ORIFLAME
SWEDEN

Interim report 1 January – 30 June 2014

3 months ended 30 June 2014

- Local currency sales decreased by 1% and Euro sales decreased by 14% to €310.4m (€359.7m). There was a slight positive timing effect in the quarter that will be reversed in the third quarter.
- Number of active consultants decreased by 7% to 3.2m impacted by weak demand in some of the main markets in Europe and CIS.
- EBITDA amounted to €32.8m (€42.2m).
- Adjusted* operating margin was 8.1% (9.6%), negatively impacted by approximately 400 bps from currency movements, partly offset by hedging and positive price/mix effects as well as cost reductions ahead of plan, resulting in an adjusted* operating profit of €25.3m (€34.5m).
- Adjusted* net profit amounted to €12.1m (€19.9m) and adjusted* EPS amounted to €0.22 (€0.36) impacted by extraordinary tax costs of €3.3m**.
- Cash flow from operating activities amounted to €12.0m (€29.3m).
- Given the continued uncertain geopolitical situation the Board proposes no dividend payment in Q4.
- Trading update: The year to date sales development is approximately -2% in local currency and the development in the third quarter to date is approximately -4% in local currency.

* Adjusted for restructuring costs during the quarter €1.3m.

** €1.3m relates to revaluation of deferred tax assets and €2.0m is a one-off effect from the change in Group legal structure which is expected to be offset by a positive one-off effect by the beginning of next year given successful completion of the project.

6 months ended 30 June 2014

- Local currency sales decreased by 2% and Euro sales decreased by 14% to €637.6m (€741.0m).
- EBITDA amounted to €62.2m (€87.4m).
- Adjusted* operating margin was 7.6% (9.8%), negatively impacted by approximately 400 bps from currency movements, partly offset by hedging and positive price/mix effects as well as cost reductions ahead of plan, resulting in an adjusted* operating profit of €48.3m (€72.5m).
- Adjusted* net profit amounted to €24.0m (€47.9m) and adjusted* EPS amounted to €0.43 (€0.86).
- Cash flow from operating activities amounted to €28.9m (€57.7m).

* Adjusted for restructuring costs during the period €1.7m.

CEO Magnus Brännström comments

"The second quarter performance follows in the path of recent quarters; our key growth regions continue to deliver both from a sales and margin perspective while we have yet to turn around business performance in Europe and CIS – where in main markets we still face tough geopolitical and economic conditions. We are focusing on executing our strategy and initiatives, while at the same time aligning our organization to further improve efficiencies."

Sales and earnings

FINANCIAL SUMMARY (€ Million)	3 months ended 30 June 2014[1]	2013	Change	6 months ended 30 June 2014[2]	2013	Change	LTM[3], July 13-June 14	Year end 2013[4]
Sales	310.4	359.7	(14%)	637.6	741.0	(14%)	1,303.3	1,406.7
Gross margin, %	70.9	70.7		69.6	70.2		69.9	70.1
EBITDA	32.8	42.2	(23%)	62.2	87.4	(29%)	141.1	166.5
Adj. operating profit	25.3	34.5	(27%)	48.3	72.5	(33%)	118.3	142.4
Adj. operating margin, %	8.1	9.6		7.6	9.8		9.1	10.1
Adj. net profit before tax	19.5	25.2	(23%)	38.1	61.8	(38%)	89.1	112.8
Adj. net profit	12.1	19.9	(39%)	24.0	47.9	(50%)	60.5	84.4
Adj. EPS, €	0.22	0.36	(39%)	0.43	0.86	(50%)	1.09	1.52
Cash flow from operating activities	12.0	29.3	(59%)	28.9	57.7	(50%)	83.3	112.1
Net interest-bearing debt	284.2	314.9	(10%)	284.2	314.9	(10%)	284.2	275.9
Net interest-bearing debt at hedged values	267.7	285.3	(6%)	267.7	285.3	(6%)	267.7	263.3
Active consultants, '000	3,224	3,462	(7%)	3,224	3,462	(7%)	3,224	3,460

[1]Adjusted for restructuring costs of €1.3m
[2]Adjusted for restructuring costs of €1.7m
[3]Adjusted for restructuring costs of €7.5m
[4]Adjusted for restructuring costs of €5.8m

Three months ended 30 June 2014

-1%
Local currency sales

-400 bps
Operating margin impact from FX

Sales in local currencies decreased by 1% and Euro sales by 14% to €310.4m compared to €359.7m in the same period prior year. There was a slight positive timing effect in the quarter that will be reversed in the third quarter. Sales development in local currencies was impacted by a 6% increase in productivity while the number of active consultants in the quarter decreased by 7% to 3.2m (3.5m). Unit sales were down by 8%, largely offset by a positive price/mix effect of 7%.

Local currency sales increased by 15% in Latin America and by 12% in Turkey, Africa & Asia while CIS decreased by 7% and Europe by 8%.

The gross margin was 70.9% (70.7%) and the adjusted operating margin (adjusted for €1.3m in restructuring cost) amounted to 8.1% (9.6%). Currency movements had a negative impact of approximately 400 bps on the adjusted operating margin, partly offset by hedging and positive price/mix effects.

The margin improvements initiatives with the focus on organizational efficiencies, waste reduction and cost reductions in both the direct and the indirect spend areas, are progressing and continued to deliver benefits ahead of plan.

Adjusted net profit amounted to €12.1m (€19.9m) and adjusted earnings per share amounted to €0.22 (€0.36). Net profit was negatively impacted by revaluation of deferred tax assets in Ukraine of €1.3m and a one-off tax effect from the change in the group legal structure amounting to €2.0m. Based on successful completion of the project, the one-off effect is expected to be offset by a positive one-off effect in the beginning of next year.

Cash flow from operating activities was €12.0m (€29.3m), negatively affected by lower EBITDA and timing in payables.

The average number of full-time equivalent employees was 7,157 (7,481).

Six months ended 30 June 2014

Sales in local currencies decreased by 2% and Euro sales amounted to €637.6m compared to €741.0m in the same period prior year.

Sales development in local currencies was the result of a 7% decrease in the number of active consultants and a productivity increase of 5%.

Gross margin amounted to 69.6% (70.2%) and adjusted operating margin to 7.6% (9.8%) (adjusted for €1.7m in restructuring cost).

Adjusted net profit amounted to €24.0m (47.9m) and adjusted earnings per share was €0.43 (€0.86).

Cash flow from operating activities amounted to €28.9m (€57.7m).

Operational highlights

Brand and Innovation

The Skin Care category launched the *Love Nature* line in five ranges. The successful anti-wrinkle range *Ecollagen* was further extended with *Wrinkle Correcting & Lifting Serum* and *Lightweight Wrinkle Correcting Day Cream* as well as three new cleansers.

