reviewing our processes and opening up to new ideas that will contribute to creating a more efficient company.

We are also convinced that our endeavour to become a sustainable company in every aspect is crucial and a long-term success factor. It is also a natural part of being a responsible company. During the year, we took further steps to expand and deepen our sustainability work, and formulated several additional objectives for our initiatives.

NEW PURCHASING PATTERNS FOR DIRECT SELLING

We are convinced that the direct selling model will stand its ground in the new consumer landscape of changed purchasing patterns and increased e-commerce. We live in an era in which we have grown accustomed to making purchasing decisions based on online product information and, maybe even more importantly, recommendations. Thanks to our direct selling model, Oriflame can offer both a personal buying experience and a relevant, extensive and high-level online service. Our base of Consultants is and always will be our most important assets, especially online. They are brand ambassadors, promoting and recommending our offering, which is why we make sure to share revenues with them regardless of the channel.

ORIFLAME'S PEOPLE ARE MORE IMPORTANT THAN EVER

In challenging times, Oriflame's stable financial base is reassuring. However, for 2013, we have decided to propose a reduced dividend for all shareholders, reflecting lower earnings and to enable our ongoing investments into the business. In addition, in order to even out cash flow and optimise the balance sheet over the year, we have decided to introduce quarterly dividend pay-outs as of 2014.

Our clear objective is to put Oriflame back on a growth track. One of the most significant foundations is our people – employees and Consultants – who are now more important than ever. I am proud of the amazing spark and energy they all provide, and would like to thank them for a year of important initiatives aimed at strengthening Oriflame as we face the future.

Key Figures

THREE-YEAR RECORD

€ million unless stated otherwise	2013	2012	2011
Sales	1,406.7	1,489.3	1,493.8
Gross profit	986.4	1,053.0	1,014.8
Gross margin, %	70.1	70.7	67.9
EBITDA	166.5	204.2	182.2
Adjusted operating profit	1) 142.4	175.1	1) 164.1
Adjusted operating margin, %	1) 10.1	11.8	1) 11.0
Adjusted net profit	1) 84.4	121.5	1) 105.7
Return on capital employed, ROCE, %	25.4	30.8	29.5
Cash flow from operating activities	112.1	183.7	135.3
Cash flow from operating activities, per share, €	2.02	3.22	2.37
Equity/assets ratio, %	21.9	31.9	27.0
Net interest-bearing debt	2) 275.9	2) 214.0	2) 232.9
Interest cover	7.6	9.7	6.1
Adjusted earnings per share, diluted, €	1) 1.52	2.13	1) 1.86
Active Consultants* ('000)	3,460	3,422	3,610
Average number of full-time equivalent employees	7,340	7,465	7,898

1) Before restructuring costs of €5.8m (2013), €5.9m (2011).
2) Net interest-bearing debt includes US Loan fair value. The net interest-bearing debt at hedged values would be €263.3m (2013), €179.2m (2012) and €195.1m (2011).
* Oriflame is from the first quarter 2013 reporting one measure of the number of consultants - active consultant - which is the number of Oriflame Consultants that has placed at least one order during the quarter. The comparative figures have been restated for 2011 and 2012.

DEFINITIONS

CAPITAL EMPLOYED
Total assets less non interest-bearing liabilities, including deferred tax liabilities.

CASH FLOW FROM OPERATING ACTIVITIES
Operating cash flow after interest received, interest and bank charges paid and after income taxes paid.

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

INTEREST COVER
Operating profit plus interest income divided by interest expenses and charges.

NET INTEREST-BEARING DEBT
Interest-bearing debt excluding front fees minus cash and cash equivalents.

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

RETURN ON CAPITAL EMPLOYED
Operating profit plus interest income divided by average capital employed.

RETURN ON OPERATING CAPITAL
Operating profit divided by average operating capital.

QUARTERLY FIGURES

	2012				2013			
Sales, € million	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
CIS & Baltics	224.9	199.8	155.0	220.3	207.9	176.7	137.8	184.8
EMEA	103.8	103.5	86.5	120.1	100.1	97.6	83.6	110.9
Latin America	22.3	24.2	28.3	25.8	24.8	29.9	31.2	30.2
Asia	41.2	43.6	37.6	42.4	45.9	52.5	39.6	42.3
Manufacturing	0.7	0.2	0.2	0.1	0.9	0.8	0.3	0.1
Other	2.8	2.3	1.8	1.9	1.6	2.3	2.1	2.9
Oriflame	395.7	373.6	309.4	410.6	381.3	359.7	294.6	371.2

Adjusted operating profit, € million	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
CIS & Baltics	39.2	34.3	23.4	39.8	33.1	25.4	19.0	27.8
EMEA	13.2	15.2	9.5	24.5	13.1	14.9	10.5	22.8
Latin America	1.3	2.0	2.9	2.5	2.1	4.1	5.1	4.1
Asia	2.7	3.4	1.5	4.1	1.8	5.4	1.7	4.5
Manufacturing	0.6	1.4	2.7	1.6	3.2	2.8	2.9	1.7
Other	(9.3)	(13.0)	(12.0)	(16.3)	(15.3)	(18.1)	(16.1)	(14.1)
Oriflame	47.7	43.2	28.0	56.2	38.0	34.5	2) 23.1	1) 46.8

Active consultants, 000	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Cis & Baltics	1,992	1,872	1,486	1,768	1,926	1,737	1,411	1,679
EMEA	898	922	798	960	962	924	797	946
Latin America	164	169	181	174	176	195	224	223
Asia	517	513	469	520	617	606	566	612
Oriflame	**3,571**	**3,475**	**2,934**	**3,422**	**3,681**	**3,462**	**2,998**	**3,460**

1) Adjusted for restructuring costs of €2.2m.
2) Adjusted for restructuring costs of €3.6m.

As earlier communicated, Oriflame is from the first quarter 2013 reporting one measure of the number of consultants – active consultants – which is the number of Oriflame Consultants that has placed at least one order during the quarter. This number corresponds to what was previously called closing sales force. Active consultants is also the measure used for productivity calculations.

A number of factors impact sales and margins between quarters:
- Effectiveness of individual catalogues and product introductions.
- Effectiveness of recruitment programs.
- Timing of sales and marketing activities.
- Number of effective sales days per quarter.
- Currency effect on sales and results.

The Oriflame Share

Oriflame Cosmetics was introduced on the NASDAQ OMX Nordic Exchange on 24 March 2004 through an initial public offering of Swedish Depositary Receipts (SDRs). On 31 December 2013, the number of shareholders and SDR holders was 10,498. Each SDR represents one share. The last price paid on 30 December 2013 was SEK 197.50, giving Oriflame a total market capitalisation of SEK 11.3 billion. During 2013, an average of 222,063 shares were traded per day on the NASDAQ OMX Nordic Exchange. Oriflame's share capital amounts to €71,517,577 divided by 57,214,062 shares.

ORIFLAME COSMETICS TOP 10 SHAREHOLDERS AS AT 31 DECEMBER 2013

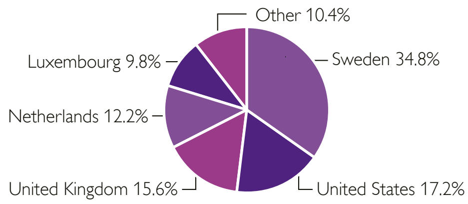
		Shares	Share capital and voting rights, %
1	Lazard Asset Management LLC	6,585,383	11.5
2	Af Jochnick BV	6,327,001	11.1
3	Robert and Alexander af Jochnick and family	5,216,826	9.1
4	Jonas af Jochnick and Family	4,296,000	7.5
5	SEB Investment Management	3,252,153	5.7
6	Schroder Investment Management Ltd.	1,620,894	2.8
7	JPMorgan Asset Management Ltd.	1,433,676	2.5
8	Swedbank Robur Fonder	1,287,838	2.2
9	EFG Private Bank SA	1,176,502	2.1
10	Skandia Liv	1,066,930	1.9
	Treasury shares owned by the company	1,613,409	2.8
	Others	23,337,450	40.8
	Total shares issued	**57,214,062**	**100.0**

Source: King Worldwide

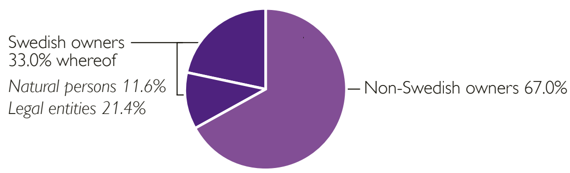
HISTORY OF SHARE CAPITAL

The table below presents the changes in the Company's share capital since 2006. Documents pertaining to the changes in Oriflame's share capital prior to and during this period may be consulted at the Luxembourg Register of Commerce and Companies:

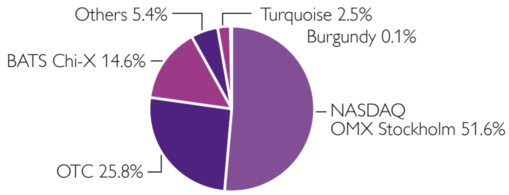
Geographic distribution of shareholders 2013



Distribution of shareholder-type 2013



Place of share trading 2013



Year	Transaction	Change in numbers of shares	Change in share capital €'000	Total number of shares	Total share capital €'000
2006 (1)	Cancellation of redeemed shares	(3,813,304)	(4,766)	55,669,886	69,588
2007 (2)	New issue	71,828	90	55,741,714	69,678
2008 (3)	New issue	551,601	689	56,293,315	70,367
2009 (4)	New issue	521,343	651	56,814,658	71,018
2010 (5)	New issue	165,569	207	56,980,227	71,225
2011 (6)	New issue	60,907	76	57,041,134	71,301
2012 (7)	New issue	80,000	100	57,121,134	71,401
2013 (8)	New issue	92,928	116	57,214,062	71,517

(1) On 30 October 2006 the Company cancelled 3,813,304 shares, which were redeemed during the summer of 2006.
(2) New issue of shares relating to the 2007 share incentive program.
(3) New issue of shares relating to the 2008 share incentive program and vesting of the 2005 share incentive plan.
(4) New issue of shares relating to the 2009 share incentive program and vesting of the 2006 share incentive plan.
(5) New issue of shares relating to the 2010 share incentive program and vesting of the 2007 share incentive plan.
(6) New issue of shares relating to the 2011 share incentive program.
(7) New issue of shares relating to the 2012 share incentive program.
(8) New issue of shares relating to the 2013 share incentive program and vesting of the 2010 share incentive plan.

OWNERSHIP STRUCTURE AS AT 31 DECEMBER 2013 (EXCLUDING TREASURY SHARES)

Shareholding	Number of shareholders	%	Number of shares	%
1 – 1,000	9,275	88.4	1,817,175	3.3
1,001 – 10,000	952	9.1	2,937,650	5.3
10,001 – 50,000	159	1.5	3,685,075	6.6
50,001 – 500,000	89	0.8	14,559,050	26.2
500,001 – 1,000,000	11	0.1	7,535,633	13.5
1,000,001 –	11	0.1	25,066,070	45.1
Total	**10,497**	**100.0**	**55,600,653**	**100.0**

Source: Euroclear and share register

DIVIDEND POLICY AND DIVIDEND PROPOSAL

The Board of Directors has adopted a dividend policy to the effect that, absent changes in the Company's operations or capital structure, Oriflame intends to distribute, over the long term, at least 50 percent of the Company's annual profit after tax as dividends. For 2013, the Board of Directors proposes that the Annual General Meeting resolves a distribution of up to €1.00 (€1.75) per share, corresponding to up to 71 percent of net profit, to be paid out in quarterly instalments, with the first instalment of €0,25 per share (or the Swedish Krona equivalent per SDR) to be paid following the Annual General Meeting, and that the Board of Directors is given a mandate to decide on the subsequent quarterly installments.

SHARE TRADE

A total number of 56 million shares where traded on NASDAQ OMX Stockholm during 2013, accounting for 52 percent of total turnover in the share. Oriflame's share is also traded in marketplaces outside of NASDAQ OMX Stockholm such as Bats Chi-X, Turquoise and Burgundy.

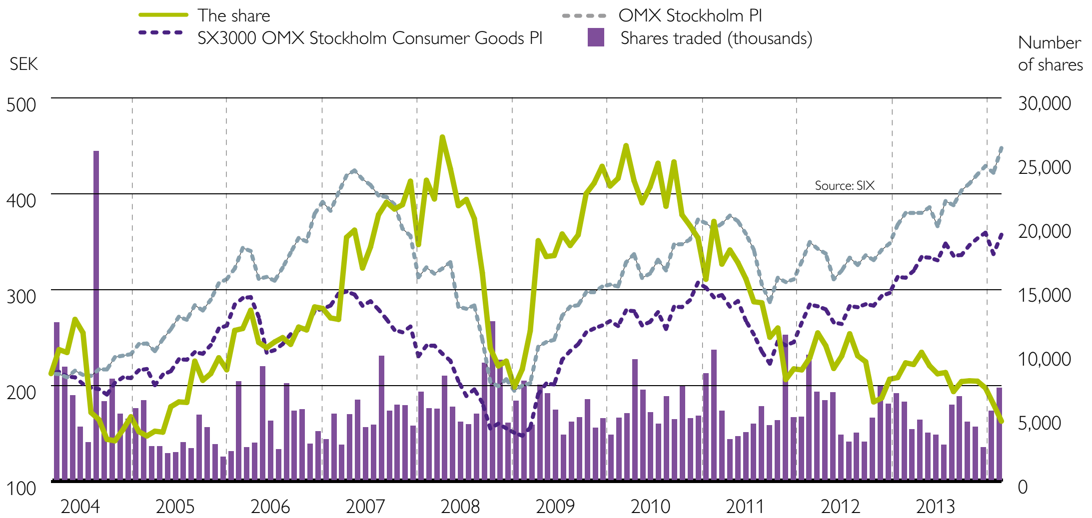
SHARE DATA

Listing	NASDAQ OMX Stockholm
No of shares issued	57,214,062
Earnings per share	€1.52
Dividend per share	€1.00
Market capitalisation at 31 December 2013	SEK 11.3 billion
Ticker code	ORI SDB
ISIN-code	SE0001174889

ANALYSTS FOLLOWING ORIFLAME

Andreas Lundberg	ABG Securities
Niklas Ekman	Carnegie
Daniel Ovin	Chevreux
Nic Sachovsky	Credit Suisse
Haakon Aschehoug	DnB Nor Markets
Anders Hansson	Danske Bank
Rosie Edwards	Goldman Sachs
Erik Sandstedt	Handelsbanken
Erik Sjögren	Morgan Stanley
Guillaume Delmas	Nomura
Stellan Hellström	Nordea
Sergej Kasatchenko	Pareto Öhman
Stefan Nelson	SEB Enskilda
Christian Anderson	Swedbank
Erik Hegedus	WOOD & Company

SHARE PRICE



Directors' Report

The Board of Directors (the "Board of Directors") present the Annual Report and the audited consolidated financial statements of Oriflame Cosmetics S.A. (the "Company") and its subsidiaries (together with the Company, the "Group") for the financial year ended 31 December 2013 (the "Annual Report").

The Chairman's letter, the CEO statement, the corporate governance report (the "Corporate Governance Report") as well as the report on internal control and monitoring (the "Internal Control and Monitoring Report") included on pages 49, 8, and 58–64, all form part, together with the present directors report, the annual management report (the "Report").

ACTIVITIES OF THE COMPANY AND OF THE GROUP

The Company is a public limited liability company (société anonyme) governed by the laws of the Grand-Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under number B. 8835, which main purpose is to act as holding company of the Group whose principal activity is the sale of high quality skin care, fragrances, cosmetic products and related nature-inspired innovative beauty products through an independent sales force of over 3 million independent Oriflame Consultants.

BUSINESS REVIEW

The Chairman's letter and the CEO statement on pages 49 and 8 respectively include a fair review of the development of the activities of the Company and of its subsidiaries over the year in consideration and likely future development of the Group's activities.

REORGANISATION PROCESS OF THE GROUP'S STRUCTURE

In the course of the year 2013, the Board of Directors further investigated the possibilities to further align the legal structure of the Group with the Group operations and activities

As explained earlier in a press release dated 17 April 2013, the Group has in recent years gradually improved operational efficiencies through the implementation of Global Shared Services in the areas of IT, Finance and HR as well as e-Commerce, cash pooling initiatives and inventory risk management. As part of this, Oriflame has moved activities, risks, management and functions to Switzerland.

As a consequence of these operational changes, the Board of Oriflame Cosmetics S.A. has decided to pursue a process to modify the legal structure of the Group which may lead to change of domicile from Luxembourg to Switzerland within the next few years.

These changes to the legal structure of the Group will be implemented in several steps, where the first step is subject to the Company shareholder's consent and entails the contribution by the Company of its assets and liabilities to Oriflame Cosmetics Global S.A. ("OCG") – a new Luxembourg financing and holding company, incorporated during the Q1 2013 and directly and wholly owned by the Company – in consideration of shares in OCG (the "Universal Contribution").

The Universal Contribution, initially planned to be submitted the Company shareholders' approval at an Extraordinary General Meeting to take place during the fourth quarter 2013, was ultimately postponed for practical reasons to the second quarter 2014 (see section headed "Subsequent (and forthcoming) events since the end of the financial year" of the present Report).

KEY PERFORMANCE INDICATORS

The key figures of the performance of the Group can be found on page 50–51 of this Annual Report.

ACTIVITIES IN THE FIELD OF RESEARCH & DEVELOPMENT

For the period under review, the Group increased its R&D expenses by 4.1 percent to €12.8 million compared to €12.3 million in 2012.

CAPITAL STRUCTURE AND RIGHTS AND OBLIGATIONS ATTACHED TO SECURITIES OF THE COMPANY

As stated in note 19 of the financial statements, the issued share capital of the Company as of 31 December 2013 amounted to €71,517,577.50 and consisted of 57,214,062 fully paid in ordinary shares with no designation of nominal value out of which 54,133,082 were deposited with Skandinaviska Enskilda Banken AB ("SEB") and represented by Swedish depository receipts ("SDRs") listed on the NASDAQ OMX Nordic (Stockholm Stock Exchange)[1]. In addition to the SDRs, there is also since February 2013 a sponsored Level 1 American Depositary Receipt ("ADR") program with the SDRs as underlying instrument for the ADRs. Each ADR represents 0.5 SDRs.

