



Press release

27 November 2014

New Russian production plant – commissioning completed

Divestment of factories completed

Russian tax case – negative first level court decision

Commissioning process in Noginsk production plant completed

Oriflame is pleased to announce the completion of the commissioning process for the new production facility in Noginsk, Russia. Production of personal and hair care products has started and will gradually be ramped up during the coming quarters. Equipment for production of colour cosmetics is currently moved from previous factory in Krasnogorsk to the new facility in Noginsk, where all production will be integrated, enabling Oriflame to optimise logistics and business processes, while ensuring production close to the large and important markets in the CIS.

“Oriflame is proud to increase its presence in Russia through this €150 m investment into the new facilities in Noginsk. This is an important milestone for Oriflame’s business and long-term commitment to the region, as it further improves the service to our Consultants while creating employment opportunities in Russia and in particular in the Noginsk area”, Magnus Brännström, CEO and President, comments.

Divestment of production plants in Sweden and Russia completed

The transactions relating to divestment of the manufacturing sites in Ekerö, Sweden and Krasnogorsk, Russia are completed. As mentioned in connection to the third quarter results, the Swedish factory was divested through a local management buy-out, where Oriflame retains the ownership of selected production equipment. The Krasnogorsk factory was sold to the Russian retail company X5 Retail Group. The total cash effect from both divestments amounts to €38 m, of which the main part relates to Krasnogorsk.

Negative first level court decision on Russian tax case

As previously announced in August and in the quarterly announcement, following several years of ongoing tax investigation in Russia, Oriflame has received an official claim of RUB 1.0 bn (approximately €17.5 m) from the authorities relating to royalty payments including income tax, VAT and penalty for the years 2009 and 2010. Despite confirmations from several local and international experts of adopted tax practices, which have been submitted to the court, Oriflame regrets to inform that the first level of tax court decision, as announced today, was not in favour of the company. The decision is surprising and disappointing as such court decision implies that there is no recognition of royalty charged for commercial

values that are created elsewhere in the Group and that are necessary for the local Russian entity to carry out its operations. Due to the current uncertainty of the situation, Oriflame has decided to recognise the full Rouble amount of the claim for income tax, VAT and penalty related to the royalty (net of tax losses carried forward, which were not recognised as deferred tax assets, but can be used to reduce the claim amount), which will impact profit and loss of the Group in Q4 2014 with the equivalent of approximately €16 m.

Oriflame remains confident in its tax practice in Russia as confirmed and supported by local and international experts, and will now continue the litigation process up to the Supreme Court and considers initiating international investment arbitration.

For additional information, please contact:

Gabriel Bennet, CFO, Oriflame

+41 79 826 3713

Johanna Palm, Director Investor Relations, Oriflame

+46 765 422 672

Founded in 1967, Oriflame is a beauty company selling direct in more than 60 countries. Its wide portfolio of Swedish, nature-inspired, innovative beauty products is marketed through approximately 3 million independent Oriflame Consultants, generating annual sales of around €1.4 billion. Respect for people and nature underlies Oriflame's operating principles and is reflected in its social and environmental policies. Oriflame supports numerous charities worldwide and is a Co-founder of the World Childhood Foundation. Oriflame is a Luxembourg company group with corporate offices in Luxembourg and Switzerland. Oriflame Cosmetics is listed on the Nasdaq Stockholm Exchange.