ANNUAL REPORT 2015

ORIFLAME
SWEDEN

Statement FROM THE CEO

page 8

"Oriflame leaves 2015 as a stronger company with a well-balanced geographical footprint, proven success from our strategic product categories and a strong online business proposition."

Magnus Brännström, CEO

The VISION

To be the No 1 Beauty Company Selling Direct

The MISSION

To fulfil dreams

The YEAR *in brief*

Operational highlights

During the year, important strategic initiatives were taken, focusing on:

- Strategic product categories
- Completion of the new digital platform
- New organisation to leverage on digital opportunities and enable focused execution
- Measures to capture future opportunities to improve capacity utilisation in manufacturing
- Successful change of domicile

CONTINUED FOCUS ON STRATEGIC PRODUCT CATEGORIES

The strategic product categories Skin Care and Wellness continued to show strong development in 2015, driven by the sales of sets and routines. During the year, Oriflame launched the new flagship Skin Care brand NovAge and first out was Ultimate Lift, which contains the active ingredient Aspartolift with clinically proven anti-aging skin benefits, which was granted EU patent in November. Skin Care was the largest category in terms of sales in 2015 and WellnessPack Woman was the largest contributor to the full-year sales.

NEW DIGITAL PLATFORM

The rollout and development of the new digital platform were the predominant activities in the online area during 2015. By the end of the year, the platform was operational in all Oriflame markets, helping the Consultants to run their business in a more efficient way and providing the consumers with an unique shopping experience.

NEW ORIFLAME ORGANISATION

In order to capture efficiencies and drive sales across various sales tools, Oriflame announced a new organisation in December.

- A global Commercial Division was formed to unite central functions in sales, marketing and the supply chain.
- A decentralised Regional Organisation was established to enable a focused strategy execution, coordinated by the Company's four Global Business Areas – Latin America, Europe & Africa, CIS and Asia & Turkey. As from the first quarter 2016, the new split will be reflected in the Group's financial reporting.

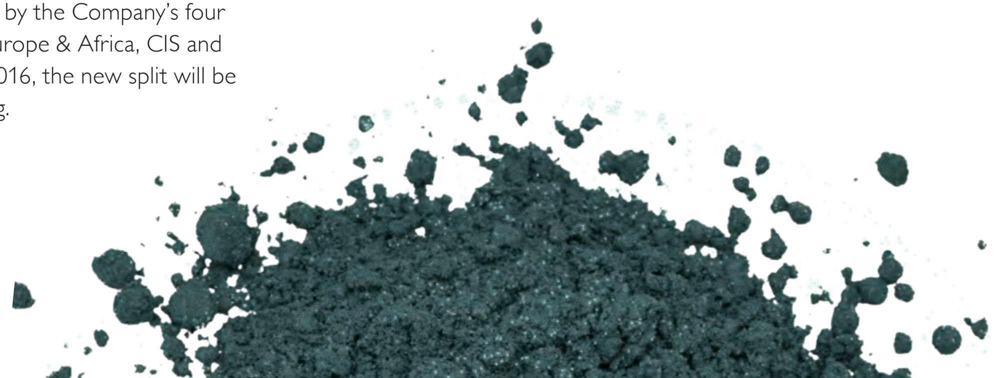
MANUFACTURING OPPORTUNITIES TO BE CAPTURED

As part of the new organisational set-up, Global Manufacturing was separated from the previous Global Operations Division in order to further drive global optimisation, efficiencies and increased volumes. The Company is now looking into different opportunities, including taking home currently outsourced volumes, a technology expansion and establishing commercial relationships with market participants sourcing from, or willing to source from Oriflame.

During the year, Oriflame took important steps within its supply chain. In Krasnogorsk, Russia, the colour cosmetics factory was closed and the manufacturing operations moved to Oriflame´s new "LEED Silver certified facility" in Noginsk, Russia. At the new site in Roorkee, India, the Wellness production started to support the local and Asian sales of the Wellness portfolio.

SUCCESSFUL CHANGE OF DOMICILE

The cross-border merger between Oriflame Holding AG (as acquiring company) and Oriflame Cosmetics S.A took effect on 30 September 2015 and was the final step in Oriflame's process to change its domicile from Luxembourg to Switzerland. The share of the new top holding company, Oriflame Holding AG, was listed on Nasdaq Stockholm on 23 June, and the SDR of Oriflame Cosmetics S.A., was delisted with the last day of trading on 2 July.



The YEAR *in brief*

Financial highlights

Oriflame continued to experience strong performance in its key growth regions Latin America and Turkey, Africa & Asia during the year. The market conditions in CIS remained challenging, while encouraging trends could be seen in Europe. 2015 was also a year of continued strong cash flow and reduced net debt.

- Local currency sales increased by 1%, Euro sales decreased by 4% to €1,211.6m.
- Adjusted* operating margin was 8.3% (7.7%), negatively impacted by 210 bps from currency movements, resulting in an adjusted* operating profit of €100.2m (€97.8m). Operating margin was 7.5% (7.5%) and operating profit €90.6m (€94.7m).
- Adjusted** net profit amounted to €43.2 (€47.0) and adjusted** EPS amounted to €0.79 (€0.84). Net profit was €34.2m (€37.5m) and EPS €0.62 (€0.67). The tax expense was impacted by a new provision related to the Russian tax case as well as other one-off impacts amounting to approximately €8.0m.
- Cash flow from operating activities amounted to €122.2m (€90.0m).
- The Board of Directors intends to propose to the 2016 Annual General Meeting a total dividend of €0.40 per share for 2015, to be paid in equal instalments of €0.20 respectively in the fourth quarter 2016 and the first quarter 2017.

KEY *figures*

€ million unless stated otherwise	[1] 2015	[2] 2014	Change
Sales	1,211.6	1,265.8	(4%)
Gross profit	838.3	866.4	(3%)
Gross margin, %	69.2	68.4	
EBITDA	117.4	122.9	(4%)
Operating profit	90.6	94.7	(4%)
Operating margin, %	7.5	7.5	
Adjusted operating profit	100.2	97.8	2%
Adjusted operating margin, %	8.3	7.7	
Net profit	34.2	37.5	(9%)
Adjusted net profit	43.2[3]	47.0[4]	(8%)
Adjusted earnings per share, diluted, €	0.79[3]	0.84[4]	(7%)
Net interest-bearing debt	171.6	245.4	(30%)
Net debt at hedged values/EBITDA	0.8	1.6	(50%)
Active Consultants ('000)	3,246	3,473	(7%)

[1] *Adjusted for non-recurring items of €9.6m.*

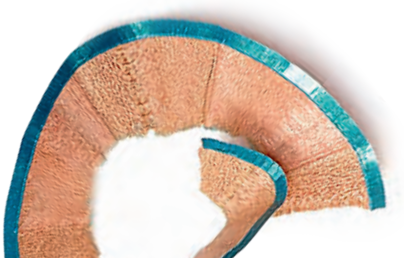
[2] *Adjusted for non-recurring items of €3.1m.*

[3] *Adjusted for additional non-recurring tax items of (€0.5m).*

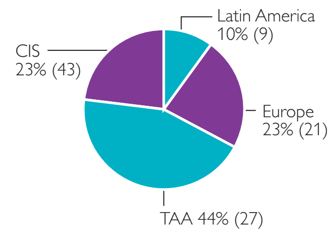
[4] *Adjusted for additional non-recurring tax items of €6.4m.*

* *Adjusted for non-recurring items of €9.6m during the period 2015 and of €3.1m during the period 2014.*

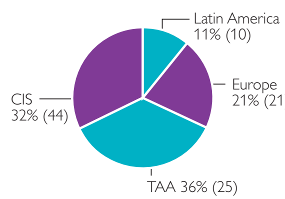
** *Adjusted for additional non-recurring tax items of (€0.5m) during the period 2015 and of €6.4m during the period.2014.*



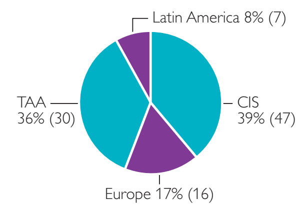
Regional adjusted operating profit



Regional sales



Sales force

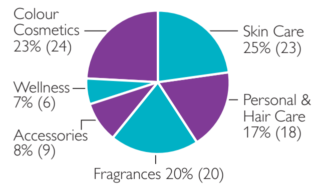


LONG-TERM FINANCIAL TARGETS

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

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% of the Company's annual profit after tax as dividend.

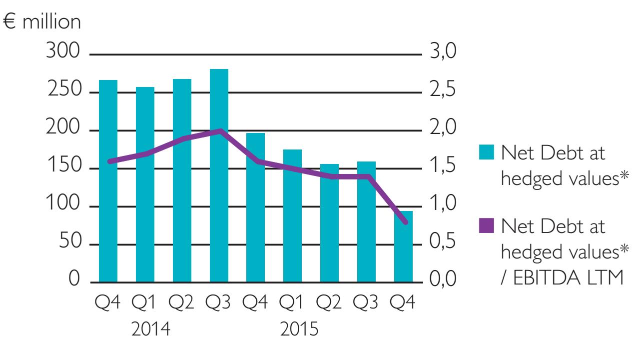
Sales by product category



REDUCED NET DEBT

2015 was a year with continued strong cash flow which enabled Oriflame to reduce the net debt, reaching a net debt at hedged values/EBITDA of 0.8 by the end of the year.

The Board of Directors will continue to prioritise reducing the debt, with $80.0m of the long-term debt to be repaid in the first quarter 2016 and with a net debt at hedged values/EBITDA target range of 0.5 to 1.5.



* Adjusted for fair value movements of the USD private placement notes

STRATEGIC PRODUCT CATEGORIES PERFORMED WELL

The strategic categories Skin Care and Wellness continued to show strong development in 2015, driven by the sales of sets and routines. Skin Care replaced Colour Cosmetics as the largest category in 2015 and WellnessPack Woman was the largest contributor to the full-year sales.

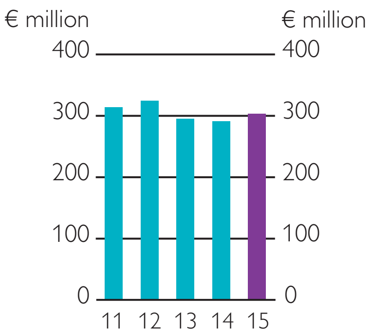
In the Colour Cosmetics category, new products were launched under the brand The ONE; namely the Eyes Wide Open Mascara, the Colour Unlimited Matte Lipstick and the 5-in-1 Colour Stylist Cream Lipstick. The upgrade of the Giordani Gold brand continued with the launch of the new mascara Incredible Length.

The Fragrance category introduced Tenderly Promise, which supports the World Childhood Foundation through a donation for each bottle sold. In line with the strategy to strengthen the premium Fragrance segment, Giordani Gold Essenza Parfum was launched, in the fourth quarter.

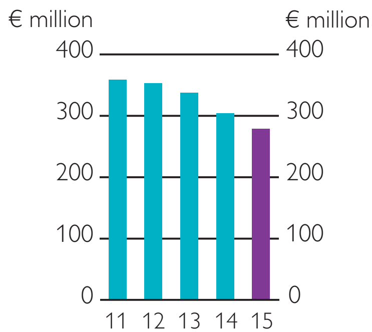
Within the Personal and Hair Care category the new upper-mass Hair Care brand Eleo continued its success as did the deodorant brand Activelle and oral care brand Optifresh.

SALES BY *product category*

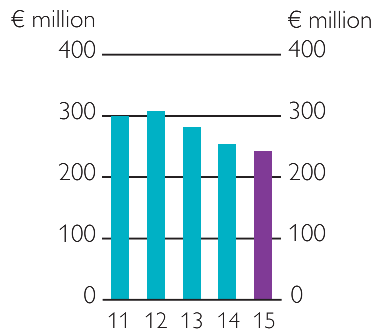
Skin Care



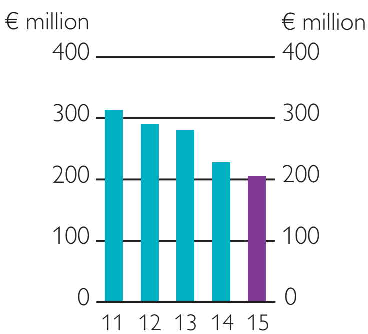
Colour Cosmetics



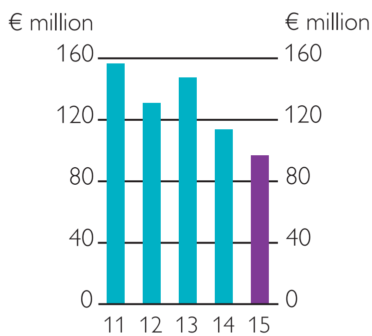
Fragrance



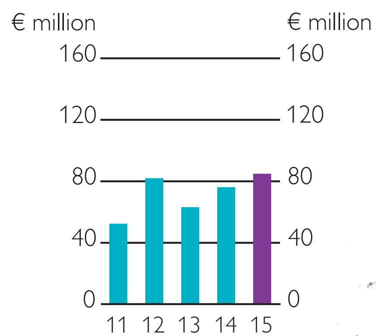
Personal & Hair Care



Accessories



Wellness



Statement
FROM THE CEO

Delivering on our strategy

2015 was another year of volatile market conditions, especially in the CIS where pricing initiatives were taken to offset the devaluation leading to adverse effect on volumes. At the same time, it was a year when our high performing regions continued to deliver strong profitable growth and when improvements could be seen in Europe. Oriflame reported stable local sales development with sales totalling €1,211.6m (€1,265.8m) and an adjusted operating margin of 8.3% (7.7%), with continued strong cash flow and reduced net debt. In concluding, we leave 2015 as a stronger company with a well-balanced geographical footprint, proven success from our strategic product categories and a strong online business proposition.

> *"We leave 2015 as a stronger company"*

A WELL-BALANCED GEOGRAPHICAL FOOTPRINT

Reiterating what I said a year ago: we expect to see growth in all of our markets over time. While we aim for sustainable growth in our more mature markets, we firmly believe that the largest potential comes from what we refer to as key-growth regions. And in the past years, they have delivered. Latin America and Turkey, Africa & Asia continued to perform strongly during 2015, accounting for almost half of the Group's sales and an even larger share of the operating profit for the year – resulting in a more balanced geographical mix than ever before.

A WIDE PRODUCT PORTFOLIO WITH A FOCUS ON SKIN CARE AND WELLNESS

Oriflame offers a wide assortment of products – something that is crucial for driving the activity of Consultants. At the same time we have a strong focus on Skin Care and Wellness sets and routines, categories very well suited for the direct sales model. These strategic product categories drive sales and profitability, create brand value and loyalty as well as increase the productivity and income opportunity for the Consultants.

AN ESTABLISHED BUSINESS MODEL IN A DIGITAL ENVIRONMENT

With a business model based on social selling, a clear digital strategy is key to success in today's society. During the year, the roll-out of the new online platform was finalized and, with more than 90 percent of the orders being placed online, we can now say that our business model is truly digital. We have a strong social media presence with over seven million followers and over 50 million site visitors annually. Our Consultants are increasingly using the Internet and social media to drive traffic and they are using online tools for recruitment purposes as well as to train, support and develop their networks. However, we still acknowledge the importance of personal meetings and the combination of digital and physical channels strengthens the opportunities to drive sales even further.

ALL DELIVERED FROM A NEW ORGANISATIONAL STRUCTURE…

As we successfully finalized the move to Switzerland and all related changes in September, this is the first year that we report as Oriflame Holding AG. The move was an important step to align our legal structure with our organisational set-up. However, in a constantly changing global environment we need to become even more agile and the organisational change we announced at the end of the year was another step to further strengthen our position in a more digital world.

… BASED ON A MISSION TO FULFIL DREAMS

Every day I am proud to say that Oriflame provides people with extraordinary business opportunities, enabling them to fulfil their dreams. I am also very proud of the various initiatives taken that are helping us to operate our business in a more sustainable way. During the year, both our new Wellness facility in Roorkee, India, and our new production unit in Noginsk, Russia, were LEED® certified – Noginsk is now being one of the largest sites with such a certification level in Russia.

THE RIGHT STRATEGY FOR SUCCESS

Summarising 2015, I feel confident that we will continue to take on challenges head-on and that we have the right set-up and strategy to overcome them. I would like to thank all of our employees, Consultants, partners and shareholders for the past year and look forward to the coming ones.

2016 has started in an encouraging way and we will continue to deliver on our strategy to improve our offering and effectiveness. We are consistent in our efforts to compensate macro-economic challenges with price increases and cost-saving initiatives – reviewing how we can work more efficiently in all areas of our operations.

> *“We have a strong brand, a highly competitive beauty and business offering and passionate people in and around the company”*

But most of all, we will continue to leverage the strong momentum in our high-growth areas and to improve the development in our more mature markets.

Oriflame has a business model that is evolving over time and a geographical footprint that enables long-term profitable growth. We have a strong brand, a highly competitive beauty and business offering and passionate people in and around the company. And we have a clear strategic direction that we will continue to deliver on in the years to come.

Magnus Brännström, CEO & President

COMPANY OVERVIEW *and strategic direction*

THE HISTORY *in brief*

Oriflame was founded in Sweden in 1967 by the brothers Jonas and Robert af Jochnick and their friend Bengt Hellsten. They wanted to give people the opportunity to benefit from great skin care and cosmetics through products inspired by nature and the natural beauty of Sweden. Rather than investing in a chain of stores, they decided to move the retail operations into the homes of Swedish consumers – shifting from a traditional retail model to a social model fuelled by relationships and personal recommendation.

Oriflame is, and has always been, about people being connected to one another in one large community. Today, Oriflame is a global beauty company with direct sales in more than 60 markets. Oriflame's business model is the quintessence of the modern networking society – communicating face-to-face as well as through modern digital means and social media.

THE CULTURE *and values*

The Oriflame community is united by the shared values of Togetherness, Spirit and Passion. These values are infused into everything we do. Living these values guides our decisions and culture. Our values form the foundation for the common sense we demonstrate as a company, and as individuals, every day.

TOGETHERNESS

Togetherness is about inspiring a dynamic and energetic community. Believing that working with others achieves more than working alone. Having the ability to absorb and respect opinions and beliefs that are different from your own in order to move forward.

SPIRIT

Entrepreneurial spirit – the heart of an explorer with the unstoppable courage to make ideas tangible and successful. Daring to create opportunity, even with limited resources. An unwavering winning attitude and can-do spirit.

PASSION

This is the emotional fuel that drives our beliefs and moves us forward. More than logic or what is rational, this is the feeling inside that propels actions and guides decisions. Passion inspires, sustains and changes lives for the better.

THE BRAND

Oriflame is proud of its Swedish heritage. It plays a vital role in what makes the Company unique and has helped to define how to behave and operate as a company – colouring not only the core values, but also the view on the world around. As with many things in Swedish society, Oriflame believes in the simple idea that great things should be available and accessible. For Oriflame, this means offering fantastic opportunities and high-quality products with easy-to-follow beauty routines, all at a great price. The aim is to enable women and men around the world the chance to look, feel and live better.

Sweden is also known for being innovative and forward-thinking. It is this same desire, to always do things better, that drives Oriflame to follow the very latest trends in fashion, technology and society. Through the Skin Research Institute in Stockholm, Oriflame works on the forefront of science and research. Having a strong respect for nature and constantly looking to harness its efficacious properties, has been part of Oriflame's Swedish heritage since day one.

Last but not least, Oriflame takes huge pride in being known as a Swedish brand you can trust. A company to rely on, that keeps its promises, and delivers high levels of quality as a result. Oriflame has held these values very closely since the very start in 1967, and will continue to do so for as long as the company exist.

THE BUSINESS *model*

Oriflame offers a leading business opportunity through a unique business concept – Make Money Today and Fulfil Your Dreams Tomorrow™. People can start making or saving money the day they join and work toward fulfilling their personal dreams and ambitions as they develop their business. A sales force of over three million independent Oriflame Consultants has seized this opportunity and is consuming or marketing Oriflame's extensive portfolio of beauty products, creating combined annual net sales of around €1.2 billion.

The basis for Oriflame has always been social selling. As part of the global digital transformation Oriflame's business model is evolving and is today, to a large extent, an online model. The Company's digital strategy aims to support the overall vision of becoming the number one direct selling beauty company.

As internet and mobile internet penetration increase and creates new ways to communicate and do business, the Oriflame Consultants are provided with new, efficient tools to conduct and expand their business activities. Moreover, the digital arena provides an increasingly important branding channel. Today 90 percent of the Consultants are active online and over 90 percent of all orders are placed online with a rapidly increasing share of access through mobile internet.

THE PRODUCT *offering*

Oriflame has a broad product offering that spans over six categories; Skin Care, Colour Cosmetics, Fragrance, Personal & Hair Care, Accessories and Wellness. Oriflame offers high-quality products that leverage the best of nature, science and the offering's Swedish origin – expressed in the four following attributes; accessible, natural, progressive and trustworthy.

Oriflame is continuously developing a strong and customer-relevant product portfolio with reduced complexity, focusing on the core categories Skin Care and Wellness.

THE CUSTOMER *experience*

When a person joins Oriflame, they are joining a community they can trust and a company that prides itself on its human touch. Oriflame understands that its advantages lie in its relationships with its Consultants and that every interaction is an opportunity to create a positive experience and an emotional connection. That is why Oriflame's employees are dedicated to delivering consistent, personalised and positive experiences through all touch points. Through continuous research and active dialogues with its Consultants, the Company is also committed to making the improvements necessary to offer the best service possible in order to strengthen its Consultant relationships and build an even stronger brand.

With its 100% satisfaction guarantee, Oriflame makes a promise to its customers that the products deliver on their claims and are safe to use, no matter where in the world one may be.

THE SUPPLY *chain*

At Oriflame, driving efficiencies and delivering on the promises to the Consultants is the main focus of the entire supply chain team. Oriflame believes in an adaptable and sustainable supply chain that creates value for the Consultants, factories, employees and communities. This is driven by enhanced processes and planning platforms, reduced lead times, and an optimised logistics platform. All while, ensuring the fine balance between consolidated inventories and high product availability. With approximately 50% of the cosmetic product volumes being produced internally, Oriflame partners with external suppliers who share the same commitment and values to ensure end-to-end supply chain optimisation.

THE DIGITAL *environment*

Oriflame believes that the global online trend creates opportunities to expand the target group, reach more potential Consultants and become an attractive alternative for the growing segment of online beauty shoppers.

Oriflame's digital strategy has a consultant-centric approach, which means that the initiatives are shaped from the perspective of how the Consultants are empowered to sell, recruit and manage their business using the latest digital tools. This also means that Oriflame aims to reach the online beauty shoppers segment mainly through its Consultants, thereby leveraging the power of personal recommendation also online. This can, for example, take the form of a Consultant sharing inspiring and insightful beauty content with their friends through social media that is connected to a relevant and attractive product. The product can then either be delivered personally by the Consultant or shipped directly to the customer by Oriflame.

Sustainability

As an inseparable part of its future success, Oriflame is integrating sustainability throughout its operational framework and business strategies. In order to expand and deepen its work on sustainability, Oriflame adopted a new comprehensive sustainability strategy in 2013, with a broad set of commitments covering product development, social issues and environmentally focused targets. The new strategy is based on a materiality assessment and focuses on areas with the greatest relevance for Oriflame, and where initiatives can have the largest impact. For each of the 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.

1. Successful People

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

2. Great Products

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

3. Thriving Planet

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.

Sustainability has a permanent place on the management agenda where targets and commitments are regularly followed-up and reviewed. While progress is being made, Oriflame recognises that this is a continuous journey – there is still much more to be done and new challenges lie ahead.


