ORIFLAME COSMETICS
ANNUAL REPORT 2005

oriflame

natural swedish cosmetics

Contents

Financial calendar 2006

Interim reports will be released for
- First quarter on 26 April, 2006
- Second quarter on 9 August, 2006
- Third quarter on 25 October, 2006

The Annual General Meeting will be held on 19 May, 2006

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A message from the founders

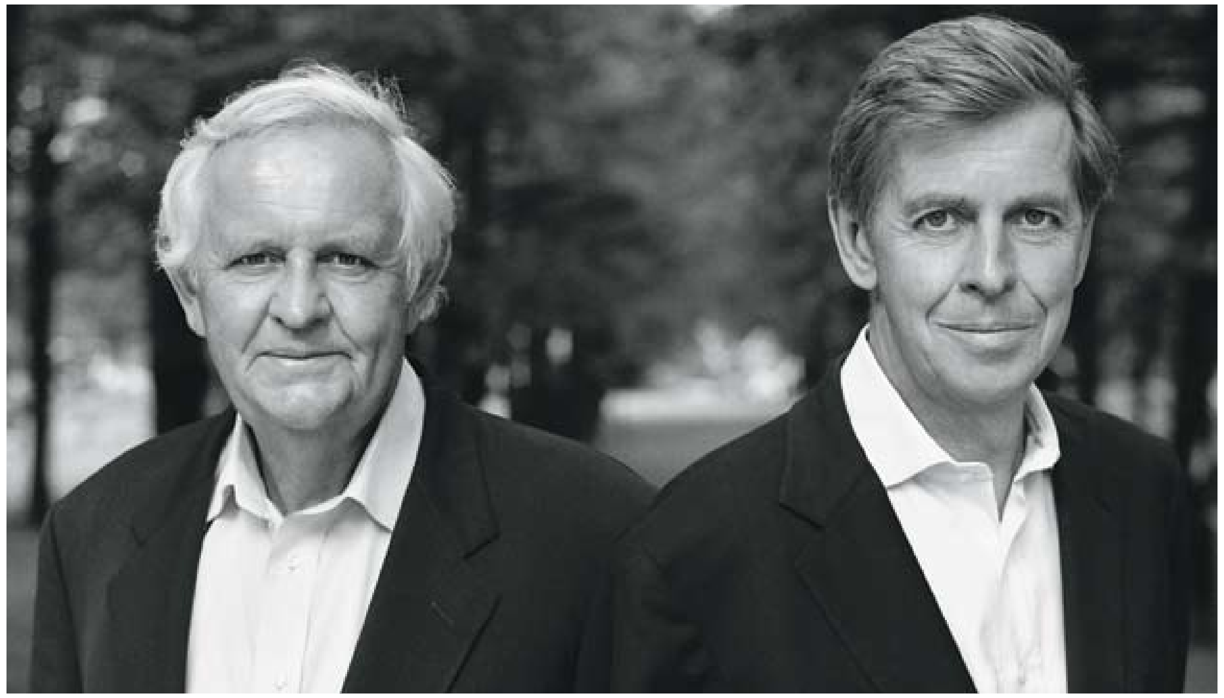
When we founded the Company in 1967, we hardly imagined that our small operation in Stockholm, Sweden, would turn into one of the leading cosmetic direct sales companies in the world, and that by 2005 we would have more than 1.6 million Consultants and 5,000 employees.

Over the years Oriflame has been through a lot, but its founding principles and ideas have remained the same.

By blending the wisdom of nature with the best of science, we still develop outstanding skin care products made with natural ingredients, and we still use direct sales as our distribution method. Combined, this offers a joyful beauty experience and an awarding business opportunity – for all women and men. We are convinced that our success depends on this consistency, and the fact that we have always been true to our values, culture and beliefs.

That, and the extraordinary contributions of so many talented people.

Sincerely,
Jonas and Robert af Jochnick



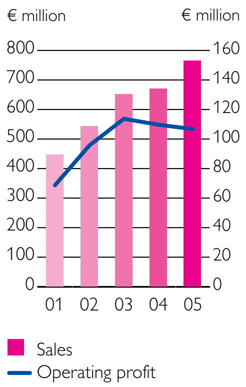
Highlights 2005

- Sales increased by 12 per cent in local currencies and by 14 per cent in euros
- Average number of Sales Consultants increased by 8 per cent to 1.6 million
- Productivity increased by 4 per cent in local currencies and by 7 per cent in euros
- Operating profit amounted to €106.7 million (109.5)
- Operating cash flow decreased to €63.4 million (90.5)
- Oriflame´s Board of Directors will propose to the AGM a distribution of €3.50 per share, of which €0.90 (0.75) per share is ordinary dividend and €2.60 through a redemption scheme to be completed in the third quarter of 2006
- New CEO appointed in March 2005
- Business review completed and new financial targets set to achieve local currency sales growth of 5–10 per cent annually and an operating margin of 15 per cent by 2009