Each SDR represents one share in the Company and each share entitles to one vote at any shareholders general meetings, whether annual, ordinary or extraordinary ones (together the "General Meetings" and individually, a "General Meeting"). More generally, all shares issued by the Company rank pari passu with each other and enjoy equal rights as provided in the Luxembourg law of 10 August 1915 on commercial companies, as amended (the "Luxembourg Company Law") and the Company's articles of association (the "Articles of Association")[2] and no share in the Company carries special voting and/or control rights.

The Company has not issued any other type of securities giving access to the Company's capital.

TREASURY SHARES

As of 31 December 2013 and as of 14 April 2014, the Company held 1,613,409 of its own shares (the "Treasury Shares"), for an amount of €41,235,204 and representing 2.8 percent of the Company's share capital, acquired under and in accordance with the Share Buy-Back Program (as this term is defined hereinafter).

AUTHORISED CAPITAL

The Company has an authorised capital fixed at €102,400,000 (the "Authorised Capital").

1) The Company was introduced on the NASDAQ OMX Nordic (Stockholm stock exchange) on 24 March 2004 through an initial public offering of SDRs listed on the OMX STO Equities CCP.

2) A copy of the consolidated version of the Articles of Association is made available on the Company's website at investors.oriflame.com.

RESTRICTIONS ON THE TRANSFER OF SECURITIES OR EXERCISE OF VOTING RIGHTS

As per the Articles of Association and the general terms and conditions of the SDRs there are no restrictions in regards to transfer of shares or SDRs of the Company.

The Articles of Association also do not provide for any voting restrictions: however, in compliance with the Luxembourg law of 24 May 2011 on the exercise of certain rights of shareholders in general meetings of listed companies[3], the Articles of Association introduced a record date system according to which only those shareholders (either directly or indirectly by holding SDRs) who are shareholders of the Company at midnight (Luxembourg time) on the 14th day prior the general meeting (the "Record Date") – respectively who are able to prove that they are shareholders as at the Record Date – shall have the right to participate and to vote at the General Meetings. The Company does currently not extend voting rights to ADR owners. ADR owners wishing to vote at a General Meeting can do so by having their ADRs converted into SDRs in advance of such General Meeting.

MAJOR SHAREHOLDINGS

The major direct and indirect[4] holdings and voting rights in the Company as per 31 December 2013 can be found in the table on page 52 of the Annual Report.

CONTROL SYSTEM IN EMPLOYEE/MANAGEMENT SHARE SCHEME

The Company is not aware of any issues regarding item e) of article 11 of the Luxembourg Takeover Law as the shares issued by the Company under the employee stock schemes (the "Share Incentive Plans") and individually a "Share Incentive Plan") are transferred directly to the Company's employees and/or to the Group's key management.

The beneficiary employees and/or Group's key management, who hold Company shares, may exercise their rights in the same way as any other shareholders of the Company in accordance with the Articles of Association and the Luxembourg Company Law.

Further details of the Share Incentive Plans can be found in note 23 – "Equity compensation plans" of the financial statements.

AGREEMENTS BETWEEN SHAREHOLDERS RESULTING IN SECURITIES AND/OR VOTING RIGHTS TRANSFER RESTRICTION

As of 31 December 2013, the Company was not aware of any agreements between shareholders that may result in restrictions on the transfer of securities (i.e. shares or SDRs in the Company) and/or affect their voting rights.

RELATED PARTIES

Information about related parties can be found in note 24 of these financial statements.

3) The Articles of Association were amended on 21 May 2012 to reflect the requirements of the Luxembourg law of 24 May 2011 on the exercise of certain rights of shareholders in general meetings of listed companies.

4) As above stated, as of 31 December 2013, 54,133,082 shares in the Company were deposited – under the SDR listing mechanism – with SEB acting as a result as depositary.

RULES GOVERNING THE APPOINTMENT AND REMOVAL OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE AMENDMENTS OF THE ARTICLES OF ASSOCIATION

Appointment and removal of the members of the Board of Directors are subject to the provisions of article 12 of the Articles of Association according to which directors of the Company (the "Director(s)") are appointed and removed by ordinary resolution (simple majority) of the General Meeting. In the event of one or more vacancies by reason of death, retirement or otherwise, the Board of Directors may elect by co-optation a Director to fill such vacancy.

The Articles of Association may be amended from time to time by a decision taken by a two third (2/3) majority of the shareholders of the Company present or represented at the General Meeting convened for this purpose, representing at least fifty percent (50%) of the Company's share capital in accordance with the provisions of article 67–1 of the Luxembourg Company Law. However, the shareholders of the Company may change the nationality of the Company only by unanimous decision.

Further details of rules governing the appointment and replacement of Board of Directors members and the amendment of the Articles of Association can be found hereafter in the Corporate Governance Report attached to the Report.

POWERS OF THE BOARD OF DIRECTORS

The Board of Directors is vested with the broadest powers to manage the business of the Company and perform all acts of administration and disposition on behalf of the Company, in its interests. As a result, all powers not expressly reserved by the Luxembourg Company Law or by the Articles of Association to the General Meeting fall within the competence of the Board of Directors.

Authorisation to issue shares of the Company

The Board of Directors has, by resolutions passed respectively at the Company's Extraordinary General Meetings held on May 2008, 2010 and 2011, been authorised to issue on a non-preemptive basis up to 4,800,000 Company's shares under two Share Incentive Plans as follows:

i. up to 2,100,000 Company's shares could be issued under the Authorised Capital to persons exercising their rights under the 2008 share incentive planShare Incentive Plan implemented for a period ending five years after 19 May 2008 (the "2008 Share Incentive Plan") and
ii. up to 2,700,000 Company's shares may be issued under the Authorised Capital to persons exercising their rights under the 2011 share incentive planShare Incentive Plan implemented for a period ending five years after 19 May 2011 (the "2011 Share Incentive Plan").

At the Annual General Meeting held on 21 May 2013, the shareholders gave a mandate to the Board of Directors to introduce a technical amendment to the 2011 Share Incentive Plan enabling participants in this plan to going forward elect to – as an alternative to purchasing newly issued shares under the 2011 Share Incentive Plan (known as the "Investments Shares") – designate as Investment Shares any Company shares/SDRs already owned by the participant under this plan and not already part of any non-vested Share Incentive Plan.

During the financial year 2013, 92,928 shares were issued under the Share Incentive Plans, bringing the total number of shares issued under Share Incentive Plans since the year 2008 to 521,501, as follows:

i. on 15 July 2013, the Board of Directors proceeded – for the purposes of the 2008 Share Incentive Plan (as this term is defined hereinafter) and within the limits of the Authorised Capital – with the effective increase of the Company's share capital by an amount of €104,047.50 so as to bring it from €71,401,417.50 to €71,505,465, by the issue of 83,238 new shares, vesting with the same rights and obligations as the existing shares of the Company as set out in the Articles of Association, with exclusion of pre-emption rights of existing Company's shareholders. It should be noted that the authorisation granted by the General Meeting to the Board of Directors to issue shares under 2008 Share Incentive Plan has now expired.
ii. on 24 September 2013, the Board of Directors proceeded – for the purposes of the 2011 Share Incentive Plan (as this term is defined hereinafter) and within the limits of the Authorised Capital – with the effective increase of the Company's share capital by an amount of €12,112.50, so as to bring it from €71,505,465 to €71,517,577.50, by the issue of 9,690 new shares, vesting with the same rights and obligations as the existing shares as set out in the Articles of Association, with exclusion of pre-emption rights of existing Company's shareholders.

Further details about share issuances under the Share Incentive Plans may be found in note 23 – "Equity compensation plans" of the financial statements.

Authorisation to buy-back shares of the Company

On 19 December 2012, the Company's Extraordinary General Meeting has authorised the Board of Directors, with the right to delegate this power, to acquire – until the Annual General Meeting to be held on 19 May 2014 and under a share buy-back program (the "Share Buy-Back Program") to be implemented in accordance with the objectives, conditions and restrictions provided by the Regulation (EC) No. 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemption for buyback programs and stabilisation of financial instruments (the "Share Buy-Back Program") – up to 5,712,113 Company shares and/or SDRs (i.e. the "Treasury Shares"), representing a maximum of 10 percent of the subscribed capital of the Company.

Under the authorisation so granted by the General Meeting, the Board of Directors instructed in January 2013 the Company's management to effectively launch a first tranche of the Share Buy-Back Program with a repurchase notional of around SEK 350,000,000 corresponding to approximately 3 percent of the outstanding Company's share capital at that time.

This first tranche of the Share Buy-Back Program was effectively completed on 12 April 2013, by which date the Company had then repurchased a total of 1,613,409 shares/SDRs (corresponding to 2.8 percent of the total number of issued shares at the time) for an aggregate redemption price of SEK 349,999,848 (corresponding to an average price of SEK 216.9 per share/SDR). Since then, there has been no launch of any subsequent tranches of the Share Buy-Back Program and the number of shares held by the Company at 31 December 2013 was 1,613,409, held as Treasury Shares. In accordance with relevant provisions of the Luxembourg Company Law, voting rights attached to these Treasury Shares have been suspended.

The purpose of the Share Buy-Back Program is to optimise the capital structure of the Company. The Treasury Shares so acquired will ultimately be cancelled and reduce the capital accordingly.

Further details on the Share Buy-Back Program may be found in the General Meeting minutes dated 19 December 2012 published on the Company's website at investors.oriflame.com.

Significant agreements taking effect, being altered or terminated upon a change of control of the Company following a takeover bid

The Board of Directors has identified the following significant agreement(s) to which the Company is party to and that could be altered or terminated as a result of a takeover bid process:

– a €330,000,000 revolving credit facility agreement;
– the 2010 and 2011 U.S. Private Placement agreements amounting to USD 360,000,000 and €25,000,000.

Agreements between the Company and its directors or employees providing for compensation for loss of office or employment occurring because of a takeover bid

There is no specific agreement in place between the Company and its Directors or employees whereby the latter would receive compensation in case they resign or are made redundant without valid reason, or if their employment contracts cease because of a takeover bid and the requirements the Company shall follow in that matter under such circumstances are those provided by local applicable laws.

As general consideration, under current contract terms, no compensation is provided for employees of the Group who resign except as follows: in connection with the 2007 Group restructuring, employees who chose to accept to relocate to other offices within the Group were offered a redundancy package.

In terms of dismissal by the employer, no contract stipulates any severance except as follows:

– Executive Vice Presidents and up are entitled to additional severance if they have been employed in the Group for more than 10 years and/or are above 45 years of age;
– as part of the 2007 Group restructuring;
– as part of a non-competition obligation, such non-competition obligation and related severance being exercisable in the sole discretion of the employer.

Contractually, an employee of the Group is also entitled to his notice period. By law, the Group entities are normally also required to provide statutory payments depending on the length of service. If an employee is made redundant or dismissed without a valid reason, there is a risk that the individual can bring a legal claim against the company which has employed him or her for damages. This is not stipulated in the employment contracts but is established by law.

MARKET ABUSE RELATED CONSIDERATIONS

The Company has adopted and applies an insider trading policy published on the Company's web site at investors.oriflame.com.

PRINCIPAL RISKS AND UNCERTAINTIES

Strategic and operational risks

In the long term, Oriflame's business depends significantly upon its ability to retain its existing Oriflame Consultants and recruit new Consultants. If management is unsuccessful in this regard, the Company's sales are likely to decline.

In the short term, the loss of key high-level Oriflame Consultants could adversely impact the growth and the performance of the distribution network and, as a result, sales.

Oriflame's operations in the CIS region accounted for over 50 percent of Group sales and profits in 2013. The Company's business could be adversely affected by political, regulatory and economic instability in this region. Such instability also could impact Oriflame Consultants' activity, and subsequently the Company's sales.

Sales of Oriflame products depend to a significant extent upon brand recognition and the goodwill associated with the Company's trademarks and trade names, and its business could be harmed if its brand recognition is hurt or if management is unable to protect the trademarks and trade names.

Oriflame is dependent on its manufacturing facilities and other Supply Chain assets in Poland, Sweden, India, China and Russia as well as on third-party manufacturing facilities and logistic services. Any interruption in these facilities, or the loss of a third-party supplier, could negatively impact the business, financial condition and results of operations.

Oriflame is dependent on its information systems hosted and developed in Czech Republic and Russia, and supported and monitored in India. Any interruption in these facilities due to natural disasters or durable software malfunction could negatively impact the Company's operations.

Environmental compliance costs and liabilities could as well impact adversely the Group's financial condition.

Financial risks

Given the international nature of Oriflame's business, governmental authorities may question its inter-company transfer pricing policies, assert conflicting claims over the taxation of company profits or change their laws in a manner that could increase its effective tax rate or otherwise harm the business.

Oriflame is exposed to the risk of currency fluctuations in many countries where it operates and these fluctuations may have a material effect on the results of operations and financial condition. The Company experiences both currency translation and currency transaction exposure. Currency fluctuations may affect the comparability of Oriflame's results between financial periods.

For a further detailed analysis of financial risks, please see note 28 of the financial statements. In terms of going concern, the Group's own cash flow should together with existing facilities secure the Company's financing needs for the foreseeable future.

Other risks

Oriflame is exposed to economic, political, legal and business risks associated with its international sales and operations, particularly in emerging markets, where legal and political landscapes may evolve rapidly.

The imposition of legal, tax or financial burden on Oriflame Consultants could affect negatively the Company's operations and ability to recruit new Consultants in concerned markets.

In many of the markets where the Company operates, there is no legislation regulating the Direct Selling industry or this legislation is currently being developed, which may create legal risks that affect the Company's business, financial condition and results of operations.

The cosmetics industry is highly competitive in many of the markets where Oriflame operates, thus creating a risk of material adverse effect if the Company is unable to compete effectively.

BRANCH

The Company has a Branch in Switzerland which was incorporated in 2002.

SUBSEQUENT AND FORTCOMING EVENTS SINCE THE END OF THE FINANCIAL YEAR

In its meeting held on 14 April 2014, the Board of Directors resolved to approve in principle the launching of the Universal Contribution process to be made by way of an apport d'universalité as provided in article 308bis-4 of the Luxembourg Company Law, to be pursued under the procedure provided in articles 285 to 308 (at the exclusion of article 303) of the Luxembourg Company Law for division transactions (scissions) and convened the shareholders of the Company to an Extraordinary General Meeting to be held immediately after the Annual General Meeting on 19 May 2014, to decide on this operation.

A notice to the Extraordinary General Meeting with further details, together with all relevant documentation setting out the terms and conditions of the Universal Contribution will be published at least 30 days prior to the date of the Extraordinary General Meeting.

Corporate Governance Report

Corporate governance, management and control of the Oriflame Group is apportioned between the shareholders / SDR holders at the General Meetings of shareholders ("General Meeting(s)"), the Board of Directors (the "Board"), its elected committees and the Corporate Officers in accordance with Luxembourg law, Oriflame's Articles of Association together with the Board and Officer Instructions. Oriflame complies with the Swedish Code of Corporate Governance* (the "Code") to the extent that the Code is not in conflict with Luxembourg law or regulations.

This Corporate Governance Report has been reviewed by Oriflame's auditors. As most EU corporate governance codes, the Swedish Code sets out recommendations rather than mandatory rules. The Code is based on the principle of "comply or explain", where deviations from the Code's recommendations are to be reported and explained in the Corporate Governance report. Oriflame's deviations are reported under the heading "Comply or Explain".

COMPLY OR EXPLAIN

According to the Code, the Nomination Committee is to make recommendations on audit fees. The Nomination Committee has resolved not to propose the Auditor's remuneration to the Annual General Meeting as this is not a matter for General Meetings under the Articles of Association of the Company or under the laws of Luxembourg.

Oriflame does not host its General Meetings in the Swedish language as it is a Luxembourg Company, the location for Oriflame General Meetings is Luxembourg and as the majority of voting rights is held by individuals and entities located outside Sweden. General Meetings are therefore hosted in English.

GENERAL MEETINGS

In accordance with Oriflame's Articles of Association, the Annual General Meeting (AGM) of Oriflame shall be held on 19 May of each calendar year, or the next following weekday should 19 May be a holiday or weekend.

At the General Meetings, being Oriflame's highest decision making forum, resolutions are passed with respect to adoption of the profit and loss account and balance sheet as well as the consolidated income statement and consolidated statement of financial position; dispositions of Oriflame's profit and loss according to the adopted balance sheet; discharge from liability for the Board members and Auditor; election of Board members and certain other matters provided by law and the Articles of Association. In accordance with Luxembourg law, any change to the Articles of Association needs to be approved by an Extraordinary General Meeting (EGM), which is why the Company sometimes hosts an EGM in connection with the AGM.

A shareholder may attend and vote at General Meetings in person or by proxy. An SDR holder who has been duly registered as such with the Swedish Securities Register Centre (Euroclear) may attend the meeting in person, but may only vote by proxy. SDR holders can convert their SDRs into shares if they wish. More information about conversion can be found on investors.oriflame.com. An SDR holder wishing to attend a General Meeting must notify Oriflame of his/her intention to attend. The manner in which to notify Oriflame and in which to issue proxy cards is described in the notice convening the General Meeting.

The General Meetings offer shareholders and SDR holders the opportunity to raise matters and questions concerning Oriflame and the results of the year under review, whereby shareholders and SDR holders are entitled to have matters considered at the General Meetings. To ensure inclusion in the convening notice, a request for a matter to be raised must have reached Oriflame (corporate.governance@oriflame.com) at the latest seven weeks before the General Meeting. Notice to convene the General Meeting shall be submitted by Oriflame at the earliest six and at the latest four weeks before the meeting.