ORIFLAME SWEDEN
Love Nature
FACE WASH
REVITALISING
NORMAL SKIN
RASPBERRY
℮150ml 5.
ORIFLAME SWEDEN
Love Nature
FACE SCRUB
REVITALISING
NORMAL SKIN
RASPBERRY
℮50ml 1.6fl.oz.
ORIFLAME SWEDEN
Love Nature
MOUSSE CREAM
REVITALISING
NORMAL SKIN
RASPBERRY

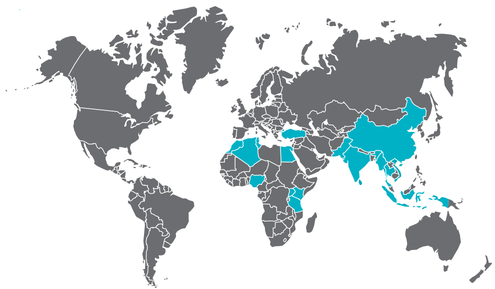
Sustainability ACHIEVEMENTS

Oriflame's sustainability work continued to take steps forward and gain recognition from external stakeholders in 2015.

- In June, the Noginsk production site in Russia received LEED Silver certification according to LEED® for New Construction rating system.
- In July, Oriflame's new Wellness facility in Roorkee, India, received LEED Gold certification according to the LEED® for New Construction rating system. The project incorporated many innovative measures focusing in particular on water and energy efficiency and included the installation of roof-mounted solar panels.
- Oriflame continued to take steps implementing more sustainable palm oil. In 2015, 10% of the palm oil used was mass balance certified palm oil, and the remaining share was covered by GreenPalm credits. In October, the Swedish Initiative on Sustainable Palm Oil in Cosmetics and Detergents was launched with Oriflame as one of the co-initiators.
- Oriflame scored 99B in the CDP 2015 climate change evaluation, gaining international recognition for Oriflame's actions to reduce carbon emissions and mitigate the business risks of climate change.
- Paper and board continues to be a key focus area. In 2015, 98% of the catalogue paper came from credibly certified sources and 85% of the display packaging cartons and leaflets were sourced from FSC-certified forests.
- During 2015, Oriflame successfully launched a first trial run using a biopolymer bottle in its Love Nature range.
- Since 2014, Oriflame uses only natural origin exfoliants when developing new products. Four new products were launched, in 2015, one of which was Love Nature Face Scrub containing almond shells.

2015 *markets*

The rapid change of Oriflame's geographical footprint continued during the year and the Company closed 2015 as a more balanced Company than ever before. During 2015, Oriflame grew with double-digit growth in Latin America and Turkey, Africa & Asia, now accounting for almost half of the Group's sales and an even larger share of the operating profit.



Turkey, Africa & Asia

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

2015 development in brief

- Local currency sales increased by 23%
- Active Consultants increased by 12% to 1.1 million Oriflame Consultants
- Adjusted operating margin was 16.0%

Most markets performed well during the year, with healthy growth in India, Indonesia and Turkey. Very strong development could be seen in Nigeria and China reporting triple-digit growth, primarily driven by Skin Care and Wellness sets and routines, strong leadership and online activity.

OPERATIONS

Production

NOIDA, INDIA – Skin Care, Body Care/ Toiletries, Colour Cosmetics.

KUNSHAN AND BEIJING, CHINA – Skin Care, Body Care/Toiletries, Colour Cosmetics.

BEIJING, CHINA – Wellness

RORKEE, INDIA – Wellness

Offices

Regional office in Bangkok, Thailand and Delhi, India. Regional office in Warsaw for Africa.

Catalogue creation and printing

Turkish catalogue created in Turkey. China and Southeast Asia catalogues created in Thailand. South Asia catalogue created in India. African catalogue created in Poland. Turkey and the majority of the Asian and African markets are printed locally in each market.

CIS

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

2015 development in brief

- Local currency sales decreased by 11%
- Active Consultants decreased by 21% to 1.3 million Oriflame Consultants
- Sales in the region's largest market, Russia, decreased by 9% in local currency
- Adjusted operating margin was 9.2%

The overall consumer situation in some key markets was weak in 2015. Significant price increases were implemented to offset the devaluation in primarily Russia and Ukraine, which had an adverse effect on volumes. Efforts continued to promote activity among the Oriflame Consultants, emphasising leadership development and the sales program.

OPERATIONS

Production

NOGINSK, RUSSIA – Global factory supplying all regions. Shampoos, deodorants, liquid soaps, lipsticks and other cosmetic products. Officially opened in February 2015.

Group Distribution Centres

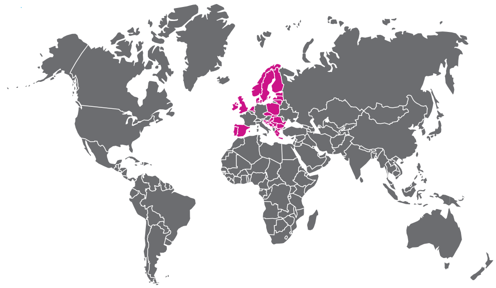
KIEV, UKRAINE – Serving the Ukrainian market.
NOGINSK, RUSSIA – Serving primarily the Russian market.

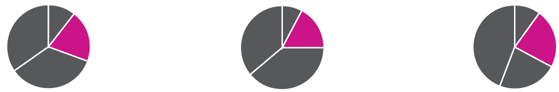
Offices

Regional office in Moscow, Russia.

Catalogue creation and printing

CIS catalogue created in Russia. Russia and CIS markets printed in Ukraine.





Sales Active Consultants Operating profit

Europe

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

2015 development in brief

- Local currency sales decreased by 5%
- Active Consultants decreased by 5% to 0.6 million Oriflame Consultants
- Adjusted operating margin was 14.1%

Performance in Europe improved during the second half of 2015 as a result of various initiatives, including Success Plan changes, leadership development, catalogue enhancement and online offerings and tools. The situation in Southern Europe remained challenging.

OPERATIONS

Production

WARSAW, POLAND – Global factory supplying all regions. Skin Care, Body Care/Toiletries, Colour Cosmetics (colour emulsions).

Group Distribution Centres

WARSAW, POLAND – Serving eleven markets.
BUDAPEST, HUNGARY – Serving twelve markets. One new market (Greece) planned to join during 2016.

Offices

Regional office in Warsaw, Poland.

Catalogue creation and printing

Central European catalogue created in Poland, Western European catalogue created in Sweden. All European markets are printed in Poland.

Latin America

Chile, Colombia, Ecuador, Mexico, Peru

2015 development in brief

- Local currency sales increased by 12%
- Active Consultants increased by 14% to 0.3 million Oriflame Consultants
- Continued strong sales growth particularly in Mexico and Colombia, while Ecuador was impacted by import restrictions
- Adjusted operating margin was 11.7%

The positive trend continued in Latin America in 2015 with a strong momentum, especially during the second half of the year, driven by Mexico and Peru.

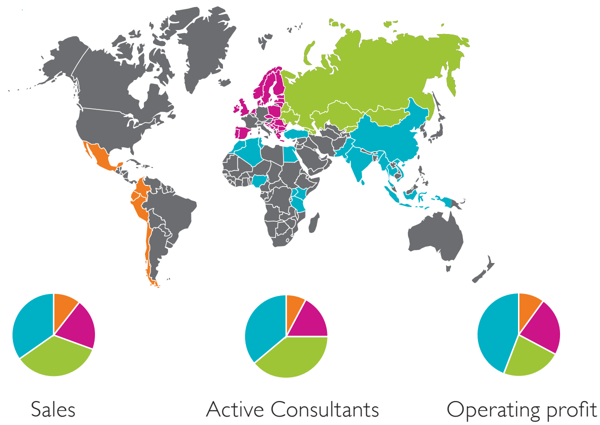
OPERATIONS

Offices

The regional office was successfully moved from Santiago de Chile to Mexico City during the year.

Catalogue creation and printing

Created and printed in Mexico for all Latin American markets.



Group

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

2015 development in brief

- Local currency sales increased by 1%
- Active Consultants amounted to 3.2 million Oriflame Consultants
- Adjusted operating margin was 8.3%

2015 was another year of challenging market conditions in the CIS. At the same time it was a year when improvements could be seen in Europe and when Latin America and Turkey, Africa & Asia continued to record strong performance – now accounting for almost half of the Group's sales.

OPERATIONS

Production

Six production facilities in four countries.

Group Distribution Centres

Four Group Distribution Centres in four countries.

Offices

Corporate Offices in Schaffhausen, Switzerland and in Luxembourg.

Group Support Offices in Dublin, Ireland, Prague, Czech Republic, Stockholm, Sweden, and Warsaw, Poland.

IT, finance and HR Service Centers in New Delhi, India, Mexico City, Mexico, Olomouc, Czech Republic, Voronezh, Russia and Warsaw, Poland.

Key FIGURES

THREE-YEAR RECORD

€ million unless stated otherwise	2015[1)]	2014[2)]	2013
Sales	1,211.6	1,265.8	1,406.7
Gross profit	838,3	866.4	986.4
Gross margin, %	69.2	68.4	70.1
EBITDA	117.4	122.9	166.5
Operating profit	90.6	94.7	136.6
Operating margin, %	7.5	7.5	9.7
Adjusted operating profit	100.2	97.8	142.4
Adjusted operating margin, %	8.3	7.7	10.1
Net profit	34.2	37.5	78.6
Adjusted net profit	43.2[3)]	47.0[4)]	84.4
Return on capital employed, ROCE, %	20.7	19.9	25.4
Return on operating capital, %	25.4	21.8	29.8
Cash flow from operating activities	122.2	90.0	112.1
Cash flow from operating activities, per share, €	2.19	1.62	2.02
Equity/assets ratio, %	21.2	20.2	21.9
Net interest-bearing debt	171.6	245.4	275.9
Net debt at hedged values/EBITDA	0.8	1.6	1.6
Interest cover	4.8	5.4	7.6
Adjusted earnings per share, diluted, €	0.79[3)]	0.84[4)]	1.52
Active consultants ('000)	3,246	3,473	3,460
Sales per active consultants, €	370.3	362.4	404.0
Average number of full-time equivalent employees	6,535	7,039	7,340

1) Adjusted for non-recurring items of €9.6m.
2) Adjusted for non-recurring items of €3.1m.
3) Adjusted for additional non-recurring tax items of (€0.5m).
4) Adjusted for additional non-recurring tax items of €6.4m.

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
Adjusted 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

Sales, € million	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4
CIS	154.9	132.7	112.7	149.1	108.4	97.4	77.2	104.0
Europe	68.3	65.1	57.4	76.7	61.0	58.7	56.8	77.0
Latin America	26.5	31.1	32.6	32.5	30.4	35.7	35.3	35.6
Turkey, Africa & Asia	75.2	79.8	70.1	93.9	104.9	107.4	91.7	120.4
Manufacturing	0.8	0.2	0.3	0.1	1.5	0.3	0.6	0.7
Other	1.5	1.5	1.4	1.4	1.6	1.5	1.6	1.8
Oriflame	**327.2**	**310.4**	**274.5**	**353.7**	**307.8**	**301.0**	**263.2**	**339.5**

Adjusted operating profit, € million	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4
CIS*	22.2	12.6	13.9	18.3	12.6	6.9	7.1	8.9
Europe*	6.8	7.9	6.1	12.2	7.5	8.4	8.9	10.9
Latin America*	2.6	4.2	4.6	3.4	1.8	4.1	5.0	5.1
Turkey, Africa & Asia*	9.2	11.2	7.4	14.9	12.7	18.4	12.8	24.1
Manufacturing	1.5	(0.6)	(0.0)	(2.1)	0.7	0.4	2.7	2.3
Other	(19.2)	(10.0)	(12.3)	(16.9)	(18.1)	(13.3)	(17.4)	(12.4)
Oriflame	**1) 23.1**	**2) 25.3**	**19.7**	**3) 29.8**	**17.2**	**4) 25.0**	**19.1**	**5) 38.9**

* Excludes costs accounted for in the segments Manufacturing and Other such as market, sales and IT support, financial expenses, gain/loss on exchange rates and manufacturing overheads.

Active consultants, 000	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4
CIS	1,637	1,477	1,315	1,626	1,531	1,243	1,075	1,281
Europe	580	547	501	589	542	499	479	556
Latin America	213	233	237	231	227	228	268	263
Turkey, Africa & Asia	1,051	967	895	1,027	1,129	1,053	974	1,146
Oriflame	**3,481**	**3,224**	**2,948**	**3,473**	**3,429**	**3,023**	**2,796**	**3,246**

1) Adjusted for non-recurring items of €0.4m
2) Adjusted for non-recurring items of €1.3m
3) Adjusted for non-recurring items of €1.3m
4) Adjusted for non-recurring items of €3.2m.
5) Adjusted for non-recurring items of €9.6m.

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

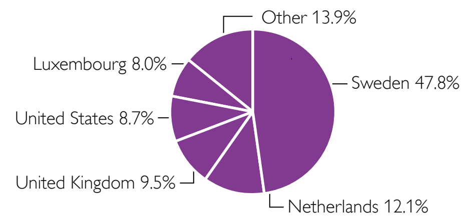
On 23 June 2015, Oriflame Holding AG was listed on the Nasdaq Stockholm Exchange, following a share-for-share exchange offer to all SDR and shareholders of the previous top holding company Oriflame Cosmetics SA. Oriflame Cosmetics SA, was introduced on the Nasdaq Stockholm Exchange on 24 March 2004 through an initial public offering of Swedish Depositary Receipts (SDRs). On 31 December 2015, the number of shareholders was 8,348. The last price paid on 30 December 2015 was SEK 136.00, giving Oriflame a total market capitalisation of SEK 7.4 billion. During 2015, an average of 158,083 SDRs and shares were traded per day on the Nasdaq Stockholm Exchange.

ORIFLAME COSMETICS TOP 10 SHAREHOLDERS AS AT 31 DECEMBER 2015

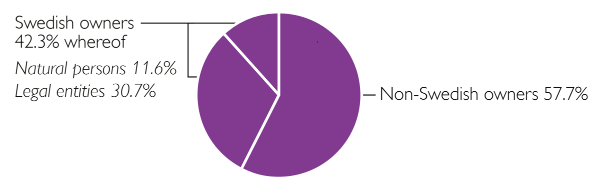
		Shares/SDR's	Share capital and voting rights, %
1	Af Jochnick BV	6,327,001	11.4
2	Fourth Swedish National Pension Fund (AP4)	5,267,486	9.5
3	Robert and Alexander af Jochnick and family	5,142,735	9.2
4	Jonas af Jochnick and Family	4,367,190	7.8
5	Investment AB Öresund	2,802,990	5.0
6	M&G Invest Management Ltd.	2,316,905	4.2
7	Danske Capital Sweden AB	1,636,589	2.9
8	Handelsbanken Fonder AB	1,409,284	2.5
9	JPMorgan Asset Management (UK) Ltd.	1,154,058	2.1
10	ODIN Forvaltning AS	1,042,685	1.9
	Treasury shares owned by the company	100,000	0.2
	Others	24,141,640	43.3
	Total shares issued	**55,708,563**	**100.0**

Source: Cmi2i and Share register

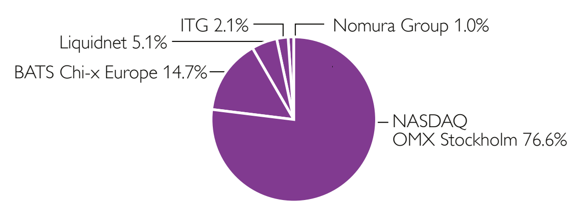
Geographic distribution of shareholders 2015



Distribution of shareholder-type 2015



Place of SDR trading 2015



HISTORY OF SHARE CAPITAL

The table below presents the changes in the Company´s share capital since 2014.

Year	Transaction	Change in numbers of shares	Change in share capital EUR '000	Total number of shares	Total share capital EUR '000
2014	Initial emission	100,000	124	100,000	124
19-06-2015	New issue	48,391,447	69,468	48,491,447	69,592
08-07-2015	New issue	4,516,596	6,475	53,008,043	76,067
14-08-2015	New issue	1,288,931	1,782	54,296,974	77,850
11-09-2015	New issue	149,049	205	54,446,023	78,054
30-09-2015	New issue	1,262,540	1,734	55,708,563	79,788

OWNERSHIP STRUCTURE AS AT 31 DECEMBER 2015 (EXCLUDING TREASURY SHARES)

Shareholding	Number of shareholders	%	Number of shares/SDR's	%
1 – 1,000	7,295	87.4	1,438,627	2.6
1,001 – 10,000	787	9.4	2,522,555	4.5
10,001 – 50,000	157	1.9	3,662,151	6.6
50,001 – 500,000	89	1.1	14,384,578	25.9
500,001 – 1,000,000	10	0.1	6,919,525	12.4
1,000,001 –	10	0.1	26,681,127	48.0
Total	**8,348**	**100.0**	**55,608,563**	**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.

The Board of Directors intends, in line with the Dividend Policy of distributing at least 50% of the Net Profit, to propose to the 2016 AGM a total dividend of €0.40 per share, to be paid in equal instalments of €0.20 respectively during the fourth quarter 2016 and the first quarter 2017.

SHARE TRADE

A total number of 40 million shares and SDRs were traded on Nasdaq Stockholm during 2015, accounting for 76.6 percent of total turnover in the share and SDRs. Oriflame´s SDR and share is also traded in marketplaces outside of Nasdaq Stockholm such as Bats Chi-X, Turquoise and Burgundy.

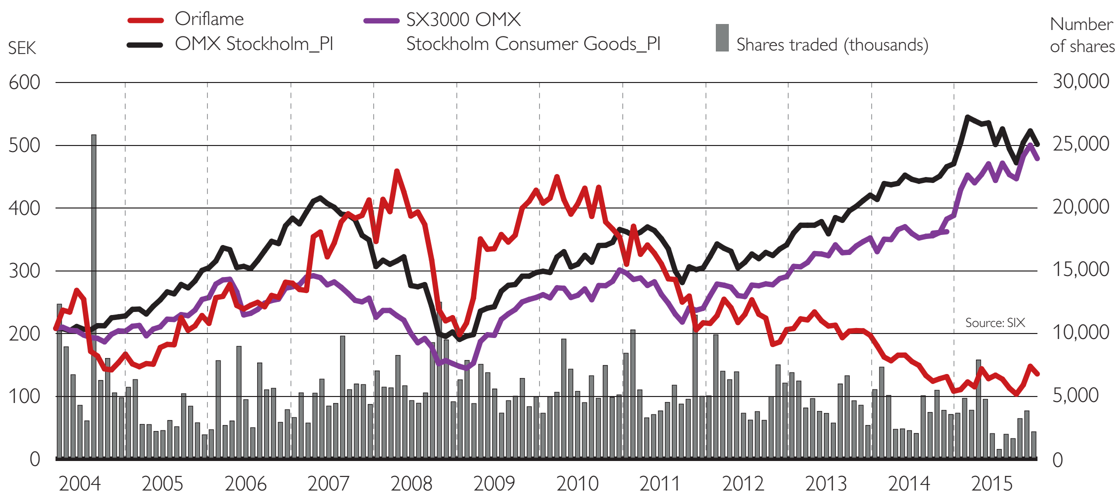
SHARE DATA

Listing	Nasdaq Stockholm
No of shares issued	55,708,563
Adjusted earnings per share	€0.79
Dividend per share	€0.40
Market capitalisation at 31 December 2015	SEK 7.4 billion
Ticker code	ORI
ISIN-code	CHO256424794

ANALYSTS FOLLOWING ORIFLAME

Andreas Lundberg	ABG Securities
Niklas Ekman	Carnegie
Anders Hansson	Danske Bank
Rosie Edwards	Goldman Sachs
Erik Sandstedt	Handelsbanken
Guillaume Delmas	Nomura
Stellan Hellström	Nordea
Olof Larshammar	SEB
Christian Andersson	Swedbank

SHARE PRICE



Corporate Governance Report

INTRODUCTION

Corporate governance, management and control of Oriflame are apportioned among the shareholders at general meetings of shareholders, the board of directors of Oriflame Holding AG (the Board), the Board's elected committees and the executive management in accordance with Swiss law, Oriflame Holding AG's articles of association and the organisational regulations implemented by the Board. Oriflame complies with the Swedish Code of Corporate Governance* (the Code) to the extent that the Swedish Code does not conflict with Swiss law or regulations.

In common with most EU corporate governance codes, the Code sets out recommendations rather than mandatory rules. The Code is based on the principle of comply or explain, whereby companies are allowed the freedom to deviate from the Code if they feel alternative solutions better fit their particular circumstances, provided that they report the deviation(s), describe the alternative solution(s) and explain the reasons why. Oriflame's deviations are reported and explained under the heading Comply or Explain.

This corporate governance report has been prepared in accordance with the Code. It has been read by Oriflame's auditor.

Change of Domicile and Parent company of the Oriflame Group

During 2015, Oriflame completed the process of aligning its legal structure with its operations by changing its domicile from Luxembourg to Switzerland. The domicile change was achieved by having the newly created Swiss entity Oriflame Holding AG (OHAG) issue a public offer to Oriflame's shareholders to exchange their shares in Oriflame Cosmetics S.A. (OCSA) to shares in OHAG. The exchange offer was successfully completed during the summer and, as a consequence, OHAG became the new parent company of the Oriflame Group and was listed on Nasdaq Stockholm on 23 June 2015. As a planned consequence, OCSA was subsequently delisted from Nasdaq Stockholm, on 3 July 2015. On 30 September 2015, as a final step, OCSA was merged with OHAG, with OHAG as the surviving entity.

Except where explicitly stated, this Corporate Governance Report covers the activities and events of OHAG alone, and not OCSA.

* The Swedish Code of Corporate Governance effective as of 1 November 2015, including any amendments and instructions issued by the Swedish Corporate Governance Board, is available at www.corporategovernanceboard.se.

COMPLY OR EXPLAIN

OHAG deviates from the Code concerning the appointment of the nomination committee and its tasks: According to Swiss company law the nomination of the directors of the board, its chairman, the external auditor as well as appointment of the chair of the general meeting are inalienable tasks of the board of directors. The nominations to the board of directors, chairman of the board and auditor are to be presented by the board of directors to the annual general meeting for resolution. The board of directors proposals to the annual general meeting can be prepared by a committee, provided that such committee only consists of directors of the board. In keeping with Swiss company law OHAG has therefore formed a nomination committee consisting solely of OHAG directors. This is a deviation from the Code, which stipulates that the shareholders are to appoint (or specify how to appoint) the nomination committee members and that directors of the board can be part of the nomination committee but may not constitute a majority thereof. During 2015 OHAG also deviated from the Code by having the nomination committee consist of only two members (whereas the Code states that the nomination committee shall have no fewer than three members). However, in order to ensure relevant input from shareholders, OHAG's nomination committee consults with, inter alia, with OHAG's five largest shareholders before presenting their proposal to the board. As was also the practice in OCSA, the nomination committee does furthermore not make any recommendation on auditor's remuneration as, under Swiss law, the remuneration of the auditors is not a shareholders' decision. Nor does the nomination committee of OHAG prepare any recommendations on board and committee remuneration as, in accordance with Swiss law, such recommendations are to be put forward to the annual general meeting by the board of directors, and can only be prepared by the remuneration committee.

OHAG deviates from the Code concerning the appointment of the nomination committee: While the Code stipulates that the board of directors shall appoint a remuneration committee, the members of OHAG's remuneration committee are, in accordance with Swiss law, appointed by the general meeting.

OHAG furthermore deviates from the Swedish Code by not having its general meetings hosted in the Swedish language: OHAG's general meetings are hosted in English only. As OHAG is a Swiss company the location for general meetings of shareholders is in Switzerland. It has not been deemed warranted from ownership structure point of view to offer simoultaneous interpretation of the general meeting into other languages than english. OHAG however translates the notice and agenda to its general meetings into Swedish (available for download or ordering on OHAG's website).