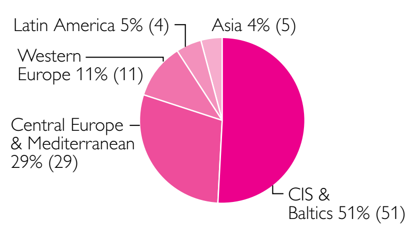
Key figures	2005	2004	Change, %
Sales, €m	765.7	670.7	14
Operating profit, €m	106.7	109.5	(3)
Net profit, €m			
– incl. exceptional items	86.3	79.6	8
– excl. exceptional items*	90.5	87.8	3
Cash flow from operating activities, €m	63.4	90.5	(30)
Gross margin, %	68.3	69.1	
Operating margin, %	13.9	16.3	
Return on capital employed, %	44.7	54.7	
Net interest bearing debt, €m	73.5	57.5	28
Interest cover	11.2	9.2	
Earnings per share, diluted, €			
– incl. exceptional items	1.45	1.36	7
– excl. exceptional items*	1.52	1.50	1
Average number of Sales Consultants	1,597,200	1,477,300	8
Average number of employees	4,961	4,527	10

* Excluding IPO and refinancing expenses in 2004 and loss on disposal in 2005

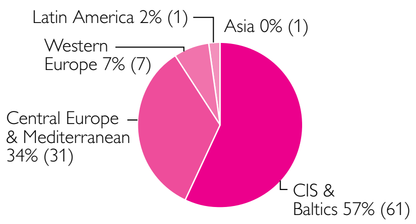
Sales and operating profit



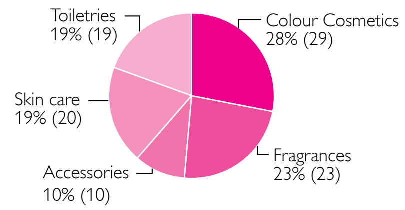
Regional sales 2005



Regional operating profit 2005



Sales by product category 2005



Market entries

1967	1968	1969	1970	1972	1978	1985	1986	1989	1990	1991	1992
Sweden Denmark	Finland	Norway	UK	Netherlands	Spain	Portugal	Indonesia	Chile	Czecho-slovakia	Poland Hungary Mexico	Russia Turkey Latvia

1993	1994	1995	1996	1997	1998	2000	2001	2002	2003	2004	2005
Ukraine Slovakia Greece	Bulgaria	Peru Lithuania Romania	Macedonia Ecuador Croatia India	Estonia Morocco Egypt Slovenia Sri Lanka	Azerbaijan Colombia Bosnia	Kazakhstan Thailand Georgia	Serbia & Montenegro	Mongolia	Armenia Moldova Vietnam	Lebanon	Belarus

CEO's statement

Our vision is to be the Natural First Choice for people looking for performing beauty products, an additional income or even a career, whilst attaining personal and professional growth in a fun and rewarding environment. The vision highlights the Company's intention to become the Natural First Choice for consumers, Consultants and employees through its unique business model.

It has been a year of change in Oriflame in 2005. I was given the opportunity to become CEO as of March and it gave me the possibility and responsibility to learn more about the Company by travelling around to meet colleagues and Sales Consultants. The result of all those meetings was that we in the Executive Committee initiated, together with the Board of Directors, a full strategic business review of the Group, with the aim of developing the appropriate strategy for Oriflame.

As a result of the review, we reorganised the Company to take better advantage of our opportunities and move closer to our markets, consumers and Consultants. The conclusion of this work was the revised strategy and financial goals announced in September 2005. The review also confirmed, to me personally and to many of my colleagues, the great opportunities open to Oriflame in the future. Oriflame is a fantastic company with a lot of enthusiastic and competent people and, therefore, a company with many opportunities. I shall expand on these opportunities later, but first let me report and comment on 2005.

Review of 2005

Sales growth is important for most businesses, but perhaps more so for direct sales companies where the dynamics of an independent sales force play an important role. With respect to sales, Oriflame clearly managed to turn around the business in 2005, after a disappointing 2004. In 2005, on the other hand, sales growth, year on year and for each of the four quarters, increased steadily, with Oriflame achieving a 12 per cent increase in local currencies over the 12-month period compared to 10 per cent in 2004. This growth was the result of an 8 per cent increase in the Sales Force and a productivity increase of 4 per cent. All regions contributed to growth during the year.

The turnaround is largely due to the organisation pulling together. Motivation among employees and Sales Consultants was boosted by the successful integration of different departments and markets. Other contributing factors to the turnaround include a new and more differentiated catalogue design, and the focused communication of the competitive advantages of Natural Swedish Cosmetics and the attractiveness of our direct sales offering. On top of this we introduced a new catalogue cycle in our main markets. The actions taken to increase sales growth had a negative effect on operating margins of 2.4 percentage points, which amounted to 13.9 per cent (16.3). Operating profit for the year was €106.7 million (109.5).