The location for Oriflame General Meetings is Luxembourg. Oriflame does not enable for participation in General Meetings at a distance. Oriflame did however, in order to compensate for the above and in light of being listed on the NASDAQ OMX Nordic Exchange, host a shareholders' day in Stockholm on 25 April 2013 where shareholders/SDR holders had the opportunity to meet with members of the Board and Management and to ask questions related to the Annual General Meeting. In advance of the Annual General Meeting 2014 such shareholders' day will be held on 7 May 2014 (exact time and location will be announced no later than in connection with the notice to the Annual General Meeting and will be posted under the Investor section on Oriflame's corporate web site).

BOARD OF DIRECTORS

In accordance with Luxembourg law, the Board is responsible for the management of the Company's affairs. The Board also monitors the performance of the obligations of the CEO, CFO and COO, is responsible for ensuring that the Company's organisation fulfils its purpose, and conducts continuous evaluations of the Company's procedures and guidelines for management and investment of the Company's funds.

The Board has established rules of procedure which set forth how and when the Board convenes, and include instruction for the allocation of duties and responsibilities within and between the Board and the CEO, the CFO and the COO. The rules of procedure also contain instructions for financial reporting and set forth how reporting to the Board is to proceed. During 2013, the Board reviewed and revised the rules of procedure for the Board and its committees as well as the instructions for the CEO, CFO and COO.

At the 2013 Annual General Meeting the nomination process for the election of Nomination Committee members was adopted. The task of the Nomination Committee is to prepare and submit proposals to the Annual General Meeting for the election of the Board members and the size of the fees paid to Board members and other Committees of the Board (currently being the Audit Committee and Remuneration Committee).

Although Luxembourg law and Oriflame's Articles of Association permit a Board member to remain in office for up to six years, Oriflame's Board members are appointed at the Annual General Meeting and, unless re-elected, remain in office for a term of one year. If a vacancy arises during the course of the financial year, the Board is entitled to elect a replacing Board member to fill the vacancy for the period until the next Annual General Meeting of the Company.

In accordance with Oriflame's Articles of Association, the Board shall consist of not less than three, and not more than ten, Board members without deputies. Currently, the Board consists of nine members. The Board consists of principal shareholders and persons independent of such shareholders. The CEO is also a member of the Board. Remuneration

* The Swedish Code of Corporate Governance effective as of 1 February 2010, including any amendments and instructions issued by the Swedish Corporate Governance Board which is available at www.corporategovernanceboard.se

to the Chairman of the Board and the Board members is determined by resolution adopted by the Annual General Meeting. The 2013 Annual General Meeting resolved, as suggested by the Nomination Committee, that the remuneration would be increased as follows: €65,500 (€62,500) to the Chairman of the Board, €29,000 (€27,500) to each non-Executive Director. The 2013 AGM furthermore resolved, as suggested by the Nomination Committee, to maintain the committee remuneration unchanged, i.e. €10,000 to each member of the Audit Committee, and €5,000 to each member of the Remuneration Committee.

According to the rules of procedure, the Board shall convene at least four times per year, of which at least one meeting is to focus on business strategy issues. During the financial year 2013, Oriflame held seventeen Board meetings, out of which one was a two-day strategy meeting. Secretary at the meetings is Pontus Andreasson, in-house legal counsel for the Group.

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

The Board members participate in all discussions. Board members may however not vote or deliberate on any motion in which they have a conflict of interest. A Board member is not counted in the quorum of a meeting if a conflict of interest disallows him/her from voting on a particular motion. Board members 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. Any conflicts of interest are reported at the forthcoming Annual General Meeting of shareholders.

The CFO is generally invited to all Board meetings, and always to the quarterly Board meetings. Other members of the Oriflame Management are from time to time invited to meetings with the Board 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 of Directors. The auditors are invited to all regular Audit Committee meetings. At least once per year the Board meets with the auditors without the CEO or other members of senior management being present. In 2013 such meeting took place on 13 February and in advance of the 2013 year-end report on 13 February 2014.

For more information about Board members, please read the section "Board members" below.

BOARD COMPOSITION AND ATTENDANCE AT BOARD AND COMMITTEE MEETINGS DURING 2013:

Board member	Attendance		
	Board Meeting	Remuneration Committee	Audit Committee
Robert af Jochnick (Chairman)	17		
Magnus Brännström	17		
Anders Dahlvig	17		
Marie Ehrling	17		4
Lilian Fossum Biner	17	4	
Alexander af Jochnick	17	4	4
Jonas af Jochnick	17		
Helle Kruse Nielsen	17		4
Christian Salamon	16		4
Total number of meetings in 2013	**17**	**4**	**4**

NOMINATION COMMITTEE AND NOMINATION PROCESS

At the Annual General Meeting held on 21 May 2013, the meeting resolved to approve the following nomination process for the election of the Nomination Committee:

– The Chairman of the Board shall convene the five largest shareholders of the Company, as it is known by the Company at that time, at the end of the third quarter of the year. These shareholders then have the right to appoint a member each of the Committee. If any of the five largest shareholders declines its right to appoint a member of the Committee, or if a member resigns from the Committee and is not replaced by a new member appointed by the same shareholder, the Chairman of the Board may give the shareholder(s) next in size the opportunity to appoint a member of the Committee if it is considered needed in order to ensure adequate shareholder representation. The Committee should be chaired by one of its members. No more than two of the Committee's members should also be members of the Board. If any of the shareholders having appointed a member to the Committee sells a not insignificant part of their shares in the Company and ceases to qualify as a large shareholder with rights to appoint a member to the Committee, the respective member should resign from the Committee, and a new member should be appointed by the next large shareholder. The Chairman of the Board shall, as part of the Committees' work, present any matters regarding the Board's work that may be of importance for the Committee's work, including an evaluation of the work of the Board and the requirements and skills set to be represented by the Directors, to the Committee;

– Individual shareholders shall have the possibility to give suggestions regarding members of the Board to the Committee for further assessment within its scope of work;

– Information regarding the composition of the Committee shall be made public at least six months before the Annual General Meeting; and

– The Committee shall have the right to charge the Company costs for recruitment consultants, if it is deemed necessary to get an adequate selection of candidates for members of the Board.

The nomination process adopted at the 2013 AGM deviates slightly from the process adopted by previous years' AGMs. The obligation for the Chairman of the Board to contact next shareholders in line should not all of the five largest shareholders accept to participate in the nomination committee has been changed from an obligation to a possibility. The reason for this change was that the Company has over the last couple of years seen a declining interest from the largest shareholders to participate in the nomination committee, which has led to the nomination committee including shareholder representatives that represent significantly smaller holdings than the five largest shareholders. It has therefore been considered more appropriate to form a nomination committee consisting of less than five members should any of the largest shareholders decline to participate. It should in this respect be noted that as long as the nomination committee consists of at least three members and the majority of such members are non-Board members, the nomination committee will still comply with the Swedish code of corporate governance.

The task of the Nomination Committee is to prepare and submit proposals to the Annual General Meeting for the election of Board members and the size of the fees paid to Board members and other Committees of the Board (currently being the Audit Committee and Remuneration Committee).

The Nomination Committee is intended to meet as often as necessary, but at least once per year.

In accordance with the nomination process approved by the Annual General Meeting, the Chairman of the Board, Robert af Jochnick, may be elected to the Nomination Committee, which did indeed occur in 2013, where he represents the af Jochnick Family. Per Hesselmark (Af Jochnick BV) and Hans Ek (SEB Investment Management AB) were also appointed to the Committee. Per Hesselmark has been the chairman of the Nomination Committee. No remuneration was paid to the members of the Nomination Committee. The Nomination Committee formed in 2013 has in advance of the 2014 AGM met four times. All meetings were attended by all committee members.

The work of the Nomination Committee constituted in advance of the 2014 AGM comprised the following:

As a basis for the Committee's work, information on the Company's operations and strategic focus was presented by the Chairman of the Board at the first meeting. The Chairman of the Board also reported on the Board's work during the year. As a basis for its work, the Nomination Committee also received a presentation and report of an evaluation conducted by an external consultant concerning the Board and its work. The evaluation revealed that the Board is very well-functioning, also in comparison with other listed companies and that there is clarity between the roles of the owners, the Board and management. The evaluation furthermore concluded that the Board is composed by individuals with relevant and complementary expertise and that all Board members demonstrated a high level of commitment. After evaluating the work of the Board, the Committee drew the conclusion that the Board has been functioning well and that the critical competences have been adequately represented on the Board. The aim of the Nomination Committee is that elected Board members shall represent knowledge and competence relevant for Oriflame's operations. Independent Board members are included in full compliance with requirements that apply for publicly listed companies in Sweden.

The Nomination Committee has thereafter formulated proposals for the Annual General Meeting to be held on 19 May 2014. The proposals relates to the:

i. composition of the Board of Directors;
ii. fees paid to Board members; and
iii. appointment of Auditors.

The Nomination Committee has decided to propose to the 2014 Annual General Meeting that it re-elects current Board members Alexander af Jochnick (Chairman), Magnus Brännström, Anders Dahlvig, Lilian Fossum Biner, Robert af Jochnick, Jonas af Jochnick, Helle Kruse Nielsen and Christian Salamon, and that it elects Anna Malmhake. Marie Ehrling has declined re-election. Anders Dahlvig, Lilian Fossum Biner, Helle Kruse Nielsen, Anna Malmhake and Christian Salamon are independent of the Company, the Company's Management and the Company's large shareholders.

Magnus Brännström is not independent from the Company, being the Company's CEO. Robert, Jonas and Alexander af Jochnick are not independent from the Company nor from its major shareholders: Robert and Jonas af Jochnick are co-founders of the Company and together with other members of the af Jochnick family they constitute the largest shareholder of the Company. They have been members of the Board since 1970. Alexander af Jochnick was an employee of the Company from 1999 to 2007. Anna Malmhake is Chairman and CEO of Irish Distillers Pernod Ricard, the company that produces and markets the Irish brands in the Pernod Ricard portfolio, notably the Jameson Irish whiskey brand. The company also markets the Pernod Ricard portfolio in the Republic of Ireland and Northern Ireland. It has 560 employees. Ms Malmhake's previous career includes executive positions with Absolut Vodka, Coca-Cola, Temo AB, Motorola and Procter & Gamble.

After a review of the Board's compensation, the Nomination Committee resolved to propose to the 2014 Annual General Meeting to maintain the Director's remuneration €65,500 for the Chairman and €29,000 for each non-executive Director, as well as unchanged committee fees of €10,000 to each member of the Audit Committee and €5,000 to each member of the Remuneration Committee.

The Nomination Committee furthermore resolved to propose to the 2014 Annual General Meeting that the current Auditors, KPMG, be re-elected.

REMUNERATION COMMITTEE

Each year following the Annual General Meeting, the Board appoints a Remuneration Committee. The Remuneration Committee elected in 2013 consisted of Lilian Fossum Biner and Alexander af Jochnick. The purpose and aim of the Remuneration Committee is to safeguard that the Company 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 the company's operations. The tasks of the Committee are to review remuneration and other material terms of employment for the Company's executive directors, senior executives and other key personnel, monitor and evaluate programs for variable remuneration for the executive management, and in particular monitor and evaluate any share-based incentive program implemented in the Company.

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. During 2013 the Remuneration Committee has met four times.

AUDIT COMMITTEE

The Company's Audit Committee is appointed by the Board each year following the Annual General Meeting. The Audit Committee reviews internal and external information, works with the external Auditor on the audit plan and internal controls, and discusses with management the audit results. The Audit Committee reviews matters related to the Company's and the Group's accounting, financial reporting and internal control as well as financial risk exposure and risk management. It furthermore reviews the work of the Auditors. Based on their reviews the Audit Committee prepares proposals for resolutions, subject to final approval by the Board. The Audit Committee meets at least biannually. In 2013 the Audit Committee met four times. The members of the Audit Committee comprise Marie Ehrling, Alexander af Jochnick, Helle Kruse Nielsen and Christian Salamon. Christian Salamon has acted chairman of the committee. The CFO and the Vice President Group Risk and Compliance report to the Audit Committee and are together with the Company's auditors invited to all regular meetings.

AUDITOR

The Annual General Meeting held on 21 May 2013 resolved to re-elect KPMG Luxembourg S.à r.l. as independent auditor in respect of the statutory accounts and consolidated financial statements until the close of business of the next Annual General Meeting to be held on 19 May 2014. KPMG Luxembourg S.à r.l. is the Luxembourg member firm of KPMG International and has been engaged as Oriflame's independent auditor since 21 May 2007. The KPMG Luxembourg S.à r.l. team is since 2013 headed by Stephen Nye. During the past six years, KPMG has provided advice to the Company on fiscal and other matters. Apart from his engagement with Oriflame, Stephen Nye holds no assignments for any persons affiliated with Oriflame or for any of Oriflame's larger shareholders. In connection to the year-end audit, Stephen Nye met with the Board on 13 February 2014 in order to present their findings and report on their views on the quality of Group reporting and affiliated matters related to Group auditing. KPMG audit team is also regularly invited and attending the Audit Committee meetings throughout the year.

ORIFLAME MANAGEMENT AND ORGANISATION

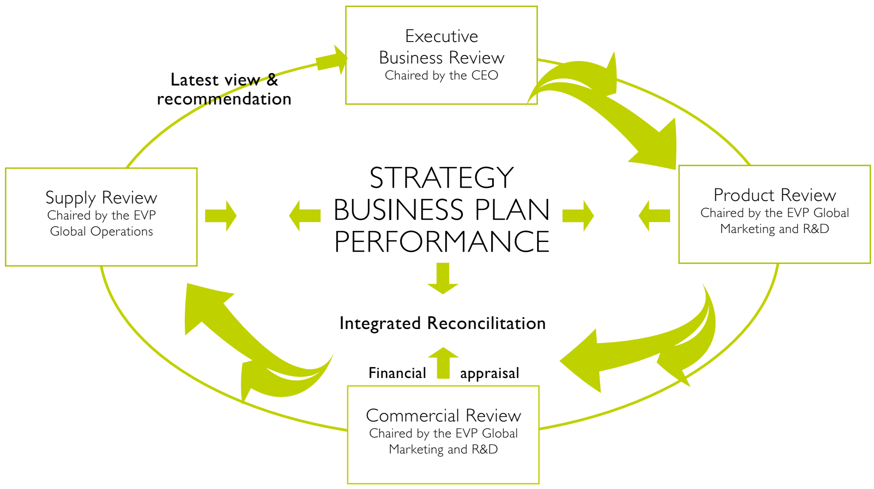
CEO and Corporate Committee

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. Graduate of Uppsala University, Sweden, he joined Oriflame as Managing Director of Russia in 1997. He then became Regional Director for CIS, Baltics and Asia. CEO since 2005.

The Corporate Committee is responsible for the implementation of the Group strategy, business control and the distribution of resources between the regions. The Corporate Committee is headed by the CEO. In addition to the CEO, the Corporate Committee consists of Jesper Martinsson (Executive Vice President Global Sales & Markets and Deputy CEO) and Gabriel Bennet (Chief Financial Officer). The allocation of duties and responsibilities within and between the Board and the CEO, the CFO and the Deputy CEO are set out in the Officer Instructions drawn up by the Board. The Instructions are reviewed and reconfirmed or amended by the Board at least once per year.

Executive Business Review

The Oriflame Corporate Committee has a full end to end review once a month to secure 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 Executive 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 below.



Regional management

Oriflame distributes its products through a network of over 3 million independent Oriflame Consultants in more than 60 countries. Group segmentation is based on geographic cosmetics sales by region, currently being CIS & Baltics, EMEA, Asia and Latin America. Each region has its own staff and resources to facilitate its effective control and is headed by a Regional Director. Each Regional Director reports to the Deputy CEO.

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

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

Global Support and Service

The sales companies are supported by global service functions. The global support and service functions consist of Finance, Supply, IT and Online, Marketing and Sales Support functions. Oriflame's global support and service functions are located primarily in Schaffhausen and Fribourg, 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 common objective of giving Oriflame a competitive advantage by supplying first class service and support to the local sales companies.

PRINCIPLES OF REMUNERATION FOR SENIOR EXECUTIVES

Salaries

Oriflame offers competitive salaries according to position and market in order to attract and retain the best individuals for the positions.

Fixed and variable components

Oriflame allocates 6.5 percent of any increase in operating profit to profit sharing to be shared with management among those on Executive Vice President level and up, however for each individual never more than an equivalent of 12 months salary. The allocation is according to position and flexed according to performance in the year. The 6.5 percent includes company cost for social charges.

Moreover, the Company currently offers a share incentive plan which covers the top (approx.) 100 Executives and Managers. Each year the individuals covered by the plan are invited to invest in a number of shares at the current market price. In return for this they will in three years time receive a number of free shares. For further information, see note 23 in the financial statements.

Pensions

Senior Executives are offered pension benefits that are competitive in the country where the individual is resident. Oriflame pays pensions into an independent defined contribution scheme for some of its employees in compliance with pension requirements in the countries in which it operates.

Non-monetary benefits

Members of the Corporate Committee and certain other Executives are entitled to customary non-monetary benefits such as company cars and company health care. Moreover, expatriate individuals may be offered company housing and other benefits including school fees.

Report on Internal Control and Monitoring

This report on internal control and monitoring has been prepared in accordance with the Swedish Corporate Governance Code and has been reviewed by the Company's auditors.

The Company is using the COSO framework as a basis for internal control. The COSO framework was issued by the Committee of Sponsoring Organisations of the Treadway Commission. The framework consists of five components:

– Control environment,

– Risk assessment,

– Control activities,

– Information and communication,

– Monitoring.

Since 2010, Internal Control is a separate permanent function within the Company. During 2013 Internal Control has continued its development as further presented below.

CONTROL ENVIRONMENT

The Board has the overall responsibility to ensure that the Company's system for management and internal control is effective. The Company's internal control system includes policies for measurement, acquisition and protection of assets, controlling the accuracy and reliability of reports, benchmarking between units and ensuring compliance with defined guidelines. The policies and guidelines are intended to create a foundation for appropriate internal control.