OHAG also deviates from the Code concerning the shareholders' influence on share and share-price related incentive schemes for the executive management as, under Swiss law, the arrangement of such schemes is one of the inalienable powers of the board. However, shareholders still have considerable influence on remuneration issues in OHAG: Both the approval of conditional share capital increases, which are usually used to create shares for incentive schemes, as well as of the aggregate amount of remuneration (both fixed and variable remuneration, regardless of whether paid out in cash or shares) for the board and executive management lie within the discretion of the general meeting.

During 2015 OHAG also deviated from the Code by having more than one member of executive management being a director of the board: Since the 2015 annual general meeting, the CFO of the Oriflame Group, Gabriel Bennet, has been a director of OHAG. Gabriel Bennet was appointed a director in order to, for a transitional period, facilitate the handling of certain administrative Swiss matters related to the share-for-share exchange offer. As the share-for-share exchange offer and all related transactions were successfully completed in September 2015, Gabriel Bennet will, as originally intended, not be up for re-elction to the board of directors. Gabriel Bennet continues in his role as CFO.

GENERAL MEETINGS

The supreme governing body of a Swiss stock corporation (Aktiengesellschaft) is the general meeting. A general meeting is normally convened by the board of directors. At least one general meeting shall be held per year. The annual general meeting takes place annually within six months of the end of the financial year. The agenda of the annual general meeting shall include the following items: (i) the approval of the management report, the annual financial statements and the consolidated financial statements, as well as the resolution on the appropriation of the profits as shown In the balance sheet, in particular, the declaration of dividends; (ii) the release from personal liability of the directors of the board and the persons entrusted with the executive management; (iii) the individual election of the directors of the board and the election from among them of the Chairman and the individual election of the members of the Remuneration Committee as well as the election of the independent proxy and the auditors; and (iv) the approval of the remuneration of the board of directors and executive management pursuant to the articles of association.

Extraordinary general meetings may be convened as and when required by the board of directors, the auditors and liquidators. Extraordinary general meetings shall be convened by the board of directors upon resolution by a general meeting or at the written request of one or more shareholders with voting rights representing an aggregate proportion of at least 10 per cent of the share capital, specifying the items and proposals to appear on the agenda and, in case of elections, the names of the candidates. General meetings shall be held where the company has its registered office or at such other location determined by the board of directors. OHAG intends to hold its general meetings in Switzerland. Minutes from general meetings will be published on OHAG's website.

The right to participate at general meetings shall accrue to any shareholder who is entered in the share register kept by Euroclear Sweden or the company on the record date determined by the board of directors and who has notified OHAG thereof not later than the date specified in the notice to attend the general meeting. The notice of participation at a general meeting shall be given as specified in the notice to attend the general meeting. A shareholder who is not personally present at a general meeting may exercise his or her rights at the meeting through a proxy or through the independent proxy. The independent proxy is obligated to exercise the shareholder's vote in accordance with the shareholder's instructions. As stated below, the independent proxy is appointed by the general meeting. Both natural persons and legal entities may be appointed as independent proxy.

Notice to attend a general meeting shall always take place through an announcement in the Swiss Official Gazette of Commerce (the equivalent to the Swedish Official Gazette (Sw. Post- och Inrikes Tidningar)) and may be sent by mail to each registered shareholder as well as through a press release. Moreover, OHAG publishes a shortened version of the notice to attend a general meeting in a daily Swedish newspaper. The notice to attend shall be published and sent by mail, as applicable, not later than 20 calendar days prior to the general meeting. Furthermore, the notice to attend must contain a proposed agenda for the general meeting and shall clearly state the matters to be addressed at the general meeting. The notice to attend is also made public via a press release and is published on OHAG's website.

Written requests to convene an extraordinary general meeting may be given by one or more shareholders jointly representing at least ten per cent of the share capital. Such notice shall be sent to the board of directors and shall state the purpose of the general meeting as well as a proposed agenda. Furthermore, shareholders jointly representing shares with a nominal value of CHF 1,000,000 or at least 10 per cent of the share capital may demand that an item be placed on the general meeting agenda. Swiss company law stipulates the following inalienable powers of the general meeting:

- to determine and amend the articles of association;
- to elect individually the directors of the board and the external auditor;
- to approve the management report and the consolidated accounts;
- to approve the annual accounts and resolutions on the allocation of the disposable profit;
- to discharge the directors of the board;
- to pass resolutions concerning the matters reserved for general meetings by law or the articles of association.

Furthermore, a general meeting of a Swiss company with shares listed in Switzerland or abroad has the following additional inalienable powers regarding:

- election of the chairman of the board;
- election of the members of the Remuneration Committee;
- election of the independent proxy;
- resolutions concerning remuneration of directors and the executive officer as well as the remuneration of the advisory board (if applicable).

As a general rule, a shareholder may exercise his voting rights in proportion to the total nominal value of the shares owned or represented by such a shareholder, unless otherwise prescribed in the articles of association. The articles of association may limit the number of votes allocated to an owner of several shares. However, each shareholder is entitled to at least one vote. The voting rights of the shareholders are determined by the nominal value of the share. In this case, the shares with the lowest nominal value will be worth at least one tenth of the nominal value of the other shares. The articles of association may specify that voting rights are not dependent on nominal value with the result that each share carries one vote. The determination of the voting rights according to the number of shares does not apply to the appointment of auditors, the appointment of experts to inspect management practices or individual parts thereof, or a resolution on raising a liability action against a director of the board. OHAG's articles of association do not limit the number of votes allocated to any owner. Furthermore, OHAG has issued only one class of shares, with one and the same nominal value (CHF 1.50) and the same voting right for each share (one vote per share).

The general meeting passes resolutions and conducts its elections by an absolute majority of the votes represented, unless Swiss law or the articles of association provide otherwise. However, a general meeting resolution passed by a majority of at least two-thirds of the votes represented and an absolute majority of the entire nominal capital represented at the general meeting in respect of which a right to vote may be exercised is required, inter alia, in the case of:

- the amendment of the objects of the company;
- the introduction of capital contributions with preferential voting rights;
- an increase in or easing of the restrictions on or the prohibition of the transferability of capital contributions;
- the restriction or revocation of subscription rights;
- the relocation of the registered office of the company;
- the dissolution of the company.

To the extent that personal notification is not required by law, all communications to the shareholders shall be deemed valid if published in the

Swiss Official Gazette of Commerce. Communications by OHAG to its shareholders may also be sent by ordinary mail to the last address of the shareholder entered in the share register of the company.

Oriflame does not permit remote participation in general meetings. Oriflame does, however, enable shareholders to vote without being present – by proxy as well as by electronic voting. Since it is listed on the Nasdaq Stockholm Exchange, Oriflame also hosts a shareholders' day in Stockholm in advance of the annual general meeting, where shareholders have the opportunity to meet with directors and management and to ask questions related to, inter alia, the annual general meeting. In advance of the 2016 annual general meeting, such a shareholders' day was held on 22 March 2016.

BOARD OF DIRECTORS

The board of directors is responsible for the overall management of OHAG's business. Its duties include the issuing of all necessary directives, determination of the company's organisation, overall supervision of the persons entrusted with managing the company, implementation of resolutions of a general meeting, preparation of various company reports, accounting and minutes. The articles of association may authorise the board of directors to delegate the management or part of the company's business to individual members or third parties in accordance with its organisational regulations. These regulations regulate the management of the company's business, stipulate the bodies required to carry this out, define their duties and, in particular, regulate the company's internal reporting. Certain duties of the board of directors are, however, non-transferable and inalienable.

Swiss company law stipulates the following non-transferable and inalienable duties of the board of directors:

- the overall management of the company and the issuing of all necessary directives;
- determination of the company's organisation;
- the organisation of the accounting, financial control and financial planning systems as required for management of the company;
- the appointment and dismissal of persons entrusted with managing and representing the company;
- overall supervision of the persons entrusted with managing the company, in particular with regard to compliance with law, the articles of association, operational regulations and directives;
- compilation of the annual report, preparation for general meetings and implementation of their resolutions;
- notification of the court in the event that the company is over-indebted.

Moreover, the following resolutions are also non-transferable functions of the board of directors: Resolutions in connection with capital increases in accordance with Article 651a, 652g, 653g SCO (certain amendments of the articles of association) and Article 651 IV SCO (authorised capital increase), resolutions in accordance with Article 634a (subsequent contributions in respect of shares that are not fully paid-up) and certain resolutions in accordance with Swiss merger legislation.

In accordance with Article 14 of the articles of association, the Board has established rules of procedure which set forth how and when the Board convenes, including instructions for the allocation of duties and responsibilities within and between the Board, its committees and the Corporate Committee and the rest of executive management (the Organisational Regulations). The Organisational Regulations also contain instructions for financial reporting and set forth how reporting to the Board is to proceed. During autumn 2015, the Board reviewed and further updated the Organisational Regulations.

The board of directors may comprise one or more members. It may include employees of Oriflame (in which case, labour law will be applicable) or fiduciary trustees. At least one director of the board must be authorised to represent the company and the company must be able to be represented by one person with sole signatory rights who is resident in Switzerland or by two persons with joint signatory rights who are residents of Switzerland. This latter requirement may be fulfilled by a director of the board or by an executive officer. Such person's nationality does not matter. Deputy directors may not be appointed according to Swiss law. Currently, the board consists of ten directors. The Board consists of principal shareholders and persons independent of such shareholders. The CEO, and currently also the CFO (see further under the heading Comply or Explain), are members of the Board.

Directors of the board are appointed for a period up until the end of the next annual general meeting. Except for the appointment of the chairman of the board as well as the members of the remuneration committee by a general meeting in accordance with the articles of association, the board may organise itself. The board of directors is required to have a secretary, who has certain duties and authorities according to Swiss law. The secretary shall assist the board of directors, its committees and the chairman of the board in coordinating and fulfilling their duties in accordance with the company's Organisational Regulations.

Meetings of the board of directors shall be held as often as required. According to the Organisational Regulations, the Board shall convene at least four times per year, of which at least one meeting is to focus on business strategy issues. During the 2015 financial year, OHAG executed 17 circular resolutions and held six board meetings, one of which was a two-day strategy meeting. The secretary at board meetings is in-house counsel Pontus Andreasson.

Minutes shall be taken at meetings of the board of directors. A notation shall be made in the minutes of the discussion as well as the resolutions adopted by the board of directors. The minutes shall be signed by the chairman of the board and the secretary. Resolutions of the board of directors may also be adopted by written consent, by telefax, by e-mail or any other means enabling the passing of resolutions by text, provided that none of the members demands verbal discussion. A member must participate personally at the board meeting, and may not exercise his or her rights at the meeting through a proxy.

The board meetings usually begin with a discussion of the business and financial performance of the Group. The various financial reports and the annual report are reviewed and approved before being published. Other topics discussed at board meetings include general strategies, overall business reviews, long and short-term targets, human resources, investments, capital distribution, compliance and remuneration. At the end of each year, the CEO and the CFO present the target and budget proposition

2015 Board and committee attendance

	Board meeetings		Renumeration committee meetings		Audit committee meetings		Nomination committee meetings
Board member	(OCSA*)	(OHAG**)	(OCSA*)	(OHAG**)	(OCSA*)	(OHAG*)	(OHAG)
Alexander af Jochnick (Chairman)	13	6	1	3	2	2	2
Lilian Fossum Biner	13	6	1	3	2	2	–
Magnus Brännström	13	6	–	–	–	–	–
Anders Dahlvig	13	6	–	–	–	–	2
Jonas af Jochnick	13	6	–	–	–	–	–
Robert af Jochnick	13	6	–	–	–	–	–
Anna Malmhake	13	6	–	–	–	–	–
Helle Kruse Nielsen	13	6	–	–	2	2	–
Christian Salamon	13	6	–	–	2	2	–
Gabriel Bennet***	–	6	–	–	–	–	–
Total number of meetings	**13**	**6**	**1**	**3**	**2**	**2**	**2**

* Until 30 September 2015 (the effective date of the OCSA-OHAG merger).
** From 23 June 2015 (the date of OHAG becoming the ultimate parent company of the Oriflame Group).
*** Board member of OHAG only for an interim period since 19 May 2015 until the 2016 Annual General Meeting.

for the following year to the Board, which then reviews and discusses the proposal during one or several board meetings. Following discussions and possible adjustments, the Board approves the target.

The directors participate in all discussions. Directors may, however, not vote or deliberate on any motion in which they have a conflict of interest. A director is not counted in the quorum of a meeting if a conflict of interest disallows him/her from voting on a particular motion. Directors shall declare the nature of any conflict of interest prior to deliberating and voting on the issue, and such declaration is entered in the minutes of the meeting. The CFO is generally invited to all board meetings, and always to the board meetings convened to approve quarterly results. Other members of the Oriflame management are occasionally invited to board meetings in order to present issues related to their specific areas of responsibility. Auditing and internal control issues are carefully considered by the audit committee and then reported to the Board.

The auditors are invited to all regular audit committee meetings. At least once per year, the Board meets with the auditors without the CEO or other members of senior management being present. In advance of the 2015 year-end report, such a meeting took place on 17 February 2016.

Remuneration of the directors is determined by a resolution adopted by the annual general meeting. The 2015 annual general meeting resolved that the remuneration of the directors and committees until the next annual general meeting would amount to a maximum total of EUR 318,500, which means that the director and committee fees were kept unchanged compared with the preceding year: EUR 65,500 to the Chairman of the board, EUR 29,000 to each non-executive director, EUR 10,000 to each member of the Audit Committee and EUR 5,000 to each member of the Remuneration Committee.

Independence: Directors Lilian Fossum Biner, Anders Dahlvig, Anna Malmhake, Helle Kruse Nielsen and Christian Salamon are deemed independent of Oriflame, the company's management and the company's major shareholders.Magnus Brännström is not independent of the company, being the company's CEO. Robert, Jonas and Alexander af Jochnick are not independent of the company nor of its major shareholders: Robert and Jonas af Jochnick are co-founders of the company and, together with other members of the af Jochnick family, constitute the largest shareholder of the company. They have been directors since 1970.

For more information about the directors, please see the section Board of Directors on pages 104–105 of the annual report.

NOMINATION COMMITTEE AND NOMINATION PROCESS

Following the annual general meeting of OHAG on 19 May 2015, the OHAG board established a nomination committee from among its members. The purpose and aim of the nomination committee is to ensure the quality of the board and its committees and to nominate candidates for the board, the chairman of the board, the members of board committees, the independent proxy as well as the external audit of the company. The aim of the nomination committee is that elected directors will represent knowledge and competence relevant to Oriflame's operations.

The candidate nominations are prepared by the Committee and are then resolved upon by the board of directors before being put forward to the annual general meeting for election or re-election.

The members of the nomination committee are appointed by the board of directors each year following the annual general meeting. The nomination committee consults with, inter alia, OHAG's five largest shareholders. The nomination committee meets at least biannually. The members of the nomination committee formed in 2015 consist of Alexander af Jochnick and Anders Dahlvig. Anders Dahlvig is chairman of the nomination committee.

In order to reflect the best corporate governance practice among companies listed on the Nasdaq Stockholm Exchange, the nomination committee Charter stipulates that the nomination committee shall consult with, inter alia, the largest shareholders of the company. Such consultation took place in advance of the 2016 annual general meeting, when the nomination committee invited the five largest shareholders of the company to the first nomination committee meeting of the year to consult and agree on their further involvement in the nomination process. The following shareholder representatives have been involved and given their input to the nomination committee in advance of the 2016 annual general meeting: Per Hesselmark (Af Jochnick BV), Per Colleen (Fourth Swedish National Pension Fund) and Øystein Engebretsen (Investment AB Öresund). In addition, the af Jochnick family has been represented at the nomination committee meetings through Alexander af Jochnick.

In advance of the 2016 annual general meeting, the nomination committee formed in 2015 has met five times, twice during 2015 and three times during 2016. All meetings were attended by all committee members.

In advance of the 2016 annual general meeting, the work of the nomination committee comprised the following:

As a basis for its work, the nomination committee received a presentation and report of an evaluation conducted by an external consultant concerning the board and its work. The evaluation concluded 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 also concluded that the Board is composed of individuals with relevant and complementary expertise and that all directors demonstrated a high level of commitment. Independent directors are included in full compliance with requirements that apply for publicly listed companies in Sweden. External executive search expertise has been engaged by the nomination committee in order to identify potential new director candidates to ensure relevant succession.

The nomination committee has thereafter formulated its proposals for presentation to the board in advance of the annual general meeting to be held on 17 May 2016. The proposals relate to the:

i. composition of the board of directors including appointment of the Chairman;
ii. composition of the remuneration committee;
iii. appointment of auditors; and
iv. appointment of independent proxy for the next annual general meeting

Under Swiss law, the preparation of the proposals on remuneration of directors is not a task that can be delegated to the nomination committee. Such proposals have instead been prepared by the remuneration committee (see further below).

REMUNERATION COMMITTEE

As per mandatory Swiss law, Swiss companies whose equity securities are listed must have a remuneration committee. As per article 17 of the articles of association of OHAG, the remuneration committee consists of at least two directors of the board. Each member of the remuneration committee is elected individually by a general meeting for a term of office until the close of the next annual general meeting. The remuneration committee constitutes itself and elects a chair from among its members. It appoints its secretary who needs not be a director of the board or a member of the remuneration committee. The members of the remuneration committee elected by the annual general meeting of OHAG on 19 May 2015 for the time until the annual general meeting of OHAG relating to the 2015 business year are: Lilian Fossum Biner (committee chair) and Alexander af Jochnick. In-house counsel Pontus Andreasson is the current secretary of the remuneration committee.

Members of the remuneration committee whose term of office expires are immediately eligible for re-election. If there are vacancies on the remuneration committee, the board of directors may appoint the missing members from among its members for the remaining term of office.

The remuneration committee supports the board of directors in establishing and reviewing the company's remuneration strategy and guidelines and performance criteria as well as in preparing the proposals to the general meeting regarding the remuneration of the board of directors and executive management. It may submit proposals and recommendations to the board of directors in other remuneration-related issues. The board of directors has established a charter, which defines purpose, composition and procedural rules for the remuneration committtee, including its responsibilities and authorities for making proposals and decisions related to remuneration of the directors of the board and executive management in line with legal and regulatory requirements, the articles of association and the respective remuneration framework approved by the board of directors from time to time. The board of directors may delegate further responsibilities and authorities to the remuneration committee.

The purpose and aim of the remuneration committee is to ensure that Oriflame has access to the competence required at a cost appropriate to the company, and that the existing and future remuneration schemes have the intended effects for Oriflame's operations. The tasks of the committee are to review remuneration and other material terms of employment for Oriflame's executive directors, senior executives and other key personnel, monitor and evaluate programmes of variable remuneration for executive management and, in particular, to monitor and evaluate any share-based incentive programme implemented in Oriflame. The remuneration committee is also responsible for drawing up the report on executive pay (the Compensation Report), which is put forward to the shareholders at the annual general meeting. For further details of the remuneration committee's duties, please see the separate Compensation Report (pages 44–50 of the annual report).

Based on its reviews, the remuneration committee prepares proposals for resolutions, to be discussed and approved by the Board. The remuneration committee meets when necessary but at least twice per year. During 2015, the OHAG remuneration committee met three times. In addition to the standing items listed above, the work of the remuneration committee during 2015 also included the following:

- Review of all remuneration-related provisions of OHAG's articles of association;
- Review and, where relevant, amendments of executive management employment terms and conditions in order to ensure compliance with Swiss mandatory legislation.

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 Oriflame's accounting, financial reporting and internal control as well as financial risk exposure and risk management. It also reviews the work of the auditors. Based on these reviews, the audit committee prepares proposals for resolutions, subject to final approval by the Board. The audit committee meets at least biannually. In 2015, the OHAG audit committee met twice. The members of the audit committee comprised Lilian Fossum Biner, Alexander af Jochnick, Helle Kruse Nielsen and Christian Salamon (committee chair). The CFO and the Vice President Group Risk and Compliance report to the audit committee and, together with the company's auditors, are invited to all regular meetings.

AUDITOR

The annual general meeting held on 19 May 2015 resolved to elect KPMG as independent auditor in respect of the statutory accounts and consolidated financial statements until the close of business of the next annual general meeting. KPMG AG, Zurich is the Swiss member firm of KPMG International. It is the first year that KPMG AG, Zurich has been engaged as Oriflame's independent auditor. The auditteam is headed by Hélène Béguin. During the past two years, KPMG has provided advice to the company on fiscal and other matters. Apart from her engagement with Oriflame, Hélène Béguin holds no assignments for any persons affiliated with Oriflame or for any of Oriflame's major shareholders. In connection with the year-end audit, Hélène Béguin met with the board on 17 February 2016 in order to present the audit findings. The KPMG audit team is invited to all audit committee meetings throughout the year.

EXECUTIVE MANAGEMENT AND ORGANISATION

CEO and Corporate Committee

The CEO is appointed by the Board and is responsible for the day-to-day control of the Group. Oriflame's Chief Executive Officer Magnus Brännström was born in Sweden in 1966. He is a graduate of Uppsala University, Sweden, and joined Oriflame as Managing Director of Russia in 1997. He then became Regional Director for CIS, Baltics and Asia. He has been CEO since 2005.

The Corporate Committee is responsible for implementing the Group strategy, business control and the allocation of resources between the regions. The Corporate Committee is headed by the CEO. In addition to the CEO, the Corporate Committee consists of 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 executive management are set out in the Organisational Regulations and Officer Instructions drawn up by the Board. The Regulations and the Instructions are reviewed and reconfirmed or amended by the Board at least once per year.

Group Management

In addition to Corporate Committee members, Group Management consists of the following Vice Presidents

- Thomas Ekberg, Senior Vice President and Head of Global Business Area Asia & Turkey
- Emma Hågemo, Vice President Group Strategy
- Michael Cervell, Senior Vice President Global Direct Sales
- Stefan Karlsson, Senior Vice President and Head of Global Human Resources
- Johan Rosenberg, Senior Vice President and Head of Global Business Areas CIS and Latin America
- Antonia Simon-Stenberg, Vice President Sustainability and Quality Management

MANAGEMENT BUSINESS REVIEW

The Oriflame Corporate Committee has a full end-to-end review once a month to ensure compliance with the business strategy and the desired position. The process is led by an appointed business review leader, and executives and senior managers in the business are invited to review certain areas. The Management Business Review covers all core business processes within Oriflame, such as New Product Development, Demand & Catalogue and Supply Chain. The process is illustrated in the model presented on this page.

REGIONAL MANAGEMENT

Oriflame distributes its products through a network of approximately 3 million independent Oriflame Consultants in more than 60 countries. Group segmentation is based on cosmetics sales by geographic region, with the regions being CIS, Europe, Latin America, Turkey, Africa and Asia. Each region has its own staff and resources to facilitate 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 proposals are reviewed by the corporate functions and presented to the Board for approval within the strategy and target review meetings.

Oriflame has a local presence in each region in the form of wholly owned sales companies in a total of 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, Switzerland; Warsaw, Poland; Stockholm, Sweden; Prague, Czech Republic; Delhi, India and Bray, Ireland where support functions in the fields of R&D, Marketing, Sales Support, Global Supply, IT, Online, HR, and Finance are placed. The teams work together with the shared objective of giving Oriflame a competitive advantage by supplying first-class service and support to the local sales companies.

Report on Internal Control and Monitoring

This report on internal control and monitoring has been prepared in accordance with the Swedish Corporate Governance Code. It has been read by the Company's auditor. The Company's auditor have furthermore reviewed the Company's internal control systems to the extent necessary to deliver their audit opinion on the financial results, which in accordance with Swiss law includes a confirmation of the existence of an internal control system designed for the preparation of consolidated financial statements.

Back in 2010, the Company selected the COSO framework as a basis for its internal control system. The COSO framework was issued by the Committee of Sponsoring Organisations of the Treadway Commission. The framework consists of five components:

– Control environment,

– Risk assessment,

– Internal controls,

– Information and communication,

– Monitoring.