Although 2005 was a year of large investments, our cash flow continued to be strong. Oriflame's Board of Directors will propose to the AGM a distribution of €3.50 per share, which amounts to €209 million, of which €0.90 (0.75) per share will be ordinary dividend and the remaining part a redemption scheme to be completed in the third quarter of 2006.

Strategy and outlook

Let me return to the strategy process initiated in the early months of 2005. Following the announcement of our revised strategy and targets, I and my fellow Executive Committee members, initiated the internal roll out. We started at Oriflame's management conference in Spain in September, where the Company's top 300 managers gathered for our largest management conference since the 1980s. In the same month, Oriflame held its largest annual gold conference ever for top Consultants in Italy. I am very satisfied with the reception the new strategy received from employees and Sales Consultants alike. This provides us all with the energy and motivation we need to continue the work ahead.

We intend to be the Natural First Choice for people looking for performing beauty products, an additional income or even a career, whilst attaining personal and professional growth in a fun and rewarding environment. Our corporate strategy focuses on four key areas, which are particularly important if we are to succeed in achieving our vision: People and Culture, Network Marketing Focus, Brands and Products, and World Class Service.

The focus on people and culture is essential to bring the best out of the organisation and nurture the special culture of Oriflame, a culture in which the individual is expected to shoulder responsibility and execute the Company's strategy.

Our direct sales offering is based on the belief in providing an easy entrance to private entrepreneurship. With very low investment anyone can start with Oriflame, and with our offering of a wide range of affordable cosmetics products it is easy for new Consultants to start a business of their own and get early rewards. By inviting others to join Oriflame, the Consultant will then have the opportunity to build a career and enjoy unlimited financial reward and personal development.

Oriflame's cosmetics offering is based on the "Natural Swedish Cosmetics" slogan. Oriflame has almost 40 years' experience of natural ingredients, and the Company has never tested any of its products on animals. Oriflame has a strong Swedish heritage and belief in the ability of science to enhance the best of nature into products of the highest quality that are suited for all types of skin and preference.

We see before us a future in which time is becoming more and more precious. That is why we believe it essential that Sales Consultants find it easy to start a business and order, receive and pay for their products in the shortest possible time. It is crucial that Oriflame be an easy partner to deal with in terms of availability of catalogues and products. Oriflame needs to have a world-class service that is efficient and convenient to Consultants and suppliers.

Following the completion of the business review, the Board of Directors adopted new financial targets. According to these, Oriflame is to achieve local currency sales growth of 5–10 per cent per annum and reach an operating margin of 15 per cent in 2009.

Looking back at 2005 I feel very proud of the turnaround that has taken place. Management, employees and Sales Consultants have made a tremendous effort and achieved a lot more than we thought possible at the outset of our strategic review. But we should also remember that we have taken only the first steps on a long journey. Major challenges and projects lie ahead, and we need to raise ourselves even more in order to achieve the full potential of Oriflame. It will take time, money and a lot of effort. However, I feel very confident in our growth prospects and I am certain that we will achieve our long-term targets. We have a proven business model and a strong platform to build on.

I am grateful for the opportunity to be the CEO of Oriflame and I am very proud of being able to work with people who demonstrate so much professionalism and positive attitude. I would like to thank all employees and Sales Consultants for a successful 2005, and I am looking forward to our creating a great future together.

Brussels, 10 March, 2006

Magnus Brännström
Chief Executive Officer

Corporate strategy

Oriflame conducted a thorough business review in 2005. The aim of the review was to clarify and articulate the Group's corporate strategy and to develop a financial plan in line with that strategy.

The strategy process

The strategy has been developed through an interactive process involving the whole company. The process was initiated by the Executive Committee in the spring of 2005.

Long-term financial targets

Oriflame's primary objective is to increase shareholder value through growth in revenue and operating profit and the efficient use of capital.

Management has communicated elements of its financial plan in terms of growth and profitability.

Oriflame Cosmetics aims to achieve local currency sales growth of 5-10 per cent per annum and an operating margin of 15 per cent in 2009. These results are expected to be achieved primarily by defending and maintaining market share in the CIS & Baltics and Central Europe & Mediterranean regions where the Company has high penetration levels, and by gaining market share in regions with lower penetration. This will be supported by selective new market entries.

Oriflame's vision – The Natural First Choice

Oriflame's vision is to become the Natural First Choice for people looking for performing beauty products, an additional income or even a career, whilst attaining personal and professional growth in a fun and rewarding environment. The vision highlights the Company's intention to become the Natural First Choice for consumers, Consultants and employees through its unique business model.