The biggest Oriflame launch ever, the new make-up brand *The ONE* within the Colour Cosmetics category, continued successfully in the second quarter with new products, such as the *Power Shine Lipstick*, the *Volume Blast Mascara* and the *Long Wear Nail Polish*. This category also introduced the *Giordani Gold Iconic Lipstick* in fifteen shades.

Oriflame successfully re-launched its No 1 fragrance brand *Eclat* both for women and men, and launched the *Imagination Eau de Toilette* for women to further strengthen the fragrance portfolio by reaching out to new consumer segments.

2014 Eco Beauty Award for the Oriflame *Ecobeauty* range

In May, the Oriflame *Ecobeauty* cross-category range was given the prestigious 2014 Eco Beauty Award at the CEW Beauty Awards (Cosmetic Executive Women), for being the first range of its kind in the industry focusing on sustainability in each step of the production process.

Online

New global online platform launched

During the second quarter, key activities were heavily focused on making the new global online platform operational. The platform was successfully implemented in three pilot markets and rollout activities started in most regions, aiming at reaching full coverage in 2015. The new platform will help harmonizing cross-channel communication, support brand alignment and user experience for Consultants and customers visiting Oriflame sites, and also optimizing mobile access of Oriflame's online services.

Social media continues to be one of the key traffic generators, and to further increase the number of first-time visitors global content marketing activities have increased in this channel. With Oriflame being one of the top brands in its industry in social channels there is a growing opportunity to reach new target groups with the Oriflame value proposition.

Service

During the second quarter, Oriflame maintained satisfactory service levels while inventory cover days decreased slightly.

The product deliveries to Eastern Ukraine have been a main area of focus and concern during the quarter.

The finalization of the factory building at the Oriflame Noginsk site, Russia, is progressing well. The validation of the production processes will start in the autumn and the production ramp-up plan has been prepared. The final steps of the LEED certification process of the factory building are underway. As a natural consequence Oriflame is now investigating to divest the manufacturing sites in Krasnogorsk, Russia and Ekerö, Sweden.

The refurbishment works in the new Wellness facility in Roorkee, India, are close to completion. The factory is presently ready and available for production and the project design has been submitted for LEED certification. Production start and launch is awaiting the required key product approvals.

The sustainability work has gained significant recognition from external stakeholders in the quarter. In May, Oriflame was presented with the "Sustainable Standard Setter" award from the Rainforest Alliance with the motivation that "Oriflame integrates sustainability into everything it does, limiting its environmental footprint while improving the lives of those touched by its operations". During the quarter, a further step was made within the sustainability strategy by the implementation of fish-oil in the Wellness products certified by "Friends of the Sea".

Oriflame is involved in charity work on a daily basis. The tragic situation of flooding in south-eastern Europe during the quarter engaged Oriflame employees on all levels. Products including soaps, shampoos and toothpastes for a market value of approximately €0.8m were donated to flood victims in Serbia, Croatia and Bosnia and Herzegovina.

Organisation

Effective as of August 1 2014, the following changes have been made to the regional and group management.

- Johan Rosenberg has been appointed Executive Vice President Global Brand & Communication, Commercial Marketing and Head of the CIS and hence reassumes the responsibility for the CIS region.
- Mats Palmquist has been appointed Executive Vice President Global Operations.
- Jonathan Kimber has got a new assignment as Executive Vice President Product Range and R&D.
- Tesselschade Naaijkens Van Dijk, Vice President Global Human Resources.

CIS

Key figures

	Q2'13	Q3'13	Q4'13[2]	Q1'14	Q2'14
Sales, €m	173.3	134.9	181.1	154.9	132.7
Sales growth in €	(12%)	(11%)	(16%)	(24%)	(23%)
Sales growth in lc	(8%)	(3%)	(8%)	(11%)	(7%)
Adj. op profit, €m[1]	24.9	18.7	27.1	22.2	12.6
Adj. op margin	14.4%	13.9%	14.9%	14.3%	9.5%
Active consultants, '000	1,705	1,383	1,648	1,637	1,477

¹ Excludes costs accounted for in the segments Manufacturing and Other such as financial expenses, gain/loss on exchange rates, market support and manufacturing overheads. This is in line with prior years.
² Adjusted for restructuring costs of €0.3m

Countries

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

Development

-7%

Local currency sales

Local currency sales in the second quarter decreased by 7%, as a result of a 13% decrease in the number of active consultants and an increase in productivity of 6%. Euro sales were down by 23% to €132.7m (€173.3m).

The geopolitical situation in Russia and Ukraine continued to impact the development during the quarter. Sales in the Eastern parts of Ukraine were heavily impacted while the Central and Western parts showed improvements. Focus remains on adapting the organization to increase efficiency while ensuring high service to the Oriflame Consultants. Local currency sales in Russia were down by 4%, including a positive timing effect between the first and the second quarter. The general demand remained weak in the market. The recent sanctions imposed by Russia against import of food products from certain countries will have a short term effect on the possibility to deliver some of the Wellness products into the country. To what extent this will impact the business is difficult to estimate at this point in time. Oriflame is currently investigating the situation and alternative solutions to limit the impact.

Adjusted operating profit amounted to €12.6m (€24.9m) resulting in an adjusted operating margin of 9.5% (14.4%). Margins were negatively affected by unfavorable exchange rates compared to the same period prior year as well as impairment and inventory provisions in Ukraine.

As part of an ongoing tax investigation process, the company was recently visited by the police at locations in the Moscow area. The event came as a complete surprise to the company as it has been fully co-operating with the authorities since the investigation was initiated a couple of years ago. Several independent local and international experts have confirmed that Oriflame's tax practices are in accordance with applicable local and international legislation. The potential claims are included in the reported contingent liabilities as per Note 8 on page 25. So far the investigations have not led to a final opinion from the tax authorities and the Company remains confident in this investigation as well as in its tax position in Russia in general.

Europe

Key figures

	Q2'13	Q3'13[2]	Q4'13	Q1'14	Q2'14[3]
Sales, €m	71.6	65.4	85.9	68.3	65.1
Sales growth in €	(13%)	(7%)	(10%)	(7%)	(9%)
Sales growth in lc	(14%)	(6%)	(9%)	(6%)	(8%)
Adj. op profit, €m[1]	9.0	6.9	14.0	6.8	7.9
Adj. op margin	12.6%	10.5%	16.2%	10.0%	12.1%
Active consultants, '000	600	548	630	580	547

[1]Excludes costs accounted for in the segments Manufacturing and Other such as financial expenses, gain/loss on exchange rates, market support and manufacturing overheads. This is in line with prior years.
[2]Adjusted for restructuring costs of €0.5m
[3]Adjusted for restructuring costs of €0.4m

Countries

Bosnia, Bulgaria, Croatia, Czech Rep., Denmark, Estonia, Finland, Greece, Holland, Hungary, Kosovo, Latvia, Lithuania, Macedonia, Montenegro, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden, UK/Ireland.