Since then, Internal Control is a permanent function within the Group.

CONTROL ENVIRONMENT

The Board of Directors 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, and ensuring compliance with defined guidelines. The policies and guidelines are the foundation for the internal control system.

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

The Audit Committee (composed of board members) monitors the effectiveness of internal controls, considers critical questions regarding accounting and regulatory compliance. The Company's auditor is invited to participate in the regular meetings of the Audit Committee. The Group Risk and Compliance Director is also a regular invitee to the Audit Committee meetings, as head of internal control, in order to present the latest developments on internal controls, related policies, procedures and to formally request approval of the Audit Committee, where relevant. For each business area and corporate function, the Chief Financial Officer has appointed a Vice President Finance, who is responsible for the implementation and documentation of internal controls, as well as for reporting in accordance with Company guidelines, and ensuring compliance with local laws and regulations.

Each Vice-President Finance may be supported in this task by one or several Regional Finance Directors. The Group Risk and Compliance Director is responsible for the design of internal controls. The head of finance in each Oriflame entity is in charge of the implementation and of the documentation of internal controls.

Internal Control Managers, reporting to the Group Risk and Compliance Director, are in charge of verifying internal controls implemented locally. They specifically consider the implementation of the controls as well as their effectiveness, by reviewing the quality of the documentation. They subsequently report the results of their verifications to the Vice-Presidents Finance and Regional Finance Directors, who are then responsible for supervising and monitoring the execution of the recommended improvements and changes within their area of responsibility.

Since 2011, the Company has deployed an internal control software platform, which enables real-time monitoring of the existence of internal controls, as well as the preservation of historical data.

Since 2013, in order to further strengthen the attention to risk and compliance matters within the organisation, Oriflame has appointed a Vice President Group Finance, Risk and Compliance.

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 banks, 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 Company has added legal compliance and fixed assets control processes to the management of risks related to corporate integrity.

In 2013, the management of risks related to the hedging function of the Treasury department 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.

In 2014, the Company has implemented internal controls for Tax reporting & Consolidation, as well as expanded the scope and depth of Treasury-related controls.

INTERNAL CONTROLS

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

The key controls encompass the controls that are most critical to the integrity of financial statements. Non-key controls are also in place for risks that may not affect the financial statements, but are critical to mitigate operational risks.

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.

COMPLIANCE REPORTING MECHANISM – CODE OF CONDUCT

Since 2007, Oriflame operates a compliance reporting mechanism administered by the General Counsel of the group, who guarantees confidentiality and protection to employees reporting in good faith. All reports containing allegations of misconduct per the Oriflame code of conduct are investigated and recommendations are communicated to the management of the group in order to take action where necessary. The statistics of the reporting mechanism, as well as the highlights of the major cases, are presented on a quarterly basis to the Audit committee, while preserving the confidentiality of the employees having reported.

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, as well as via memorandums and internal meetings. There are also formal and informal information channels that enable employees to communicate important information to relevant recipients.

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

The control process descriptions, internal controls and documentation are available to the relevant employees through the Internal Control software platform.

MONITORING

The internal control system is continuously monitored at group level by the Group Risk and Compliance Director, and pending matters or concerns are addressed to the relevant personnel immediately. If an internal control is not implemented or if the documentation is not relevant, the Finance Manager in charge is asked to perform or correct the control procedure and provide new or relevant evidence. Internal control managers are also involved in the continuous improvement of the internal control system, along with the Group Risk and Compliance Director.

Compensation Report

1. INTRODUCTION

The Compensation Report outlines the principles behind, and the elements of, the remuneration paid to the board of directors of Oriflame Holding AG and the company's executive management and also includes its subsidiaries (Oriflame Holding AG and where applicable its subsidiaries; hereafter collectively referred to as Oriflame). It details the remuneration paid to the board of directors and executive management in accordance with Swiss law. It also details the shareholdings in the company held by the board of directors and executive management, as well as the details of the Share Incentive and Retention Plan covering the executive management and other senior executives of Oriflame.

This Compensation Report will be submitted to the annual general meeting (AGM) of the company to be held on 17 May 2016 for a consultative vote.

2. GOVERNANCE

2.1 Overview

The board of directors has overall responsibility for defining the remuneration principles of Oriflame and the proposed remuneration of the board of directors and executive management (the Corporate Committee). The board of directors has delegated the preparatory work involved to the Remuneration Committee, which submits its proposal to the board for review and approval. After approval, the board puts forward the proposals to the AGM for final approval.

2.2 Remuneration Committee

Starting at the 2016 AGM and in accordance with Swiss Company law, the members of the Remuneration Committee are elected by the shareholders. Once elected, the Remuneration Committee constitutes itself and elects its Chair. The board of directors has established a charter, which defines the purpose, composition and procedural rules of the Remuneration Committee, including its responsibilities and authorities for making proposals and decisions related to remuneration of the directors of the board and executive management.

Only directors of the board can be members of the Remuneration Committee. The Chairman of the board may be a Remuneration Committee member and may also be its Chairman. The other members of the Remuneration Committee shall be independent of Oriflame and its executive management.

The Remuneration Committee formed following the 2015 AGM and in place until the 2016 AGM consists of Lilian Fossum Biner (Committee Chair) and Alexander af Jochnick (Chairman of the board).

The purpose and aim of the Remuneration Committee is to ensure that Oriflame has access to the competence required at an appropriate cost, and that the existing and future remuneration schemes have the intended effects for Oriflame's operations.

The tasks of the Remuneration Committee are to:

- Support the board in establishing and reviewing Oriflame's remuneration strategy and guidelines and performance criteria and prepare the proposals for presentation to general shareholders' meetings regarding the remuneration of the board and executive management;
- Submit proposals and recommendations to the board concerning other remuneration-related issues;
- Prepare the Compensation Report that the board of directors is legally obliged to establish, as well as the current remuneration structures and levels among Oriflame's executive management;
- Monitor and evaluate variable remuneration programmes for executive management, both ongoing and those that ended during the year;
- Monitor and evaluate any employee benefits plan, including, without limitation, any stock option or similar plan implemented in Oriflame.

For information about the work of the Remuneration Committee during 2015, please see page 39 in the Corporate Governance Report.

3. REMUNERATION OF EXECUTIVE MANAGEMENT

3.1 General principles of remuneration

Oriflame shall attract and retain the competence required in order to successfully manage its operations, at a cost appropriate to the company. Oriflame shall offer competitive remuneration packages with regard taken to position and market in order to attract and retain the best individuals for the positions. In order to promote long-term ownership interest and thus ensure promotion of Oriflame's long term objectives and alignment with shareholders' interests, Oriflame offers its key management personnel an opportunity to participate in a Share Incentive and Retention Plan.

Oriflame's total remuneration offering to its employees comprises fixed base salaries, bonus/profit-sharing schemes, share-incentive programmes and pensions. The use of these various components is illustrated by the table to the right.

3.2 Executive remuneration overview

The remuneration of executive management consists of the following key components:

i. Fixed base salary
ii. Variable remuneration in the form of profit sharing linked to an increase in operating profit
iii. Variable remuneration in the form of Share Incentive and Retention Plan (SIP)
iv. Pensions, including contributions to private defined-pension contribution schemes and state or country-mandated schemes
v. Other non-monetary benefits associated with the position

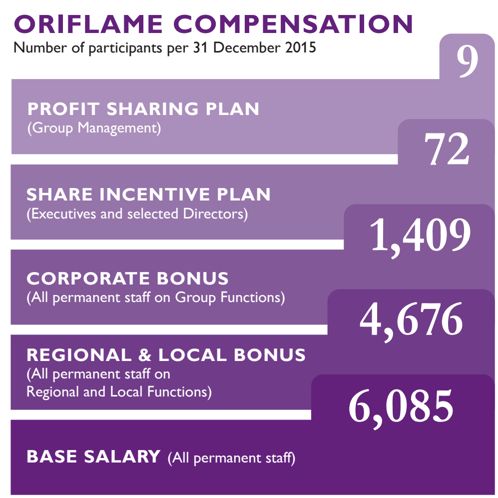
i. Fixed Base Salary

The members of Oriflame's executive management are offered fixed salaries that are competitive and are based on the respective individual's responsibilities and performance, as well as being commensurate with market salaries for similar roles in companies that are comparable with Oriflame in terms of size, industry, complexity and geographical scope.

Base salary adjustments are made primarily on the basis of market evolution, change of responsibilities and the inflation trend, although at all times taking into consideration the executive's performance and contribution to company results. Salary adjustments for members of executive management are decided by the board of directors.

ii. Profit Sharing

The company allocates 10 per cent of any increase in adjusted operating profit compared with the preceding year to be shared among the company's executive management and the members of Group Management, although the amount for each individual is capped at the equivalent of 12 months' salary. The allocation is made according to position. The 10 per cent includes company costs for social charges.



iii. Share Incentive and Retention Plan:
Oriflame offers a Share Incentive and Retention Plan covering Oriflame's executive management and approximately 70 additional senior employees. Each year, the individuals are invited by the board of directors to designate as Investment Shares under the Plan a number of Oriflame shares they either already own or will purchase at the current market price. In return, the participants will, within an Investment Period of normally three to five years, receive between 0 and 8 free shares (i.e. the Achievement Shares) per Investment Share. The number of Achievement Shares awarded depends on the increase in Oriflame's adjusted operating profit over the Investment Period. For each investment year, an award grid proposal is developed by the Remuneration Committee and ultimately resolved upon by the board of directors. The award grid is based on Oriflame's long-term strategic scenario and is set so that reaching the targets results in an award of 4 Achievement Shares per Investment Share. The number of Investment Shares offered is determined so that the potential dilution of the share Incentive and Remuneration Plan never exceeds 1 per cent per year of the plan.

In order to be eligible for any Achievement Shares, the participants need to i) remain employed by Oriflame throughout the Investment Period*, and ii) keep their Investment Shares for the entire Investment Period**.

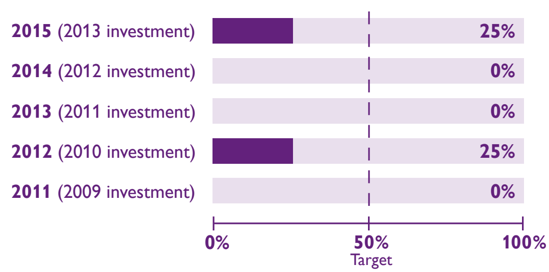
The historical pay-out under previous Share Incentive Plans issued on similar terms for the past five years is illustrated by the table below.

The aggregated dilution over the past five years, resulting from the plans, amounts to a total of less than 1 per cent. Further details on non-vested grants and Oriflame's costs for the Share Incentive and Retention Plan can be found in Note 23 of the Annual Report.

iv. Pensions
Members of executive management and other senior employees are offered pension benefits that are competitive in the country where the individual is resident. The company pays pension premiums into an independent defined-contribution scheme. The pension allocations are based on fixed remuneration and do not take into account any variable remuneration. In addition, where required by law, Oriflame makes contributions into defined-contribution schemes.

v. Other benefits
Members of Oriflame's executive management and other senior employees are entitled to customary benefits such as company cars and company health care. Moreover, certain individuals may be offered company housing and other benefits including schooling fees. In some cases, Oriflame's policy permits the members to opt for cash allowances in lieu of the benefit.

HISTORICAL OUTCOME OF ORIFLAME'S SHARE INCENTIVE PLANS



* Employees who have been employed with Oriflame for more than 10 years are under certain conditions entitled to parts of their Achievement Share contributions even if their employment has ended.

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

4. ANNUAL SUMMARY OF REMUNERATION TO THE MEMBERS OF EXECUTIVE MANAGEMENT

4.1 2015 Executive Management remuneration

The below remuneration covers the period 1 January 2015 to 31 December 2015. The executive management comprises the Corporate Committee, consisting of the CEO, the Deupty CEO and the CFO. There have been no changes to the Corporate Committee members during the period. The highest remunerated individual during the period was the CEO – Magnus Brännström.

2015 Executive management remuneration

Corporate Committee	Fixed Remuneration (EUR)	Profit sharing plan (EUR)	Max no. of achievement shares	Maximum value (EUR)	Pensions (EUR)	Other benefits (EUR)	Maximum total (EUR)	Maximum total (CHF)
All members (incl. the CEO)	2,056,319	108,612	199,536	2,286,683	434,695	1,158,521	6,044,830	6,549,574
The CEO (Magnus Brännström)	802,949	53,604	110,272	1,263,717	184,678	180,305	2,485,253	2,692,772

Comments

- The actual total remuneration may be significantly below the indicated maximum total, as it includes the value of the maximum amount of Achievement Shares that can be delivered under the 2015 investments in the Share Incentive and Retention Plan.
- The maximum number of Achievement Shares is based on the number of Investment Shares allocated in 2015 under the Share Incentive Plan. The Investment Shares were allocated by the participants through the designation of either i) shares they already held at the time of the offer, or ii) new shares acquired at market price. The 2015 investments will vest during years 2018–2020 and the actual award will vary between 0 and 8 Achievement Shares per Investment Share depending on the Operating Profit development during the investment period.
- The maximum value of the Share Incentive Plan allocations is based on the fair value at grant date of EUR 11.46 per Investment Share and assuming maximum award under the Plan of 8 Achievement Shares per Investment Share.
- Other benefits includes the cash value of non-monetary benefits such as company cars/car allowance, company housing, health care premiums, schooling fees and other customary benefits. In 2015, cash value for all the non-monetary benefits paid to the Executives has been included (while in 2014, certain non-monetary benefits were excluded from the calculations). Other benefits also includes mandatory state pension and social security payments made by Oriflame totalling EUR 217,373 (CHF 235,524).
- For the purposes of this Compensation Report, the following EUR–CHF exchange rate has been used: 1.0835 (2014: 1.2024).

4.2 2014 Executive management remuneration

The below remuneration covers the period 1 January 2014 to 31 December 2014. There have been no changes to the Corporate Committee during the period. The highest remunerated individual was the CEO – Magnus Brännström.

2014 Executive management remuneration

Corporate Committee	Fixed Remuneration (EUR)	Profit Sharing plan (EUR)	Max no. of achievement shares	Maximum value (EUR)	Pensions (EUR)	Other benefits (EUR)	Maximum total (EUR)	Maximum total (CHF)
All members (including the CEO)	2,297,000	0	164,600	2,533,194	414,000	559,000	5,803,194	6,977,760
The CEO (Magnus Brännström)	857,000	0	75,896	1,168,039	191,000	90,000	2,306,039	2,772,782

Comments

- The actual total remuneration may be significantly below the indicated maximum total, as it includes the value of the maximum amount of Achievement Shares that can be delivered under the 2014 investments in the Share Incentive and Retention Plan.
- The maximum number of Achievement Shares is based on the number of Investment Shares allocated in 2014 under the Share Incentive Plan. The Investment Shares were allocated by the participants through the designation of either i) shares they already held at the time of the offer, or ii) new shares acquired at market price. The 2014 investments will vest during years 2017–2019 and the actual award will vary between 0 and 8 Achievement Shares per Investment Share depending on the Operating Profit development during the investment period.
- The maximum value of the Share Incentive Plan allocations is based on the fair value at grant date of EUR 15.39 per Investment Share and assuming maximum award under the Plan of 8 Achievement Shares per Investment Share.
- Other Benefits includes the cash value of benefits such as company cars/car allowance, company housing, health care premiums, schooling fees and other customary benefits (compared to 2015, certain non-monetary benefits have been excluded from the 2014 calculations).

5. REMUNERATION TO THE BOARD OF DIRECTORS

The remuneration for the members of the Board of Directors should be set so that it attract and retain relevant, experienced and motivated people for the Board of Directors function. The Remuneration Committee has benchmarked the current board remuneration against relevant comparable companies. The benchmark study concluded that while the remuneration is significantly below the normal Swiss market remuneration for comparable functions and comparable industry with similar in size and complexity as of Oriflame, it is close to normal market remuneration for comparable companies listed on the Nasdaq Stockholm exchange.

The remuneration is made up of Directors Fees and additional fees for the board members that are part of Audit Committee or Remuneration Committee. The members of the Board of Directors obtain all of their remuneration in cash. The cash component is paid out on a biannual basis in arrears, usually in June and December each year.

Company Executives who are members of the Board of Directors – currently the CEO (Magnus Brännström) and the CFO (Gabriel Bennet) – receive no additional remuneration for their Board assignments and do therefore not appear in the below schedules.

6. ANNUAL SUMMARY OF REMUNERATION TO THE MEMBERS OF THE BOARD OF DIRECTORS

6.1 2015 Board remuneration

The below Directors and Committee fees cover the period from the 1 January 2015 to the 31 December 2015.

Board of Directors	Title	Board fees	Membership fee – Audit Committee	Membership fee – Remuneration Committee	Total remuneration (EUR)	Total remuneration (CHF)	Other charges* (EUR)	Other charges* (CHF)
Lilian Fossum Biner	Board Member	29,000	10,000	5,000	44,000	47,674	9,359	10,140
Anders Dahlvig	Board Member	29,000	–	–	29,000	31,422	6,168	6,683
Alexander af Jochnick	Chairman of the Board	65,500	10,000	5,000	80,500	87,222	17,263	18,704
Jonas af Jochnick	Board Member	29,000	–	–	29,000	31,422	0	0
Robert af Jochnick	Board Member	29,000	–	–	29,000	31,422	6,219	6,738
Anna Malmhake	Board Member	29,000	–	–	29,000	31,422	6,219	6,738
Helle Kruse Nielsen	Board Member	29,000	10,000	–	39,000	42,257	0	0
Christian Salamon	Board Member	29,000	10,000	–	39,000	42,257	8,363	9,062

* Other charges comprises mandatory state social security contributions made by Oriflame where required.

6.2 2014 Board remuneration

The below Directors and Committee fees cover the period from the 1 January 2014 to the 31 December 2014.

Board of Directors	Title	Board fees	Membership fee – Audit Committee	Membership fee – Remuneration Committee	Total remuneration (EUR)	Total remuneration (CHF)	Other charges* (EUR)	Other charges* (CHF)
Lilian Fossum Biner	Board Member	29,000	6,192	5,000	40,192	48,327	8,926	10,733
Anders Dahlvig	Board Member	29,000	–	–	29,000	34,870	6,441	7,745
Alexander af Jochnick	Chairman of the Board**	51,600	10,000	5,000	66,600	80,080	14,156	17,021
Jonas af Jochnick	Board Member	29,000	–	–	29,000	34,870	0	0
Robert af Jochnick	Chairman of the Board***	42,900	–	–	42,900	51,583	9,037	10,866
Anna Malmhake	Board Member**	17,956	–	–	17,956	21,590	3,843	4,621
Helle Kruse Nielsen	Board Member	29,000	10,000	–	39,000	46,894	0	0
Christian Salamon	Board Member	29,000	10,000	–	39,000	46,894	8,260	9,932

* Other charges comprises mandatory state social security contributions made by Oriflame where required.
** From 19 May 2014 *** Until 19 May 2014

Comments

- The entirety of the compensation to Directors of the Board for this period were granted and paid out as part of their assignments as Directors of the Board of OCSA, the former Luxembourg top holding of Oriflame. For further information about the transfer of the activities from OCSA to Oriflame Holding AG ("OHAG"), please see the Corporate Governance Report (under the heading "Introduction").

7. REMUNERATION TO FORMER MEMBERS OF THE BOARD OF DIRECTORS AND OF THE EXECUTIVE MANAGEMENT.

There has been no remuneration to former members of the Board of Directors nor to any former members of the executive management during 2015. During 2014, directors and committee fees where paid to former member of the Board of Directors Marie Ehrling, who served as a director until 19 May 2014.

8. DIRECTORSHIPS IN OTHER COMPANIES

The members of the Board of Directors may in accordance with the Articles of Association of the company hold no more than 10 board mandates in companies outside Oriflame. Such external engagements are listed on page 104–105 in the 2015 Annual Report.

The Corporate Committee members can hold no directorships in companies outside Oriflame without the prior approval of the Board of Directors, and in accordance with the Articles of Association of the company no more than 5 such board mandates, out of which only 1 can be in another listed company.

Any remuneration received for external board assignments exercised outside the role held with Oriflame is outside the scope of this report.

9. DIRECTOR'S AND EXECUTIVE MANAGEMENT'S SHAREHOLDING IN ORIFLAME

Directors, no. of shares*	31 Dec 2015	31 Dec 2014
R. af Jochnick and family**	5,142,735	5,212,735
J. af Jochnick and family	4,367,190	4,238,000
Alexander af Jochnick	418,884	418,884
Magnus Brännström	303,000	303,000
Gabriel Bennet	23,500	23,500
Christian Salamon	14,500	14,500
Anders Dahlvig	13,650	13,650
Lilian Fossum	1,000	1,000
Helle Kruse Nielsen	1,000	1,000
Anna Malmhake	0	0

Corporate Committee, no. of shares*	31 Dec 2015	31 Dec 2014
Magnus Brännström	303,000	303,000
Jesper Martinsson	240,000	290,00
Gabriel Bennet	23,500	23,500

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

** Also includes the Alexander af Jochnick and family holding as per the IFRS definition of related parties.

10. LOANS AND CREDITS TO DIRECTORS OR OFFICERS

No loans and credits have been granted to current or former members of the Board of Directors or of the executive management.

11. OTHER REMUNERATION AND PAYMENTS TO RELATED PARTIES

There have been no further remuneration or payments to members of the Board of Directors or of the executive management in 2015.

Payments to other related parties during 2015 are presented in note 24 in the Annual Report 2015.

All related party payments have been for services provided on commercially sound terms, priced at arms length' and to the benefit of Oriflame.

Report of the Statutory Auditor

to the General Meeting of Oriflame Holding AG, Schaffhausen

We have audited the accompanying compensation report of Oriflame Holding AG for the year ended 31 December 2015. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the sections "Executive management remuneration (2015 and 2014)" and "Board remuneration (2015 and 2014)", on pages 47 to 49 of the compensation report.

RESPONSIBILITY OF THE BOARD OF DIRECTORS

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remunaeration, as well as assessing the overall presentation of the compensation report.

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

OPINION

In our opinion, the compensation report for the year ended 31 December 2015 of Oriflame Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Zurich, 14 April 2016

KPMG AG

Hélène Béguin
Licensed Audit Expert
Auditor in Charge

Kathrin Schünke
Licensed Audit Expert

Consolidated income statements

YEAR ENDED 31 DECEMBER

€'000	**Note**	**2015**	**2014**
Sales		1,211,563	1,265,849
Cost of sales		(373,248)	(399,468)
Gross profit		**838,315**	**866,381**
Other income	4	44,124	44,998
Selling and marketing expenses		(443,117)	(474,496)
Distribution and infrastructure		(93,336)	(103,560)
Administrative expenses	5, 6, 7, 8	(255,347)	(238,597)
Operating profit		**90,639**	**94,726**
Analysis of operating profit:			
Adjusted operating profit		100,186	97,795
Non-recurring items	29	(9,547)	(3,069)
Operating profit		**90,639**	**94,726**
Financial income	9	62,679	77,694
Financial expenses	9	(86,031)	(98,220)
Net financing costs		**(23,352)**	**(20,526)**
Net profit before income tax		**67,287**	**74,200**
Current tax	10	(34,395)	(32,930)
Deferred tax	10, 15	1,279	(3,818)
Total income tax expense	10	(33,116)	(36,748)
Net profit		**34,171**	**37,452**
Earnings per share, €	11		
Basic		0.62	0.67
Diluted		0.62	0.67

The attached notes on pages 57 to 91 form an integral part of the consolidated financial statements.