The Board has also ensured that the organisational structure is logical and transparent, with clearly defined roles, responsibilities and processes that facilitate the effective management of operational risks and ensure that the Company fulfils its goals. The structure includes the evaluation by the Board of the business performance and results through reports that contain results, forecasts and targets. The Board reviews the interim and annual reports before they are presented externally.

The Audit Committee monitors effectiveness of internal controls, considers critical accounting questions and regulatory compliance. The auditors are invited to participate in the regular meetings of the Audit Committee. The Internal Control Director is a regular invitee to the Audit Committee meetings to present the latest developments on internal control processes, related policies, procedures and formally requests approval of the Audit Committee where relevant.

Furthermore, for each region and for the Supply, Marketing and R&D division, a Vice President Finance (hereinafter VPF) who reports directly to the CFO has been appointed. The VPFs are responsible for the implementation and maintenance of internal control processes, as well as reporting in accordance with Group guidelines and ensuring that local laws and regulations are followed. In addition, three regions (Europe, Turkey, Africa & Asia and Latin America) also employ dedicated internal control officers, in order to organise and perform more efficiently their internal control cycles.

In 2011, the Company implemented an internal control software solution, which supports the process throughout the organisation and allows real time reporting. The software has been rolled out to be used by all relevant regional and local personnel impersonating the functions of self-assessment and verification of control processes. Those individuals are each sales entities' Finance Manager or Finance Director (hereinafter FM/ FD), the Regional Finance Directors (hereinafter RFD), the Shared Service Finance Directors (hereinafter SSFD), the functional Finance Directors in the Corporate Finance (FDCF) team, the regional and functional VPFs, as well as the Internal Control Officers (hereinafter ICO)). Furthermore, in order to further strengthen the attention to risk and compliance matters within the organisation, Oriflame has appointed a Vice President Group Risk and Compliance, beginning of 2013.

The FM/FDs, as well as the SSFDs, are responsible for having the requested control activities in place in their sector of responsibility. They execute self-assessments and attach relevant evidences to prove the existence of listed control activities. Then ICO, RFD, VPF, or FDCF verifies this self-assessment either in the software environment or physically in the concerned entity.

The input is continuously reviewed at group level by the Internal Control Director, and questions or concerns are addressed to the relevant personnel. If a control activity does not exist or the evidence is not relevant, the FM/FD has the responsibility to perform or correct the control procedure and provide new evidence.

RISK ASSESSMENT

As for controls related to the financial area, the major risk areas for material misstatements in the financial reporting were already in 2009 defined as follows: inventory, cash and bank, credit process, sales, performance discount and bonuses, and information technology system. These financial reporting risks were addressed during 2011, as well as together with two additionally identified financial risks: Accounts payables and risks related to the hedging function of the Treasury department. In 2012, the risk of damage to corporate integrity was addressed partly through the definition of controls for fixed assets accounting.

In 2012, two additional risks were assessed and addressed: legal compliance in sales entities as well as personnel and assets exposure in sales entities.

In 2013, the management of risks related to the hedging function of the Treasury departement was further addressed by implementing a dedicated control process. In addition, all the relevant control processes already in force in the sales entities were extended to the manufacturing entities and to the main trading branch.

CONTROL ACTIVITIES

As a response, in 2013 the Company finalised the control process for hedging activities.

Each control process, together with the associated policy or description, defines key control activities in the different steps of the processes. The Company also makes use of these documents as training material for new employees.

A process description follows the logical structure of the business and reporting flow, with a clear definition of the process-steps and the related key controls. It also assigns responsibilities to different positions involved in the process and states the reasons for the control.

The key control activities encompass the controls that are most critical to the good execution of a specific process.

In parallel, the Company conducted a review of all existing controls in order to further support the development of the Shared Service Finance concept. This involved focusing on the description of the controls and related evidences to improve the quality of the controls, and reassigning the control activities between the local entities and shared service centers. This led to a rationalisation of control processes and the creation of a new control process for Accounting and Reporting in the sales entities (as a new feature, this process includes the control of tax reporting).

INFORMATION AND COMMUNICATION

The Company maintains information and communication channels intended to ensure the effective provision of accurate information regarding financial information. Policies and guidelines on financial reporting are revised and updated continuously and are made available internally on the Company's intranet and via memorandums and internal meetings. There are also formal and informal information channels that enable employees to communicate important information to relevant recipients.

A policy for communication and information with external parties is in place on the Company's intranet to ensure that accurate and appropriate information is provided to external parties.

The control process descriptions, control activities and requested evidences are documented and made available to the relevant employees through the Internal Control Software.

MONITORING

The Vice Presidents Finance monitor the operations by performing analytical controls such as follow-up on forecasts and budgets, analysis of results and balance sheet items, business reviews and commentaries on markets' and functions' (supply, marketing) performance. The result of this work is periodically reported to management and group functions concerned. The functional departments regularly monitor their respective areas of responsibility in order to identify potential risks and errors.

In addition to the implementation of the central monitoring through the software solution described above, selected key controls of the below processes were reviewed by the Company's auditors in selected markets:

– Cash and Banks
– Credit
– Inventory
– Sales.

Statements from the Board of Directors

The consolidated financial statements are prepared in accordance with IFRS as adopted by the European Union and give a true and fair view of the consolidated financial position of Oriflame and of its consolidated financial performance. The Directors' report includes a fair review of the development and performance of the business and the position of the entity and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that the Group faces.

Luxembourg, 14 April 2014

Robert af Jochnick
Chairman of the Board

Anders Dahlvig | Marie Ehrling | Lilian Fossum Biner | Alexander af Jochnick

Jonas af Jochnick | Helle Kruse Nielsen | Christian Salamon | Magnus Brännström *CEO*

Consolidated income statements

YEAR ENDED 31 DECEMBER

€'000	Note	2013	2012
Sales	3	1,406,721	1,489,285
Cost of sales		(420,291)	(436,271)
Gross profit		**986,430**	**1,053,014**
Other income	4	51,811	55,904
Selling and marketing expenses		(525,847)	(550,739)
Distribution and infrastructure		(114,724)	(123,678)
Administrative expenses	6, 7	(261,062)	(259,382)
Operating profit		**136,608**	**175,119**
Analysis of operating profit:			
Adjusted operating profit		142,394	175,119
Restructuring	29	(5,786)	–
Operating profit		**136,608**	**175,119**
Financial income	9	38,959	21,557
Financial expenses	9, 30	(68,538)	(43,782)
Net financing costs		**(29,579)**	**(22,225)**
Net profit before income tax		**107,029**	**152,894**
Current tax	10	(25,784)	(24,094)
Deferred tax	10, 15	(2,602)	(7,348)
Total income tax expense	10	**(28,386)**	**(31,442)**
Net profit		**78,643**	**121,452**
Earnings per share, €	11		
Basic		1.41	2.13
Diluted		1.41	2.13

The attached notes on pages 71 to 91 form an integral part of the consolidated financial statements.

Consolidated statements of comprehensive income

YEAR ENDED 31 DECEMBER

€'000	Note	2013	2012
Net profit		**78,643**	**121,452**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation reserve	9, 20	(454)	13
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations	9, 20	(24,797)	4,663
Effective portion of changes in fair value of cash flow hedges, net of tax	9	(261)	(1,661)
Total items that are or may be reclassified subsequently to profit or loss		*(25,058)*	*3,002*
Other comprehensive (expenses)/income for the year, net of tax		(25,512)	3,015
Total comprehensive income for the year		**53,131**	**124,467**

The attached notes on pages 71 to 91 form an integral part of the consolidated financial statements.

Consolidated statements of financial position

€'000	Note	31 December 2013	31 December 2012
Assets			
Property, plant and equipment	12	254,537	251,584
Intangible assets	13	20,802	20,745
Investment property	14	928	999
Deferred tax assets	15	26,614	30,675
Other long-term receivables		1,129	1,605
Total non-current assets		**304,010**	**305,608**
Inventories	16	196,876	212,562
Trade and other receivables	17	83,597	84,808
Tax receivables		2,894	3,178
Prepaid expenses		53,412	44,375
Derivative financial assets	28.3	18,973	36,654
Cash and cash equivalents	18	107,336	106,246
Total current assets		**463,088**	**487,823**
Total assets		**767,098**	**793,431**
Equity			
Share capital	19	71,517	71,401
Treasury shares	19	(41,235)	–
Reserves	20	(84,458)	(56,403)
Retained earnings		222,379	237,860
Total equity		**168,203**	**252,858**
Liabilities			
Interest-bearing loans	21	379,672	316,374
Other long-term non interest-bearing liabilities		2,592	3,173
Deferred income		406	527
Deferred tax liabilities	15	4,621	4,225
Total non-current liabilities		**387,291**	**324,299**
Current portion of interest-bearing loans	21	2,744	2,517
Trade and other payables	22	82,357	93,400
Deferred income		3,148	–
Tax payables		10,878	9,842
Accrued expenses	31	98,082	102,662
Derivative financial liabilities	28.3	6,440	4,235
Provisions	26	7,955	3,618
Total current liabilities		**211,604**	**216,274**
Total liabilities		**598,895**	**540,573**
Total equity and liabilities		**767,098**	**793,431**

The attached notes on pages 71 to 91 form an integral part of the consolidated financial statements.

Consolidated statements of changes in equity

AT 31 DECEMBER (ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY)

€'000	Note	Share capital	Treasury shares	Share premium	Legal reserve	Translation reserve	Hedging reserve	Other reserves	Total reserves	Retained earnings	Total Equity
At 1 January 2012		**71,301**	**–**	**13,198**	**7,363**	**(83,300)**	**(1,853)**	**1,097**	**(63,495)**	**216,230**	**224,036**
Net profit		–	–	–	–	–	–	–	–	121,452	121,452
Other comprehensive income											
Revaluation reserve		–	–	–	–	13	–	–	13	–	13
Foreign currency translation differences for foreign operations		–	–	–	–	4,663	–	–	4,663	–	4,663
Effective portion of changes in fair value of cash flow hedges, net of tax		–	–	–	–	–	(1,661)	–	(1,661)	–	(1,661)
Total other comprehensive income for the year, net of income tax		**–**	**–**	**–**	**–**	**4,676**	**(1,661)**	**–**	**3,015**	**–**	**3,015**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**4,676**	**(1,661)**	**–**	**3,015**	**121,452**	**124,467**
Issuance of new shares	19	100	–	1,859	–	–	–	–	1,859	–	1,959
Share incentive plan	23	–	–	–	–	–	–	2,218	2,218	–	2,218
Dividends	20	–	–	–	–	–	–	–	–	(99,822)	(99,822)
At 31 December 2012		**71,401**	**–**	**15,057**	**7,363**	**(78,624)**	**(3,514)**	**3,315**	**(56,403)**	**237,860**	**252,858**
At 1 January 2013		**71,401**	**–**	**15,057**	**7,363**	**(78,624)**	**(3,514)**	**3,315**	**(56,403)**	**237,860**	**252,858**
Net profit		–	–	–	–	–	–	–	–	78,643	78,643
Other comprehensive income											
Revaluation reserve		–	–	–	–	(454)	–	–	(454)	–	(454)
Foreign currency translation differences for foreign operations		–	–	–	–	(24,797)	–	–	(24,797)	–	(24,797)
Effective portion of changes in fair value of cash flow hedges, net of tax		–	–	–	–	–	(261)	–	(261)	–	(261)
Total other comprehensive income for the year, net of income tax		**–**	**–**	**–**	**–**	**(25,251)**	**(261)**	**–**	**(25,512)**	**–**	**(25,512)**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**(25,251)**	**(261)**	**–**	**(25,512)**	**78,643**	**53,131**
Issuance of new shares	19	116	–	132	–	–	–	–	132	–	248
Purchase of treasury shares	19	–	(41,235)	–	–	–	–	–	–	–	(41,235)
Share incentive plan	23	–	–	–	–	–	–	340	340	–	340
Share incentive plan 2010 (release)	23	–	–	–	–	–	–	(3,015)	(3,015)	3,015	–
Dividends	20	–	–	–	–	–	–	–	–	(97,139)	(97,139)
At 31 December 2013		**71,517**	**(41,235)**	**15,189**	**7,363**	**(103,875)**	**(3,775)**	**640**	**(84,458)**	**222,379**	**168,203**

The attached notes on pages 71 to 91 form an integral part of the consolidated financial statements.

Consolidated statements of cash flows

YEAR ENDED 31 DECEMBER

€'000	Note	2013	2012
Operating activities			
Net profit before income tax		**107,029**	**152,894**
Adjustments for:			
Depreciation of property, plant and equipment, and investment property	8, 12, 14	24,952	22,156
Amortisation of intangible assets	8, 13	4,527	4,727
Impairment of goodwill	13	–	5,275
Impairment of inventories	32	7,750	–
Change in fair value of borrowings and derivative financial instruments	9	(2,372)	5,751
Deferred income		3,032	18
Share incentive plan		340	2,218
Unrealised exchange rate differences		14,945	(2,948)
Profit on disposal of property, plant and equipment, intangible assets and investment property		(1,036)	(136)
Financial income	9	(16,387)	(16,698)
Financial expenses	9	29,336	30,822
Operating profit before changes in working capital and provisions		**172,116**	**204,079**
Increase in trade and other receivables, prepaid expenses and derivative financial assets		(17,015)	(4,466)
(Increase)/decrease in inventories		(8,891)	48,633
(Decrease)/increase in trade and other payables, accrued expenses and derivative financial liabilities		(2,572)	1,869
Increase/(decrease) in provisions		4,666	(5,367)
Cash generated from operations		**148,304**	**244,748**
Interest received		16,605	16,797
Interest and bank charges paid		(30,141)	(33,867)
Income taxes paid		(22,637)	(44,018)
Cash flow from operating activities		**112,131**	**183,660**
Investing activities			
Proceeds on sale of property, plant and equipment, intangible assets and investment property		1,473	571
Purchases of property, plant and equipment, and investment property		(49,769)	(66,032)
Purchases of intangible assets		(4,688)	(5,241)
Cash flow used in investing activities		**(52,984)**	**(70,702)**
Financing activities			
Proceeds from borrowings		401,302	103,094
Repayments of borrowings		(316,396)	(149,785)
Acquisition of subsidiary, net of cash acquired		–	(12)
Proceeds from issuance of new shares		278	1,906
Acquisition of own shares		(41,235)	–
(Decrease)/increase of finance lease liabilities		(12)	38
Dividends paid		(97,081)	(99,586)
Cash flow used in financing activities		**(53,144)**	**(144,345)**
Change in cash and cash equivalents		**6,003**	**(31,387)**
Cash and cash equivalents at 1 January		106,171	136,940
Effect of exchange rate fluctuations on cash held		(5,386)	618
Cash and cash equivalents at the end of the year net of bank overdrafts	18	**106,788**	**106,171**

The attached notes on pages 71 to 91 form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

NOTE 1 • STATUS AND PRINCIPAL ACTIVITY

Oriflame Cosmetics S.A. ("OCSA" or the "Company") is a holding company incorporated in Luxembourg and registered at 24 Avenue Emile Reuter, L-2420 Luxembourg. 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 2013 comprise the Company and its subsidiaries (together referred to as the "Group").

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

(a) Statement of compliance

The consolidated financial statements of Oriflame Cosmetics S.A. have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The Company prepared statutory financial statements in accordance with Luxembourg law which are published on the www.oriflame.com website.

The financial statements were authorised for issue by the Board of Directors on 14 April 2014.

(b) Basis of preparation

The consolidated financial statements are presented in euro, rounded to the nearest thousand. They are prepared on a historic cost basis, except for financial instruments that are stated at fair value.

(c) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 10 and 15 – utilisation of tax losses
- Note 13 – impairment of intangible assets
- Note 16 – inventory reserves
- Note 17 – impairment allowance on trade receivables
- Note 23 – measurement of share-based payments
- Note 26 – provisions and contingencies
- Note 28 – valuation of financial instruments
- Note 29 – restructuring.

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

(d) Changes in accounting policies and presentation

As of 1 January 2013, Oriflame Cosmetics S.A. adopted new standards and amendments to standards which became effective January 1, 2013. These new accounting standards had no material effect on the consolidated financial statements.

IFRS 13 Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

Amendment to IFRS 7, Disclosures – Offsetting Financial Assets and Financial Liabilities was adopted by the Group. As a result the Group presents the offsetting Financial Assets and Financial Liabilities in accordance with the amendment in Note 28.

IAS 36 Impairment of Assets

The amendment to IAS 36 has been early adopted.

(e) Basis and scope of consolidation

The Company prepares consolidated financial statements that aggregate the assets and liabilities and income and expenses of the Company and its subsidiaries. Subsidiaries are defined as entities over which the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

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

The scope of consolidation is affected by acquisitions and disposals.

(f) Foreign currencies

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

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

(g) Business combinations and related goodwill

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The consideration transferred is measured at fair value and includes the fair value of any contingent consideration. Subsequent changes in contingent consideration, when not classified as equity, are recognised in profit or loss. The acquisition-related costs are charged to the income statement in the period in which they are incurred.

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

(h) Derivative financial assets and liabilities

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, investing and financing activities. The Group does not hold or issue derivative financial instruments for trading purposes. However, derivates that do not qualify for hedge accounting are accounted for as trading instruments.

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

(i) Hedging

(i) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability on cash flows of a recognised liability, a firm commitment or a highly probable transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the firm commitment or 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 removed from equity and recognised in the consolidated income statements at the same time as the hedged transaction. The ineffective part of any gain or loss is recognised in the consolidated income statements immediately.

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

(ii) Hedges of monetary assets and liabilities

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

(iii) Hedge of net investment in foreign operation

Where a foreign currency liability hedges a net investment in a foreign operation, foreign exchange differences arising on translation of the liability are recognised directly in equity.