Development

Challenges in Central and Northern Europe

Local currency sales in the second quarter decreased by 8% as a result of a 9% decrease in active consultants and a productivity improvement of 1%. Euro sales were down by 9% to €65.1m (€71.6m). Weak development persists in many Central and Northern European markets while Southern Europe continues on its path to recovery. Execution and roll-out of initiatives to improve the Consultant offer are ongoing in order to address the development in the underperforming markets.

Adjusted operating margin amounted to 12.1% (12.6%) and the adjusted operating profit was €7.9m (€9.0m). The margin was negatively impacted by a decrease in gross margin from discounts in Central Europe as well as higher sales and marketing expenses.

Latin America

Key figures

	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14
Sales, €m	29.9	31.2	30.2	26.5	31.1
Sales growth in €	24%	10%	17%	7%	4%
Sales growth in lc	21%	19%	27%	19%	15%
Op profit, €m[1]	4.1	5.1	4.1	2.6	4.2
Op margin	13.6%	16.3%	13.5%	9.8%	13.4%
Active consultants, '000	195	224	223	213	233

[1]Excludes costs accounted for in the segments Manufacturing and Other such as financial expenses, gain/loss on exchange rates, market support and manufacturing overheads. This is in line with prior years.

Countries

Chile, Colombia, Ecuador, Mexico, Peru.

Development

+15%

Local currency sales

Local currency sales in the second quarter increased by 15% as a result of a 19% increase in the number of active consultants and a 4% decrease in productivity compared to prior year. Euro sales were up by 4% to €31.1m (€29.9m). Local currency sales were strong in most of the markets, particularly in Mexico, while sales were negatively impacted by import restrictions in Ecuador.

Operating profit amounted to €4.2m (€4.1m) and operating margin to 13.4% (13.6%). The operating margin was negatively impacted by exchange rates largely offset by positive price/mix and leverage on administrative costs.

Turkey, Africa & Asia

Key figures

	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14
Sales, €m	82.1	61.0	72.1	75.2	79.8
Sales growth in €	19%	6%	0%	(1%)	(3%)
Sales growth in lc	24%	21%	17%	16%	12%
Op profit, €m[1]	11.6	5.2	13.3	9.2	11.2
Op margin	14.1%	8.5%	18.5%	12.2%	14.0%
Active consultants, '000	962	843	959	1,051	967

[1] Excludes costs accounted for in the segments Manufacturing and Other such as financial expenses, gain/loss on exchange rates, market support and manufacturing overheads. This is in line with prior years.

Countries

Algeria, China, Egypt, India, Indonesia, Kenya, Morocco, Myanmar, Nigeria, Pakistan, Sri Lanka, Tanzania, Thailand, Tunisia, Turkey, Uganda, Vietnam.

Development

Stable operating margin

despite strong currency headwind

Second quarter sales growth in local currencies was 12% as a result of a 1% increase in the number of active consultants and an 11% increase in productivity. Local currency sales growth was lower than in the first quarter in Indonesia and local currency sales declined in Vietnam. The development in Turkey and China was strong following recent improvements to the Consultant offer in these markets. Euro sales amounted to €79.8m (€82.1m).

Operating margin remained stable at 14.0% (14.1%) despite negative currency effects as a result of lower sales and marketing costs and leverage on administrative costs. Operating profit was €11.2m (€11.6m).

Sales, operating profit and consultants by Global Business Area

Sales (€ Million)	3 months ended 30 June 2014	2013	Change in Euro	Change in lc
CIS	132.7	173.3	(23%)	(7%)
Europe	65.1	71.6	(9%)	(8%)
Latin America	31.1	29.9	4%	15%
Turkey, Africa & Asia	79.8	82.1	(3%)	12%
Manufacturing	0.2	0.8	(75%)	(79)%
Other	1.5	2.0	(25%)	(28)%
Total sales	**310.4**	**359.7**	**(14%)**	**(1)%**

Sales (€ Million)	6 months ended 30 June 2014	2013	Change in Euro	Change in lc	LTM, July 13-June 14	Year end 2013
CIS	287.6	378.0	(24%)	(9%)	603.7	694.1
Europe	133.4	145.2	(8%)	(7%)	284.7	296.5
Latin America	57.6	54.7	5%	17%	119.0	116.1
Turkey, Africa & Asia	155.0	158.0	(2%)	14%	288.0	291.0
Manufacturing	1.0	1.7	(41%)	(41%)	1.4	2.1
Other	3.0	3.4	(12%)	(15%)	6.5	6.9
Total sales	**637.6**	**741.0**	**(14%)**	**(2%)**	**1,303.3**	**1,406.7**

Adj. operating profit (€ Million)	3 months ended 30 June 2014	2013	Change	6 months ended 30 June 2014	2013	Change	LTM, July 13-June 14	Year end 2013
CIS	12.6	24.9	(49%)	34.8	57.8	(40%)	80.6	103.5
Europe	7.9	9.0	(12%)	14.7	17.7	(17%)	35.6	38.6
Latin America	4.2	4.1	2%	6.8	6.2	10%	15.9	15.3
Turkey, Africa & Asia	11.2	11.6	(3%)	20.3	17.8	14%	38.9	36.4
Manufacturing	(0.6)	2.8	(121%)	0.9	6.0	(85%)	5.6	10.7
Other	(10.0)	(17.9)	(44%)	(29.2)	(33.0)	12%	(58.3)	(62.1)
Total adj. operating profit	**25.3**[1]	**34.5**	**(27%)**	**48.3**[2]	**72.5**	**(33%)**	**118.3**[3]	**142.4**[4]

Active consultants (´000)	30 June 2014	2013	Change	Year end 2013
CIS	1,477	1,705	(13%)	1,648
Europe	547	600	(9%)	630
Latin America	233	195	19%	223
Turkey, Africa & Asia	967	962	1%	959
Total	**3,224**	**3,462**	**(7%)**	**3,460**

1) Before restructuring costs of €1.3m.
2) Before restructuring costs of €1.7m.
3) Before restructuring costs of €7.5m.
4) Before restructuring costs of €5.8m.

Cash flow & investments

Cash flow from operating activities in the second quarter amounted to €12.0m (€29.3m) as a result of lower operating profit and negative timing of payables. Cash flow used in investing activities amounted to €-8.4m (€-16.9m).