Consolidated statements of comprehensive income

YEAR ENDED 31 DECEMBER

€'000	Note	2015	2014
Net profit		**34,171**	**37,452**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation reserve		(110)	(446)
Remeasurements of net defined benefit liability, net of tax	27	(250)	–
Total items that will not be reclassified subsequently to profit or loss		*(360)*	*(446)*
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations	20	(23,812)	(52,276)
Effective portion of changes in fair value of cash flow hedges, net of tax	9	(948)	2,379
Total items that are or may be reclassified subsequently to profit or loss		*(24,760)*	*(49,897)*
Other comprehensive income for the year, net of tax		(25,120)	(50,343)
Total comprehensive income for the year attributable to the owners of the company		9,051	(12,891)

The attached notes on pages 57 to 91 form an integral part of the consolidated financial statements.

Consolidated statements of financial position

€'000	Note	31 December 2015	31 December 2014
Assets			
Property, plant and equipment	12	153,138	172,904
Intangible assets	13	17,356	19,532
Investment property	14	542	542
Deferred tax assets	15	20,796	19,201
Other long-term receivables		992	1,008
Total non-current assets		**192,824**	**213,187**
Inventories	16	162,514	169,478
Trade and other receivables	17	62,725	81,410
Tax receivables		7,051	5,865
Prepaid expenses		37,032	43,563
Derivative financial assets	28.3	85,098	90,067
Cash and cash equivalents	18	176,384	95,569
Total current assets		**530,804**	**485,952**
Total assets		**723,628**	**699,139**

€'000	Note	31 December 2015	31 December 2014
Equity			
Share capital	19	79,788	71,527
Treasury shares	19	(621)	(41,235)
Share premium	19	654,381	15,324
Reserves	20	(178,675)	(150,630)
Retained earnings		(401,416)	245,931
Total equity attributable to the owners of the company		**153,457**	**140,917**
Liabilities			
Interest-bearing loans	21	343,437	310,329
Other long-term non interest-bearing liabilities		839	1,433
Net defined benefit liability	27	3,652	–
Deferred income		324	279
Deferred tax liabilities	15	3,860	3,232
Total non-current liabilities		**352,112**	**315,273**
Current portion of interest-bearing loans	21	2,963	30,163
Trade and other payables	22	82,345	86,915
Deferred income		767	2,948
Tax payables		15,324	12,492
Accrued expenses	31	99,072	88,769
Derivative financial liabilities	28.3	3,785	14,652
Provisions	26	13,803	7,010
Total current liabilities		**218,059**	**242,949**
Total liabilities		**570,171**	**558,222**
Total equity and liabilities		**723,628**	**699,139**

The attached notes on pages 57 to 91 form an integral part of the consolidated financial statements.

Consolidated statements of changes in equity

YEAR ENDED 31 DECEMBER 2015

€'000	Note	Share capital	Treasury shares	Share premium	Legal reserve	Translation reserve	Hedging reserve	Other reserves	Total reserves	Retained earnings	Total	Non-controlling interests	Total Equity
		Attributable to the owners of the company											
At 1 January 2014		**71,517**	**(41,235)**	**15,189**	**7,363**	**(103,875)**	**(3,775)**	**640**	**(99,647)**	**222,379**	**168,203**	**–**	**168,203**
Net profit		–	–	–	–	–	–	–	–	37,452	37,452	–	37,452
Other comprehensive income													
Revaluation reserve		–	–	–	–	(446)	–	–	(446)	–	(446)	–	(446)
Foreign currency translation differences for foreign operations		–	–	–	–	(52,276)	–	–	(52,276)	–	(52,276)	–	(52,276)
Effective portion of changes in fair value of cash flow hedges, net of tax		–	–	–	–	–	2,379	–	2,379	–	2,379	–	2,379
Total other comprehensive income for the year, net of income tax		**–**	**–**	**–**	**–**	**(52,722)**	**2,379**	**–**	**(50,343)**	**–**	**(50,343)**	**–**	**(50,343)**
Total comprehensive income for the year, net of income tax		**–**	**–**	**–**	**–**	**(52,722)**	**2,379**	**–**	**(50,343)**	**37,452**	**(12,891)**	**–**	**(12,891)**
Issuance of new shares	19	10	–	135	–	–	–	–	–	–	145	–	145
Share incentive plan	23	–	–	–	–	–	–	(640)	(640)	–	(640)	–	(640)
Dividends	20	–	–	–	–	–	–		–	(13,900)	(13,900)	–	(13,900)
Total contributions and distributions		**10**	**–**	**135**	**–**	**–**	**–**	**(640)**	**(640)**	**(13,900)**	**(14,395)**	**–**	**(14,395)**
At 31 December 2014		**71,527**	**(41,235)**	**15,324**	**7,363**	**(156,597)**	**(1,396)**	**–**	**(150,630)**	**245,931**	**140,917**	**–**	**140,917**
At 1 January 2015		**71,527**	**(41,235)**	**15,324**	**7,363**	**(156,597)**	**(1,396)**	**–**	**(150,630)**	**245,931**	**140,917**	**–**	**140,917**
Net profit		–	–	–	–	–	–	–	–	34,171	34,171	–	34,171
Other comprehensive income													
Remeasurements of net defined benefit liability, net of tax		–	–	–	–	–	–	–	–	(250)	(250)	–	(250)
Revaluation reserve		–	–	–	–	(110)	–	–	(110)	–	(110)	–	(110)
Foreign currency translation differences for foreign operations		–	–	–	–	(23,812)	–	–	(23,812)	–	(23,812)	–	(23,812)
Effective portion of changes in fair value of cash flow hedges, net of tax		–	–	–	–	–	(948)	–	(948)	–	(948)	–	(948)
Total other comprehensive income for the year, net of income tax	–	–	–	–		**(23,922)**	**(948)**	**–**	**(24,870)**	**(250)**	**(25,120)**	**–**	**(25,120)**
Total comprehensive income for the year, net of income tax	**–**	**–**	**–**	**–**	**–**	**(23,922)**	**(948)**	**–**	**(24,870)**	**33,921**	**9,051**	**–**	**9,051**
Share incentive plan	23	–	–	–	–		–	3,489	3,489	–	3,489	–	3,489
Changes due to legal restructuring of parent company	19	(1,935)	40,693	567,316	(7,363)	18,875	719	(218)	12,013	(639,577)	(21,490)	21,490	–
Total contributions and distributions		**(1,935)**	**40,693**	**567,316**	**(7,363)**	**18,875**	**719**	**3,271**	**15,502**	**(639,577)**	**(18,001)**	**21,490**	**3,489**
Acquisition of non-controlling interests	19	10,196	(79)	71,741	–	(18,176)	(719)	218	(18,677)	(41,691)	21,490	(21,490)	–
Total changes in ownership interests		**10,196**	**(79)**	**71,741**	**–**	**(18,176)**	**(719)**	**218**	**(18,677)**	**(41,691)**	**21,490**	**(21,490)**	**–**
At 31 December 2015		**79,788**	**(621)**	**654,381**	**–**	**(179,820)**	**(2,344)**	**3,489**	**(178,675)**	**(401,416)**	**153,457**	**–**	**153,457**

The attached notes on pages 57 to 91 form an integral part of the consolidated financial statements.

Consolidated statements of cash flows

YEAR ENDED 31 DECEMBER

€'000	Note	2015	2014
Operating activities			
Net profit before income tax		**67,287**	**74,200**
Adjustments for:			
Depreciation of property, plant and equipment, and investment property	8, 12, 14	19,319	21,764
Amortisation of intangible assets	8, 13	3,990	5,318
Impairment of property, plant and equipment	8, 12	–	1,754
Change in fair value of borrowings and derivatives financial instruments	9	20,716	(19,073)
Deferred income		(1,700)	540
Share incentive plan		3,489	(640)
Unrealised exchange rate differences		(7,612)	5,872
Profit on disposal of property, plant and equipment, intangible assets and investment property		(885)	(12,616)
Loss on disposal of a subsidiary		–	3,318
Financial income	9	(20,403)	(17,904)
Financial expenses	9	32,194	30,373
Operating profit before changes in working capital and provisions		**116,395**	**92,906**
Decrease/(increase) in trade and other receivables, prepaid expenses and derivative financial assets		65,611	5,554
Decrease/(increase) in inventories		8,162	29,244
Increase/(decrease) in trade and other payables, accrued expenses and derivative financial liabilities		(29,542)	11,746
Increase/(decrease) in provisions		2,508	(1,704)
Cash generated from operations		**163,134**	**137,746**

€'000	Note	2015	2014
Cash generated from operations		**163,134**	**137,746**
Interest received		20,000	17,202
Interest and bank charges paid		(32,568)	(31,348)
Income taxes paid		(28,352)	(33,646)
Cash flow from operating activities		**122,214**	**89,954**
Investing activities			
Proceeds on sale of property, plant and equipment, intangible assets and investment property		2,343	33,680
Purchases of property, plant and equipment, and investment property		(16,008)	(31,958)
Disposal of a subsidiary		–	(3,350)
Purchases of intangible assets		(1,797)	(4,322)
Cash flow used in investing activities		**(15,462)**	**(5,950)**
Financing activities			
Proceeds from borrowings		–	215,499
Repayments of borrowings		(21,757)	(293,695)
Proceeds from issuance of new shares		–	145
Repayment of finance lease liabilities		(31)	(27)
Dividends paid		(3)	(13,888)
Cash flow used in financing activities		**(21,791)**	**(91,966)**
Change in cash and cash equivalents		**84,961**	**(7,962)**
Cash and cash equivalents at the beginning of the year net of bank overdrafts		95,515	106,788
Effect of exchange rate fluctuations on cash held		(4,092)	(3,311)
Cash and cash equivalents at the end of the year net of bank overdrafts	18	**176,384**	**95,515**

The attached notes on pages 57 to 91 form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

NOTE 1 • STATUS AND PRINCIPAL ACTIVITY

Oriflame Holding AG ("OHAG" or the "Company") is a holding company incorporated in Switzerland and registered at Bleicheplatz 3, CH-8200 Schaffhausen. 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 2015 comprises the Company and its subsidiaries (together referred to as the "Group").

OHAG represents the new parent company after the move of the domicile from Luxembourg to Switzerland during June 2015 through a share-for-share transaction. As at 30 June 2015, OHAG had acquired 87.2% of Oriflame Cosmetics S.A. Luxembourg ("OCSA") shares becoming the holding company of the Oriflame Group and the parent company of OCSA. In September 2015, a cross-border merger between OHAG and Oriflame Cosmetics S.A., the previous parent company, has finalized the change of the parent company to OHAG and led to the disappearance of the remaining non-controlling interests which arose from the share-for-share transaction.

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

(a) Statement of compliance

The consolidated financial statements of Oriflame Holding AG have been prepared by management in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). Following the change of domicile as described in Note 1, the reporting for the Group is no longer based on IFRS as adopted by the EU. This change had no impact on the financial statements of the Group. The Company prepared STATUTORY FINANCIAL STATEMENTS in accordance with Swiss law.

The financial statements were authorised for issue by the Board of Directors on 14th April 2016.

(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 and the net defined benefit liability that is stated at fair value of plan assets less present value of the defined benefit obligation.

(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 16 – inventory reserves
- Note 23 – measurement of share-based payments
- Note 26 – provisions and contingencies
- Note 27 – pensions
- Note 28 – valuation of financial instruments.

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 2015, Oriflame Holding AG adopted amendments to standards which became effective 1 January 2015. These new accounting standards had no material effect on the consolidated financial statements.

Following the change of domicile, the requirements of IAS 19 Employee Benefits relating to defined benefit plans (post-employment benefits) were applied for the first time during 2015. Refer to section (k) below and to note 27 for additional information.

(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 controlled by the Group. The Group controls a subsidiary when it is exposed, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

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

The scope of consolidation is affected by acquisitions and disposals.

(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 into the functional currency 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 the functional currency 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. 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 in other comprehensive income. 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 reclassified to 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 other comprehensive income 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 in other comprehensive income.

(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 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 sale. The amount allocated to loyalty programmes is deferred, and is recognised as revenue when the Group has fulfilled its obligation to supply the free or discounted products under the terms of the programmes or when it is no 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.

For defined benefit pension plans, the net defined benefit liability represents the present value of the defined benefit obligation less the fair value of plan assets. It is calculated by independent actuaries using the projected unit credit method. The costs related to the defined benefit plans are recognised in the income statement as staff cost in administrative expenses. They cover service cost (current and past service cost, gains and losses arising from settlement), administrative costs and net interest expense.

Remeasurements of the net defined benefit liability are reported in other comprehensive income. They comprise experience adjustments (differences between previous actuarial assumptions and what has actually occurred), changes in actuarial assumptions and the actual return on plan assets, excluding interest income.

(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.

(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. 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 (IASB)	Planned application by the Group in reporting year
IFRS 9 Financial Instruments	**	1 January 2018	Reporting year 2018
IFRS 15 Revenue from Contracts with Customers	***	1 January 2018	Reporting year 2018
IFRS 16 Leases	***	1 January 2019	Reporting year 2019

Revisions and amendments of Standards and Interpretations			
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (Amendments)	*	1 January 2016	Reporting year 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)	**	1 January 2016	Reporting year 2016
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)	*	To be determined[1)]	To be determined[1)]
Annual Improvements to IFRSs 2012–2014 Cycle	*	1 January 2016	Reporting year 2016
IAS 1 Disclosure Initiative (Amendments)	**	1 January 2016	Reporting year 2016

* 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.
*** The impact has not been assessed yet

1) The effective date for this amendment has been postponed by the IASB for an indefinite period of time

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 to sell cosmetics within the above organisation. The Group sales consist mainly of sales of Colour cosmetics, Skin care, Personal & Hair Care, Fragrances and Accessories & Wellness products. The segment Manufacturing is producing mainly for the Group. Smaller quantities are produced for third parties as well. "All other segments" includes 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.

Note 3 continued

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

As per 31 December 2015

€'000	CIS	Europe	Latin America	Turkey, Africa & Asia	Manu-facturing	All other segments	Total segments	Unallocated items	Total
Sales	386,988	253,429	136,938	424,527	3,073	6,608	**1,211,563**	–	**1,211,563**
Operating Profit	35,498	35,670	15,957	68,020	6,161	1,908	**163,214**	(72,575)	**90,639**
Net financing costs									**(23,352)**
Net profit before income tax									**67,287**
Total income tax expense									**(33,116)**
Net profit									**34,171**
Capital Expenditure	(2,254)	(403)	(2,610)	(3,134)	(5,961)	–	**(14,362)**	(3,443)	**(17,805)**
Depreciation & Amortisation	(3,187)	(1,381)	(1,208)	(3,229)	(5,736)	–	**(14,741)**	(8,568)	**(23,309)**
Goodwill	–	1,053	–	4,345	–	–	**5,398**	–	**5,398**

As per 31 December 2014

€'000	CIS	Europe	Latin America	Turkey, Africa & Asia	Manu-facturing	All other segments	Total segments	Unallocated items	Total
Sales	549,440	267,437	122,724	319,021	1,321	5,906	**1,265,849**	–	**1,265,849**
Operating Profit	58,955	30,867	14,684	42,589	(1,820)	2,273	**147,548**	(52,822)	**94,726**
Net financing costs									**(20,526)**
Net profit before income tax									**74,200**
Total income tax expense									**(36,748)**
Net profit									**37,452**
Capital Expenditure	(4,824)	(803)	(1,153)	(4,002)	(17,925)	–	**(28,707)**	(7,573)	**(36,280)**
Depreciation & Amortisation	(4,891)	(1,919)	(1,084)	(2,799)	(3,041)	(2)	**(13,736)**	(13,346)	**(27,082)**
Impairment of property, plant and equipment	(1,754)	–	–	–	–	–	**(1,754)**	–	**(1,754)**
Goodwill	–	1,053	–	4,345	–	–	**5,398**	–	**5,398**

Note 3 continued

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

€ million	2015	2014
Switzerland	–	–
Other	1,211.6	1,265.8
Total	**1,211.6**	**1,265.8**

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	2015	2014
Russia	87.5	101.9
Switzerland	1.0	1.2
Other	82.5	89.9
Total	**171.0**	**193.0**

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

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	2015	2014
Colour cosmetics	278.7	303.8
Skin care	302.9	291.1
Personal & Hair care	206.0	227.9
Fragrances	242.3	253.2
Accessories & Wellness	181.7	189.9
Total	**1,211.6**	**1,265.8**

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	2015	2014
Freight income	25,280	27,217
Printing income	16,228	17,078
Rental income	1,191	660
Other	1,366	43
Other income	**44,124**	**44,998**

NOTE 5 • EMPLOYEE BENEFIT EXPENSE

€'000	2015	2014
Salaries and wages	131,244	128,842
Social security contributions	27,825	27,803
Pension expenses	10,236	6,362
Equity settled transactions	3,489	(640)
	172,794	**162,367**

The average number of full-time equivalents in 2015 was 6,535 (7,039).

NOTE 6 • AUDITORS' REMUNERATION

Fees billed to the Company and its subsidiaries by KPMG AG, Zurich, and other member firms of the KPMG network during the year are as follows (excluding VAT):

€'000	2015	2014
Auditors' remuneration for annual and consolidated accounts	1,726	1,335
Auditors' remuneration for other assurances services	154	165
Auditors' remuneration for tax advisory services	471	526
Auditors' remuneration for non-audit services	249	324
	2,600	**2,350**

NOTE 7 • RESEARCH AND DEVELOPMENT

€'000	2015	2014
Research and development	10,532	11,899

NOTE 8 • DEPRECIATION AND AMORTISATION

€'000	2015	2014
Depreciation	**19,319**	**21,764**
– in cost of sales	8,914	10,507
– in administrative expenses	10,405	11,257
Amortisation	**3,990**	**5,318**
– in cost of sales	82	81
– in administrative expenses	3,908	5,237
Impairment	**–**	**1,754**
Depreciation and amortisation expenses	**23,309**	**28,836**

In 2014, the Group impaired property, plant and equipment as explained in note 12.

NOTE 9 • FINANCIAL INCOME AND EXPENSES

€'000	2015	2014
Interest income on bank deposits	2,568	2,166
Interest received on finance lease receivable	37	42
Cross currency interest rate swaps income	17,798	15,696
Change in fair value of financial assets and liabilities at fair value held for trading:		
– Forward exchange rate contracts gain	15,478	29,530
– Interest rate caps gain	558	–
– Cross currency interest rate swaps gain	17,085	26,294
– Option exchange rate contract gain	–	3,966
Change in fair value of financial assets and liabilities at fair value designated as such upon initial recognition:		
– USD loan fair value gain	–	–
Foreign exchange gain, net	9,155	–
Total financial income	**62,679**	**77,694**

€'000	2015	2014
Bank charges and interest expense on loans carried at amortised cost	(11,330)	(8,926)
Interest expense on loan carried at fair value	(11,939)	(10,735)
Cross currency interest rate swaps expense	(8,925)	(9,620)
Options expense	–	(1,092)
Change in fair value of financial assets and liabilities at fair value held for trading:		
– Forward exchange rate contracts loss	(32,832)	(15,753)
– Interest rate caps loss	–	(1,210)
– SEK collar option	(3,966)	
– Cross currency interest rate swaps loss	–	–
Change in fair value of financial assets and liabilities at fair value designated as such upon initial recognition:		
– USD loan fair value loss	(17,039)	(23,754)
Foreign exchange losses, net	–	(27,130)
Total financial expenses	**(86,031)**	**(98,220)**
Net financing costs	**(23,352)**	**(20,526)**

Recognised in other comprehensive income

€'000	2015	2014
Changes in fair value of cash flow hedges	4,383	6,833
Tax on changes in fair value of cash flow hedges	(150)	(1,513)
Changes in fair value of cash flow hedges reclassified to profit or loss:		
– Cost of sales	(5,757)	(3,129)
– Selling and marketing expenses	–	(1)
– Financial (expenses)/income	–	(138)
– Current tax	576	327
Effective portion of changes in fair value of cash flow hedges, net of tax	**(948)**	**2,379**

NOTE 10 • INCOME TAX EXPENSE

Recognised in the consolidated income statements €'000	2015	2014
Current tax expense	33,991	29,328
Adjustments for prior years*	404	3,602
Current tax	**34,395**	**32,930**
Deferred tax expense/(income):		
– Origination and reversal of temporary differences	276	(1,672)
– Changes in tax rates	68	(17)
– Utilisation of tax losses carried forward*	617	4,125
– Derecognition of deferred tax assets on deductible temporary differences and losses carried forward	1,670	2,575
– Recognition of previously unrecognised deductible temporary differences**	(1,518)	(134)
– Recognition of previously unrecognised tax losses carried forward**	(2,392)	(1,059)
Deferred tax	**(1,279)**	**3,818**
Total income tax expense in the consolidated income statements	**33,116**	**36,748**

Reconciliation of effective tax rate		
Net profit before income tax	67,287	74,200
Average applicable tax rate, %***	25.6	22.1

%	2015	2014
Adjustments to tax expenses		
Non-deductible expenses	14.9	14.8
Utilisation of previously unrecognised tax losses carried forward**	(5.6)	(1.2)
Recognition of previously unrecognised tax losses carried forward**	(3.6)	(1.4)
Recognition of previously unrecognised deductible temporary differences**	(2.3)	(0.2)
Increase of tax provision****	10.9	1.9
Withholding taxes	7.7	7.2
Other taxes	1.0	1.4
Adjustments for prior years*	0.6	4.9
Effective tax rate	**49.2**	**49.5**

Average applicable tax rate is calculated as weighted average from separate countries tax reconciliations using the domestic tax rate in each individual jurisdiction. The tax rates of the Group's subsidiaries vary between 0 percent and 35 percent.

* Following several years of ongoing tax investigation in Russia, in August 2014 Oriflame received an official claim from the authorities amounting to RUB 0.9 billion (approximately €14.5 million) 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 courts in Russia, all subsequent tax court decisions on all levels were not in favour of the company. Oriflame recognised the full Rouble amount of the claim, out of which the VAT and VAT penalties amounting to €8.1 million were expensed in administrative expenses in 2014. The impact on the income tax expense in 2014 was in prior year adjustment €2.9 million and in utilisation of deferred tax assets on losses brought forward €3.9 million, which explains the higher comparatives for respective lines in 2014.

** Increase in deferred tax assets relating to temporary differences and losses brought forward relates to 1st time deferred tax asset recognition for countries that turned profitable in 2015 or will generate taxable profit in the near future (mainly China and Ukraine).

*** Tax at applicable tax rate 25.6% (22.1%) increased due to increase weight of high tax jurisdictions in Oriflame growth markets.

**** Increase of tax provisions in 2015 relates mainly to €5.1 million tax provision in Russia on potential tax claim for royalty payments for subsequent years (see also description in the section * above) as well as other one-off impacts mainly in India.

NOTE 11 • EARNINGS PER SHARE

(a) Basic

Earnings per share are based on the net profit attributable to ordinary shareholders of €34,171 (€37,452) and the weighted average number of shares outstanding during the year. Treasury shares are deducted in calculating the weighted average number of shares outstanding.

Number of shares	2015	2014
Weighted average number of shares outstanding	54,868,150	55,603,362

(b) Diluted

Diluted earnings per share are calculated taking into account the potential dilutive effect of the achievement share options granted under the share incentive plan (see note 23). The share incentive plan does not have a material diluting effect therefore diluted EPS is equal to basic EPS.