(j) Sales revenue and other income

(i) Sale of goods

Revenue, which excludes value added tax and other applicable turnover taxes, represent sales to individual sales consultants and licensed distributors or, in the case of mail order and retail sales, to individual customers or, in the case of 3rd party suppliers, royalties income. Sales are recognised in the consolidated income statements when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

(ii) Loyalty programmes

Revenue is allocated between the loyalty programmes and the other components of the sale. The amount allocated to the loyalty programmes is deferred, and is recognised as revenue when the Group has fulfilled its obligations to supply the free or discounted products under the terms of the programmes or when it is not longer probable that the points under the programmes will be redeemed.

(iii) Other income

Other income comprises catalogues sales, freight income and rental income.

(k) Employee benefits

(i) Pension obligations

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

(ii) Equity related compensation

Share options granted under Company stock option programs allow employees to acquire shares of the Company. The fair value of the options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at the grant date and spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

(l) Taxation

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

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

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

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

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

(m) Intangible assets

(i) Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair value of the net identifiable assets acquired. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

(ii) Other intangible assets

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

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

(iii) Subsequent expenditure

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

(iv) Research and development

Development regarding the design and production of software applications is capitalised if the application is technically sound and the Group has sufficient resources to complete development. The expenditure capitalised includes cost for own staff and an appropriate proportion of identifiable overheads. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

(v) Amortisation

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

(n) Property, plant and equipment

(i) Owned assets

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

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

(ii) Leased assets

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and its present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

(iii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the consolidated income statements as an expense as incurred.

(iv) Depreciation

Depreciation is charged to the consolidated income statements on a straight-line basis over the estimated useful life of the assets. For assets under construction, the asset will be depreciated when it is commissioned. Improvements to leasehold property are depreciated over their useful economic life or the duration of the lease, whichever is shortest. Land is not depreciated. Other depreciation rates are as follows:

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

(o) Investment property

Investment properties are properties that are held either to earn rental income or for capital appreciation or for both. Investment property is recorded at cost less accumulated depreciation. Depreciation is charged to the consolidated income statements on a straight-line basis with rates between 2 to 5 percent per year. The rental income is recognised within other income in the consolidated income statements.

(p) Inventory

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

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Provision is made for obsolete, slow moving or defective items, where appropriate.

(q) Trade receivables

Trade receivables are stated at cost less impairment losses (see accounting policy (s)).

(r) Cash and cash equivalents

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

(s) Impairment

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

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

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

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

(t) Share capital

Dividends are recognised as a liability in the period in which they are declared.

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

(u) Interest-bearing loans

(i) Loans at amortised cost

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

(ii) Loans at fair value designated as such upon initial recognition

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

(v) Government grants

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

(w) Trade payables

Trade payables are stated at cost.

(x) Provisions

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

(i) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

(y) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the consolidated income statements on a straight-line basis over the term of the lease. Lease incentives received are recognised in the consolidated income statements as an integral part of the total lease expense.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Net financing costs

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

Interest income is recognised in the consolidated income statements as it accrues, using the effective interest method.

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

(z) Segment reporting

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

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. Operating segment's operating results are reviewed regularly by the Corporate Committee to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Corporate Committee include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate and overhead assets, liabilities and expenses not allocated to the operating segments. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill. In the framework of the entity-wide disclosures regarding "information about geographical areas", the Management is of the opinion that materiality threshold is 20 percent for Group purposes.

(aa) Hyperinflation accounting

The income and expenses of foreign operations in hyperinflationary economies are translated to euro at the exchange rate at the reporting date. Prior to translating the financial statements of foreign operations in hyperinflationary economies, their financial statements for the current year are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the reporting date.

(ab) New standards and interpretations not yet adopted

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

New Standards or Interpretations		Effective date	Planned application by the Group in reporting year
IFRS 10 Consolidated Financial Statements	**	1 January 2014	2014
IFRS 11 Joint Arrangements	*	1 January 2014	2014
IFRS 12 Disclosure of Interests in Other Entities	*	1 January 2014	2014
Revisions and amendments of Standards and Interpretations			
IAS 27 Separate Financial Statements (amended 2011)	*	1 January 2014	2014
IAS 28 Investments in Associates and Joint Ventures (amended 2011)	*	1 January 2014	2014
IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendment)	*	1 January 2014	2014
IAS 39 Novation of Derivatives and Continuation of Hedge Accounting	*	1 January 2014	2014
IFRS 10, IFRS 11 & IFRS 12 Transition Guidance of IFRS 10, 11 and 12 (Amendments)	*	1 January 2014	2014
IFRS 10, IFRS 12 & IAS 27 Investment Entities (Amendments)	*	1 January 2014	2014

* No impact or no significant impact is expected on the consolidated financial statements.
** The impact on the consolidated financial statements is expected to result in additional disclosures or changes in presentation.

NOTE 3 • SEGMENT REPORTING

Operating segments

The Group has five main reportable segments, which consists of CIS & Baltics, EMEA, Latin America, Asia plus Manufacturing, as this is the structure of financial information reviewed by the Corporate Committee. The purpose of the Group is selling cosmetics within the above organisation. The Group sales consists mainly of sales of Colour cosmetics, Skin care, Personal & Hair Care, Fragrances, Accessories & Wellness products. The segment Manufacturing is producing mainly for the Group. Smaller quantities are produced for third parties as well. "All other segments" includes mail order business, licensee sales and royalties income. The performance of each market and region is measured by the operating profit. Sales presented in the segment reporting are only revenues from external customers.

Unallocated items

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

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

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

As per 31 December 2013

€'000	CIS & Baltics	EMEA	Latin America	Asia	Manu-facturing	All other segments	Total segments	Unallocated items	Total
Sales	707,198	392,905	116,074	180,317	2,171	8,056	**1,406,721**	–	**1,406,721**
Operating profit	106,129	59,137	15,313	13,404	10,729	566	**205,278**	(68,670)	**136,608**
Net financing costs									**(29,579)**
Net profit before income tax									**107,029**
Total income tax expense									**(28,386)**
Net profit									**78,643**
Capital expenditure	(4,301)	(2,211)	(1,366)	(2,733)	(35,050)	(45)	**(45,706)**	(8,751)	**(54,457)**
Depreciation & amortisation	(7,110)	(2,191)	(1,088)	(2,187)	(8,906)	(49)	**(21,531)**	(7,948)	**(29,479)**
Goodwill	–	1,053	–	4,345	–	–	**5,398**	–	**5,398**
Impairment of goodwill	–	–	–	–	–	–	**–**	–	**–**

Note 3, cont.

As per 31 December 2012

€'000	CIS & Baltics	EMEA	Latin America	Asia	Manu-facturing	All other segments	Total segments	Unallocated items	Total
Sales	799,979	413,913	100,615	164,814	1,204	8,760	**1,489,285**	–	**1,489,285**
Operating profit	136,644	62,411	8,673	11,672	6,215	571	**226,186**	(51,067)	**175,119**
Net financing costs									**(22,225)**
Net profit before income tax									**152,894**
Total income tax expense									**(31,442)**
Net profit									**121,452**
Capital expenditure	(10,325)	(2,041)	(1,244)	(1,893)	(48,237)	(11)	**(63,751)**	(7,522)	**(71,273)**
Depreciation & amortisation	(6,388)	(2,230)	(984)	(2,056)	(7,015)	(28)	**(18,701)**	(8,182)	**(26,883)**
Goodwill	–	6,328	–	4,345	–	–	**10,673**	–	**10,673**
Impairment of goodwill	–	(5,275)	–	–	–	–	**(5,275)**	–	**(5,275)**

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

€ million	2013	2012
Russia	418.7	460.0
Luxembourg*	6.4	5.9
All other	981.6	1,023.4
Total	**1,406.7**	**1,489.3**

* Included Swiss Branch.

A major country is defined as one with total sales greater than 20 percent of consolidated sales. The revenue information above is based on the sales performed by each location.

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

€ million	2013	2012
Russia	168.6	162.9
Luxembourg*	22.6	20.0
All other	85.1	90.4
Total	**276.3**	**273.3**

* Included Swiss Branch.
** Non-current assets for segment reporting include property, plant and equipment, investment property and intangible assets only.

A major country is defined as one with total Non-current assets greater than 20 percent of consolidated Non-current assets.

Sales by product category

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

€ million	2013	2012
Colour cosmetics	337.6	353.0
Skin care	295.5	324.6
Personal & Hair care	281.3	290.4
Fragrances	281.3	308.3
Accessories & Wellness	211.0	213.0
Total	**1,406.7**	**1,489.3**

Major customers

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

NOTE 4 • OTHER INCOME

Other income is composed of:

€'000	2013	2012
Freight income	30,920	32,961
Printing income	19,966	21,618
Rental income	771	825
Other	154	500
Other income	**51,811**	**55,904**

NOTE 5 • EMPLOYEE BENEFIT EXPENSE

€'000	2013	2012
Salaries and wages	140,304	131,731
Social security contributions	32,355	28,820
Pension expenses	7,510	6,138
Equity settled transactions	340	2,218
	180,509	**168,907**

The average number of full-time equivalents in 2013 was 7,340 (7,465).

NOTE 6 • AUDITORS' REMUNERATION

Fees billed to the Company and its subsidiaries by KPMG Luxembourg S.à r.l. and other member firms of the KPMG network during the year are as follows (excluding VAT):

€'000	2013	2012
Auditors' remuneration for annual and consolidated accounts	1,460	1,460
Auditors' remuneration for other assurance services	168	149
Auditors' remuneration for tax advisory services	543	317
Auditors' remuneration for non-audit services	426	721
	2,597	**2,647**

The auditors' remuneration note is based on the European directive (2006/43/CE) which has been adopted in Luxembourg law in December 2009.

NOTE 7 • RESEARCH AND DEVELOPMENT

€'000	2013	2012
Research and development	12,758	12,283

NOTE 8 • DEPRECIATION AND AMORTISATION

€'000	2013	2012
Depreciation	24,952	22,156
Amortisation	4,527	4,727
Depreciation and amortisation expenses	**29,479**	**26,883**

In 2013 amortisation expenses includes €15 (€38) which were presented in cost of sales.

NOTE 9 • FINANCIAL INCOME AND EXPENSES

Recognised in the consolidated income statements

€'000	2013	2012
Interest income on bank deposits	1,326	880
Interest received on finance lease receivable	78	103
Cross currency interest rate swaps income	14,983	15,715
Change in fair value of financial assets and liabilities at fair value held for trading:		
– Forward exchange rate contracts gain	4,108	1,875
– Interest rate caps gain	363	–
– Cross currency interest rate swaps gain	–	1,823
Change in fair value of financial assets and liabilities at fair value designated as such upon initial recognition:		
– USD loan fair value gain	18,101	1,161
Total financial income	**38,959**	**21,557**
Bank charges and interest expense on loans carried at amortised cost	(9,440)	(7,884)
Interest expense on loan carried at fair value	(10,253)	(10,543)
Cross currency interest rate swaps expense	(9,643)	(12,395)
Change in fair value of financial assets and liabilities at fair value held for trading:		
– Forward exchange rate contracts loss	(1,754)	(8,704)
– Interest rate caps loss	(75)	(1,906)
– Cross currency interest rate swaps loss	(18,371)	–
Foreign exchange losses, net	(19,002)	(2,350)
Total financial expenses	**(68,538)**	**(43,782)**
Net financing costs	**(29,579)**	**(22,225)**

Recognised in other comprehensive income

€'000	2013	2012
Changes in fair value of cash flow hedges	343	(2,559)
Tax on changes in fair value of cash flow hedges	(34)	256
Change in fair value of cash flow hedges reclassified to profit or loss:		
– Cost of sales	(652)	478
– Selling and marketing expenses	(60)	(52)
– Financial income	79	287
– Current tax	63	(71)
Effective portion of changes in fair value of cash flow hedges, net of tax	**(261)**	**(1,661)**
Foreign currency translation differences for foreign operations and revaluation reserve	(25,251)	4,676
Financial (expenses) / income recognised in other comprehensive income, net of tax	**(25,512)**	**3,015**

NOTE 10 • INCOME TAX EXPENSE

Recognised in the consolidated income statements

€'000	2013	2012
Current tax expense	26,743	23,944
Adjustment for prior years	(959)	150
Current tax	**25,784**	**24,094**
Deferred tax expense:		
– Origination and reversal of temporary differences	933	5,249
– Changes in tax rates	(307)	(173)
– Utilisation of tax losses carried forward	1,003	6,504
– Change in recognition of deductible temporary difference (reversal)	2,420	548
Recognition of previously unrecognised deductible temporary differences	(63)	(541)
Recognition of previously unrecognised tax losses carried forward	(1,384)	(4,239)
Deferred tax	**2,602**	**7,348**
Total income tax expense in the consolidated income statements	**28,386**	**31,442**
Reconciliation of effective tax rate		
Net profit before income tax	107,029	152,894
Average applicable tax rate, %	21.9	20.9

%	2013	2012
Adjustment to tax expenses		
Non-deductible expenses	3.6	3.5
Utilisation of previously unrecognised tax losses carried forward	(0.2)	(0.3)
Recognition of previously unrecognised tax losses carried forward	(1.3)	(2.8)
Recognition of previously unrecognised deductible temporary differences	(0.1)	(0.4)
Release of tax provision	(0.3)	(3.5)
Withholding taxes	3.0	2.4
Other taxes	0.8	0.7
Adjustments in respect of prior years	(0.9)	0.1
Effective tax rate	**26.5**	**20.6**

Average applicable tax rate is calculated as weighted average from separate countries tax reconciliations using the domestic tax rate in each individual jurisdiction.

Average applicable tax rate increased due to the increase of taxable profit in Latin America where tax rates are in the upper range level and the decrease of taxable profit in other markets where the tax rates are lower.

The tax rates of the Group's subsidiaries vary between 0 percent and 34 percent. The Group benefits from favourable tax regimes in a number of jurisdictions, the benefits of which are expected to continue in foreseeable future.

NOTE 11 • EARNINGS PER SHARE

(a) Basic

Earnings per share are based on the net profit attributable to ordinary shareholders of €78,643 (€121,452) and the weighted average number of shares outstanding during the year.

Number of shares	2013	2012
Weighted average number of shares outstanding	55,722,934	57,071,517

(b) Diluted

No dilution effect is recognised in the earning per share calculation in 2013 and 2012.

NOTE 12 • PROPERTY, PLANT AND EQUIPMENT

€'000	Freehold land & buildings	Improve-ments to leasehold property	Plant & machinery	Furniture & equipment	Computer equipment	Motor vehicles	Under construction	Total
Cost								
At 31 December 2011	**114,285**	**32,089**	**88,817**	**23,693**	**31,580**	**5,870**	**42,363**	**338,697**
Additions	5,897	3,049	10,574	1,871	2,855	1,321	40,465	66,032
Acquisition of business	–	–	–	152	4	–	–	156
Disposals	(62)	(936)	(297)	(725)	(1,605)	(962)	–	(4,587)
Re-classification	59,125	73	(185)	997	(281)	(15)	(60,019)	(305)
Revaluation	–	21	55	48	46	10	–	180
Translation	4,173	226	2,269	226	619	102	1,206	8,821
At 31 December 2012	**183,418**	**34,522**	**101,233**	**26,262**	**33,218**	**6,326**	**24,015**	**408,994**
Additions	3,941	3,660	8,447	1,710	2,960	1,021	28,023	49,762
Disposals	(959)	(2,416)	(231)	(1,695)	(3,276)	(1,280)	–	(9,857)
Re-classification	374	(969)	301	266	318	118	(455)	(47)
Revaluation	–	8	25	21	19	(26)	–	47
Translation	(15,364)	(2,517)	(4,424)	(1,738)	(2,230)	(449)	(3,515)	(30,237)
At 31 December 2013	**171,410**	**32,288**	**105,351**	**24,826**	**31,009**	**5,710**	**48,068**	**418,662**
Depreciation								
At 31 December 2011	**21,014**	**17,223**	**51,207**	**17,484**	**26,004**	**3,806**	**–**	**136,738**
Charge for the year	3,434	3,803	7,963	2,687	3,425	783	–	22,095
Disposals	(60)	(807)	(267)	(694)	(1,598)	(726)	–	(4,152)
Re-classification	–	74	(83)	(1)	(322)	27	–	(305)
Revaluation	–	19	44	41	46	8	–	158
Translation	777	70	1,190	216	540	83	–	2,876
At 31 December 2012	**25,165**	**20,382**	**60,054**	**19,733**	**28,095**	**3,981**	**–**	**157,410**
Charge for the year	5,942	3,679	8,729	2,435	3,258	851	–	24,894
Disposals	(766)	(2,266)	(169)	(1,671)	(3,270)	(1,278)	–	(9,420)
Re-classification	–	98	–	36	(2)	(6)	–	126
Revaluation	–	7	20	15	12	22	–	76
Translation	(1,623)	(1,650)	(2,259)	(1,301)	(1,879)	(249)	–	(8,961)
At 31 December 2013	**28,718**	**20,250**	**66,375**	**19,247**	**26,214**	**3,321**	**–**	**164,125**
Net Book Value								
At 31 December 2011	**93,271**	**14,866**	**37,610**	**6,209**	**5,576**	**2,064**	**42,363**	**201,959**
At 31 December 2012	**158,253**	**14,140**	**41,179**	**6,529**	**5,123**	**2,345**	**24,015**	**251,584**
At 31 December 2013	**142,692**	**12,038**	**38,976**	**5,579**	**4,795**	**2,389**	**48,068**	**254,537**

Property, plant and equipment under construction
Property, plant and equipment under construction category is related to the construction of the new manufacturing facility in Russia. The global distribution centre which is part of the project in Russia is under activity from the fourth quarter 2012 and has been therefore reclassified to the respective property plant and equipment categories.

Borrowing costs €'000
Capitalised borrowing costs related to the construction of the new factory amounted to €1,222 (€2,485) with a capitalisation rate of 4.0 percent (5.2 percent).

Finance leases €'000
Included in property, plant and equipment at 31 December 2013 is the net book value of assets under finance leases totalling €85 (€112), of which computer equipment €50 (€70) and motor vehicles €35 (€42).

Contractual commitment
At 31 December 2013, the total contractual commitment amounts to €8.2 million (€10.3 million). Majority of these commitments are related to the construction of the new manufacturing facility in Russia.