Financial position

1.9

Hedged net interest-bearing debt/EBITDA

Net interest-bearing debt amounted to €284.2m compared to €314.9m at the end of the second quarter 2013. The net debt/EBITDA ratio was 2.0 (1.7) and interest cover amounted to 4.7 (7.2) in the second quarter 2014 and to 6.1 (9.2) during the last twelve months.

Net interest-bearing debt at hedged values amounted to €267.7m (€285.3m). The net debt at hedged values/EBITDA ratio was 1.9 (1.5).

Related parties

There have been no significant changes in the relationships or transactions with related parties compared with the information given in the Annual Report 2013.

Annual General Meeting and Extraordinary General Meeting

On 19 May 2014, Oriflame Cosmetics S.A. held its Annual General Meeting (AGM) and its Extraordinary General Meeting (EGM) in Luxembourg. The proposed current directors, Magnus Brännström, Anders Dahlvig, Lilian Fossum Biner, Alexander af Jochnick, Jonas af Jochnick, Robert af Jochnick, Helle Kruse Nielsen and Christian Salamon, were re-elected, and the new director Anna Malmhake was elected, to serve as members of the Board of Directors until the next Annual General Meeting. Alexander af Jochnick was elected to serve as Chairman of the Board until the next Annual General Meeting. All other resolutions that were proposed at the AGM and EGM as set out in the convening notice were approved by the General Meetings.

Dividend

In April, Oriflame's Board of Directors adjusted its dividend proposal and proposed to the Annual General Meeting (AGM) a cash dividend of up to a total of €1.00 per share, and that payments will be made on a quarterly basis with the first payment of €0.25 per share after the AGM, and that the Board be given a mandate to decide the timing and size of the subsequent quarterly payments. Within given mandate, and considering the continued uncertain geopolitical situation in some of Oriflame's main markets, the Board has decided for no dividend payment during Q4. Subsequent dividend payments will be announced in upcoming quarterly reports.

Personnel

The average number of full-time equivalent employees amounted to 7,157 (7,481).

New structure of segment reporting

From the first quarter of 2014, Oriflame has changed its segment reporting to the following structure of Global Business Areas (GBA):

1. CIS (excluding Baltics)
2. Europe (including Baltics)
3. Latin America
4. Turkey, Africa & Asia
5. Manufacturing
6. Other

For comparability the numbers in the report have been restated for the last five quarters.

Alignment of legal structure

As announced in April 2013, Oriflame is reviewing its legal structure. At the Extraordinary General Meeting (EGM) on 19 May 2014, the shareholders approved the next step in the alignment of the legal structure to Group operations in order to enable further efficiencies. During the quarter, a successful spin-off of assets from Oriflame Cosmetics S.A. to a newly established Luxembourg financing and holding company directly held by Oriflame Cosmetics S.A. was completed. As a second step, a Swiss holding company, Oriflame Holdings AG ("OHAG") will be established and, as a third step, a share-for-share exchange offer to the shareholders in Oriflame will be made later in the autumn.

Trading update

The year to date sales development is approximately -2% in local currency and the development in the third quarter to date is approximately -4% in local currency.

Long term targets

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

The business of the Group presents cyclical evolutions and is driven by a number of factors:

- Effectiveness of individual catalogues and product introductions
- Effectiveness and timing of recruitment programmes
- Timing of sales and marketing activities
- The number of effective sales days per quarter
- Currency effect on sales and results

Financial Calendar for 2014

- Third quarter report will be published on 3 November 2014. **Note new date**.
- Year-end report will be published on 11 February 2015.

Other

A Swedish translation is available on www.oriflame.com.

Conference call for the financial community

The company will host a conference call on Thursday, 14 August at 9.30 CET.

Participant access numbers:
Luxembourg: +352 2 786 0202
Sweden: +46 (0)8 506 443 86
Switzerland: +41 44 580 65 22
UK: +44 20 7153 9154
US: +1 877 423 0830

Confirmation code: 404376#
The conference call will also be audio web cast in "listen-only" mode through Oriflame's website: **www.oriflame.com** or through **http://www.media-server.com/m/p/oizbp7uj**

14 August 2014

Magnus Brännström
Chief Executive Officer

For further information, please contact:

Magnus Brännström, Chief Executive Officer, Tel: +352 691 151 930
Gabriel Bennet, Chief Financial Officer, Tel: +41 798 263 713
Johanna Palm, Director Investor Relations, Tel: +46 765 422 672

Oriflame Cosmetics S.A.
24 Avenue Emile Reuter, L-2420, Luxembourg
www.oriflame.com
Company registration no B.8835

Statement from the Board of Directors

The condensed consolidated set of interim financial information is prepared in accordance with IFRS as adopted by the European Union and gives a true and fair view of the condensed consolidated interim financial position of Oriflame and of its consolidated financial performance. The interim 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.

Alexander af Jochnick
Chairman of the Board

Anders Dahlvig Board member	Lilian Fossum Biner Board member	Jonas af Jochnick Board member	Robert af Jochnick Board member
Helle Kruse Nielsen Board member	Anna Malmhake Board member	Christian Salamon Board member	Magnus Brännström CEO & Board member

Consolidated key figures

	3 months ended 30 June		6 months ended 30 June			
	2014	2013	2014	2013	LTM, July13-June14	Year end 2013
Gross margin, %	70.9	70.7	69.6	70.2	69.9	70.1
EBITDA margin, %	10.0	11.7	9.5	11.8	10.7	11.8
Adj. operating margin, %	8.1	9.6	7.6	9.8	9.1	10.1
Return on:						
- operating capital, %	-	-	24.3	33.1	24.3	29.8
- capital employed, %	-	-	22.1	29.2	22.1	25.4
Net debt / EBITDA (LTM)	2.0	1.7	2.0	1.7	2.0	1.7
Interest cover	4.7	7.2	5.1	8.1	6.1	7.6
Average no. of full-time equivalent employees	7,157	7,481	7,266	7,458	7,244	7,340

Definitions

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

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

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

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

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

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

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

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

Quarterly Figures

Financial summary	Q1'13	Q2'13	Q3'13[1]	Q4'13[2]	Q1'14[3]	Q2'14[4]
Sales, €m	381.3	359.7	294.6	371.2	327.2	310.4
Gross margin, %	69.6	70.7	69.6	70.5	68.5	70.9
EBITDA, €m	45.2	42.2	26.9	52.0	29.4	32.8
Adj. operating profit, €m	38.0	34.5	23.1	46.8	23.1	25.3
Adj. operating margin, %	10.0	9.6	7.8	12.6	7.0	8.1
Adj. net profit before income tax, €m	36.5	25.2	13.1	38.0	18.6	19.5
Adj. net profit, €m	28.0	19.9	9.4	27.2	12.0	12.1
Adj. EPS, diluted €	0.50	0.36	0.17	0.49	0.22	0.22
Cash flow from op. activities, €m	28.4	29.3	(9.3)	63.7	16.9	12.0
Net interest-bearing debt, €m	236.9	314.9	330.5	275.9	270.4	284.2
Active consultants, '000	3,681	3,462	2,998	3,460	3,481	3,224