NOTE 12 • PROPERTY, PLANT AND EQUIPMENT

€'000	Freehold land & buildings	Improvements to leasehold property	Plant & machinery	Furniture & equipment	Computer equipment	Motor vehicles	Under construction	Total
Cost								
At 31 December 2013	**171,410**	**32,288**	**105,351**	**24,826**	**31,009**	**5,710**	**48,068**	**418,662**
Additions	1,600	4,697	4,986	1,889	3,586	786	13,875	31,419
Disposals	(29,257)	(938)	(1,871)	(938)	(1,944)	(112)	(475)	(35,535)
Disposal of a subsidiary	(6,816)	–	(7,906)	(264)	(483)	(252)	–	(15,721)
Re-classification	34,835	(284)	2,836	331	123	3	(36,510)	1,334
Revaluation	–	20	60	52	52	9	–	193
Translation	(37,244)	(3,909)	(9,842)	(2,912)	(4,553)	(1,143)	(18,885)	(78,488)
At 31 December 2014	**134,528**	**31,874**	**93,614**	**22,984**	**27,790**	**5,001**	**6,073**	**321,864**
Additions	1,167	2,682	6,068	1,947	3,277	867	–	16,008
Disposals	(3,287)	(2,049)	(1,174)	(1,134)	(2,821)	(491)	–	(10,956)
Re-classification	1,308	1,373	3,392	–	–	–	(6,073)	–
Translation	(13,143)	(1,301)	(3,661)	(855)	(1,508)	(234)	–	(20,702)
At 31 December 2015	**120,573**	**32,579**	**98,239**	**22,942**	**26,738**	**5,143**	**–**	**306,214**
Depreciation and impairment								
At 31 December 2013	**28,718**	**20,250**	**66,375**	**19,247**	**26,214**	**3,321**	**–**	**164,125**
Charge for the year	4,454	3,160	8,336	2,066	2,869	840	–	21,725
Impairment	150	–	1,604	–	–	–	–	1,754
Disposals	(7,910)	(2,259)	(2,003)	(1,841)	(3,620)	(597)	–	(18,230)
Disposal of a subsidiary	(529)	–	(5,973)	(201)	(405)	(193)	–	(7,301)
Re-classification	652	(325)	4	303	(28)	(3)	–	603
Revaluation	–	21	60	47	32	(1)	–	159
Translation	(3,944)	(1,369)	(4,664)	(1,460)	(2,130)	(308)	–	(13,875)
At 31 December 2014	**21,591**	**19,478**	**63,739**	**18,161**	**22,932**	**3,059**	**–**	**148,960**
Charge for the year	3,676	3,473	6,824	1,899	2,568	879	–	19,319
Disposals	(2,364)	(1,637)	(1,142)	(1,110)	(2,785)	(460)	–	(9,498)
Re-classification	(842)	842	–	–	–	–	–	–
Translation	(1,072)	(827)	(1,854)	(577)	(1,186)	(189)	–	(5,705)
At 31 December 2015	**20,989**	**21,329**	**67,567**	**8,373**	**21,529**	**3,289**	**–**	**153,076**
Net Book Value								
At 31 December 2013	**142,692**	**12,038**	**38,976**	**5,579**	**4,795**	**2,389**	**48,068**	**254,537**
At 31 December 2014	**112,937**	**12,396**	**29,875**	**4,823**	**4,858**	**1,942**	**6,073**	**172,904**
At 31 December 2015	**99,584**	**11,250**	**30,672**	**4,569**	**5,209**	**1,854**	**–**	**153,138**

Property, plant and equipment under construction

Property, plant and equipment under construction category was mainly related to the construction of the new manufacturing facility in Russia. The global distribution centre is under activity from the fourth quarter 2012 and the manufacturing from fourth quarter 2014, therefore has been reclassified to the respective property plant and equipment categories. In 2015, the project was finalised and the remaining property, plant and equipment under construction was reclassified to the corresponding fixed assets categories.

Borrowing costs €'000

During 2015, no borrowing costs were capitalised. In 2014, capitalised borrowing costs related to the construction of the new factory amounted to €1,779 with a capitalisation rate of 4.0 percent.

Finance leases €'000

Included in property, plant and equipment at 31 December 2015 is the net book value of computer equipment under finance leases totalling €2 (€29).

Impairment

In 2014, due to the difficult economic situation in Ukraine, an impairment of an amount of €1.8 million was booked as Administrative expenses in the income statement. In 2015, there was no indication that an asset may be impaired.

Contractual commitment

At year-end 2015, there is no contractual commitment (nil).

Disposals

In 2014, Oriflame sold property, plant and equipment relative to the factory in Russia for a total amount of €33.1 million. The gross book value of the corresponding property, plant and equipment was €27.6 million and the corresponding accumulated depreciation was €7.0 million. Thus, the net book value was €20.6 million. The gain on asset sold amounted to €12.5million and was booked as Administrative expenses in the income statement.

Disposal of a subsidiary

The disposal of a subsidiary in 2014 relates to the Swedish factory, Oriflame Products Sweden AB (Nordium AB).

NOTE 13 • INTANGIBLE ASSETS

€'000	Software	Trademarks	Property rights	Goodwill	Under development	Total
Cost						
At 31 December 2013	**37,241**	**1,487**	**3,330**	**10,673**	**–**	**52,731**
Additions	4,218	103	–	–	–	4,321
Disposals	(25)	–	–	–	–	(25)
Re-classification	5	–	–	–	–	5
Translation	(2,123)	–	–	–	–	(2,123)
At 31 December 2014	**39,316**	**1,590**	**3,330**	**10,673**	**–**	**54,909**
Additions	1,177	106	–	–	513	1,796
Disposals	(103)	–	–	–	–	(103)
Translation	(477)	–	–	–	–	(477)
At 31 December 2015	**39,913**	**1,696**	**3,330**	**10,673**	**513**	**56,125**
Amortisation and impairment						
At 31 December 2013	**25,866**	**758**	**30**	**5,275**	**–**	**31,929**
Charge for the year	5,170	148	–	–	–	5,318
Disposals	(25)	–	–	–	–	(25)
Re-classification	5	–	–	–	–	5
Revaluation	4	–	–	–	–	4
Translation	(1,854)	–	–	–	–	(1,854)
At 31 December 2014	**29,166**	**906**	**30**	**5,275**	**–**	**35,377**
Charge for the year	3,852	138	–	–	–	3,990
Disposals	(103)	–	–	–	–	(103)
Translation	(495)	–	–	–	–	(495)
At 31 December 2015	**32,420**	**1,044**	**30**	**5,275**	**–**	**38,769**
Net Book Value						
At 31 December 2013	**11,375**	**729**	**3,300**	**5,398**	**–**	**20,802**
At 31 December 2014	**10,150**	**684**	**3,300**	**5,398**	**–**	**19,532**
At 31 December 2015	**7,493**	**652**	**3,300**	**5,398**	**513**	**17,356**

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 Company 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 are for Portugal 3 percent (1 percent) and India 13 percent (16 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 2015 and 2014.

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 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 2015 and 2014.

Software Property rights

Included in software additions during the year are costs for own developed software for an amount of €551 (€179).

Under development

Costs capitalised in this category represents internally developed software which is foreseen to be finalised during the year 2016.

NOTE 14 • INVESTMENT PROPERTY

€'000	2015	2014
Gross carrying value at 1 January	**542**	**1,794**
Additions	–	539
Re-classification	–	(1,339)
Translation effects	–	(452)
Gross carrying value at 31 December	**542**	**542**
Accumulated depreciation at 1 January	**–**	**866**
Charge of the year	–	39
Re-classification	–	(608)
Translation effects	–	(297)
Accumulated depreciation at 31 December	**–**	**–**
Net book value at year end	**542**	**542**

Investment property includes a plot of land. Commercial premises were reclassified to property plant and equipment in 2014.

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. Land is not depreciated.

The fair value of the land has been estimated to the amount of €2.4 million (€2.3 million) and has been based on valuations performed by Ak Expert Alojzy Kiziniewicz Poland, accredited independent valuer. It has been categorised as a level 2 fair value based on transactions observable in the market.

NOTE 15 • DEFERRED TAXATION

Deferred tax assets and liabilities at 31 December 2015 and 2014 are attributable to the items detailed in the table below:

	2015			2014			
€'000	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**	**Movement**
Property, plant and equipment & intangible assets	1,490	(2,058)	(568)	675	(1,762)	(1,087)	519
Inventories	6,506	(1,688)	4,818	7,680	(122)	7,558	(2,740)
Trade and other receivables	2,153	(739)	1,414	1,023	(1,176)	(153)	1,567
Accruals	5,281	(16,960)	(11,679)	6,180	(18)	6,162	(17,841)
Other	4,251	(1,061)	3,190	1,676	(154)	1,522	1,668
Tax losses carried forward	19,761	–	19,761	1,967	–	1,967	17,794
Tax assets/(liabilities) before set off	**39,442**	**(22,506)**	**16,936**	**19,201**	**(3,232)**	**15,969**	**967**
Set off of tax	(18,646)	18,646					
Net tax assets /liabilities	**20,796**	**(3,860)**	**16,936**				

Recognised in other comprehensive income in relation to cash flow hedges	426
Recognised in other comprehensive income in relation to remeasurements of the net defined benefit liability	44
Translation difference	(782)
Deferred tax income	**1,279**

During the year the Group derecognised € 1.7 million (€ 2.6 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.

Unrecognised deferred tax assets

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

€'000	2015	2014
Property, plant and equipment & intangible assets	2,197	1,771
Inventories	933	850
Trade and other receivables	661	10,556
Accruals	2,236	2,999
Other	1,361	1,177
Total temporary differences*	**7,388**	**17,353**
Tax losses**	119,828	165,515
Total	**127,216**	**182,868**

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

** Of which €4.2 million (€5.4 million) expire within one year, €8.4 million (€10.7 million) expire between one and five years and €107.2 million (€149.4 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	2015	2014
Raw materials	11,078	8,971
Work in progress	26	25
Finished goods	160,501	175,517
Other inventories	11,664	12,760
Inventory reserves	(20,755)	(27,795)
Total inventory	**162,514**	**169,478**

During 2015 the Group wrote down €1.6 million (€9.6 million) inventory mainly due to obsolescence. The carrying amount of inventories carried at fair value less cost to sell was €11.2 million (€16.0 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 2015 were €373.2 million (€399.5 million).

NOTE 17 • TRADE AND OTHER RECEIVABLES

€'000	2015	2014
Trade receivables	44,274	49,685
Other receivables	18,451	31,725
Trade and other receivables	**62,725**	**81,410**

Exposure to credit risk

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

€'000	2015	2014
Latin America	10,747	12,453
Europe	12,712	15,653
CIS	9,284	11,964
Turkey, Asia & Africa	11,531	9,615
	44,274	**49,685**

The ageing of trade receivables at the reporting date was:

	Gross	Impairment	Gross	Impairment
€'000	**2015**	**2015**	**2014**	**2014**
Not past due	38,542	527	42,751	631
Past due 21 – 180 days	9,379	3,423	10,868	3,559
Past due 181 – 360 days	3,094	2,964	3,752	3,496
Past due 12 – 18 months	3,820	3,780	5,161	5,161
Past due > 18 months	14,118	13,985	11,821	11,821
	68,953	**24,679**	**74,353**	**24,668**

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.

Note 17 continued

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

€'000	2015	2014
Balance at 1 January	**24,668**	**21,433**
Impairment loss recognised	6,285	6,024
Specific debt write offs against provision	(6,274)	(2,789)
Balance at 31 December	**24,679**	**24,668**

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	2015	2014
Cash	159,889	85,754
Short term deposits	16,495	9,815
Total cash	**176,384**	**95,569**
Bank overdrafts	–	(54)
Total	**176,384**	**95,515**

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 AND SHARE PREMIUM

Share Capital

Oriflame Holding AG ("OHAG"), the new parent company has one class of share capital. In addition to the shares already issued and presented below, the Board of Directors shall be authorized to increase fully or partially the share capital in an amount not to exceed CHF 13,174,326 through the issuance of up to 8,782,884 fully paid-in shares with a nominal value of CHF 1.50 per share by not later than 19 June 2017.

For the purpose of the share incentive plan, the share capital of OHAG shall be increased by a maximum aggregate amount of CHF 3,621,000 through the issuance of a maximum of 2.414 million fully paid-in shares with a nominal value of CHF 1.50 per share.

All shares have a par value of CHF 1.50 and have equal rights to dividends. Shareholders are entitled to one vote per share at annual and general meetings of the Company. A reconciliation of the movements in share capital is detailed below:

		No. of shares	€'000
Share capital			
Balance 31 December 2013		**57,214,062**	**71,517**
Issue of new shares	(i)	7,910	10
Balance 31 December 2014		**57,221,972**	**71,527**
Change in common shares associated with change in parent company	(ii)		
– Derecognition of previous parent company		(57,221,972)	(71,527)
– Change to the new parent company		55,708,563	79,788
Balance 31 December 2015		**55,708,563**	**79,788**
Treasury shares			
Balance 31 December 2013		**1,613,409**	**41,235**
Acquisition		–	–
Balance 31 December 2014		**1,613,409**	**41,235**
Change in treasury shares associated with change in parent company	(iii)		
– Derecognition of previous parent company		(1,613,409)	(41,235)
– Change to the new parent company		100,000	621
Balance 31 December 2015		**100,000**	**621**

(i) On 13 August 2014 the Group issued 7,910 shares to Oriflame employees as part of the 2011 share incentive plan. The consideration received was €0.14 million, of which €0.01 million was credited to share capital and €0.13 million was credited to share premium.

(ii) Refer to note 1 for additional information.

(iii) Following the change in the parent company the treasury shares of the former parent company have been derecognised to retained earnings and 100'000 treasury shares with a nominal value of CHF 1.50 coming from the new parent company were recognised.

Share premium

The purpose of the share premium has not changed since year-end 2014 but the balance has been impacted by the change in the parent company as described in note 1.

NOTE 20 • RESERVES

(i) Legal reserve

The Company is required by Swiss law to appropriate to a legal reserve at least 5 percent of the annual profit until the reserve equals 20 percent of the paid-up share capital.

The legal reserve of the former holding company was reclassified to retained earnings.

(ii) Translation reserve

Included in the translation reserve are the following movements in 2015:

(a) Exchange loss of €20.2 million (€39.2 million loss in 2014) arising on long term inter-company debt of an investment nature, and;

(b) A foreign exchange loss of €3.6 million (€13.5 million loss in 2014) arising from the translation of financial statements of foreign subsidiaries.

(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 2014, the AGM of the Company approved a dividend of €0.25 per share, as proposed by the Board of Directors, i.e. €13.9 million in total.

The Board of Directors will continue to prioritize to reduce the debt. However, the Board intends, in line with the Dividend Policy of distributing at least 50 percent of the Net Profit, to propose a total dividend of €0.40 per share to be paid in equal instalments of €0.20 respectively during the fourth quarter 2016 and the first quarter 2017.

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	2015	2014
Non-current liabilities		
Loans	343,437	310,316
Finance lease long-term liabilities	–	13
	343,437	**310,329**

€'000	2015	2014
Current liabilities		
Short-term loans	2,959	30,088
Bank overdrafts	–	54
Finance lease short-term liabilities	4	21
	2,963	**30,163**

On 27 April 2015, the Group signed a €110 million five-year revolving, multi-currency, committed, Credit Facility, replacing the €330 million five-year facility signed on 23 May 2011.

Similar to the previous credit facility agreement, the current agreement 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.

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 on 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.

On 20 April 2015 the first tranche in the loan in the U.S. private placement market matured and the Group repaid the aggregated principal amount of USD 25 million together with the interest accrued to the international investors.

Both 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 EBITDA (EBIT in previous Credit Facility) to consolidated finance costs and net worth. The Group was in compliance with these covenants as of 31 December 2015 and 31 December 2014.

Terms and debt repayment schedule

The terms and conditions of outstanding loans were as follows:

				31 December 2015		31 December 2014	
€'000	Currency	Interest rate	Year of maturity	Face value	Carrying amount*	Face value	Carrying amount*
Revolving bank facility	EUR	Euribor + margin	2020	–	(1,243)	–	(125)
Private placement loan	USD	Fixed rate USD coupon	2017–2020	102,941	134,919	121,324	143,253
Private placement loan	USD/EUR	Fixed rate EUR and USD coupon	2018–2023	161,535	206,802	161,535	187,876
Finance lease liabilities	PLN/RON	between 6% and 12%	2018	4	4	39	34
Other loans	INR/CLP	between 5% and 13%	2016–2017	5,918	5,918	9,400	9,400
Bank overdrafts	TRL/INR	0% / 16%	–	–	–	54	–
Total interest-bearing liabilites				**270,398**	**346,400**	**292,352**	**340,492**

* 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 2015, the Group had total banking facilities available of €480.9 million (€708.9 million) of which €350.3 million (€348.0 million) have been utilized as bank short- and long-term loans as well as guarantees.

NOTE 22 • TRADE AND OTHER PAYABLES

€'000	2015	2014
Trade payables	44,165	43,719
Other payables	38,180	43,196
Trade and other payables	**82,345**	**86,915**

NOTE 23 • EQUITY COMPENSATION PLANS

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 was to 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. Achievement shares granted range from 0 to 8 shares per investment share depending on whether the Group achieves certain growth rate targets in operating profit over the vesting period.

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.

During 2014 the board of directors exercised its right to amend the share incentive plan for the years 2011–2014. The board of directors resolved to introduce two additional qualification years on the investment shares should the operating profit targets for achievement shares not have been met during the ordinary three year period. This extended qualification period will be applied as of the 2014 investments.

During 2015, in accordance with the mandate sought from the shareholders at the OCSA 2015 AGM, the board of directors has decided to amend the 2013 investment grid.

During 2015, as a consequence of the merger between Oriflame Cosmetics S.A. and the Company, outstanding entitlements and obligations under the Oriflame Cosmetics S.A. share incentive plans have been transferred to the Company.

On 13 August 2015, a new share incentive plan was adopted by the board, according to which participants will be offered to purchase or designate shares corresponding to a fair market value of up to €2 million per annum as investment shares. The allotment of free achievement shares to each participant will be between 0 and 8 for each investment share, depending on the development of the year end growth targets of the Oriflame Group as from the start of the investment period until the 3rd, 4th and 5th anniversary (as applicable) of the purchase of each investment share. 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.

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 Euribor rate. In 2015, the total equity compensation cost recorded in Administrative Expenses is €3.5 million (€0.6 million income).

The number of investment shares is as follows:

	2015			2014			2013	2012
Shares schemes	Extension period 2	Extension period 1	Initial vesting period	Extension period 2	Extension period 1	Initial vesting period	Vesting period	Vesting period
Granted at the beginning of the scheme		**70,500**			**71,000**		**71,000**	**80,000**
Forfeited during 2012	–	–	–	–	–	–	–	(122)
Forfeited during 2013	–	–	–	–	–	–	(965)	(1,020)
Forfeited during 2014	–	–	–	–	–	–	(184)	(204)
Outstanding at the beginning of the year	**–**	**–**	**–**	**71,000**	**71,000**	**71,000**	**69,851**	**78,654**
Forfeited during 2015	(4,823)	(4,823)	–	(11,853)	(11,853)	(683)	(3,321)	–
Expired during 2015	–	–	–	–	–	–	–	(78,654)
Exercised during 2015	–	–	–	–	–	–	–	–
Outstanding at the end of the year for the relevant vesting period	**65,677**	**65,677**	**70,500**	**59,147**	**59,147**	**70,317**	**66,530**	**0**
Fair Value at Grant Date	8.76	10.13	11.46	13.15	14.32	15.39	18.99	21.21
Share Investment Price at Grant Date		14.78			18.38		25.56	24.49

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 as follows:

Number of shares	2015*	2014*
R. af Jochnick and family**	5,142,735	5,212,735
J. af Jochnick and family	4,367,190	4,238,000
Alexander af Jochnick	418,884	418,884
Maguns Brännström	303,000	303,000
Jesper Martinsson	240,000	290,000
Gabriel Bennet	23,500	23,500
Christian Salamon	14,500	14,500
Anders Dahlvig	13,650	13,650
Lilian Fossum	1,000	1,000
Helle Kruse Nielsen	1,000	1,000
Anna Malmhake	0	0

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

** Also includes the Alexander af Jochnick and family holding as per the IFRS definition of related parties.

The major shareholders, the af Jochnick family and the Stichting af Jochnick Foundation, jointly exercise control over 15,836,926 (15,777,736 in 2014) shares which represents 28.4 percent (27.6 percent in 2014) of the outstanding total shares as at 31 December 2015.

The key management personnel compensation is as follows:

For the year ended 31 December 2015, 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 €319 (€382). The chairman received €81 (€66).

For the year ended 31 December 2015, the Chief Executive Officer is entitled to receive total compensation of €1,724 (€1,138), of which €803 (€857) was salary, €54 (€0) bonus, €560 (€0) share incentive plan, €185 (€191) pension contributions under the pension scheme for senior management, and €122 (€90) other benefits and allowances.

For the year ended 31 December 2015 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 €3,006 (€2,133), of which €1,254 (€1,440) was salaries, €55 (€0) bonus, €621 (€0) share incentive plan, €257 (€223) pension contributions under the pension scheme for senior management and €819 (€470) of other benefits and allowances.

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 follow:

	Transaction value Year ended 31 December		Balance outstanding As at 31 December	
€'000	2015	2014	2015	2014
Expenses and employee costs incurred on behalf of and recharged to Medicover S.A.	(12)	(92)	–	(5)
Services provided by Credus Management AB	27	–	–	–
Medicover health care services	339	334	2	3

All transactions with related parties are done on arm's length basis. During the year ending 31 December 2015 and 2014, 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, Poland, Hungary, the Czech Republic and Estonia (Medicover is now called Qualitas Artikeskus As in 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	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 Services Hong Kong Limited	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 d.o.o.	Macedonia	100
Oriflame Investments Ltd	Mauritius	100

Name	Country of incorporation	Share capital held, %
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
Oriflame Poland SP zoo.	Poland	100
Oriflame Products Poland SP zoo.	Poland	100
Oriflame Property Investments SP zoo.	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 Cosmetics AB*	Sweden	100
Oriflame Services International AB	Sweden	100
Oriflame Cosmetics 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
SC "Oriflame Cosmetics" Ukraine	Ukraine	100
Oriflame Middle East DMCC	United Arab Emirates	100
Oriflame Vietnam Ltd.	Vietnam	100

* In November 2015, Zetes Holdings AB, Sweden, a former subsidiary of the Group, was merged with Oriflame Cosmetics AB.

** Previously named Oriflame Global e-Commerce AG. The company name changed to Oriflame Cosmectics AG during the fourth quarter 2015.

NOTE 26 • PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

(a) Provisions

€'000	Tax litigations	Restruc-turing	Claims & other	Total
Balance at 1 January 2015	**1,813**	**1,831**	**3,366**	**7,010**
Provisions made during the year	8,141	6,312	575	15,028
Provisions used during the year	(3,113)	(1,355)	(960)	(5,428)
Provisions reversed during the year	(790)	(366)	(1,702)	(2,858)
Translations	(31)	27	55	51
Balance at 31 December 2015	**6,020**	**6,449**	**1,334**	**13,803**

Tax litigation provisions relate to several jurisdictions where the Group 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. The provision made is mainly due to a potential tax case in Russia of €5.1 million. Refer to note 10 for additional information.

Restructuring provision of €6.4 million relates mainly to the new Oriflame organisation – leverage on digital opportunities in global functions combined with decentralised regional delivery organisation – which was communicated in December 2015.

(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 €8.2 million (€28.7 million) representing potential litigations of €3.9 million (€24.8 million) and other claims of €4.3 million(€3.9 million). This year potential litigations relates mainly to legislations in India.

(c) Minimum lease commitments

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

€'000	2015	2014
Within one year	19,363	19,810
Between one and three years	22,697	24,504
Between three and five years	7,815	10,482
Over five years	4,207	7,102
	54,082	**61,898**

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 2015 €26.2 million (€27.5 million) was recognised as an expense in the consolidated income statements in respect of operating leases.

(d) Bank guarantees

At 31 December 2015, the Group had bank guarantees in place of €5.5 million (€1.1 million).

NOTE 27 • PENSIONS

Defined contribution plans

During the year, companies operating defined contribution schemes recognized for these schemes €6.2 million pension costs (€6.4 million)

Defined benefit plans

As a result of the change in parent company of the Group to Switzerland completed in 2015, the number of employees affiliated to Swiss pension plans has increased and the net defined benefit liability arising from Swiss pension plans has become material. The Group has therefore decided to apply the requirements of IAS 19 Employee benefits relating to defined benefit plans and treated the Swiss plans as if they had been newly introduced.