Target audience

Oriflame's target audience is today's widening group of women and men who aspire to look radiant and be self-fulfilled. Oriflame offers an opportunity for people to look their best using quality Swedish cosmetics, earn an additional income or have a career while also growing personally and professionally in a fun and supportive atmosphere. The Company targets people, both women and men, who care about their appearance and are proactive to achieve results. These people want to buy quality products from a company they can trust, either as consumers or as Consultants. This is well in line with Oriflame's position today, and management is continuously working to strengthen the quality perception and performance of the products.

The success formula – a unique business proposition

Oriflame offers a strong proposition to two external target groups: its consumers and Consultants.

As a beauty company Oriflame offers consumers natural Swedish cosmetics in five product categories: Skin Care, Colour Cosmetics, Fragrances, Toiletries, and Accessories. Oriflame's natural Swedish cosmetics are based on the Company's Swedish origins, the wisdom of nature, best of science and the Skin Care heritage.

The Consultants are offered an earning opportunity that allows them to "Make money today and fulfil your dreams tomorrow". This slogan captures the Company's dual proposition. Oriflame is active in direct sales with a very low starting fee offering the ability to earn money from day one. In addition, Oriflame offers the opportunity to build a network business through recruitment, which provides a substantial longer term earning opportunity.

These two "products" – the beauty products and the earnings opportunity – offer consumers and Consultants a very strong and differentiated proposition. This positioning makes Oriflame unique and offers a strong foundation for future growth.

Oriflame's four strategic cornerstones

The corporate strategy focuses on four key areas that are particularly important if the Company is to succeed in achieving its vision. Those areas are summarised in the cornerstones People and Culture, Brands and Products, Network Marketing Focus, and World Class Service.

1. People and Culture

It is essential for Oriflame to attract, develop and retain outstanding professionals to succeed with its strategy and become the Natural First Choice. Multiple initiatives are being launched with the first, and perhaps the most important, being the Oriflame Management Academy. This internal three-step development programme has been created to support and strengthen Oriflame's culture, values and operating principles as well as to increase integration and strategic understanding throughout the Group. The academy is in its implementation phase and the Executive Committee will be the first group of employees to complete the programme. More initiatives will follow to make sure that People and Culture becomes a strong cornerstone of the strategy.

2. Network Marketing Focus

Oriflame is a direct selling company with a network marketing plan. This is a unique plan in the sense that it offers both the opportunity to earn money immediately through selling affordable products, but also the opportunity to build a network business through recruitment, and eventually even become financially independent.

Oriflame's network marketing plan – the Success Plan – has been thoroughly compared to the competition. The conclusion: It is very strong. However, the uniqueness of the total offering is not communicated clearly enough. Oriflame needs to become better at utilising its strengths externally to the Consultants as well as internally among employees. This strategic cornerstone will be supported primarily by implementing systematic recruitment processes in the Company's markets and supported by communication tools and training created centrally.

3. Brands and Products

Oriflame focuses on both the creation of great beauty products and the communication of its brands and product benefits to its consumers and Consultants. The slogan "Natural Swedish Cosmetics" encompasses Oriflame's Swedish origins that not only reflect the honest, straightforward and advanced way in which the Company works but also its inspiration by nature and its renowned Skin Care heritage. Oriflame offers affordable quality products that combine the wisdom of nature with the best of science. These are presented by Consultants through frequently issued, attractive catalogues.

4. World Class Service

Oriflame strives to offer world class service to Consultants and consumers through a product fulfilment process that delivers on its promises. Oriflame proactively uses the interaction with consumers and Consultants as an opportunity to differentiate the Company from the competition. Service is a competitive advantage, a chance to positively surprise the target audience and to create loyalty.

The first strategic initiative in this area will be a large scale Product Fulfilment project, in which the Consultant experience and the integration of company functions will stand at the centre. The aim is to create a smoother and stronger product fulfilment process. This process will deliver increased operational efficiencies and improved customer service levels, reducing out of stock products and increasing customer alternatives.

Oriflame's strategic attitude – Becoming number one!

Oriflame has a very strong business model and a strategy to support it. People working in the Sales Companies are familiar with Oriflame's ability to dramatically change and improve people's lives. The strength of the business model is proven over almost 40 years and in 57 countries. Oriflame has continuously taken market share from competitors since its founding in 1967. The Company will focus on delivering on the four cornerstones – the foundation of its strategy – always with the intention of becoming number one in the markets in which the Company operates. The course is clear: Oriflame is on the path to becoming the number one beauty company selling direct, and will not stop before getting there.

The industry

The cosmetics and toiletries market enjoyed continued growth in 2005 with a particularly strong expansion in developing markets, notably Russia, encouraged by improved economic conditions. The Skin Care category was a major contributor driven by the continued development of value-added products.

The market opportunity

According to Euromonitor, global sales of cosmetic products amounted to USD 253 billion in 2005 representing an average growth rate of 4.4 per cent for the 1997–2005 period, with growth particularly strong in Eastern Europe at 7.2 per cent. Oriflame's regional coverage and its strong presence in Eastern Europe enables it to benefit from higher growth rates in all product categories.