Sales, €m	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14
CIS	204.7	173.3	134.9	181.1	154.9	132.7
Europe	73.6	71.6	65.4	85.9	68.3	65.1
Latin America	24.8	29.9	31.2	30.2	26.5	31.1
Turkey, Africa & Asia	75.9	82.1	61.0	72.1	75.2	79.8
Manufacturing	0.9	0.8	0.3	0.1	0.8	0.2
Other	1.4	2.0	1.8	1.8	1.5	1.5
Oriflame	**381.3**	**359.7**	**294.6**	**371.2**	**327.2**	**310.4**

Adj. operating Profit, €m	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14
CIS	32.9	24.9	18.7	27.1	22.2	12.6
Europe	8.7	9.0	6.9	14.0	6.8	7.9
Latin America	2.1	4.1	5.1	4.1	2.6	4.2
Turkey, Africa & Asia	6.2	11.6	5.2	13.3	9.2	11.2
Manufacturing	3.2	2.8	2.9	1.7	1.5	(0.6)
Other	(15.1)	(17.9)	(15.7)	(13.4)	(19.2)	(10.0)
Oriflame	**38.0**	**34.5**	**23.1**[1]	**46.8**[2]	**23.1**[3]	**25.3**[4]

Active consultants, '000	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14
CIS	1,893	1,705	1,383	1,648	1,637	1,477
Europe	625	600	548	630	580	547
Latin America	176	195	224	223	213	233
Turkey, Africa & Asia	987	962	843	959	1,051	967
Oriflame	**3,681**	**3,462**	**2,998**	**3,460**	**3,481**	**3,224**

Adj. operating Margin, %	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14
CIS	16.1	14.4	13.9	14.9	14.3	9.5
Europe	11.8	12.6	10.5	16.2	10.0	12.1
Latin America	8.4	13.6	16.3	13.5	9.8	13.4
Turkey, Africa & Asia	8.2	14.1	8.5	18.5	12.2	14.0
Oriflame	**10.0**	**9.6**	**7.8**[1]	**12.6**[2]	**7.0**[3]	**8.1**[4]

[1] *Adjusted for restructuring costs of €3.6m*
[2] *Adjusted for restructuring costs of €2.2m*
[3] *Adjusted for restructuring costs of €0.4m*
[4] *Adjusted for restructuring costs of €1.3m*

€ Sales Growth in %	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14
CIS	(7)	(12)	(11)	(16)	(24)	(23)
Europe	(12)	(13)	(7)	(10)	(7)	(9)
Latin America	11	24	10	17	7	4
Turkey, Africa & Asia	14	19	6	0	(1)	(3)
Oriflame	**(4)**	**(4)**	**(5)**	**(10)**	**(14)**	**(14)**

Cash Flow, €m	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14
Operating cash flow	28.4	29.3	(9.3)	63.7	16.9	12.0
Cash flow used in investing activities	(7.3)	(16.9)	(13.1)	(15.7)	(8.6)	(8.4)

KPMG Luxembourg S.à r.l.
9, Allée Scheffer
L-2520 Luxembourg

Telephone *+352 22 51 51 1*
Fax *+352 22 51 71*
Internet *www.kpmg.lu*
Email *info@kpmg.lu*

To the Shareholders of
Oriflame Cosmetics S.A.
24, avenue Emile Reuter
L-2420 Luxembourg

Independent Auditor's Report on the review of condensed consolidated interim financial information

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Oriflame Cosmetics S.A. (the "Company") as at 30 June 2014 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows, and the notes thereto for the six month period then ended (the "condensed consolidated interim financial information") as set out on pages 16 to 26. The Board of Directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as adopted, for Luxembourg, by the Institut des Réviseurs d'Entreprises. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2014 is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union.

Luxembourg, 13 August 2014

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

S. Nye

Condensed consolidated interim income statements

€'000	Note	3 months ended 30 June 2014	3 months ended 30 June 2013	6 months ended 30 June 2014	6 months ended 30 June 2013	LTM, July13-June14	Year End 2013
Sales	3	310,385	359,659	637,618	740,951	1,303,388	1,406,721
Cost of sales		(90,473)	(105,304)	(193,686)	(221,288)	(392,689)	(420,291)
Gross profit		**219,912**	**254,355**	**443,932**	**519,663**	**910,699**	**986,430**
Other income		11,169	13,307	22,599	27,340	47,070	51,811
Selling and marketing expenses		(118,703)	(137,333)	(244,611)	(281,042)	(489,416)	(525,847)
Distribution and Infrastructure		(25,972)	(29,460)	(53,031)	(63,009)	(104,746)	(114,724)
Administrative expenses		(62,430)	(66,414)	(122,280)	(130,491)	(252,851)	(261,062)
Operating profit		**23,976**	**34,455**	**46,609**	**72,461**	**110,756**	**136,608**
Analysis of operating profit:							
Adjusted operating profit		25,286	34,455	48,344	72,461	118,277	142,394
Restructuring		(1,310)	-	(1,735)	-	(7,521)	(5,786)
Operating profit		**23,976**	**34,455**	**46,609**	**72,461**	**110,756**	**136,608**
Financial income	4	14,380	20,324	20,603	18,472	41,090	38,959
Financial expenses	4	(20,130)	(29,565)	(30,830)	(29,178)	(70,190)	(68,538)
Net financing costs	**4**	**(5,750)**	**(9,241)**	**(10,227)**	**(10,706)**	**(29,100)**	**(29,579)**
Net profit before income tax		**18,226**	**25,214**	**36,382**	**61,755**	**81,656**	**107,029**
Total income tax expense		(7,459)	(5,318)	(14,081)	(13,884)	(28,583)	(28,386)
Net profit		**10,767**	**19,896**	**22,301**	**47,871**	**53,073**	**78,643**

€	3 months ended 30 June 2014	3 months ended 30 June 2013	6 months ended 30 June 2014	6 months ended 30 June 2013	LTM, July 13 – June 14	Year end 2013
Adj. EPS:						
- basic	0.22	0.36	0.43	0.86	1.09	1.52
- diluted	0.22	0.36	0.43	0.86	1.09	1.52
EPS:						
- basic	0.19	0.36	0.40	0.86	0.96	1.41
- diluted	0.19	0.36	0.40	0.86	0.96	1.41
Weighted avg. number of shares outstanding:						
- basic	55,600,653	55,513,294	55,600,653	55,858,797	55,573,143	55,722,934
- diluted	55,600,653	55,513,294	55,600,653	55,858,797	55,573,143	55,722,934
Total number of shares outstanding:						
- basic	55,600,653	55,507,725	55,600,653	55,507,725	55,600,653	55,600,653
- diluted	55,600,653	55,507,725	55,600,653	55,507,725	55,600,653	55,600,653

The attached notes on page 21 to 26 form an integral part of the condensed consolidated interim financial information.