NOTE 13 • INTANGIBLE ASSETS

€'000	Software	Trademarks	Property rights	Goodwill	Total
Cost					
At 31 December 2011	**29,443**	**1,160**	**3,330**	**5,398**	**39,331**
Additions	5,054	187	–	–	5,241
Acquisition of business	9	–	–	5,275	5,284
Disposals	(147)	(5)	–	–	(152)
Re-classification	305	–	–	–	305
Revaluation	7	–	–	–	7
Translation	309	–	–	–	309
At 31 December 2012	**34,980**	**1,342**	**3,330**	**10,673**	**50,325**
Additions	4,543	145	–	–	4,688
Disposals	(790)	–	–	–	(790)
Re-classification	47	–	–	–	47
Revaluation	4	–	–	–	4
Translation	(1,543)	–	–	–	(1,543)
At 31 December 2013	**37,241**	**1,487**	**3,330**	**10,673**	**52,731**
Amortisation					
At 31 December 2011	**18,694**	**496**	**–**	**–**	**19,190**
Charge for the year	4,582	115	30	–	4,727
Impairment	–	–	–	5,275	5,275
Disposals	(149)	(3)	–	–	(152)
Re-classification	305	–	–	–	305
Revaluation	7	–	–	–	7
Translation	228	–	–	–	228
At 31 December 2012	**23,667**	**608**	**30**	**5,275**	**29,580**
Charge for the year	4,377	150	–	–	4,527
Impairment	–	–	–	–	–
Disposals	(790)	–	–	–	(790)
Re-classification	(126)	–	–	–	(126)
Revaluation	4	–	–	–	4
Translation	(1,266)	–	–	–	(1,266)
At 31 December 2013	**25,866**	**758**	**30**	**5,275**	**31,929**
Net Book Value					
At 31 December 2011	**10,749**	**664**	**3,330**	**5,398**	**20,141**
At 31 December 2012	**11,313**	**734**	**3,300**	**5,398**	**20,745**
At 31 December 2013	**11,375**	**729**	**3,300**	**5,398**	**20,802**

Goodwill

During 1997, the Company acquired the remaining 49 percent of the Group's interest in Portugal from a party related to the af Jochnick family. This resulted in a goodwill amount of €2.3 million. During 2001, goodwill of €4.6 million arose on acquisition of Rockport Mauritius Ltd and at the end of 2001, the minority shareholders of Oriflame India Pvt. Ltd were bought out which resulted in goodwill of €1.8 million. Upon issuance of IFRS3 – Business combinations, the Group discontinued amortisation of existing goodwill and the carrying amount of the accumulated amortisation (€3.3 million) was eliminated with a corresponding decrease in goodwill.

For the purpose of impairment testing, goodwill is allocated by geographical segment as reported in note 3. At reporting date, the goodwill was tested for impairment with discount rate of 9 percent (9 percent). The recoverable amounts of the goodwill are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial forecasts made by Group Management covering a five year period (five year period).

The preparation of the forecast requires a number of key assumptions such as volume, price, product mix, which will create a basis for future growth and gross profit. These figures are set in relation to historic figures and external reports on market growth. Growth rate assumptions used for the evaluation are in line with market growth data. Average market growth rates for the five year period (five year period) are for Portugal 0 percent (0 percent) and India 14 percent (14 percent).

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

Based on the above assumptions Management made several sensitivity analyses and came to the conclusion that any reasonably possible adverse change in the key assumptions would not reduce the recoverable amount below its carrying amount. No impairment loss was recognised in 2013. Impairment loss was recognised in 2012 in relation to the acquisition of Oriflame East Africa Ltd and its subsidiaries.

Note 13, cont.

Property rights

At the beginning of 2009 the group has purchased the property rights for a dry food composition technology used in some of our wellness products. This technology is used throughout the Group where wellness products are sold, and therefore is not allocated to a specific geographic segment. The useful life of this technology was classified as indefinite as Oriflame has an exclusive, perpetual, unlimited right to use it. The recoverable amount is determined based on value-in-use calculations. These calculations use a pre-tax cash flow projection based on financial forecast covering a five year period (five year period). Calculation was based on an annual discount rate of 9 percent (9 percent) and a market growth rate of 7 percent (7 percent). Termination value has been calculated based on the result of the fifth year result without any future growth assumptions divided by the discount rate.

Based on the above assumptions Management made several sensitivity analyses and came to the conclusion that any reasonably possible adverse change in the key assumptions would not reduce the recoverable amount below its carrying amount. No impairment loss was recognised in 2013 and 2012.

Software property rights

Included in software additions during the year are costs for own developed software for an amount of €167 (€430).

NOTE 14 • INVESTMENT PROPERTY

€'000	2013	2012
Gross carrying value at 1 January	**1,848**	**1,878**
Additions	7	–
Disposals	–	–
Translation effects	(61)	(30)
Gross carrying value at 31 December	**1,794**	**1,848**
Accumulated depreciation at 1 January	**849**	**807**
Charge of the year	58	61
Disposals	–	–
Translation effects	(41)	(19)
Accumulated depreciation at 31 December	**866**	**849**
Net book value at year end	**928**	**999**

Investment property includes commercial premises, not currently leased, as well as a plot of land.

Items of Investment property are stated at cost less accumulated depreciation. Depreciation is charged to the consolidated income statements on a straight-line basis over an estimated useful life from 20 to 50 years.

Amounts included in the consolidated income statements:

€'000	2013	2012
Rental income from investment property	40	302
Direct operating expenses	(56)	(13)
Depreciation	(58)	(61)
Net rental income	**(74)**	**228**

The fair value of investment properties has been estimated to the amount of €5.8 million (€5.3 million).

The fair value of investment properties has been determined based on valuations performed by First Realty Brokerage UA, Ukraine and mgr Ewa Rysak-Ostrowska Poland, both accredited independent valuers. The fair value of the investment properties has been categorised as a Level 2 fair value based on transactions observable in the market.

NOTE 15 • DEFERRED TAX

Deferred tax assets and liabilities at 31 December 2013 and 2012 are attributable to the items detailed in the table below:

	2013			2012			
€'000	Assets	Liabilities	Net	Assets	Liabilities	Net	Movement
Property, plant and equipment & intangible assets	2,924	(3,687)	(763)	4,924	(3,121)	1,803	(2,566)
Inventories	7,024	(77)	6,947	5,969	(384)	5,585	1,362
Trade and other receivables	768	(446)	322	1,696	(157)	1,539	(1,217)
Accruals	6,049	(33)	6,016	6,850	(170)	6,680	(664)
Other	3,888	(378)	3,510	2,571	(393)	2,178	1,332
Tax losses carried forward	5,961	–	5,961	8,665	–	8,665	(2,704)
Tax assets/(liabilities)	**26,614**	**(4,621)**	**21,993**	**30,675**	**(4,225)**	**26,450**	**(4,457)**
Recognised in other comprehensive income							29
Translation difference							1,826
Deferred tax expense							**(2,602)**

During the year Group derecognised €2.4 million (€0.5 million) of deferred tax assets.

Recognition of deferred tax assets

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

Note 15, cont.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

€'000	2013	2012
Property, plant and equipment & intangible assets	1,062	142
Inventories	1,823	475
Trade and other receivables	9,218	7,289
Accruals	8,211	535
Other	1,032	388
Total temporary differences*	**21,346**	**8,829**
Tax losses**	190,749	130,347
Total	**212,095**	**139,176**

* The deductible temporary differences do not expire under current tax legislation.

** Of which €1.8 million (€4.5 million) expire within one year, €24.7 million (€19.5 million) expire between one and five years and €164.2 million (€106.3 million) in more than 5 years.

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

NOTE 16 • INVENTORIES

€'000	2013	2012
Raw materials	15,527	15,609
Work in progress	329	360
Finished goods	190,760	211,116
Other inventories	18,497	22,229
Inventory reserves	(28,237)	(36,752)
Total inventory	**196,876**	**212,562**

During 2013 the Group wrote down €2.1 million (€2.8 million) inventory mainly due to obsolescence and €7.8 million (nil) due to the destruction of the inventory in India caused by fire as explained in note 32.

The carrying amount of inventories carried at fair value less cost to sell was €11.6 million (€26.0 million).

Finished goods mainly consist of Colour Cosmetics, Skin Care, Personal & Hair care, Fragrances, Accessories and Wellness Products.

The amount of inventories recognised as expenses in cost of sales during the year 2013 were €420.3 million (€436.3 million).

NOTE 17 • TRADE AND OTHER RECEIVABLES

€'000	2013	2012
Trade receivables	50,838	54,151
Other receivables	32,759	30,657
Trade and other receivables	**83,597**	**84,808**

Other receivables include an estimated amount of €6.9 million which relates to an insurance claim in India for damage caused by fire as explained in note 32.

Exposure to credit risk

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

€'000	2013	2012
CIS & Baltics	15,576	18,524
EMEA	21,138	23,983
Latin America	11,466	8,627
Asia	2,658	3,017
	50,838	**54,151**

Impairment losses

The ageing of trade receivables at the reporting date was:

	Gross	Impairment	Gross	Impairment
€'000	2013	2013	2012	2012
Not past due	40,565	741	43,227	1,101
Past due 21 – 180 days	14,351	5,454	13,953	3,812
Past due 181 – 360 days	4,537	2,833	4,431	3,289
Past due 12 – 18 months	2,930	2,878	4,447	4,259
Past due > 18 months	9,888	9,527	15,357	14,803
	72,271	**21,433**	**81,415**	**27,264**

Based on experience the Group records an impairment allowance on trade receivables not past due, which usually is around 1 to 3 percent. This allowance varies from market to market depending on the latest trends in collectability of the trade receivables.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

€'000	2013	2012
Balance at 1 January	**27,264**	**27,715**
Impairment loss recognised	7,184	6,093
Specific debt write offs against provision	(13,015)	(6,544)
Balance at 31 December	**21,433**	**27,264**

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

The impairment loss on trade receivables recognised in the consolidated income statements is included in Selling and marketing expenses.

NOTE 18 • CASH AND CASH EQUIVALENTS NET OF BANK OVERDRAFTS

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

€'000	Cash	Short term deposits	Total cash	Bank over-drafts	Total
At 31 December 2011	**136,444**	**596**	**137,040**	**(100)**	**136,940**
Net flow	(51,541)	20,129	(31,412)	24	(31,387)
Exchange differences	497	121	618	–	618
At 31 December 2012	**85,400**	**20,846**	**106,246**	**(76)**	**106,171**
Net flow	21,922	(15,446)	6,476	(472)	6,003
Exchange differences	(5,128)	(258)	(5,386)	–	(5,386)
At 31 December 2013	**102,194**	**5,142**	**107,336**	**(548)**	**106,788**

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in note 28.

NOTE 19 • SHARE CAPITAL

The Company has one class of share capital with an authorised share capital of €102.4 million. All shares have equal rights to dividends and shareholders are entitled to one vote per share at annual and general meetings of the Company. The shares have a par value of €1.25. A reconciliation of the movements in share capital is detailed below:

		No. of shares	€'000
Share capital			
Balance 31 December 2011		**57,041,134**	**71,301**
Issue of new shares	(i)	80,000	100
Balance 31 December 2012		**57,121,134**	**71,401**
Issue of new shares	(ii)	83,238	104
Issue of new shares	(iii)	9,690	12
Balance 31 December 2013		**57,214,062**	**71,517**
Treasury shares			
Balance 31 December 2012		–	–
Acquisition	(iv)	1,613,409	41,235
Balance 31 December 2013		**1,613,409**	**41,235**

(i) On 14 of August 2012 the Group issued 80,000 shares to Oriflame employees as part of the 2012 share incentive plan. The consideration received was €2.0 million, of which €0.1 million was credited to share capital and €1.9 million was credited to share premium.

(ii) On 15 July 2013 the Group issued 83,238 achievement shares to Oriflame employees at no consideration for the maturity of the 2010 share incentive plan. The issue of these shares amounting to €0.1 million was financed through share premium, as approved by the EGM of 19 May 2008.

(iii) On 25 September 2013 the Group issued 9,690 shares to Oriflame employees as part of the 2013 share incentive plan. The consideration received was €0.25 million, of which €0.01 million was credited to share capital and €0.24 million was credited to share premium.

(iv) During the first half of 2013, the group invested €41.2 million on its share buyback programme. At 31 December 2013, the treasury shares held by the Group represent 2.8 percent of the total number of shares of 57,214,062 at the total purchase price of €41.2 million (including bank fees), at an average price of €25.56 per share. The market value of the treasury shares amounts to €35.6 million as at 31 December 2013.

NOTE 20 • RESERVES

(i) Legal reserve
The Company is required by Luxembourg law to appropriate to a legal reserve at least 5 percent of its statutory net profit, until the aggregate reserve equals 10 percent of its issued share capital. The legal reserve is not available for distribution.

(ii) Translation reserve
Included in the translation reserve in 2013 are the following:

(a) Exchange loss of €6.3 million (€0.7 million gain) arising on long-term inter-company debt of an investment nature, and;

(b) A foreign exchange loss of €19.0 million (€4.0 million gain) arising from the translation of financial statements of foreign subsidiaries.

Included in the translation reserve is a revaluation reserve related to certain assets of €7.9 million (€8.3 million).

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

(iv) Dividends
In May 2012, the AGM of the Company approved a dividend of €1.75 per share, as proposed by the Board of Directors, i.e. €99.8 million in total.

In May 2013, the AGM of the Company approved a dividend of €1.75 per share, as proposed by the Board of Directors, i.e. €97.1 million in total.

The Board of Directors will propose to the AGM in May 2014 a distribution of up to €1.00 per share, amounting to up to €55.6 million. The dividend will be paid out in quarterly installments, with the first instalment of €0,25 per share (or the Swedish Krona equivalent per SDR) to be paid following the Annual General Meeting, and that the Board of Directors is given a mandate to decide on the subsequent quarterly installments.

The total amount of dividend is reduced by the acquired treasury shares, which are not eligible for a dividend, at the date of the dividend.

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

NOTE 21 • INTEREST-BEARING LOANS

€'000	2013	2012
Non-current liabilities		
Loans	379,637	316,332
Finance lease long-term liabilities	35	42
	379,672	**316,374**
Current liabilities		
Short-term loans	2,168	2,407
Bank overdrafts	548	76
Finance lease short-term liabilities	28	34
	2,744	**2,517**

On 23 May 2011, the Group signed a €330 million five-year revolving, multi-currency, committed, Credit Facility.

In July 2011, the Group successfully completed the issuance of $195 million and €25 million private placement notes. The Note Purchase Agreement, which was signed the 13 July 2011, identifies four series of fixed-rates' Senior Notes with different maturities: $75 million due July 2018, €25 million due July 2018, $70 million due July 2021 and $50 million due July 2023. Interest is paid semi-annually and it is in the range between 4.70 percent and 5.70 percent per annum.

In April 2010, the Group successfully entered into a $165 million loan in the U.S. Private Placement market. The Note Purchase Agreement, which was signed the 20 April 2010, identifies three series of fixed-rates' Senior Notes with different maturities: $25 million due April 2015, $70 million due April 2017 and $70 million due 2020. Interest is paid semi-annually and it is in the range between 5.00 percent and 6.50 percent per annum.

The Credit Facility provides that utilisations may be in Euros or other freely convertible currencies, as agreed. The interest payable is calculated at the relevant inter-bank rate plus the applicable margin.

The Credit Facility and the Note Purchase Agreements contain a number of operating covenants, including restrictions on subsidiary borrowings, restrictions on lending and giving guarantees for financial indebtedness, and restrictions on the disposal of material assets. It also contains a number of financial covenants which include required ratios of consolidated net debt to consolidated EBITDA of the Group, consolidated EBIT to consolidated finance costs and net worth. The Group was in compliance with these covenants as of 31 December 2013 and 31 December 2012.

Note 21, cont.

Terms and debt repayment schedule

The terms and conditions of outstanding loans were as follows:

€'000	Currency	Interest rate	Year of maturity	31 December 2013 Face value	31 December 2013 Carrying amount*	31 December 2012 Face value	31 December 2012 Carrying amount*
Revolving bank facility	EUR	Euribor + margin	2016	85,000	84,654	–	(784)
Private placement loan	USD	Fixed rate USD coupon	2015–2020	121,324	127,733	121,324	139,304
Private placement loan	USD/ EUR	Fixed rate EUR and USD coupon	2018–2023	161,535	167,250	161,535	177,812
Finance lease liabilities	PLN/RON	between 6% and 12%	2018	75	63	93	76
Short term loans	INR	between 10% and 13%	2014	2,168	2,168	2,407	2,407
Bank overdrafts	TRL/INR	0% / 16%	2014	548	548	76	76
Total interest-bearing liabilites				**370,650**	**382,416**	**285,435**	**318,891**

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

At 31 December 2013, the Group had total banking facilities available of €659.6 million (€711.6 million) of which €388.9 million (€329.6 million) have been utilised as bank short- and long-term loans as well as guarantees.

NOTE 22 • TRADE AND OTHER PAYABLES

€'000	2013	2012
Trade payables	39,454	44,906
Other payables	42,903	48,494
Trade and other payables	**82,357**	**93,400**

NOTE 23 • EQUITY COMPENSATION PLANS

On 19 May 2008 the Oriflame EGM approved a share incentive plan for the years 2008–2010, according to which participants will be offered to purchase at fair market terms shares up to €3.5 million per annum. On 19 May 2010 the Oriflame EGM resolved to increase the investment limit to €4 million per annum. The participants will be offered to subscribe to a certain number of "investment" shares per year. They are entitled to receive a certain number of "achievement" shares for free for every investment share to which they subscribed on the third anniversary of their subscription in the investment share. Achievement shares granted range from 0 to 4 shares per investment share depending on whether the Group achieves certain growth targets in operating profit over the following three year period. The amount of investment shares offered will be determined by the Board of Directors so that the potential dilution under the lifetime of the plan shall amount to less than 3 percent of the share capital of the Group.