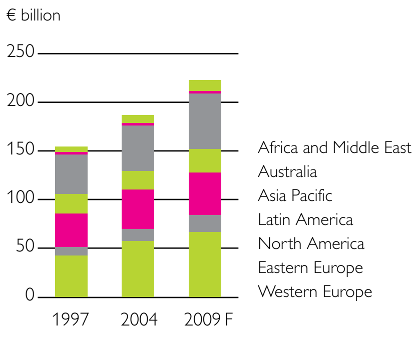
Hair Care, Skin Care, Colour Cosmetics and Fragrances are the largest categories with Skin Care and Colour Cosmetics growing faster than the industry average. Oriflame's historical strength in these categories allows the Company to reap significant benefits from their underlying growth momentum.

Key demand drivers

Product innovation is a key driver of the growth strategies employed by manufacturers. There is an increasing segmentation of products according to demographic factors or response to specific cosmetic requirements.

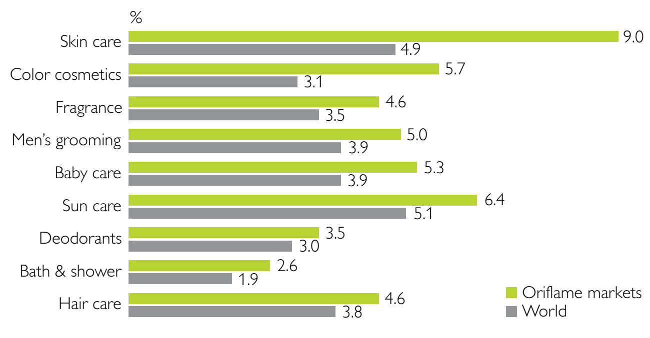
The high spending power of young consumers, the high disposable income of the ageing "baby boomer" generation, and the growing acceptance of products aimed at men, all contribute to an increase in the sophistication of the product offering.

Global cosmetics & toiletries sales by region 1997 – 2009 F



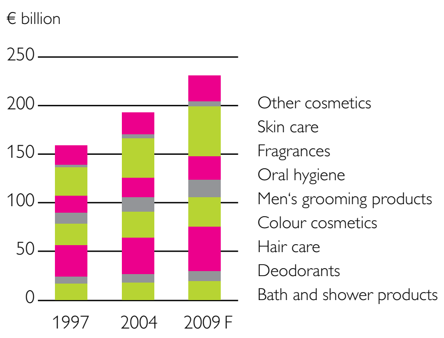
Source: Euromonitor IMIS 2005

Forecast market growth, Compound annual growth rate (CAGR) 2005 – 2009



Source: Euromonitor IMIS 2005

Global cosmetics and toiletries sales by product category 1997 – 2009 F



Source: Euromonitor IMIS 2005

NB: Sum of sectors is greater than the market size because men's toiletries products are included in men's grooming and in the relevant toiletry sector.

Cosmetics and direct selling

Direct selling is the process whereby independent sales consultants market and sell products directly to the consumer without the company having to make significant investment in the infrastructure normally associated with the establishment of traditional retail outlets. The low capital requirements, in combination with a high proportion of variable costs, make for a formula which, once a market presence has been established, enables substantial and rapid growth.

Direct selling is principally based on face-to-face contact with end users. It typically puts limited reliance on product advertising or fixed retail outlets. Independent sales consultants call on consumers – often their friends – at their homes and workplaces, to show and demonstrate products and obtain orders.

Over the 1997–2005 period, direct selling showed an average growth rate of 5.2 per cent (superior to the global cosmetics and toiletries market). The strong fit between direct selling and cosmetics and toiletries resulted in direct selling accounting for 11.9 per cent of global cosmetics and toiletries sales in 2005.

Direct sales companies are forecast to be among the fastest growing cosmetics and toiletries manufacturers over the next five years, as they benefit from both strong market growth in emerging markets and an attractive earnings opportunity. They are capable of reaching consumers in non-urban areas who are not catered for by the emergent large-scale formats of urban areas. Moreover, direct sellers can offer payment schemes that are attractive to consumers in emerging markets, which are generally characterised by low levels of disposable income. In emerging markets there is a large number of low-income consumers, particularly women, who are looking to boost their income by becoming sales consultants. Direct selling can be a way for them to increase their personal income and contribute to overall economic growth. Similarly, the possibility of earning an additional income together with the opportunity for personal and professional growth makes the direct selling channel an attractive model in developed countries. The direct sales channel also benefits from the fact that consumers receive information on product innovation and usage from someone they know and trust.

Brands and products

Oriflame aims to become the Natural First Choice for beauty products that women and men will be tempted to order from the catalogues. This is the objective that Oriflame has in mind when creating new products, treating the consumer to a joyful beauty experience with radiant results.