Condensed consolidated interim statements of comprehensive income

€'000	3 months ended 30 June 2014	3 months ended 30 June 2013	6 months ended 30 June 2014	6 months ended 30 June 2013	LTM, July 13 – June 14	Year end 2013
Net profit	**10,767**	**19,896**	**22,301**	**47,871**	**53,073**	**78,643**
Other comprehensive income						
Items that will not be reclassified subsequently to profit or loss:						
Revaluation reserve	33	(269)	33	(365)	(56)	(454)
Items that are or may be reclassified subsequently to profit or loss:						
Foreign currency translation differences for foreign operations	6,923	(15,743)	(10,017)	(12,762)	(22,052)	(24,797)
Effective portion of changes in fair value of cash flow hedges, net of tax	(6,406)	(1,475)	(5,088)	(999)	(4,350)	(261)
Total items that are or may be reclassified subsequently to profit or loss	**517**	**(17,218)**	**(15,105)**	**(13,761)**	**(26,402)**	**(25,058)**
Other comprehensive income for the period, net of tax	**550**	**(17,487)**	**(15,072)**	**(14,126)**	**(26,458)**	**(25,512)**
Total comprehensive income for the period	**11,317**	**2,409**	**7,229**	**33,745**	**26,615**	**53,131**

The attached notes on page 21 to 26 form an integral part of the condensed consolidated interim financial information.

Condensed consolidated interim statements of financial position

€'000	Note	30 June, 2014	31 December, 2013	30 June, 2013
Assets				
Property, plant and equipment		252,937	254,537	250,500
Intangible assets		18,671	20,802	20,178
Investment property		731	928	1,000
Deferred tax assets		27,028	26,614	28,742
Other long-term receivables		819	1,129	1,360
Total non-current assets		**300,186**	**304,010**	**301,780**
Inventories	6	185,463	196,876	183,477
Trade and other receivables		85,658	83,597	88,948
Tax receivables		3,761	2,894	1,966
Prepaid expenses		48,053	53,412	49,586
Derivative financial assets		20,924	18,973	32,207
Cash and cash equivalents		89,518	107,336	78,919
Total current assets		**433,377**	**463,088**	**435,103**
Total assets		**733,563**	**767,098**	**736,883**
Equity				
Share capital	5	71,517	71,517	71,401
Treasury shares	5	(41,235)	(41,235)	(41,235)
Reserves		(99,306)	(84,458)	(69,846)
Retained earnings		230,780	222,379	188,592
Total equity		**161,756**	**168,203**	**148,912**
Liabilities				
Interest-bearing loans		345,152	379,672	390,408
Other long-term non interest-bearing liabilities		3,292	2,592	3,464
Deferred income		369	406	514
Deferred tax liablilities		4,665	4,621	3,939
Total non-current liabilities		**353,478**	**387,291**	**398,325**
Current portion of interest-bearing loans		27,919	2,744	2,367
Trade and other payables		69,870	82,357	79,358
Deferred Income		2,842	3,148	-
Tax payables		6,483	10,878	6,099
Accrued expenses		95,472	98,082	97,362
Derivative financial liabilities		9,540	6,440	2,910
Provisions		6,203	7,955	1,550
Total current liabilities		**218,329**	**211,604**	**189,646**
Total liabilities		**571,807**	**598,895**	**587,971**
Total equity and liabilities		**733,563**	**767,098**	**736,883**

The attached notes on page 21 to 26 form an integral part of the condensed consolidated interim financial information.

Condensed consolidated interim statements of changes in equity

€'000 (Attributable to equity holders of the Company)	Note	Share capital	Total reserves	Retained earnings	Total equity
At 1 January 2013		**71,401**	**(56,403)**	**237,860**	**252,858**
Net profit		-	-	47,871	47,871
Other comprehensive income					
Revaluation reserve		-	(365)	-	(365)
Foreign currency translation differences for foreign operations		-	(12,762)	-	(12,762)
Effective portion of changes in fair value of cash flow hedges, net of tax		-	(999)	-	(999)
Total other comprehensive income for the period, net of income tax		**-**	**(14,126)**	**-**	**(14,126)**
Total comprehensive income for the period		**-**	**(14,126)**	**47,871**	**33,745**
Share icentive plan		-	683	-	683
Dividends		-	-	(97,139)	(97,139)
Purchase of treasury shares	5	-	(41,235)	-	(41,235)
At 30 June 2013		**71,401**	**(111,081)**	**188,592**	**148,912**
At 1 January 2014		**71,517**	**(125,693)**	**222,379**	**168,203**
Net profit		-		22,301	22,301
Other comprehensive income					
Revaluation reserve		-	33	-	33
Foreign currency translation differences for foreign operations		-	(10,017)	-	(10,017)
Effective portion of changes in fair value of cash flow hedges, net of tax		-	(5,088)	-	(5,088)
Total other comprehensive income for the period, net of income tax		**-**	**(15,072)**	**-**	**(15,072)**
Total comprehensive income for the period		**-**	**(15,072)**	**22,301**	**7,229**
Share incentive plan		-	224	-	224
Dividends		-	-	(13,900)	(13,900)
At 30 June 2014		**71,517**	**(140,541)**	**230,780**	**161,756**

The attached notes on page 21 to 26 form an integral part of the condensed consolidated interim financial information