On 19 May 2011 the Oriflame EGM approved a share incentive plan for the years 2011–2014, according to which participants will be offered to purchase at fair market terms shares up to €2.0 million per annum. The amount of investment shares offered will be determined by the Board of Directors so that the potential dilution under the lifetime of the plan shall amount to less than 4 percent of the share capital of the Group. The achievement share mechanism is the same as under the 2008 share incentive plan, except that instead of receiving between 0 and 4 achievement shares, the participants will receive between 0 and 8 achievement shares.

On 21 May 2013 the Oriflame AGM approved technical amendments to the share incentive plan for the years 2011–2014, to the effect that participants in the plan may, as an alternative to purchasing newly issued shares as investment shares under the plan, elect to designate existing shares/SDRs as investment shares. The amendment is effective as of the 2013 investments.

The fair value of services received in return for the achievement shares granted is measured by reference to the value of the investment shares, which is the market price at the time of investing, less forecasted dividends that are discounted at a rate of 5 percent per year. In 2013, the total equity compensation cost recorded in Administrative expenses is €0.3 million (€2.2 million).

The number of investment shares is as follows:

Share schemes	2013	2012	2011	2010*
Granted at the beginning of the scheme	71,000	80,000	60,907	99,922
Forfeited during 2010	–	–	–	(618)
Forfeited during 2011	–	–	–	(1,500)
Forfeited during 2012	–	(122)	(1,202)	(2,572)
Expired during 2012	–	–	–	(4,823)
Outstanding at the beginning of the year	**71,000**	**79,878**	**59,705**	**90,409**
Forfeited during 2013	(965)	(1,020)	(790)	(2,204)
Expired during 2013	–	–	–	(4,967)
Exercised during 2013	–	–	–	(83,238)
Outstanding at the end of the year	**70,035**	**78,858**	**58,915**	**–**

* The 2010 granted investment shares include 4,823 investment shares with a 2 year vesting period.

NOTE 24 • RELATED PARTIES

Identity of related parties

The Group has a related party relationship with its subsidiaries (see note 25), its directors and executive officers, and a number of companies related through common key management personnel or ownership interests.

Transactions with key management personnel

The Directors and key management personnel of the Company held beneficial interests in the shares of the Company at 31 December 2013 as follows:

	Number of shares 2013*
R. af Jochnick and family	4,758,851
J. af Jochnick and family	4,296,000
Alexander af Jochnick	418,884
Christian Salamon	15,140
Marie Ehrling	300
Lilian Fossum Biner	1,000
Helle Kruse Nielsen	1,000
Anders Dahlvig	13,650
Magnus Brännström	293,000
Jesper Martinsson	280,000
Gabriel Bennet	22,493

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

Note 24, cont.

The major shareholders, the af Jochnick family and the Stichting af Jochnick Foundation, jointly exercise control over 15,800,736 shares which represents 28.4 percent of the outstanding total shares as at 31 December 2013.

The key management personnel compensation is as follows:
For the year ended 31 December 2013, the members of the Board of Directors (excluding Magnus Brännström who in his capacity as Chief Executive Officer is an employee) received total compensation of €313 (€305). The Chairman received €64 (€64).

For the year ended 31 December 2013, the Chief Executive Officer is entitled to receive total compensation of €1,331 (€1,496), of which €906 (€922) was salary, €0 (€231) bonus, €245 (€0) share incentive plan, €195 (€252) pension contributions under the pension scheme for senior management, and €85 (€91) other benefits and allowances.

For the year ended 31 December 2013 the members of the Corporate Committee, which consists of the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer (excluding the Chief Executive Officer) are entitled to receive €2,272 (€2,243), of which €1,266 (€1,313) was salaries, €0 (€243) bonuses, €320 (€0) share incentive plan, €216 (€210) pension contributions under the pension scheme for senior management and €470 (€477) of other benefits and allowances.

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

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

	Transaction value Year ended 31 December		Balance outstanding As at 31 December	
€'000	**2013**	**2012**	**2013**	**2012**
Expenses and employee costs incurred on behalf of and recharged to Medicover S.A.	(2,430)	(2,053)	(462)	(365)
Services provided by Credus Management AB	84	–	–	–
Medicover health care services	338	332	3	1

All transactions with related parties are done on arm's length basis. During the year ending 31 December 2013 and 2012, no provision for doubtful debts and expense in respect of bad or doubtful debts due from related parties were recognised.

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

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

NOTE 25 • GROUP COMPANIES

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

Name	Country of incorporation	Percentage share capital held, %
SARL Natural Swedish Cosmetics	Algeria	100
Oriflame Cosmetics LLC	Armenia	100
Oriflame LLC	Azerbaijan	100
Oriflame Cosmetics Foreign LLC	Belarus	100
Oriflame Management SA	Belgium	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 de Colombia SA	Colombia	100
Oriflame Kozmetika Croatia doo.	Croatia	100
Oriflame Cyprus Limited	Cyprus	100
Tyndelca Trading Limited	Cyprus	100
Oriflame Czech Republic sro	Czech Republic	100
Oriflame Software sro	Czech Republic	100
Oriflame International ApS	Denmark	100
Oriflame del Ecuador SA	Ecuador	100
Oriflame Egypt Ltd	Egypt	100
Oriflame Estonia OU	Estonia	100
Oriflame Oy	Finland	100
Oriflame Georgia LLC	Georgia	100
Special Trading Company Oriflame Caucasus	Georgia	100
Oriflame Kosmetik Vertriebs GmbH	Germany	100
Oriflame Hellas Sole Shareholder Ltd	Greece	100
Oriflame Hungary Kozmetika Kft	Hungary	100
Oriflame India Pvt. Ltd.	India	100
PT Oriflame Cosmetics Indonesia	Indonesia	100
PT Orindo Alam Ayu	Indonesia	100
Oriflame Research & Development Ltd.	Ireland	100
Oriflame LLP	Kazakhstan	100
Oriflame Cosmetics LLC	Kosovo	100
Oriflame East Africa Ltd	Kenya	100
Oriflame Cosmetics LLC	Kyrgyzstan	100
Oriflame Latvija S.I.A	Latvia	100
Oriflame Kosmetika UAB.	Lithuania	100
Oriflame Cosmetics Global SA *	Luxembourg	100
Oriflame Foundation	Luxembourg	100
Oriflame Kozmetika dooel	Macedonia	100
Oriflame Investments Ltd	Mauritius	100
Myanmar Oriflame Company Ltd *	Myanmar	100
Oriflame (Mexico) SA de CV	Mexico	100
Servicios Oriflame, SA de CV	Mexico	100
Oriflame International SRL	Moldova	100
Oriflame Mongolia LLC	Mongolia	100
Oriflame Kosmetika MN doo.	Montenegro	100
Oriflame Maroc SARL	Morocco	100
Oriflame Kosmetiek BV.	Netherlands	100
Oriflame Holdings BV.	Netherlands	100
Oriflame Nigeria Cosmetics Limited	Nigeria	100
Oriflame Norge A/S	Norway	100
Oriflame Cosmetics Pakistan (PVT) LTD	Pakistan	100
Oriflame Peru S.A.	Peru	100

Note 25, cont.

Name	Country of incorporation	Percentage share capital held, %
Oriflame Poland SP z o.o.	Poland	100
Oriflame Products 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
Oriflame Products LLC	Russia	100
Oriflame Kosmetika d.o.o.	Serbia	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 Products Sweden AB (Nordium AB)	Sweden	100
Oriflame Cosmetics AB	Sweden	100
Oriflame Services International AB	Sweden	100
Zetes Holdings AB	Sweden	100
Oriflame Global e-Commerce AG	Switzerland	100
Oriflame Global Management AG *	Switzerland	100
Oriflame East Africa Tanzania Ltd	Tanzania	100
Oriflame Cosmetics (Thailand) Ltd	Thailand	100
Oriflame Management Asia Ltc	Thailand	100
Oriflame Kozmetik Urunleri Ticaret Ltd Sirketi	Turkey	100
Oriflame Tunisie S.A.R.L. *	Tunisia	100
Oriflame East Africa Uganda Ltd	Uganda	100
DP "Oriflame Cosmetics" Ukraine	Ukraine	100
Oriflame Kosmetiks Co Ltd	Uzbekistan	100
Oriflame Vietnam Ltd.	Vietnam	100

* Created in 2013.
DP "Rielty Ukraine" was liquidated during 2013.

All changes in the above Group companies do not have any material impact on the consolidated figures.

NOTE 26 • PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

(a) Provisions

€'000	Tax litigations	Restruc-turing	Claims & other	Total
Balance at 1 January 2013	**1,143**	**842**	**1,633**	**3,618**
Provisions made during the year	201	4,611	2,150	6,962
Provisions used during the year	(5)	(839)	–	(844)
Provisions reversed during the year	(520)	–	(1,261)	(1,781)
Balance at 31 December 2013	**819**	**4,614**	**2,522**	**7,955**

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

Restructuring provision of €4.6 million relates to the restructuring of operations in Global Sales & Marketing, back office functions (IT, Finance & HR) and in the EMEA region.

(b) Contingent liabilities

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

The Group is exposed to contingent liabilities amounting to a maximum potential payment of €24.4 million (nil) representing potential litigations of €19 million and other claims of €5.4 million. Potential litigations relate mainly to tax legislations.

(c) Minimum lease commitments

The Group had minimum annual lease commitments under non-cancellable operating leases at 31 December as follows:

€'000	2013	2012
Within one year	27,984	24,419
Between one and three years	32,213	30,552
Between three and five years	18,580	19,089
Over five years	11,565	3,527
	90,342	**77,587**

The Group's lease agreements consist mainly of office and warehouse rentals, none of which are individually significant. There are no subleases.

During the year ending 31 December 2013 €34.3 million (€39.2 million) was recognised as an expense in the consolidated income statements in respect of operating leases.

(d) Bank guarantees

At 31 December 2013, the Group had bank guarantees in place of €6.3 million (€9.6 million).

NOTE 27 • PENSIONS

All subsidiaries within the Group operate defined contribution schemes. Pension costs charged for the year for these schemes amounted to €7.5 million (€6.1 million).

NOTE 28 • FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

28.1 Financial risk factors

Overview

The Group has exposure to the following risks from its use of 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 set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed on a regular basis to reflect changes in market conditions and in the Group's activities.

Note 28, cont.

I Market Risk

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

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

(a) Foreign currency risk

Translation exposure

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

Transaction exposure

Currency transaction exposure arises whenever a subsidiary enters into a transaction using a currency other than its measurement 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 approximately 60 percent (63 percent) 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 the majority of expenses are incurred. In circumstances where revenues and costs cannot be matched, the currency transaction exposure may be hedged by periodically adjusting prices or by entering into hedging transactions.

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

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

As at 31 December 2013 there were a variety of forward exchange contracts outstanding for a nominal amount equivalent of €204.9 million (€134.5 million) with maturities ranging from January 2014 to December 2015, to hedge selected currency transaction exposures and highly probable forecast transactions.

The group uses a variety of forward contracts amounting to €107 million at nominal value (€107.7 million) to economically hedge monetary assets and liabilities in foreign currencies, mainly intra-group. The derivatives are not designated as hedge accounting relationships and therefore the changes in fair value of the forward contracts 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 2013, the fair value of these forward contracts was €1.3 million gain (€1.5 million loss).

The Group claims cash flow hedge accounting for the variety of forward contracts amounting to €97.9 million (€26.8 million) at nominal value 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 effective portion of changes in the fair value of derivatives is recognised in other comprehensive income within equity. The ineffective portion of the gain or loss is recognised immediately in the income statement. As of 31 December 2013, the fair value of these forward contracts was €2.1 million gain (€0.1 million gain).

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

The Group designated $70 million loan maturing in July 2021 as financial liability at fair value through profit and loss. Both the $70 million loan and the related cross currency interest rate swaps are measured at fair value in the consolidated statements of financial position. The Group accounts for the $75 million loan maturing in July 2018 and $50 million loan maturing in July 2023 as a financial liability at amortised costs. The Group applies cash flow hedge accounting for related cross currency interest rate swaps, where the effective portion of changes in the fair value of cross currency interest rate swaps is recognised in other comprehensive income within equity and the ineffective portion of the gain or loss is recognised immediately in the consolidated income statements.

In April 2012, the Group entered into a RUB 1.7 billion uncommitted revolving credit facility. The facility matured in April 2013.

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

Note 28, cont.

Exposure to currency risk

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

2013	INR	CZK	MXN	KZT	PLN	RUB	SEK	TRY	UAH	IDR
In €'000 equivalents										
Intra-group trading balances	9,912	(3,488)	(29)	7,253	(3,813)	111,126	9,010	3,385	10,738	(119)
Trade receivables/(payables)	16	–	–	–	6,403	–	(883)	–	–	–
Gross balance sheet exposure	**9,928**	**(3,488)**	**(29)**	**7,253**	**2,590**	**111,126**	**8,127**	**3,385**	**10,738**	**(119)**
Forward exchange contracts**	–	(5,105)	(12,781)	(7,548)*	(10,041)	(129,888)	(6,489)	(12,532)	–	(4,533)
Net Exposure	**9,928**	**(8,593)**	**(12,810)**	**(295)**	**(7,451)**	**(18,762)**	**1,638**	**(9,147)**	**10,738**	**(4,652)**

2012	INR	CZK	MXN	KZT	PLN	RUB	SEK	TRY	UAH	IDR
In €'000 equivalents										
Intra-group trading balances	3,872	(1,664)	3,720	13,860	(3,275)	101,647	13,119	4,389	33,363	3,526
Trade receivables/(payables)	(297)	–	–	–	6,335	–	(278)	–	–	–
Gross balance sheet exposure	**3,575**	**(1,664)**	**3,720**	**13,860**	**3,060**	**101,647**	**12,841**	**4,389**	**33,363**	**3,526**
Forward exchange contracts**	(1,104) *	–	–	(5,958)*	(12,609)	(60,903)	(6,618)	(2,977)	(16,073)	(15,859)
Net Exposure	**2,471**	**(1,664)**	**3,720**	**7,902**	**(9,549)**	**40,744**	**6,223**	**1,412**	**17,290**	**(12,333)**

* The forward exchange rate contracts are € against USD.

** Total of forward exchange contracts includes hedges related to uncommitted exposures. During 2013 the Group continued to increase the hedging volumes for selected currency transaction exposures and highly probable forecast transactions covering more than 50 percent of the intra-group cost of sales. This strategy was deployed in key markets such as Russia, Mexico, Czech Republic amongst others.

The following significant exchange rates applied during the year:

	Average rate		Reporting date rate	
€	2013	2012	2013	2012
RUB	42.31	39.91	44.97	40.23
KZT	202.27	191.87	211.17	199.22
UAH	10.84	10.39	11.04	10.54
PLN	4.19	4.18	4.15	4.09

Sensitivity analysis

The Group trades in more than forty currencies. The Group has selected the top four sales operations and shows their impact on operating profit and equity. This analysis assumes that all other variables, in particular interest rates, the exchange rates of other currencies to the euro, the selling prices of the Oriflame entities in the countries under review, remain constant over the year. The analysis is performed on the same basis for 2011. 1 percent strengthening of the euro against the following currencies on average over the reporting year would have increased (decreased) the Group's operating profit or loss and equity as shown below.

Effect on Group operating profit in %	2013	2012
RUB	(1.4)	(1.3)
UAH	(0.4)	(0.4)
KZT	(0.2)	(0.2)
PLN	(0.2)	(0.2)

Effect on Group equity in € million	2013	2012
RUB	(0.8)	(1.1)
UAH	0.0	0.2
KZT	0.0	0.0
PLN	(0.5)	(0.5)

(b) Interest rate risk

Hedge

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

Not designated as hedge

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

In July 2011, when entering into the $70 million USD loan and linked cross currency interest rate swaps, the Group effectively created a floating rate of 3-month Euribor obligation, receiving USD denominated semi annual fixed swap rate and paying 3-month Euribor plus spread under the cross currency interest rate swaps, which the Group decided to hedge economically through series of interest rate cap agreements, totalling €49.0 million. The caps protect against a rise of 3-month Euribor over 4.5 percent and do not qualify for cash flow hedge accounting treatment under IAS 39, since the underlying hedged item is a derivative itself.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) other comprehensive income within equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

	Profit or (loss)		Other comprehensive income within equity	
Effects in €'000	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
31 December 2013				
Variable rate interest-bearing liabilities	(661)	661	–	–
Interest rate caps	2,336	(1,224)	–	–
Cross currency interest rate swaps	862	(883)	5,589	(5,943)
Cash flow sensitivity (net)	**2,537**	**(1,446)**	**5,589**	**(5,943)**

Note 28, cont.

Effects in €'000	Profit or (loss) 100 bp increase	Profit or (loss) 100 bp decrease	Other comprehensive income within equity 100 bp increase	Other comprehensive income within equity 100 bp decrease
31 December 2012				
Variable rate interest-bearing liabilities	(271)	271	–	–
Interest rate caps	2,949	(1,204)	–	–
Cross currency interest rate swaps	1,468	(1,524)	7,286	(7,875)
Cash flow sensitivity (net)	**4,146**	**(2,457)**	**7,286**	**(7,875)**

II Credit risk

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

There is a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Management performs ongoing evaluations of the credit position of its consultants. Due to the nature of the direct sales industry, the Group does not have significant exposure to any individual customer (see note 17).