Blending the wisdom of nature with the best of science

Oriflame is inspired by the purity and power of Swedish nature, and frequently uses ingredients derived from fruits, flowers and plants.

The formulations are developed with the latest scientific technology and produced to meet the highest quality standards. Oriflame takes great pride in blending the wisdom of nature with the best of science.

Numerous consumer studies have confirmed that Oriflame has successfully managed to build a strong image linked to its Swedish origins, skin care heritage and natural inspiration.

Wide choice

Today Oriflame offers more than 600 products in the categories Skin Care, Colour Cosmetics, Fragrances, Toiletries, and Accessories. The wide range of high-quality products gives the consumer the freedom to choose the beauty regime that best addresses their individual needs. Management closely monitors market developments and social and cultural trends. This investment in consumer understanding ensures that the offering stays relevant and drives sales. A lean organisation consisting of marketers, packaging engineers, formulation developers and purchasing managers have worked together to introduce more than 250 new products in 2005 alone.

Communications

Oriflame's main communication tool is by word of mouth. Some 1.6 million Sales Consultants share product news with their friends, supported by the catalogues. Close co-operation between the in-house creative teams in the Catalogue Development Centre in Sweden, Product Development in Brussels and the regional catalogue planners ensures that product innovation is in line with brand positioning. Integrated communication via catalogues, the Internet, service centres, and for major launches in TV, print and billboards in key markets all help to boost sales. The success of the new Oriflame colour 500% Mascara confirms this strategic approach.

Highlights 2005

The strong product innovation programme contributed to overall business growth outperforming market growth.

Oriflame's most advanced anti-aging skin care range, Time Reversing, containing three powerful natural actives, was launched in 2003. Time Reversing Morning Lift Serum and Eye Cream were introduced in 2005. The brand's promise to stop hormonal aging has met consumer needs and nearly doubled the brand's sales.

Tender Care, famous for its soothing properties for dry, irritated or chapped skin, has been one of the Company's best-selling items for many years. Being a versatile 'must have' for every woman's handbag, Tender Care Gold was launched for the Christmas season and contributed to this year's sales growth.

The need to contour the body is met by Performance Body Care, with the launches of Anti Stretch Mark Treatment Cream and Tone Tummy Firming Gel driving range sales.

Oriflame Colour, targeting the active, urban woman, and offering lip and eye products, nail care, mascara and foundations, was launched from May onwards and helped boost sales in the Colour Cosmetics category. The successful launch was supported in key countries by TV and billboards featuring lipsticks in the spring and 500% Mascara in the autumn.

Giordani Gold Bronzing Pearls and new lipstick shades contributed to overall brand growth.

The growth in fragrance sales was mainly due to classics like Giordani Gold, Divine, Midsummer Him and Her, De Marco, the re-launch of Glacier, the line extension Volare Spring Flower, and the new launches targeting the young, such as Northern Lights, Fire and Ice, and Nomadic Him and Her.

To answer the consumer desire to bring some magic into their lives and indulge themselves in a little luxury, Milk & Honey Gold was introduced and successfully pushed up toiletry sales growth. Foot Care Reviving Foot Spray is one of Oriflame's top sellers and continues to grow; foot care sales are further nurtured by the launch of Cool and Refresh Liquid Talc as well as a Jumbo Size Foot Antiperspirant.

The exciting and wide range of Accessories, designed to include every member of the family, helped boost sales into double-digit figures.

The Oriflame Opportunity

More than 1.6 million Oriflame Sales Consultants in 57 countries bring Oriflame directly to their consumers. Personal contacts, relationships and friendliness mean that millions of consumers purchase affordable quality cosmetics from Oriflame everyday. This is a sound foundation for the Oriflame Opportunity where Consultants who want to make a career can advance to leadership levels and build a better future for themselves and their families.

For years, the Oriflame Opportunity has provided additional income for hundreds of thousands of people all over the world. Oriflame is committed to providing a career opportunity with a competitive income and rewarding social activity to ensure that Sales Consultants consider Oriflame to be the Natural First Choice in direct sales.

In order to support the Sales Consultants in their work, Oriflame has local offices in each market to co-ordinate training on products, sales techniques and network building as well as manage service and logistics for the Sales Force.

Direct selling is particularly suited to cosmetics for the simple reason that it offers a one-to-one selling opportunity often with someone the Sales Consultants know. This kind of selling environment inspires trust on the part of the consumer and belief in the product. Direct selling has proven to be a prime marketing method especially in emerging markets that lack a Western-style retail structure.

However, the benefits of direct selling are equally applicable to mature markets, in that it offers an alternative to the often crowded, stressful and impersonal beauty marketplace. The attractiveness of the social and personal growth aspects of direct selling also increase with the level of maturity in a market.