Condensed consolidated interim statements of cash flows

€'000	Note	3 months ended 30 June 2014	3 months ended 30 June 2013	6 months ended 30 June 2014	6 months ended 30 June 2013
Operating activities					
Net profit before income tax		**18,226**	**25,214**	**36,382**	**61,755**
Adjustments for:					
Depreciation of property, plant and equipment		5,504	6,195	11,060	12,268
Amortisation of intangible assets		1,469	1,050	2,675	2,160
Impairment losses on property, plant and equipment	9	1,604	-	1,604	-
Change in fair value of borrowings and derivatives financial instruments	4	9,527	(4,844)	3,424	(3,237)
Deferred income		(147)	(65)	(35)	(7)
Share incentive plan		199	683	224	683
Unrealised exchange rate differences		(4,522)	8,953	11	6,778
Profit on disposal of property, plant and equipment, intangible assets and investment		(30)	(72)	(49)	(173)
Financial income	4	(4,561)	(4,101)	(8,767)	(8,176)
Financial expenses	4	7,002	7,389	13,765	14,147
Operating profit before changes in working capital and provisions		**34,271**	**40,402**	**60,294**	**86,198**
Decrease/(increase) in trade and other receivables, prepaid expenses and derivative financial assets		1,084	3,874	4,393	(9,931)
Decrease in inventories		8,281	9,779	7,926	20,701
Decrease in trade and other payables, accrued expenses and derivatives financial liabilities		(18,905)	(12,727)	(16,638)	(16,100)
Decrease in provisions		(77)	(1,240)	(1,385)	(1,930)
Cash generated from operations		**24,654**	**40,088**	**54,590**	**78,938**
Interest received		4,353	4,167	8,678	8,218
Interest and bank charges paid		(7,936)	(7,997)	(14,355)	(14,522)
Income taxes paid		(9,114)	(6,941)	(20,047)	(14,937)
Cash flow from operating activities		**11,957**	**29,317**	**28,866**	**57,697**
Investing activities					
Proceeds on sale of property, plant and equipment, intangible assets and investment property		391	181	1,560	287
Purchases of property, plant, equipment and investment property		(8,570)	(15,882)	(18,058)	(22,726)
Purchases of intangible assets		(244)	(1,153)	(525)	(1,741)
Cash flow used in investing activities		**(8,423)**	**(16,854)**	**(17,023)**	**(24,180)**
Financing activities					
Proceeds from borrowings		82,069	149,731	83,164	179,676
Repayments of borrowings		(76,094)	(70,863)	(96,712)	(100,811)
Proceeds from issuance of new shares		-	167	-	167
Acquisition of own shares	5	-	(3,484)	-	(41,235)
(Decrease) / increase of finance lease liabilities		(5)	22	(18)	7
Dividends paid		(13,882)	(96,963)	(13,882)	(96,964)
Cash flow used in financing activities		**(7,912)**	**(21,390)**	**(27,448)**	**(59,160)**
Change in cash and cash equivalents		**(4,378)**	**(8,927)**	**(15,605)**	**(25,643)**
Cash and cash equivalents at the beginning of the period net of bank overdrafts		93,284	90,413	106,788	106,171
Effect of exchange rate fluctuations on cash held		11	(2,622)	(2,266)	(1,664)
Cash and cash equivalents at the end of the period net of bank overdrafts		**88,917**	**78,864**	**88,917**	**78,864**

The attached notes on page 21 to 26 form an integral part of the condensed consolidated interim financial information

Notes to the condensed consolidated interim financial information of Oriflame Cosmetics S.A.

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 condensed consolidated interim financial information of the Company as at and for the six months ended 30 June 2014 comprises the Company and its subsidiaries (together referred to as the "Group").

Note 2 • Basis of preparation and summary of significant accounting policies

Statement of compliance

The condensed consolidated interim financial information has been prepared by management in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union ("EU") and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2013. The condensed consolidated interim financial information was authorised for issue by the Directors on 13 August 2014.

Changes in accounting policies

The accounting policies applied by the Group in this condensed consolidated interim financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2013 with the exception of new or revised standards endorsed by the EU, as explained below.

Other new or amended IFRS standards

The other new or amended IFRS standards, which became effective January 1, 2014, have had no material effect on the condensed consolidated interim financial information.

Changes in presentation

Due to organisational changes, the Group has decided to present the segment reporting to the new structure of Global Business Areas (GBA), which is CIS, Europe, Latin America, Turkey, Africa & Asia, Manufacturing and Other. The revised geographical split should be more relevant 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 are more mature in nature. For comparability the numbers in the press release have been restated accordingly.

Note 3• Segment reporting

Operating segments

The Group has five main reportable segments, which consists of CIS, Europe, Latin America, Turkey Africa & 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 consist mainly of sales of Colour cosmetics, Skin care, Personal & Hair Care, Fragrances and Accessories & Wellness products. The segment Manufacturing is producing mainly for the Group. Smaller quantities are produced for third parties as well. "All other segments" includes licensee sales and 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.

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

As per 30 June 2014 €'000	CIS	Europe	Latin America	Turkey, Africa & Asia	Manu-facturing	All other segments	**Total segments**	Unallocated items	**Total**
Sales	287,662	133,361	57,622	155,003	993	2,870	**637,511**	107	**637,618**
Operating Profit	34,860	14,292	6,769	20,292	306	1,227	**77,746**	(31,137)	**46,609**
Restructuring	-	406	-	-	560	-	**966**	769	**1,735**
Adj. Operating Profit	34,860	14,699	6,769	20,292	866	1,227	**78,713**	(30,369)	**48,344**
Net financing costs									**(10,227)**
Net profit before income tax									**36,382**
Total income tax expense									**(14,081)**
Net profit									**22,301**
Capital expenditure	(2,610)	(438)	(569)	(2,021)	(11,814)	-	**(17,452)**	(1,130)	**(18,582)**
Depreciation & amortisation	(2,533)	(823)	(511)	(1,329)	(4,193)	(2)	**(9,391)**	(4,344)	**(13,735)**
Impairment	(1,604)	-	-	-	-	-	**(1,604)**	-	**(1,604)**
Goodwill	-	1,053	-	4,345	-	-	**5,398**	-	**5,398**

As per 30 June 2013 €'000	CIS	Europe	Latin America	Turkey, Africa & Asia	Manu-facturing	All other segments	**Total segments**	Unallocated items	**Total**
Sales	378,107	145,147	54,678	157,934	1,704	3,320	**740,890**	61	**740,951**
Operating Profit	57,771	17,703	6,160	17,825	6,054	1,248	**106,761**	(34,300)	**72,461**
Net financing costs									**(10,706)**
Net profit before income tax									**61,755**
Total income tax expense									**(13,884)**
Net profit									**47,871**
Capital expenditure	(1,647)	(382)	(729)	(1,555)	(16,880)	(21)	**(21,214)**	(3,253)	**(24,467)**
Depreciation & amortisation	(3,134)	(929)	(578)	(1,239)	(4,539)	(17)	**(10,436)**	(3,992)	**(14,428)**
Goodwill	-	1,053	-	4,345	-	-	**5,398**	-	**5,398**