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	2013	2012
Trade and other receivables	83,597	84,808
Cash and cash equivalents	107,336	106,246
Interest rate caps for trading	1,425	1,136
Forward exchange rate contracts for trading	2,179	540
Forward exchange rate contracts for hedging	2,212	187
Cross currency interest rate swaps for trading	11,005	29,493
Cross currency interest rate swaps for hedging	2,152	5,298
	209,906	**227,708**

III Liquidity risk

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

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

31 December 2013

€'000	Carrying amount	Contractual cash flows	Less than 1 year	1–3 years	3–5 years	More than 5 years
Non-derivative financial liabilities						
Loans	381,805	412,403	14,796	125,990	141,727	129,890
Other long term liabilities	1,763	1,763	–	1,763	–	–
Finance lease liabilities	63	75	35	38	2	–
Trade and other payables	82,357	82,357	82,357	–	–	–
Bank overdrafts	548	548	548	–	–	–
Derivative financial liabilities						
Cross currency interest rate swaps for trading	1,013	1,013	1,013	–	–	–
Forward exchange rate contracts for trading	794	794	516	278	–	–
Cross currency interest rate swaps for hedging (cash flow hedge)	4,483	4,483	1,033	–	461	2,989
Forward exchange rate contracts for hedging (cash flow hedge)	150	150	150	–	–	–
Total	**472,976**	**503,586**	**100,448**	**128,069**	**142,190**	**132,879**

31 December 2012

€'000	Carrying amount	Contractual cash flows	Less than 1 year	1–3 years	3–5 years	More than 5 years
Non-derivative financial liabilities						
Loans	318,739	353,809	13,329	40,374	73,013	227,092
Other long term liabilities	2,401	2,401	–	2,401	–	–
Finance lease liabilities	76	93	46	33	14	–
Trade and other payables	93,400	93,400	93,400	–	–	–
Bank overdrafts	76	76	76	–	–	–
Derivative financial liabilities						
Cross currency interest rate swaps for trading	1,021	1,021	1,021	–	–	–
Forward exchange rate contracts for trading	2,060	2,060	1,533	527	–	–
Cross currency interest rate swaps for hedging (cash flow hedge)	1,033	1,033	1,033	–	–	–
Forward exchange rate contracts for hedging (cash flow hedge)	121	121	121	–	–	–
Total	**418,927**	**454,014**	**110,559**	**43,335**	**73,027**	**227,092**

Note 28, cont.

28.2 Capital risk management

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

The €330 million facility, and the USD loans dated April 20, 2010 and July 13, 2011, oblige the Group to maintain consolidated net worth of €120 million at each year end for the term of the agreement. Consolidated net worth is defined in the agreements as the total assets of the Group and its subsidiaries which would be shown as assets on a consolidated balance sheet of the Group as of such time prepared in accordance with IFRS, after eliminating all amounts properly attributable to minority interests, if any, in the stock and surplus of subsidiaries; minus the total liabilities of the Group and its subsidiaries which would be shown as liabilities on a consolidated balance sheet of the Group as of such time prepared in accordance with IFRS.

The Board of Oriflame Cosmetics S.A. has exercised its authorizations granted by the Extraordinary General Meeting held on December 19, 2012, by instructing management to launch a first share buyback programme with a repurchase notional of SEK 350 million, which at the prevailing share price is equivalent to approximately 3 percent of the outstanding share capital. During the first half of 2013, the group invested €41.2 million on its share buyback programme. At 31 December 2013, the treasury shares held by the Group represent 2.8 percent of the total number of shares of 57,214,062 at the total purchase price sum of €41.2 million (including bank fees), at an average price of €25.56 per share. The purpose of the share buybacks was to optimise the capital structure.

Apart from the above mentioned share repurchase program, no other changes have been made in the objectives, policies, or processes for managing capital during the years ended 31 December 2013.

28.3 Fair value estimation

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statements of financial position are as follows:

	31 December 2013		31 December 2012	
€'000	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets carried at amortised cost				
Trade and other receivables	83,597	83,597	84,808	84,808
Cash and cash equivalents	107,336	107,336	106,246	106,246
Total loans and receivables	*190,933*	*190,933*	*191,054*	*191,054*
Total financial assets carried at amortised cost	**190,933**	**190,933**	**191,054**	**191,054**
Financial assets carried at fair value				
Cross currency interest rate swaps for trading	11,005	11,005	29,493	29,493
Interest rate caps for trading	1,425	1,425	1,136	1,136
Forward exchange rate contracts for trading	2,179	2,179	540	540
Total derivatives for trading	*14,609*	*14,609*	*31,169*	*31,169*
Cross currency interest rate swaps for hedging	2,152	2,152	5,298	5,298
Forward exchange rate contracts for hedging	2,212	2,212	187	187
Total derivatives for hedging	*4,364*	*4,364*	*5,485*	*5,485*
Total derivative financial assets	*18,973*	*18,973*	*36,654*	*36,654*
Total financial assets carried at fair value	**18,973**	**18,973**	**36,654**	**36,654**
Financial liabilities carried at amortised cost				
Loans	(202,008)	(212,558)	(120,841)	(133,005)
Other long term liabilities	(1,763)	(1,763)	(2,401)	(2,401)
Trade and other payables	(82,357)	(82,357)	(93,400)	(93,400)
Finance lease liabilities	(63)	(75)	(76)	(93)
Bank overdrafts	(548)	(548)	(76)	(76)
Total financial liabilities carried at amortised cost	**(286,739)**	**(297,301)**	**(216,794)**	**(228,975)**
Financial liabilities carried at fair value				
USD loan	(179,797)	(179,797)	(197,898)	(197,898)
Total designated as such upon initial recognition	*(179,797)*	*(179,797)*	*(197,898)*	*(197,898)*
Cross currency interest rate swaps for trading	(1,013)	(1,013)	(1,021)	(1,021)
Forward exchange rate contracts for trading	(794)	(794)	(2,060)	(2,060)
Total derivatives for trading	*(1,807)*	*(1,807)*	*(3,081)*	*(3,081)*
Cross currency interest rate swaps for hedging	(4,483)	(4,483)	(1,033)	(1,033)
Forward exchange rate contracts for hedging	(150)	(150)	(121)	(121)
Total derivatives for hedging	*(4,633)*	*(4,633)*	*(1,154)*	*(1,154)*
Total derivative financial liabilities	*(6,440)*	*(6,440)*	*(4,235)*	*(4,235)*
Total financial liabilities carried at fair value	**(186,237)**	**(186,237)**	**(202,133)**	**(202,133)**
Unrecognised loss		(10,563)		(12,181)

Note 28, cont.

Trade and other receivables
The fair value of trade and other receivables is equal to carrying value given its short-term nature.

Trade and other payables
The fair value of trade and other payables is equal to carrying value given its short-term nature.

Derivative financial assets and liabilities
The fair value of forward exchange rate contracts, interest rate swaps, cross currency interest rate swaps and options 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 cost
Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the forward market rate of interest at the reporting date.

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

28.4 Fair value hierarchy
The table below 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)

€'000	Level 1	Level 2	Level 3	Total
31 December 2013				
Financial assets and liabilities measured at fair value				
USD loans	–	(179,797)	–	(179,797)
Derivative financial assets	–	18,973	–	18,973
Derivative financial liabilities	–	(6,440)	–	(6,440)
	–	**(167,264)**	**–**	**(167,264)**
Financial assets and liabilities not measured at fair value				
Loans	–	(212,558)	–	(212,558)
Finance lease liabilities	–	(75)	–	(75)
	–	**(212,633)**	**–**	**(212,633)**

€'000	Level 1	Level 2	Level 3	Total
31 December 2012				
USD loans	–	(197,898)	–	(197,898)
Derivative financial assets	–	36,654	–	36,654
Derivative financial liabilities	–	(4,235)	–	(4,235)
	–	**(165,479)**	**–**	**(165,479)**

28.5 Master netting or similar agreements
The group enters into derivative transactions under International Swaps 0and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

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

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

€'000	Gross and net amounts of financial instruments in the statement of financial position	Related financial instruments that are not offset	Net amount
31 December 2013			
Financial assets			
Cross currency interest rate swaps	13,157	(5,496)	7,661
Interest rate caps	1,425	–	1,425
Forward exchange contracts	4,391	(944)	3,447
	18,973	**(6,440)**	**12,533**
Financial liabilities			
Cross currency interest rate swaps	(5,496)	5,496	–
Forward exchange contracts	(944)	944	–
	(6,440)	**6,440**	**–**
31 December 2012			
Financial assets			
Cross currency interest rate swaps	34,791	(2,054)	32,737
Interest rate caps	1,136	–	1,136
Forward exchange contracts	727	(727)	–
	36,654	**(2,781)**	**33,873**
Financial liabilities			
Cross currency interest rate swaps	(2,054)	2,054	–
Forward exchange contracts	(2,181)	727	(1,454)
	(4,235)	**2,781**	**(1,454)**

NOTE 29 • RESTRUCTURING

Restructuring costs of €5.8 million are included in the Administrative expenses.

€ million	2013	2012	
CIS	0.3	–	Restructuring of operations
EMEA	0.5	–	Restructuring of operations
All other segments	1.3	–	Global IT reorganisation
Unallocated items	3.7	–	Reorganisation
Total restructuring costs	**5.8**	**–**	

NOTE 30 • HYPERINFLATION

Belarus was operating in a hyperinflationary economy during the year ended 31 December 2013 and 2012.

The financial statements of the sales company in Belarus are based on the historical costs approach. The restatement was calculated using the conversion factors derived from the Consumer Price Index (CPI), published by the Ministry of Statistics and Analysis of the Republic of Belarus.

The CPI at 31 December 2013 was amounting to 16.5 (21.8). The increase of the index during the period was 16.5 percent and 21.8 percent during previous period.

In the net foreign exchange loss included in the financial expenses is a loss of €0.2 million (€0.3 million) related to net monetary position.

NOTE 31 • ACCRUED EXPENSES

€'000	2013	2012
PD & Bonus	35,031	33,621
Staff related accruals	17,225	22,397
Other accruals	45,826	46,644
Total accrued expenses	**98,082**	**102,662**

NOTE 32 • FIRE CASE IN INDIA

One of the main warehouses in India was completely destroyed by fire during the final quarter of 2013. The destroyed inventory and property, plant and equipment are fully insured. The warehouse is not owned by Oriflame.

The write off of inventory and property, plant and equipment as well as the estimated insurance recoverable are recognised as follows:

€'000	2013
Inventory write off	7,750
Property, plant & equipment write off	185
Total	**7,935**
Insurance recoverable	(6,870)

The amount of insurance recoverable is an estimated amount and is booked in Other receivables as reported in Note 17.

The inventory write off and the related insurance recoverable are booked in cost of sales in the consolidated income statements as reported in Note 16.

The property, plant and equipment write off is booked in depreciation presented in Administrative expenses in the consolidated income statements and no related insurance recoverable has been booked as at 31 December 2013.

NOTE 33 • EVENTS SUBSEQUENT TO THE REPORTING DATE

After the reporting date there was a weakening of the UAH and of the KZT against the EUR approximately by 35 percent, and 20 percent, respectively. The Group is presenting on a quarterly basis exchange rates impacts.

Report of the Réviseur d'Entreprises agréé

To the Shareholders of Oriflame Cosmetics S.A.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Following our appointment by the General Meeting of the Shareholders dated 21 May 2013, we have audited the accompanying consolidated financial statements of Oriflame Cosmetics S.A., which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 66 to 91.

BOARD OF DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

RESPONSIBILITY OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements, as set out on pages 66 to 91, give a true and fair view of the consolidated financial position of Oriflame Cosmetics S.A. as of 31 December 2013, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The consolidated directors' report, including the corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law with respect to the Corporate Governance Statement.

Luxembourg, 14 April 2014

KPMG Luxembourg S.à r.l.
Cabinet de révision agréé

S. Nye

Board of Directors

ROBERT AF JOCHNICK
Chairman of the Board

Born in 1940.

Co-founder of Oriflame.

Elected to the Board in 1970.

Member of the Nomination Committee.

LLB Stockholm University and BSc in Business Administration Stockholm School of Economics.

Chairman of Credus Management AB, Mint Capital Ltd and the af Jochnick Foundation. Board member of Medicover Holding S.A., the World Childhood Foundation, Goodcause Foundation, Goodcause Holding AB and Research Institute of Industrial Economics.

Shareholding in Oriflame as at 31 December 2013*: 5,216,826

Not independent from the company nor its major shareholders.

JONAS AF JOCHNICK
Board Member

Born in 1937.

Co-founder of Oriflame.

Elected to the Board in 1970.

LLB Stockholm University. MBA Harvard Business School and Dr h c Stockholm School of Economics.

Chairman of Medicover Holding S.A. and Celox S.A. Board member of Oresa Ventures S.A.

Shareholding in Oriflame as at 31 December 2013*: 4,296,000.

Not independent from the Company or its major shareholders.

ALEXANDER AF JOCHNICK
Board Member

Born in 1971.

Elected to the Board in 2007.

Member of the Remuneration Committee. Member of the Audit Committee.

BSc in Business Administration Stockholm School of Economics.

Chairman of Oriflame Foundation. Board member of CL Intressenter AB, Credus Management AB, Postkod-stiftelsen and NC Holding AB. Founder and board member of Serious Nature.

Shareholding in Oriflame as at 31 December 2013*: 418,884.

Not independent from the Company nor its major shareholders.

MAGNUS BRÄNNSTRÖM
Chief Executive Officer, CEO

Born in 1966.

Elected to the Board in 2005.

MSc, Uppsala University.

Chairman of Seldia, European Direct Selling Association, Vice Chairman of World Federation of Direct Selling Associations. Board member of Ferronordic Machines AB.

Shareholding in Oriflame as at 31 December 2013*: 293,000.

Not independent from the Company being CEO.

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

Board of Directors

ANDERS DAHLVIG
Board Member

Born in 1957.

Elected to the Board in 2010.

BSc Business Administration Lund University, MA Economics University of California.

Chairman of the New Wave Group. Board member of Kingfisher plc, Hennes & Mauritz AB, Axel Johnsson AB, Resurs Bank AB and Pret à Manger.

Shareholding in Oriflame as at 31 December 2013*: 13,650.

Independent from the Company and its major shareholders.

MARIE EHRLING
Board Member

Born in 1955.

Elected to the Board in 2007.

Member of the Audit Committee.

BSc Stockholm School of Economics.

Chairman of Telia Sonera AB, Vice Chairman of Nordea Bank AB. Board member of Axel Johnson AB, Securitas AB, Schibsted ASA, IVA and CASL at Stockholm School of Economics.

Shareholding in Oriflame as at 31 December 2013*: 300.

Independent from the Company and its major shareholders.

LILIAN FOSSUM BINER
Board Member

Born in 1962.

Elected to the Board in 2007.

Member of the Remuneration Committee.

BSc Stockholm School of Economics.

Board member of Cloetta AB, Thule Group AB, Nobia AB, a-connect ag, Givaudan S.A. and Melon Fashion Group OJSC.

Shareholding in Oriflame as at 31 December 2013*: 1,000.

Independent from the Company and its major shareholders.

HELLE KRUSE NIELSEN
Board Member

Born in 1953.

Elected to the Board in 2005.

Member of the Audit Committee.

BSc Copenhagen Business School.

Board member of New Wave Group AB and Lantmännen ek för.

Shareholding in Oriflame as at 31 December 2013*: 1,000.

Independent from the Company and its major shareholders.

CHRISTIAN SALAMON
Board Member

Born in 1961.

Elected to the Board in 1999.

Member of the Audit Committee.

MSc Royal Institute of Technology. MBA Harvard Business School.

Chairman of OSM Holding AB and NCAB Holding AB. Board member of Lamiflex Group AB, Oresa Ventures S.A. and the Sweden America Foundation. Advisory board member of Sustainable Technologies Fund. Investment Committee member of Fagerberg & Dellby and eEquity.

Shareholding in Oriflame as at 31 December 2013*: 15,140.

Independent from the Company and its major shareholders.

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

Global Senior Management Team

Magnus Brännström	**Chief Executive Officer & President**
Katrin Alakbarov	VP Central Asia and MD Kazakhstan
Gabriel Bennet	Chief Financial Officer (CFO)
Kjell Blydt Hansen	VP Finance Global Supply
Michael Cervell	SVP Global Direct Sales
Robin Chibba	VP Finance Latin America
Claudia Crescenzi	VP General Counsel
Tatiana Egorova	VP Finance CIS & Europe
Thomas Ekberg	SVP Global Business Area Asia, The Middle East and Africa
Alfredo Elespuru	VP Group Treasury
Mathias Ericsson	VP Global Business Development and Quality Management
Niklas Frisk	VP and Head of South Asia and MD India
Krasimir Gaydov	VP Global IT
Konrad Gluchowsky	VP Supply Chain & Operations CIS
Carlos Gonzalesguerra	VP Finance Global Sales & Markets
Neil Holden	VP Packaging Development and NPD Process
Henrik Johannesson	VP & Head of Africa
Christian Jönsson	VP Global Shared Services
Sergei Kanashin	SVP and Head of Latin America
Georgi Karapanchev	VP Group Finance
Stefan Karlsson	SVP Special Projects
Jonathan Kimber	EVP Global Operations
Edwin Koehler	VP Global Procurement
Johan Larsson	VP & Head of Central Europe
Mary Lord	SVP Research & Development
Didier Marlart	VP Commercial Marketing
Jesper Martinsson	EVP Global Sales & Markets and Deputy CEO
Pontus Muntzing	VP Finance Asia, the Middle East and Africa
Yura Mykhaylyuk	VP Russia
Fredrik Nilsson	VP & Head of Western Europe
Mats Palmquist	SVP and Head of CIS
Joanna Poplawska	SVP Group Manufacturing
Andreas Risberg	VP Global Customer Experience
Johan Rosenberg	EVP Global Marketing and R&D
Santiago Salazar	VP Mexico
Antonia Simon-Stenberg	Senior Advisor Sustainability
Armando Stagno	VP Group Planning & Logistics
Olga Svechnikova	VP Marketing CIS
Tesselschade Van Dijk Naaijkens	VP Global Human Resources

Financial calendar 2014

- First quarter 2014 on 7 May
- Annual General Meeting on 19 May
- Second quarter 2014 on 14 August
- Third quarter 2014 on 7 November

DISTRIBUTION PRINCIPLES

The annual report is available at www.oriflame.com, as are interim reports, previous annual reports and other financial materials.

ORIFLAME INVESTOR RELATIONS CONTACTS

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Director Investor Relations & Financial Projects
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This annual report is produced by Oriflame Cosmetics
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