The Oriflame Success Plan

The Oriflame Success Plan rewards Sales Consultants for building their own successful network business. Becoming a Sales Consultant is easy; a modest fee is paid, there is no need to build up inventory, and a starter kit with everything necessary to begin with is provided. The Success Plan rewards Sales Consultants for their own sales as well as the sales of any Consultant within his or her network. Sales Consultants have an incentive, therefore, to maximise network sales, enlist the help of new Consultants to grow the scope of their network, and work with existing Consultants to improve sales processes and overall Consultant productivity. When targeted sales levels are attained, rewards and recognition gradually increase to reflect the responsibility of leading other Sales Consultants. Sales Consultants are also rewarded with Senior Manager and Director titles, such as Gold, Sapphire or Diamond Director, depending on their achievements. Training programmes and seminars offer the opportunity for professional growth along the way. International conferences are an integral component of the Oriflame Success Plan and one of the key motivators for top leadership. Structured with a balance of education, motivation, and relaxation the conference reflects the fundamental values of togetherness, spirit and passion.

Increased network marketing focus

In the 2005 strategic review it was decided that Oriflame should aim to better capitalise on its know-how and competence invested in its network marketing plan. Major progress has since been made both in the communication of the Oriflame Opportunity (Why join) as well as in the structure of how the employed Sales Management and Leaders carry out their activities (How to succeed).

In essence the reason why people join Oriflame is that they are offered an opportunity to transform their lives and fulfil their dreams – big or small – through three drivers now communicated as:

- **Look Great – with natural Swedish cosmetics combining the wisdom of nature with the best of science**
- **Make Money – with the opportunity to make money today and fulfil your dreams tomorrow**
- **Have Fun – meet new people and make new friends, grow professionally and personally by participating in meetings, training sessions and events**

All three drivers are equally important and together make up the Oriflame Opportunity. With Oriflame it is always the individual who chooses how much to participate in each part. Oriflame fundamentally believes that the Company has a unique positioning in the industry through the combination of a strong product portfolio and catalogue support, coupled with a dynamic earning opportunity. Oriflame thereby offers, better than anyone else, the prospect for a new recruit to make money the same day they join while simultaneously start building a sales network organisation and embarking on a journey to fulfil their dreams.

Progress has also been made in the way a new Consultant can understand what to do to reach desired levels of earnings through simplified examples and new support material.

In 2005 Oriflame experienced the first promising results from the SARPIO (Sales And Recruitment Processes In Oriflame) initiative. SARPIO was developed through a collection of best internal and external practices for how to structure the sales work, and has now become the platform for all sales-related efforts. SARPIO establishes clear roles and priorities for employed Sales Management, independent Leaders and Consultants. The Company then offers practical guidelines for how Sales Management should best coach Leaders to become successful, and how Leaders should best organise and structure their work with their Consultants. SARPIO offers Leaders a proven system for how to grow their network business in a sustainable way, and the Company will continue with its implementation in the coming years.

Oriflame Online

Oriflame's Internet strategy has always been focused on making life easier for the Consultants. The Internet solution provides a fully integrated ordering facility, real-time performance reports and the possibility for Sales Consultants to set up personal web sites. The personal web sites enable Consultants to service their consumers and take orders on personalised web pages that are easy to manage, always updated with the latest catalogue and product offerings and which follow the Oriflame corporate design.

In December 2005, Oriflame offered its Internet ordering service in 30 markets. The number of orders in the fourth quarter of 2005 grew by 245 per cent compared to the previous year. A number of initiatives, such as Consultant registration and Internet communication tools for the Consultants to use with their networks, were also launched. In some of the Scandinavian markets, online orders exceeded 90 per cent of the Consultants' total, while globally the majority of markets reached 40 per cent. Oriflame continues to see opportunities to increase service while reducing costs, as more and more Consultants choose this convenient way of managing their Oriflame activities.

Sales Consultants' compensation is divided into three parts

- **Immediate profit** – Sales Consultants buy products from Oriflame at a discount on the catalogue price and earn a 30 per cent mark-up when selling them on to their consumers.
- **Volume discounts** – Sales Consultants can earn an additional 3–21 per cent on their personal sales and the sales of those Consultants they have recruited to sell Oriflame products.
- **Cash awards and bonuses** – Sales Consultants are also rewarded for separate achievement related to leadership development, training and motivation of the people they have recruited. All rewards are based on achieving targeted sales volumes of the Oriflame products.

Events 2005

Malaysia, Penang
– Global Double Diamond Conference
January 17–22, 2005

Malaysia, Langkawi
– Global Diamond Conference
January 21–27, 2005

Australia, Sydney
– Gold Conference Asia
May 16–20, 2005

Italy, Rimini
– Gold Conference Central Europe and Mediterranean, CIS & Baltics
September 11–17, 2005

Mexico, Huatulco
– Gold Conference Latin America
November 7–12, 2005

The Oriflame catalogue

The Oriflame catalogue is a powerful and effective direct selling tool vital to the sustainable growth of the Oriflame business opportunity.