The Group's net obligation in respect of defined benefit plans was calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of plan assets. The calculation of the defined benefit obligations was performed by a qualified actuary using the projected unit credit method.

The Swiss pension plans are governed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), which stipulates that pension plans are to be managed by independent, legally autonomous units. The assets of the pension plans are held within a separate foundation and cannot revert to the employer. Pension plans are overseen by a regulator as well as by a state supervisory body.

The Swiss group entities are affiliated to a collective foundation administrating the pension plans of various unrelated employers. The pension plan of the Swiss group entities is fully segregated from the ones of other participating employers.

The most senior governing body of a pension foundation is the Board of Trustees, which is composed of equal numbers of employee and employer representatives. All governing and administration bodies have an obligation to act in the interests of the plan participants.

Plan participants, their spouse and children are insured against the financial consequences of old age, disability and death. Their benefits are defined in pension plan rules compliant with the BVG, which is specifying the minimum benefits that are to be provided. Retirement benefits are based on the accumulated retirement capital which can either be drawn as a life-long annuity or as a lump sum payment. The annuity is calculated by multiplying the retirement capital with the currently applicable conversion rate. The accumulated retirement capital is made of the yearly contributions towards the old age risk by both employer and employee where applicable and the interest thereon until retirement. Minimum contributions and interest are defined by the BVG and the Swiss Parliament. In 2015 the minimum interest was 1.75 percent. The actual contributions towards the old age risk as well as the benefits provided are based on the rules defined by the Board of Trustees of the foundation and are above the minimum requirements of the BVG.

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

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

The costs recognized in relation to the defined benefit plans during the year amounted to €4.0 million (nil), from which €3.2 million results from the opening net defined benefit liability recognized in June 2015 as past service cost. The net defined benefit liability at year end amounts to €3.7 million (nil).

In 2016, €1.1 million in employer contributions are expected to be paid for the defined benefit plans.

(a) Movement in net defined benefit liability

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

Statements of financial position 2015

€'000	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Balance at 1 January	**–**	**–**	**–**
Included in income statement			
Service cost			
– Current service cost	777	–	777
– Past service cost	7,984	(4,749)	3,235
Administrative expenses	–	20	20
Interest expense/(income)	45	(29)	16
Defined benefit cost/(income) included in income statement	**8,806**	**(4,758)**	**4,048**
Included in Other Comprehensive Income (OCI)			
Remeasurements loss/(gain)			
Effect of changes			
– In demographic assumptions	–	–	–
– In financial assumptions	128	–	128
Effect of experience adjustments	196	–	196
Return on plan assets (excluding interest income)	–	(30)	(30)
Total remeasurements included in OCI	**324**	**(30)**	**294**
Other			
Exchange differences included in the income statement	(347)	207	(140)
Contributions			
– Employers	–	(550)	(550)
– Participants	18	(18)	–
Benefit payments	(509)	509	–
Total Other	**(838)**	**148**	**(690)**
Balance at 31 December	**8,292**	**(4,640)**	**3,652**

(b) Actuarial assumptions

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

	2015
Discount rate, %	0.90
Interest rate for the projection of the savings capital, %	1.25
Future salary increases, %	1.50
Future pension increase, %	0.00
Mortality probabilities	BVG 2010 generational tables

At 31 December 2015, the weighted-average duration of the defined benefit obligation was 21.4 years.

The expected benefit payments is as follows:

Less than one year	12
Between 1–5 years	240
Overy 5 years	968

(c) Sensitivity analysis

A change at the reporting date in one of the disclosed assumptions (holding other assumptions constant) would have impacted the defined benefit obligation by the following amounts:

	31 December 2015	
€'000	0.25% Increase	0.25% Decrease
Discount rate	(426)	1,414
Future salary increases	1,125	(680)
Future pension increases	1,151	(663)

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.

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 their functional currency. Profits and losses and assets and liabilities in the various local currencies are translated into euro, the presentation currency. Countries having a functional currency other than euro, profits and losses are translated at average exchange rates and assets and liabilities are translated at closing exchange rates. Fluctuations in exchange rates against the euro will give rise to differences. These differences are recorded as translation gains or losses in the shareholders' equity.

Transaction exposure

Currency transaction exposure arises whenever a subsidiary enters into a transaction using a currency other than its functional currency. If the relevant exchange rates move between the date of the transaction and the date of final payment, the resulting currency balance will produce a gain or loss on exchange. Such gains or losses are included in financial income and expense.

Strategic currency exposure

Strategic currency exposure arises in countries, which are not part of the European Monetary Union (EMU), or whose currencies are not pegged to the euro. When the exchange rate of the non-EMU currencies fluctuates against the euro, it affects the gross margin in those countries, as approximately 69.1 percent (58.2 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 2015 there were a variety of forward exchange contracts outstanding for a nominal amount equivalent of € 82.9 million (€161.7 million) with maturities ranging from January to September 2016, to hedge selected currency transaction exposures and highly probable forecast transactions.

The Group uses a variety of forward exchange contracts with a nominal amount equivalent of €14.4 million (€41.8 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 derivatives and the foreign exchange gains and losses relating to the monetary assets and liabilities are recognised in the consolidated income statement. As of 31 December 2015, the fair value of these contracts was €0.2 million gain (€20.7 million gain).

The Group claims cash flow hedge accounting for a variety of forward contracts at a nominal amount of €97.3 million (€119.9 million) that hedge the cash flow variability due to foreign currency risk inherent in either future transactions that result in recognition of non-financial liability or highly probable forecast transactions, mainly intra-group. The effective portion of changes in the fair value of derivatives is recognised in other comprehensive income within equity and they are expected to impact the profit and loss within twelve months or less. The ineffective portion of the gain or loss is recognised immediately in the income statement. As of 31 December 2015, the fair value of these forward contracts was €3.1 million gain (€9.0 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 they are expected to impact the profit and loss after more than a year. The ineffective portion of the gain or loss is recognised immediately in the consolidated income statements.

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.

On 20 April 2015 the first tranche in the U.S. private placement market issued in 2010 matured and the Group repaid the aggregated principal amount of USD 25 million together with the interest accrued to the international investors.

Exposure to currency risk

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

2015	CNY	INR	CZK	MXN	KZT	PLN	RUB	SEK	TRY	UAH	IDR
In €'000 equivalents											
Intra-group trading balances	(9,593)	747	(977)	3,409	3,132	(17,420)	35,223	(4,208)	1,508	2,276	6,153
Trade receivables/(payables)	–	–	–	–	–	3,185	–	(521)	–	–	–
Gross balance sheet exposure	**(9,593)**	**747**	**(977)**	**3,409**	**3,132**	**(14,235)**	**35,223**	**(4,729)**	**1,508**	**2,276**	**6,153**
Forward and option exchange rate contracts	10,390	(3,749)	(4,070)	(11,896)	–	(10,794)	(27,416)	–	(12,273)	–	(13,963)
Net Exposure	**797**	**(3,002)**	**(5,047)**	**(8,487)**	**3,132**	**(25,029)**	**7,807**	**(4,729)**	**(10,765)**	**2,276**	**(7,810)**

2014	CNY	INR	CZK	MXN	KZT	PLN	RUB	SEK	TRY	UAH	IDR
In €'000 equivalents											
Intra-group trading balances	5,876	11,565	(1,392)	(41)	3,177	(13,068)	29,274	2,890	3,108	10,163	2,004
Trade receivables/(payables)	–	–	–	–	–	3,969	–	(455)	–	–	–
Gross balance sheet exposure	**5,876**	**11,565**	**(1,392)**	**(41)**	**3,177**	**(9,099)**	**29,274**	**2,435**	**3,108**	**10,163**	**2,004**
Forward and option exchange rate contracts*	(2,017)	–	(4,869)	(13,152)	–	(9,441)	(53,301)	(5,855)	(17,726)	–	(17,577)
Net Exposure	**3,859**	**11,565**	**(6,261)**	**(13,193)**	**3,177**	**(18,540)**	**(24,027)**	**(3,420)**	**(14,618)**	**10,163**	**(15,573)**

* Total of forward exchange contracts includes hedges related to uncommitted exposures. The Group continued to increase the hedging volumes for selected currency transaction exposures and highly probable forecast transactions covering more than 60 percent of the intra-group cost of sales. This strategy has been 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	
€	**2015**	**2014**	**2015**	**2014**
RUB	67.67	50.91	79.70	68.34
IDR	14,852.43	15,767.09	15,039.99	15,076.10
INR	71.13	81.03	72.02	76.72
CNY	6.97	8.18	7.06	7.53
MXN	17.59	17.68	18.91	17.87

Sensitivity analysis

The Group trades in more than forty currencies. The Group has selected the top five markets 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. 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 %	2015	2014
RUB	(1.2)	(1.6)
IDR	(0.5)	(0.4)
INR	(0.6)	(0.4)
CNY	(0.4)	(0.1)
MXN	(0.4)	(0.3)

Effect on Group equity in € million	2015	2014
RUB	(0.1)	(0.2)
IDR	(0.1)	(0.2)
INR	(0.2)	(0.1)
CNY	(0.2)	(0.1)
MXN	(0.2)	(0.1)

(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 2014.

	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 2015				
Variable rate interest-bearing liabilities	–	–	–	–
Interest rate caps	3,945	(816)	–	–
Cross currency interest rate swaps	215	(153)	4,363	(4,562)
Cash flow sensitivity (net)	**4,160**	**(969)**	**4,363**	**(4,562)**
31 December 2014				
Variable rate interest-bearing liabilities	(795)	795	–	–
Interest rate caps	1,737	(316)	–	–
Cross currency interest rate swaps	803	(820)	5,285	(5,556)
Cash flow sensitivity (net)	**1,745**	**(341)**	**5,285**	**(5,556)**

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	**2015**	**2014**
Trade and other receivables	54,959	69,941
Cash and cash equivalents	176,384	95,569
Interest rate caps for trading	771	213
Forward exchange rate contracts for trading	229	28,184
Forward exchange rate contracts for hedging	5,036	10,249
Option exchange contract for trading	–	3,966
Cross currency interest rate swaps for trading	54,916	37,709
Cross currency interest rate swaps for hedging	24,146	9,746
	316,441	**255,577**

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 2015

€'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	346,396	315,169*	16,300	147,097	61,520	90,252
Finance lease liabilities	4	4	4	–	–	–
Trade and other payables	69,821	69,821	69,821	–	–	–
Accrued expenses	99,073	99,073	99,073			
Bank overdrafts	–	–	–	–	–	–
Derivative financial liabilities						
Cross currency interest rate swaps for trading	817	817	817	–	–	–
Forward exchange rate contracts for trading	24	24	24	–	–	–
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)	1,912	1,912	1,912	–	–	–
Total	**519,080**	**487,853**	**188,984**	**147,097**	**61,520**	**90,252**

31 December 2014

€'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	340,404	345,023*	39,127	70,911	90,714	144,271
Other long term liabilities	591	591	–	591	–	–
Finance lease liabilities	34	39	25	14	–	–
Trade and other payables	86,915	86,915	86,915	–	–	–
Accrued expenses	88,769	88,769	88,769	–	–	–
Bank overdrafts	54	54	54	–	–	–
Derivative financial liabilities						
Cross currency interest rate swaps for trading	954	954	954	–	–	–
Forward exchange rate contracts for trading	11,428	11,428	11,428	–	–	–
Cross currency interest rate swaps for hedging (cash flow hedge)	1,020	1,020	1,020	–	–	–
Forward exchange rate contracts for hedging (cash flow hedge)	1,250	1,250	1,250	–	–	–
Total	**517,066**	**521,690**	**215,189**	**71,516**	**90,714**	**144,271**

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

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 €110 million facility (which replaced the €330 million facility – see note 21), 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, which is equal to equity prepared in accordance with IFRS attributable to owners of the Group, amounts to €153.5m (€140.9m).

No changes have been made in the objectives, policies, or processes for managing capital during the year ended 31 December 2015.

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 2015		31 December 2014	
€'000	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets carried at amortised cost				
Trade and other receivables	54,959	54,959	69,941	69,941
Cash and cash equivalents	176,384	176,384	95,569	95,569
Total loans and receivables	*231,343*	*231,343*	*165,510*	*165,510*
Total financial assets carried at amortised cost	**231,343**	**231,343**	**165,510**	**165,510**
Financial assets carried at fair value				
Cross currency interest rate swaps for trading	54,916	54,916	37,709	37,709
Interest rate caps for trading	771	771	213	213
Forward exchange rate contracts for trading	229	229	28,184	28,184
Option exchange rate contract for trading	–	–	3,966	3,966
Total derivatives for trading	*55,916*	*55,915*	*70,072*	*70,072*
Cross currency interest rate swaps for hedging	24,146	24,146	9,746	9,746
Forward exchange rate contracts for hedging	5,036	5,036	10,249	10,249
Total derivatives for hedging	*29,182*	*29,182*	*19,995*	*19,995*
Total derivative financial assets	*85,098*	*85,098*	*90,067*	*90,067*
Total financial assets carried at fair value	**85,098**	**85,098**	**90,067**	**90,067**
Financial liabilities carried at amortised cost				
Loans	(144,188)	(157,127)	(136,853)	(149,409)
Other long term liabilities	–	–	(591)	(591)
Trade and other payables	(69,821)	(69,821)	(72,562)	(72,562)
Accrued expenses	(99,073)	(99,073)	(88,769)	(88,769)
Finance lease liabilities	(4)	(4)	(34)	(39)
Bank overdrafts	–	–	(54)	(54)
Total financial liabilities carried at amortised cost	**(313,086)**	**(326,025)**	**(298,863)**	**(311,424)**

€'000	31 December 2015 Carrying amount	31 December 2015 Fair value	31 December 2014 Carrying amount	31 December 2014 Fair value
Financial liabilities carried at fair value				
USD loan	(202,208)	(202,208)	(203,551)	(203,551)
Total designated as such upon initial recognition	*(202,208)*	*(202,208)*	*(203,551)*	*(203,551)*
Cross currency interest rate swaps for trading	(817)	(817)	(954)	(954)
Forward exchange rate contracts for trading	(24)	(24)	(11,428)	(11,428)
Total derivatives for trading	*(841)*	*(841)*	*(12,382)*	*(12,382)*
Cross currency interest rate swaps for hedging	(1,033)	(1,033)	(1,020)	(1,020)
Forward exchange rate contracts for hedging	(1,911)	(1,911)	(1,250)	(1,250)
Total derivatives for hedging	*(2,944)*	*(2,944)*	*(2,270)*	*(2,270)*
Total derivative financial liabilities	*(3,785)*	*(3,785)*	*(14,652)*	*(14,652)*
Total financial liabilities carried at fair value	**(205,993)**	**(205,993)**	**(218,203)**	**(218,203)**

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 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.

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)

Note 28 continued

€'000	Level 1	Level 2	Level 3	Total
31 December 2015				
Financial assets and liabilities measured at fair value				
USD loans	–	(202,208)	–	(202,208)
Derivative financial assets	–	85,098	–	85,098
Derivative financial liabilities	–	(3,785)	–	(3,785)
	–	**(120,895)**	**–**	**(120,895)**
Financial assets and liabilities not measured at fair value				
Loans	–	(157,127)	–	(157,127)
Finance lease liabilities	–	(4)	–	(4)
	–	**(157,131)**	**–**	**(157,131)**

€'000	Level 1	Level 2	Level 3	Total
31 December 2014				
Financial assets and liabilities measured at fair value				
USD loans	–	(203,551)	–	(203,551)
Derivative financial assets	–	90,067	–	90,067
Derivative financial liabilities	–	(14,652)	–	(14,652)
	–	**(128,136)**	**–**	**(128,136)**
Financial assets and liabilities not measured at fair value				
Loans	–	(149,409)	–	(149,409)
Finance lease liabilities	–	(39)	–	(39)
	–	**(149,448)**	**–**	**(149,448)**

28.5 Master netting or similar agreements

The group enters into derivative transactions under International Swaps and 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 2015			
Financial assets			
Cross currency interest rate swaps	79,062	(1,849)	77,213
Interest rate caps	771	–	771
Forward exchange contracts	5,265	(1,936)	3,329
	85,098	**(3,785)**	**81,313**
Financial liabilities			
Cross currency interest rate swaps	(1,849)	1,849	–
Forward exchange contracts	(1,936)	1,936	–
	(3,785)	**3,785**	**–**
31 December 2014			
Financial assets			
Cross currency interest rate swaps	47,455	(1,974)	45,481
Interest rate caps	213	–	213
Option exchange contract	3,966	–	3,966
Forward exchange contracts	38,433	(12,678)	25,755
	90,067	**(14,652)**	**75,415**
Financial liabilities			
Cross currency interest rate swaps	(1,974)	1,974	–
Forward exchange contracts	(12,678)	12,678	–
	(14,652)	**14,652**	**–**

NOTE 29 • RESTRUCTURING AND OTHER NON-RECURRING ITEMS

Non-recurring items of €9.6 million (€3.1 million) included in Administrative expenses are composed of:

€ million	2015	2014	
Restructuring costs	6.4	4.2	Refer to table below
Pensions – Past service cost	3.2	–	Refer to note 27
Russia tax claim	–	8.1	Refer to note 10
Loss on disposal of a subsidiary	–	3.3	Disposal of the Swedish factory
Gain on disposal of assets	–	(12.5)	Refer to note 12
Total non-recurring items	**9.6**	**3.1**	

Restructuring costs: € million	2015	2014	
Europe	–	2.1	Restructuring of operations
All other segments	–	0.6	MFG reorganisation/ Global IT reorganisation
Unallocated items	6.4	1.5	Reorganisation
Total restructuring costs	**6.4**	**4.2**	

NOTE 30 • HYPERINFLATION

Belarus is no longer hyperinflationary in 2015.

In 2014, Belarus was operating in a hyperinflationary economy. The financial statements of the sales company in Belarus were 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 2014 was amounting to 16.2. The increase of the index during the period was 16.2 percent. In the net foreign exchange loss included in the financial expenses was a loss of €0.3 loss million related to net monetary position.

NOTE 31 • ACCRUED EXPENSES

€'000	2015	2014
PD & Bonus	24,719	28,891
Staff related accruals	23,036	10,927
Other accruals	51,317	48,951
Total accrued expenses	**99,072**	**88,769**

NOTE 32 • EVENTS SUBSEQUENT TO THE REPORTING DATE

On 29 February 2016 the Company has repaid USD80 million of the long term debt related to the U.S. private placement notes issued in 2011.

Report of the Statutory Auditor

to the General Meeting of Shareholders of Oriflame Holding AG, Schaffhausen

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

As statutory auditor, we have audited the accompanying consolidated financial statements of Oriflame Holding AG, which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes on pages 52 to 91 for the year ended 31 December 2015.

Board of Directors' Responsibility

The board of directors is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 auditor's judgment, 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 auditor considers the internal control system relevant to the entity's preparation 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, 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 for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

We recommend that the consolidated financial statements submitted to you be approved.

Zurich, 14 April 2016

KPMG AG

Hélène Béguin
Licensed Audit Expert
Auditor in Charge

Kathrin Schünke
Licensed Audit Expert

Balance Sheet Oriflame Holding AG, Schaffhausen

		31 December 2015		31 December 2014	
Assets	**Notes**	**EUR**	**CHF**	**EUR**	**CHF**
Cash and cash equivalents		1,270,947	1,377,071	632,085	759,988
Other short-term receivables		7,913,889	8,574,699	5,088	6,118
due from third parties		495,915	537,324	5,088	6,118
due from group subsidiaries		7,417,974	8,037,375	–	–
Prepaid expenses		5,570	6,035	–	–
Total current assets		**9,190,406**	**9,957,805**	**637,173**	**766,106**
Investments	5	301,644,943	314,102,879	–	–
Goodwill	6	378,800,617	395,563,434	–	–
Total non-current assets		**680,445,560**	**709,666,313**	**–**	**–**
Total assets		**689,635,966**	**719,624,118**	**637,173**	**766,106**
Liabilities					
Other short-term liabilities		409,639	443,844	83,533	100,436
due to third parties		393,834	426,719	–	–
due to group subsidiaries		6,361	6,892	–	–
due to shareholder		9,444	10,233	83,533	100,436
Accrued expenses		356,009	385,736	13,896	16,708
Total current liabilities		**765,648**	**829,580**	**97,429**	**117,144**
Share capital	7	79,788,125	83,562,845	124,254	150,000
Legal capital reserve		654,381,099	684,619,033	497,018	600,000
Capital contribution reserve	7	654,381,099	684,619,033	497,018	600,000
Accumulated losses		(44,677,634)	(48,637,340)	(81,528)	(101,038)
loss brought forward		(81,528)	(98,960)	–	–
loss for the period		(44,596,106)	(47,610,803)	(81,528)	(98,960)
currency conversion reserves		–	(927,577)	–	(2,078)
Treasury shares against capital contribution reserve	8	(621,272)	(750,000)	–	–
Shareholders' equity		**688,870,318**	**718,794,538**	**539,744**	**648,962**
Total liabilities		**689,635,966**	**719,624,118**	**637,173**	**766,106**

Income statement Oriflame Holding AG, Schaffhausen

		01.01.2015 – 31.12.2015		06.10.2014 – 31.12.2014	
Income statement for the period	Notes	EUR	CHF	EUR	CHF
Revenue from group company		842,067	898,991	–	–
Total operating income		**842,067**	**898,991**	–	–
Personal expenses		(888,120)	(948,157)	–	–
Other operating expenses		(787,458)	(840,690)	–	–
Depreciation on intangible assets	6	(42,088,959)	(44,934,173)	–	–
Total operating expenses		**(43,764,537)**	**(46,723,020)**	–	–
Operating result		**(42,922,470)**	**(45,824,029)**	–	–
Financial expenses		(833,771)	(890,134)	(446)	(541)
Financial income		82,233	87,792	–	–
Non-operating income		10,800	11,530	–	–
Non-operating expenses		–	–	(80,804)	(98,082)
Non-recurring expenses	12	(947,258)	(1,011,293)	–	–
Result before taxes		**(44,610,466)**	**(47,626,134)**	**(81,250)**	**(98,623)**
Direct taxes		14,360	15,331	(278)	(337)
Loss for the period		**(44,596,106)**	**(47,610,803)**	**(81,528)**	**(98,960)**

Notes Oriflame Holding AG, Schaffhausen

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

1 • STATUS AND PRINCIPAL ACTIVITY

Oriflame Holding AG ("OHAG" or the "Company") is a holding company founded on 6 October 2014 and incorporated in Switzerland. The Company has been registered at Bleicheplatz 3, CH-8200 Schaffhausen.

The principal activity of the Company is the holding of participations in other companies. The purpose of the Company is to acquire, hold, administrate and sell participations in enterprises in Switzerland and abroad, especially in the field of products and services within the beauty industry. The principal activities of the Group subsidiaries are the manufacture and direct sale of cosmetics throughout the world.

The accounting year begins on 1 January and ends on 31 December.

The Company has also prepared consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

In 2015, a cross-border merger between OHAG and Oriflame Cosmetics S.A. has been initiated in accordance with applicable laws of Luxembourg and Switzerland. The Company launched a share-for-share exchange transaction for the purpose of changing the domicile of the Group from Luxembourg to Switzerland. Thus the Company became the ultimate holding company of Oriflame Group as from 19 June 2015 and is listed on Nasdaq Stockholm Stock Exchange as from 23 June 2015.

The cross-border merger between OHAG and Oriflame Cosmetics S.A. has been completed on 30 September 2015 with retroactive effect from 1 July 2015.

2 • ACCOUNTING PRINCIPLES APPLIED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (Art. 957 to 963b CO, effective since 1 January 2013).

3 • FOREIGN CURRENCY

The functional currency of the Company is EUR. For presentation purposes, equity, goodwill and investments are converted using the historical exchange rate, all other positions are converted in CHF using below exchange rates. The currency conversion difference is booked in equity.