Note 4 • Financial income and expenses

Recognised in the condensed consolidated interim income statements	3 months ended 30 June		6 months ended 30 June	
€ '000	**2014**	**2013**	**2014**	**2013**
Interest income on bank deposits	720	325	1,306	540
Interest received on finance lease receivable	18	18	28	37
Cross currency interest rate swaps interest income	3,823	3,758	7,433	7,599
Change in fair value of financial assets and liabilities at fair value held for trading:				
- Forward exchange rate contracts gain	-	5,575	7,316	3,901
- Interest rate caps gain	842	334	842	315
- Cross currency interest rate swaps gain	2,759	-	3,678	-
Change in fair value of financial assets and liabilities at fair value designated as such upon initial recognition:				
- USD loan fair value gain	-	10,314	-	6,080
Foreign exchange gains, net	6,218	-	-	-
Total financial income	**14,380**	**20,324**	**20,603**	**18,472**
Bank charges and interest expense on loans carried at amortised cost	(2,017)	(2,419)	(3,756)	(4,114)
Interest expense on loan carried at fair value	(4,124)	(2,551)	(6,796)	(5,236)
Cross currency interest rate swaps interest expense	(861)	(2,419)	(3,213)	(4,797)
Change in fair value of financial assets and liabilities at fair value held for trading:				
- Forward exchange rate contracts loss	(9,263)	-	(10,381)	(894)
- Interest rate caps loss	(1,255)	-	(1,836)	(13)
- Cross currency interest rate swaps loss	-	(11,379)	-	(6,152)
Change in fair value of financial assets and liabilities at fair value designated as such upon initial recognition:				
- USD loan fair value loss	(2,610)	-	(3,043)	-
Foreign exchange losses, net	-	(10,797)	(1,805)	(7,972)
Total financial expenses	**(20,130)**	**(29,565)**	**(30,830)**	**(29,178)**
Net financing costs	**(5,750)**	**(9,241)**	**(10,227)**	**(10,706)**

Note 5 • Dividends and Treasury shares

Share capital and Treasury shares
The Company has one class of share capital with an authorised share capital of €102,400,000. 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.

	No. of shares	€'000
Share capital		
Balance 31 December 2013	**57,214,062**	**71,517**
-	-	-
Balance 30 June 2014	**57,214,062**	**71,517**
Treasury shares		
Balance 31 December 2013	**1,613,409**	**41,235**
Balance 30 June 2014	**1,613,409**	**41,235**

(i) During the first half of 2013, the group invested € 41.2 million on its share buyback programme. At 30 June 2014, the treasury shares held by the Group represent 2.8% 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 market value of the treasury shares amounts to €27.3 million as at 30 June 2014.

Dividends
In April, Oriflame's Board of Directors adjusted its dividend proposal and proposed to the Annual General Meeting (AGM) a cash dividend of up to a total of €1.00 per share, and that payments will be made on a quarterly basis with the first payment of €0.25 per share after the AGM, and that the Board be given a mandate to decide the timing and size of the subsequent quarterly payments. The Board does not intend to make any dividend payment during Q4. Subsequent dividend payments will be announced in upcoming quarterly reports.

Note 6 • Inventories

During the first half of 2014 the Group wrote down €2.8 million (€3.5 million) inventory mainly due to obsolescence which is included in costs of sales.

Note 7 • Financial instruments

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

€'000	30 June 2014	
	Carrying amount	Fair value
Financial assets carried at amortised cost:		
Trade and other receivables	85,658	85,658
Cash and cash equivalents	89,518	89,518
Total loans and receivables	***175,176***	***175,176***
Total financial assets carried at amortised cost	**175,176**	**175,176**
Financial assets carried at fair value:		
Cross currency interest rate swaps for trading	14,750	14,750
Interest rate caps for trading	429	429
Forward exchange rate contracts for trading	3,412	3,412
Total derivatives for trading	***18,591***	***18,591***
Cross currency interest rate swaps for hedging	2,173	2,173
Forward exchange rate contracts for hedging	160	160
Total derivatives for hedging	***2,333***	***2,333***
Total derivative financial assets	***20,924***	***20,924***
Total financial assets carried at fair value	**20,924**	**20,924**
Financial liabilities carried at amortised cost:		
Loans	(189,586)	(201,175)
Other long term liabilities	(2,444)	(2,444)
Trade and other payables	(69,870)	(69,870)
Finance lease liabilities	(45)	(54)
Bank overdrafts	(599)	(599)
Total financial liabilities carried at amortised cost	**(262,544)**	**(274,142)**
Financial liabilities carried at fair value:		
USD loan	(182,841)	(182,841)
Total designated as such upon initial recognition	***(182,841)***	***(182,841)***
Cross currency interest rate swaps for trading	(1,007)	(1,007)
Forward exchange rate contracts for trading	(429)	(429)
Total derivatives for trading	***(1,436)***	***(1,436)***
Cross currency interest rate swaps for hedging	(4,718)	(4,718)
Forward exchange rate contracts for hedging	(3,386)	(3,386)
Total derivatives for hedging	***(8,104)***	***(8,104)***
Total derivative financial liabilities	***(9,540)***	***(9,540)***
Total financial liabilities carried at fair value cost	**(192,381)**	**(192,381)**
Unrecognised loss		(11,598)

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

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

Fair value hierarchy
The table 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**
30 June 2014				
Financial assets and liabilities measured at fair value				
USD loans	-	(182,841)	-	(182,841)
Derivative financial assets	-	20,924	-	20,924
Derivative financial liabilities	-	(9,540)	-	(9,540)
	-	**(171,457)**	-	**(171,457)**
Financial assets and liabilities not measured at fair value				
Loans	-	(201,175)	-	(201,175)
Finance lease liabilities	-	(54)	-	(54)
	-	**(201,229)**	**-**	**(201,229)**

There were no transfers between levels of the fair value hierarchy during the six months ended 30 June 2014.

Note 8 • Contingent liabilities

Certain of the Company's subsidiaries are involved in litigation in respect of which the Board of Directors consider that either 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 was exposed to contingent liabilities amounting to a maximum potential payment of €21.9 (€24.4) million representing potential litigations of €16.6 (€19.0) million and other claims of €5.3 (€5.4) million at 30 June 2014. Potential litigations relate mainly to tax legislations. In ongoing investigations, the Group has not yet received any additional information or decisions so far as per the date of the interim report 1 January – 30 June 2014.

Numbers in bracket as per year end 2013, reported in the 2013 Annual Report.

Note 9 • Impairment Ukraine

Due to the difficult economic situation in Ukraine an impairment of an amount of €1.6 million was set up.

The impact of this impairment in 2014 on the balance sheet was as follows:

€'000	**2014**
Property, plant and equipment	(1,604)
Impairment on the balance sheet positions	**(1,604)**

The breakdown by function in the consolidated income statement was as follows:

€'000	**2014**
Administrative expenses	(1,604)
Impairment in operating profit	**(1,604)**

Note 10 • Seasonality

The business of the Group presents cyclical evolutions and is driven by a number of factors:

- Effectiveness of individual catalogues and product introductions
- Effectiveness and timing of recruitment programmes
- Timing of sales and marketing activities
- The number of effective sales days per quarter
- Currency effect on sales and results