Foreign currency	1 EUR
Income statement for 2015	1,0676
Balance sheet as at 31 December 2015	1,0835

4 • FULL-TIME EQUIVALENTS

The number of full-time equivalents did not exceed 10 on an annual average basis in 2015 as well as in 2014.

5 • INVESTMENTS

As at 31 December 2015 the Company holds directly 3,031,000 shares in Oriflame Cosmetics Global S.A., Luxembourg and 100,000 shares in SARL Natural Swedish Cosmetics, Algeria representing 100% of the share capital and 100% of the voting rights. The investments are valued at acquisition cost or if the value is lower, at value in use.

Company	Country of incorporation	Book value in EURO '000	Capital in LC '000	Currency	Share capital held in %	Voting rights held in %
Oriflame Cosmetics Global S.A.	Luxembourg	301,644	3,031	EUR	100	100
SARL Natural Swedish Cosmetics	Algeria	1	100	DZD	100	100

As at 31 December 2015 the Company holds indirectly 20 percent or more of the issued share capital of the following companies:

Company	Country of incorporation	Capital in LC '000	Currency	Share capital held in %	Voting rights held in %
Oriflame Cosmetics LLC	Armenia	50	AMD	100	100
Oriflame LLC	Azerbaijan	206	AZM	100	100
Oriflame Cosmetics Foreign LLC	Belarus	11,366,923	BYB	100	100
Oriflame Management SA	Belgium	62	EUR	100	100
Oriflame Kozmetika BH. D.o.o. Sarajevo	Bosnia	2	BAM	100	100
Oriflame Bulgaria EOOD	Bulgaria	3	BGN	100	100
Oriflame de Chile SA	Chile	2,638	CLP	100	100
Oriflame Cosmetics (China) Co. Ltd	China	338,753	CNY	100	100
Oriflame Health Food (Beijing) Co Ltd	China	12,000	CNY	100	100
Oriflame Services Hong Kong Ltd	China	100	HKD	100	100
Oriflame de Colombia SA	Colombia	5,864	COL	100	100
Oriflame Kozmetika Croatia doo.	Croatia	20	KUN	100	100
Oriflame Cyprus Limited	Cyprus	1	EUR	100	100
Tyndelca Trading Limited	Cyprus	2	EUR	100	100
Oriflame Czech Republic sro	Czech Republic	2,020	CZK	100	100
Oriflame Software sro	Czech Republic	6,200	CZK	100	100
Oriflame International ApS	Denmark	3,300	DKK	100	100
Oriflame del Ecuador SA	Ecuador	5,047	USD	100	100
Oriflame Egypt Ltd	Egypt	50	ELE	100	100
Oriflame Estonia OU	Estonia	3	EUR	100	100
Oriflame Oy	Finland	505	EUR	100	100
Oriflame Georgia LLC	Georgia	8,767	GEL	100	100
Special Trading Company Oriflame Caucasus	Georgia	62	GEL	100	100

Note 5 continued

Company	Country of incorporation	Capital in LC '000	Currency	Share capital held in %	Voting rights held in %
Oriflame Kosmetik Vertriebs GmbH	Germany	10,911	EUR	100	100
Oriflame Hellas Sole Shareholder Ltd	Greece	4,741	EUR	100	100
Oriflame Hungary Kozmetika Kft	Hungary	3,224,074	HUF	100	100
Oriflame India Pvt. Ltd.	India	798,962	INR	100	100
PT Oriflame Cosmetics Indonesia	Indonesia	2,342,500	IDR	100	100
PT Orindo Alam Ayu	Indonesia	40,054,539	IDR	100	100
Oriflame Research & Development Ltd.	Ireland	2,331	EUR	100	100
Oriflame LLP	Kazakhstan	3,458,736	TEN	100	100
Oriflame Cosmetics LLC	Kosovo	3	EUR	100	100
Oriflame East Africa Ltd	Kenya	100	KES	100	100
Oriflame Cosmetics LLC	Kyrgyzstan	1,080	KGS	100	100
Oriflame Latvija S.I.A	Latvia	2,258	EUR	100	100
Oriflame Kosmetika UAB.	Lithuania	253	EUR	100	100
Oriflame Kozmetika dooel	Macedonia	8,308	DIN	100	100
Oriflame Investments Ltd	Mauritius	0	EUR	100	100
Myanmar Oriflame Company Ltd	Myanmar	69,250	MMK	100	100
Oriflame (Mexico) SA de CV	Mexico	13,613	MXN	100	100
Servicios Oriflame, SA de CV	Mexico	50	MXN	100	100
Oriflame International SRL	Moldova	8	MDL	100	100
Oriflame Mongolia LLC	Mongolia	151,526	TUG	100	100
Oriflame Kosmetika MN doo.	Montenegro	1	EUR	100	100
Oriflame Maroc SARL	Morocco	84,118	MAD	100	100
Oriflame Kosmetiek BV.	The Netherlands	5,128	EUR	100	100
Oriflame Holdings BV.	The Netherlands	62,499	EUR	100	100
Oriflame Nigeria Cosmetics Limited	Nigeria	48,000	NGN	100	100
Oriflame Norge A/S	Norway	1,696	NOK	100	100
Oriflame Cosmetics Pakistan (PVT) LTD	Pakistan	49,855	PKR	100	100
Oriflame Peru S.A.	Peru	10,581	PEN	100	100
Oriflame Poland SP z o.o.	Poland	24,446	PZL	100	100
Oriflame Products Poland SP z o.o.	Poland	39,810	PZL	100	100
Oriflame Property Investments SP z o.o.	Poland	5,700	PZL	100	100
Oriflame Cosmeticos Ltda	Portugal	7	EUR	100	100
SC Cosmetics Oriflame Romania srl.	Romania	17,280	RON	100	100
Oriflame Cosmetics LLC	Russia	4,293,746	RUR	100	100
Oriflame Products LLC	Russia	3,233,321	RUR	100	100
Oriflame Kosmetika d.o.o.	Serbia	523	RSD	100	100

Note 5 continued

Company	Country of incorporation	Capital in LC '000	Currency	Share capital held in %	Voting rights held in %
Oriflame Cosmeticos S.A.	Spain	160	EUR	100	100
Oriflame Slovakia sro	Slovak Republic	100	EUR	100	100
Oriflame Kozmetika d.o.o.	Slovenia	11	EUR	100	100
Oriflame Lanka Private Ltd	Sri Lanka	555	SLR	100	100
Oriflame Cosmetics AB	Sweden	20,500	SEK	100	100
Oriflame Services International AB	Sweden	100	SEK	100	100
Oriflame Cosmetics AG*	Switzerland	100	CHF	100	100
Oriflame Global Management AG	Switzerland	100	CHF	100	100
Oriflame East Africa Tanzania Ltd	Tanzania	1,000	TZS	100	100
Oriflame Cosmetics (Thailand) Ltd	Thailand	549,371	THB	100	100
Oriflame Management Asia Ltc	Thailand	20,000	THB	100	100
Oriflame Kozmetik Urunleri Ticaret Ltd Sirketi	Turkey	16,833	TRY	100	100
Oriflame Tunisie S.A.R.L.	Tunisia	200	TND	100	100
Oriflame East Africa Uganda Ltd	Uganda	5,000	UGX	100	100
Oriflame Middle East DMCC	United Arab Emirates	50	AED	100	100
DP "Oriflame Cosmetics" Ukraine	Ukraine	605,835	UAH	100	100
Oriflame Vietnam Ltd.	Vietnam	2,050	VND	100	100

* Previously named Oriflame Global e-Commerce AG. The company name changed to Oriflame Cosmectics AG during the fourth quarter 2015.

6 • GOODWILL

The goodwill has been created at the time of the cross-border merger between OHAG and Oriflame Cosmetics S.A. which occurred on 30 September 2015 with retroactive effect from 1 July 2015. The goodwill is depreciated over 5 years.

Gross value (in EURO)	2015	2014
Balance as at 1.1.	–	–
Addition	420,889,588	–
Disposal	–	–
Depreciation	(42,088,959)	–
Balance as at 31.12.	**378,800,629**	**–**

7 • SHARE CAPITAL AND AUTHORIZED CAPITAL

Share capital in the amount of CHF 83,562,845 consists of 55,708,563 registered shares at a par value of CHF 1.50.

On 30 June 2015, the shareholders' meeting of the Company has resolved to increase the share capital by CHF 72,587,171 to CHF 72,737,171 by issuing 48,391,447 fully paid-in registered shares with a nominal value of CHF 1.50 each at an issue price of CHF 14.07 each. CHF 72,587,171 of this amount have been credited to the share capital and CHF 608,280,489 to the capital contribution reserve.

On 8 July 2015, the shareholders' meeting of the Company has resolved to increase the share capital by CHF 6,774,894 to CHF 79,512,065 by issuing 4,516,596 fully paid-in registered shares with a nominal value of CHF 1.50 each at an issue price of CHF 14.14 each. CHF 6,774,894 of this amount have been credited to the share capital and CHF 57,089,773 to the capital contribution reserve.

On 13 August 2015, the shareholders' meeting of the Company has resolved to increase the share capital by CHF 1,933,397 to CHF 81,445,461 by issuing 1,288,931 fully paid-in registered shares with a nominal value of CHF 1.50 each at an issue price of CHF 14.59 each. CHF 1,933,397 of this amount have been credited to the share capital and CHF 16,872,107 to the capital contribution reserve.

On 10 September 2015, the shareholders' meeting of the Company has resolved to increase the share capital by CHF 223,574 to CHF 81,669,035 by issuing 149,049 fully paid-in registered shares with a nominal value of CHF 1.50 each at an issue price of CHF 13.42 each. CHF 223,574 of this amount have been credited to the share capital and CHF 1,776,664 to the capital contribution reserve.

On 25 September 2015, the shareholders' meeting of the Company has resolved to increase the share capital by CHF 1,893,810 to CHF 83,562,845 by issuing 1,262,540 fully paid-in registered shares with a nominal value of CHF 1.50 each at an issue price of CHF 1.50 each.

The Board of Directors shall be authorized (including in case of a public offer for shares of the Company) to increase the share capital in an amount not to exceed CHF 13,174,326 through the issuance of up to 8,782,884 fully paid-in registered shares with a nominal value of CHF 1.50 per share by not later than 19 June 2017. Increases in partial amounts shall be permitted.

Statement of changes in equity for the period ended 31 December 2015 (in CHF)

Equity statement	Share capital	Capital contribution reserve	Treasury shares	Currency conversion reserves	Accumulated losses	Total shareholders equity
Balance as at 1.1.	150,000	600,000	–	(2 078)	(98,960)	648,962
Loss for the period	–	–	–	–	(47,610,803)	(47,610,803)
Capital increase	83,412,845	684,019,033	–	–	–	767,431,878
Treasury shares	–	–	(750,000)	–	–	(750,000)
Currency conversion reserves	–	–		(925,499)	–	(925,499)
Balance as at 31.12.	**83,562,845**	**684,619,033**	**(750,000)**	**(927,577)**	**(47,709,763)**	**718,794,538**

8 • TREASURY SHARES

Since the cross-border merger between OHAG and Oriflame Cosmetics S.A., OHAG shares previously owned by Oriflame Cosmetics S.A. are presented as treasury shares.

The Company holds 100,000 treasury shares with a nominal value of CHF 1.50 issued at CHF 7.50 each for a total of CHF 750,000.

Number of registered shares	2015	2014
Inventory as at 1.1.	–	–
Addition	100,000	–
Sales	–	–
Allocation to board members and employees	–	–
Inventory as at 31.12.	**100,000**	**–**

9 • MAJOR SHAREHOLDERS

The following shareholders owned at least 5% of share capital as at 31 December 2015.

Oriflame Holding AG became the ultimate holding company of Oriflame Group as from 19 June 2015. 2014 figures are therefore not presented as at that date the holding company was Oriflame Cosmetics S.A.

Name	Number of shares	%
Af Jochnick BV	6,327,001	11.4
Fourth Swedish National Pension Fund (AP4)	5,267,486	9.5
Robert and Alexander af Jochnick and family	5,142,735	9.2
Jonas af Jochnick and family	4,367,190	7.8
Investment AB Öresund	2,802,990	5.0

10 • EQUITY OWNED BY EXECUTIVE MANAGEMENT AND THE BOARD OF DIRECTORS INCLUDING ANY RELATED PARTIES AS AT 31 DECEMBER 2015

Board of Directors

Name	Number of shares	%
Jonas af Jochnick and family	4,367,190	7.8
Robert af Jochnick and family	4,723,851	8.4
Alexander af Jochnick and family, Chairman	418,884	0.8

Executive management

Name	Position	Number of shares	%
Magnus Brännström	CEO	303,000	0.5
Gabriel Bennet	CFO	23,500	0.0
Jesper Martinsson	Senior Vice President and Head of Commercial Division and Deputy CEO	240,000	0.4

11 • SHARES GRANTED TO MEMBERS OF THE BOARD AND EMPLOYEES

During 2015, a Share Incentive and Retention Plan (SIP) was adopted by the board of directors.

The following information relates to the allocation of investment rights in 2015 (valued at fair value at grant date of EURO 11.46). It details the maximum amount of achievment shares that can be awarded to OHAG employees in relation to the 2015 investments under the SIP.

	Maximum no of shares	Maximum value
Allocated to members of the board	–	–
Allocated to OHAG employees	158,904	1,821,040
Total	**158,904**	**1,821,040**

12 • NON-RECURRING EXPENSES

The domicile of the Group was changed from Luxembourg to Switzerland. The shares of the Company, new top holding of the Oriflame Group, were listed on Nasdaq Stockholm Stock Exchange on 23 June 2015. The related non-recurring expenses are mainly composed of professional and legal fees.

Proposed Appropriation Oriflame Holding AG, Schaffhausen

Proposed Appropriation of Available Earnings 2015	EUR	CHF
Accumulated loss brought forward	(81,528)	(98,960)
Loss for the period	(44,596,106)	(47,610,803)
Currency conversion reserves	–	(927,577)
	(44,677,634)	**(48,637,340)**
The Board of Directors proposes to the General Meeting of Shareholders the following appropriation of available earnings:		
Currency conversion reserves	–	(927,577)
To be carried forward	(44,677,634)	(47,709,763)
	(44,677,634)	**(48,637,340)**

	Capital contribution reserve		Dividend reserve from capital contribution	
Proposed dividend distribution out of capital contribution reserve 2015	**EUR**	**CHF**	**EUR**	**CHF**
The Board of Directors proposes to the General Meeting of Shareholders the following dividend distribution out of capital contribution reserve				
Balance as of 31 December 2015	654,381,099	684,619,033	–	–
Proposed release of capital contribution reserve to dividend reserve from capital contribution	(30,456,853)	(33,000,000)	30,456,853	33,000,000
Balance to be carried forward	**623,924,246**	**651,619,033**	**30,456,853**	**33,000,000**

The Board of Directors proposes that (i) CHF 33,000,000 of the Company's "capital contribution reserve" (the Capital Contribution Reserve) be released and allocated to "dividend reserve from capital contribution" (the Dividend Reserve), (ii) a dividend in the amount of EUR 0.40 per outstanding share of the Company be distributed out of, and limited at a maximum to the amount of, such Dividend Reserve and paid in two installments as follows: EUR 0.20 to the shareholders of record on 15 November 2016 and EUR 0.20 to the shareholders of record on 15 February 2017, and (iii) any amount of the Dividend Reserve remaining after payment of the final installment be automatically reallocated to the Capital Contribution Reserve. Dividend payments shall be made with respect to the outstanding share capital of the Company on the record date for the applicable installment, which amount will exclude any shares held by the Company or any of its direct or indirect subsidiaries.

The Board of Directors is seeking shareholder approval of a distribution of a dividend out of the Capital Contribution Reserve in an aggregate amount of EUR 0.40 per outstanding share of the Company, to be paid in two installments as set out above. The payment is expected to occur within seven business days following each dividend record date.

Unlike a dividend out of available earnings, a distribution out of the Capital Contribution Reserve in the form of a dividend is not subject to Swiss federal withholding tax.

The dividend payments will be made with respect to the outstanding shares of the Company on the record date for each applicable installment, however excluding any shares held by the Company or any of its direct or indirect subsidiaries. The number of shares eligible for dividend payments may change due to the repurchase of shares, the sale of treasury shares or the issuance of new shares, including (without limitation) from the conditional and the authorized share capital reserved for the employee share incentive plan.

The Board of Directors is proposing that CHF 33,000,000 of the existing additional paid-in capital (which under Swiss law is referred to as "capital contribution reserve") be made available for purposes of the EUR 0.40 dividend per share by way of a release and allocation to the account "dividend reserve". Such allocation is required to be in CHF. Based on the number of shares outstanding as of 31 December 2015, the amount of the proposed aggregate dividend would be EUR 22,283,425. Accordingly, the Dividend Reserve of CHF 33,000,000 (EUR 30,456,853 based on the currency conversion rate as of 31 December 2015 of 1.0835 EUR/CHF) exceeds the aggregate dividend amount by about 37%.

The Board of Directors is proposing this excess amount in order to create a buffer to minimize any risk that i) the further issuance of any new shares after the date hereof (which shares, to the extent then outstanding, would generally share in the dividend installments) and ii) any EUR-CHF exchange rate changes would reduce the EUR amount of the Dividend Reserve available for distribution. To clarify, the Board of Directors do currently not envisage any further issuance of new shares before the 2017 annual general shareholders' meeting other than the issuance of up to a maximum of 50,000 additional shares to be used as achievement shares related to the 2013 investments under the Company's Share Incentive and Retention Plan, which vests during 2016.

In the unlikely event that, notwithstanding the allocation of this excess amount to the Dividend Reserve, the Dividend Reserve would be exceeded upon the occurrence of the payment date for a dividend installment, the Company would be required under the terms of the proposed shareholder resolution to adjust the relevant installment downward on a pro rata basis so that the aggregate payments do not exceed the Dividend Reserve. In any event, the dividend payment will not exceed a total of EUR 0.40 per share. If the aggregate dividend payment is lower than the allocation to the Dividend Reserve, the relevant difference will be allocated back to the Capital Contribution Reserve.

Report of the Statutory Auditor

to the General Meeting of Shareholders of Oriflame Holding AG, Schaffhausen

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the accompanying financial statements of Oriflame Holding AG, which comprise the balance sheet, income statement, and notes on pages 93 to 100 for the year ended 31 December 2015.

Board of Directors' Responsibility

The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the 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 financial statements for the year ended 31 December 2015 comply with Swiss law and the company's articles of incorporation.

REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Zurich, 14 April 2016

KPMG AG

Hélène Béguin
Licensed Audit Expert
Auditor in Charge

Kathrin Schünke
Licensed Audit Expert

Board of Directors

Alexander af Jochnick

Chairman of the Board as of 2014. Board Member as of 2007. Born in 1971.

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

BSc Stockholm School of Economics (Sweden).

Chairman of Oriflame Foundation. Board member of CL Intressenter AB, Credus Management AB, Postkodföreningen, NC Holding AB, Godel Sverige AB and Af Jochnick BV.

Shareholding in Oriflame as at 31 December 2015*: 418,884.

Not independent from the Company nor its major shareholders.

Robert af Jochnick

Board member as of 1970. Born in 1940. Co-founder of Oriflame.

LLB Stockholm University (Sweden), BSc Stockholm School of Economics (Sweden).

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

Shareholding in Oriflame as at 31 December 2015*: 5,142,735**

Not independent from the Company nor its major shareholders.

Jonas af Jochnick

Board Member as of 1970. Born in 1937. Co-founder of Oriflame.

Elected to the Board in 1970.

LLB Stockholm University (Sweden), MBA Harvard Business School (US), Dr h c Stockholm School of Economics (Sweden).

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

Shareholding in Oriflame as at 31 December 2015*: 4,367,190.

Not independent from the Company nor its major shareholders.

Magnus Brännström

Chief Executive Officer (CEO) & President. Board member as of 2005. Born in 1966.

MSc Uppsala University (Sweden).

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 2015*: 303,000.

Not independent from the Company being CEO & President.

Anders Dahlvig

Board Member as of 2010. Born in 1957.

BSc Lund University (Sweden), MA Economics University of California (US).

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

Shareholding in Oriflame as at 31 December 2015*: 13,650.

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.*

*** Also includes the Alexander af Jochnick and family holding as per the IFRS definition of related parties.*

Lilian Fossum Biner

Board Member as of 2007.
Born in 1962.

Member of the Remuneration Committee.

BSc Stockholm School of Economics (Sweden).

Board member of L E Lundbergföretagen AB, Thule Group AB, Nobia AB, a-connect ag and Givaudan S.A.

Shareholding in Oriflame as at 31 December 2015*: 1,000.

Independent from the Company and its major shareholders.

Helle Kruse Nielsen

Board Member as of 2005.
Born in 1953.

Member of the Audit Committee.

BSc Copenhagen Business School (Denmark).

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

Shareholding in Oriflame as at 31 December 2015*: 1,000.

Independent from the Company and its major shareholders.

Anna Malmhake

Board Member as of 2014.
Born in 1966.

BSc Stockholm University (Sweden).

Chairman and CEO of Irish Distillers Pernod Ricard

Shareholding in Oriflame as at 31 December 2015*: 0.

Independent from the Company and its major shareholders.

Christian Salamon

Board Member as of 1999.
Born in 1961.

Member of the Audit Committee.

MSc Royal Institute of Technology (Sweden), MBA Harvard Business School (US).

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

Shareholding in Oriflame as at 31 December 2015*: 14,500.

Independent from the Company and its major shareholders.

Corporate Committee

Magnus Brännström

Chief Executive Officer (CEO) & President.

Member of the Board of Directors. Please refer to the section "Board of Directors" for further information on Magnus Brännström.

Jesper Martinsson

Senior Vice President & Head of Commercial Division, Deputy CEO.

Born in 1966.

Board member of several Oriflame companies.

Shareholding in Oriflame as at 31 December 2015*: 240,000.

Gabriel Bennet

Chief Financial Officer (CFO).

From the AGM 2015 until the AGM 2016 Gabriel Bennet is for a transitional period also serving as a member of the Board of Directors in order to facilitate the administration of the recent domicile change of the Oriflame Group from Luxembourg to Switzerland.

Born in 1968.

Board Member of Smedbo AB and several Oriflame subsidiary companies.

Shareholding in Oriflame as at 31 December 2015*: 23,500.

GROUP *management*

Magnus Brännström

Chief Executive Officer (CEO)
& President, Member of the
Corporate Committee

Jesper Martinsson

Senior Vice President &
Head of Commercial Division,
Deputy CEO, Member of the
Corporate Committee

Gabriel Bennet

Chief Financial Officer (CFO),
Member of the Corporate
Committee

Michael Cervell

Senior Vice President
Global Direct Sales

Thomas Ekberg

Senior Vice President &
Head of Global Business Area
Asia & Turkey

Emma Hågemo

Vice President Group Strategy

Stefan Karlsson

Senior Vice President &
Head of Global Human
Resources

Johan Rosenberg

Senior Vice President &
Head of Global Business Areas
CIS and Latin America

Antonia Simon-Stenberg

Vice President Sustainability
& Quality Management

Financial CALENDAR 2016

- 2016 Annual General Meeting on 17 May
- First quarter 2016 report on 18 May
- Second quarter 2016 report on 16 August
- Third quarter 2016 report on 10 November

Distribution principles

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

Oriflame Investor Relations contact

Nathalie Redmo
Investor Relations Manager
Phone: +41 799 220 173
ir@oriflame.com

Copyright ©2016 by Oriflame Cosmetics AG. All rights reserved.

This annual report is produced by Oriflame Cosmetics AG in cooperation with Vero Kommunikation and Soformia.

Photos: Oriflame Cosmetics AG

Reports and information are available at: www.oriflame.com