Instantly recognisable in 35 languages around the world each catalogue is an aspirational display of the Oriflame product range, planned and designed with a balance of appealing new offers and promotions and exciting new product launches.

And with more than 78 million catalogues distributed worldwide last year the catalogue is an extremely effective sales and brand-building tool.

A new catalogue is distributed every 3 to 4 weeks. That's between 12 and 18 editions a year depending on local market conditions. It is imperative that each new catalogue, whilst remaining true to Oriflame's values and identity, has a tangible point of difference which creates a compelling reason to look and purchase from each and every catalogue edition.

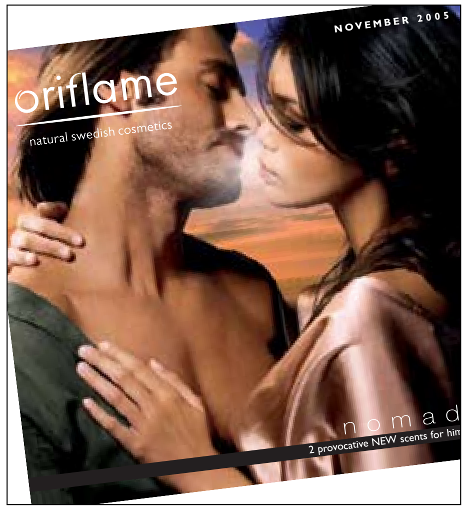
Oriflame achieves this through specialised regional catalogue planning teams which ensure that each catalogue edition maximises the local market sales potential by being responsive to its requirements. Careful co-ordination between the regions and global product development teams creates a consistent positioning of the product range across all markets and regions.

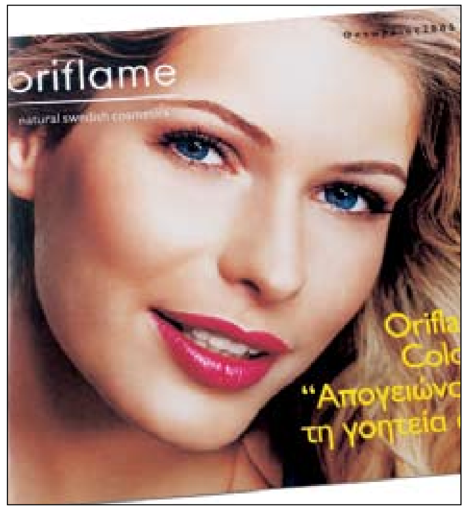
All creative work is produced in Oriflame's centralised Catalogue Development Center in Sweden. Art directors and layout specialists work in dedicated teams to produce brand-consistent product launches and regional adaptations that will make up the completed catalogue.

A full in-house production team manages and controls the whole process through to final printing and distribution to the markets.

The finished result is Oriflame's unique catalogue, each edition a new and exciting store that provides motivation and confidence for Consultants to distribute and sell, and a unique, pleasurable shopping experience for consumers.

- **More than 78 million copies issued in 2005**
- **6 regional versions in 35 languages**
- **A new edition published every 3 to 4 weeks**
- **A unique shopping experience for consumers**
- **A powerful sales tool for Sales Consultants**





Oriflame's environmental and social responsibility

Oriflame's ethical and environmental principles cover everything from materials to factory conditions. Respect for people and nature reaches into every area of the Company.

Being a responsible corporate citizen has always been important for Oriflame Cosmetics and very much part of the Swedish ethos of the Company.

Oriflame's consumers expect high-quality performance products which are safe for use and not harmful to the environment. This is particularly important as many scientific reports highlight the fragile nature of the ecosystem and the closer links between toxins and human safety.

Respecting nature

Since Oriflame first entered the cosmetics business almost 40 years ago, nature has been a major influence and an integral part of the brand image. When formulating, Oriflame seeks inspiration from nature in the selection of raw materials and does not use ingredients which are shown to be harmful to the environment. For example, the cleansing agents used in shampoos and shower gels are approved by the Swedish Society for Nature Conservation and are in line with the Good Environmental Choice (Bra Miljöval) standard. Oriflame continuously monitors scientific reports on environmental issues, and over the years has phased out the use of a number of ingredients for ecological reasons.

Clean manufacturing

In general, cosmetics manufacturing is a clean process. Unlike many chemical synthesis processes it does not generate high volumes of toxic emissions or hazardous effluents. However, Oriflame still aims to manufacture its products in line with good environmental practices.

Oriflame currently operates four cosmetic manufacturing plants in different parts of the world: Poland, Sweden, India and China, with a new plant in Russia coming onstream in 2006. Because regulatory requirements vary in different parts of the world, Oriflame has adapted its policies to comply with the ever-changing and increasingly demanding environmental legislation at local and international levels.

Oriflame Products Poland (OPP) is the main manufacturing plant, producing more than 100 million units of skin care and colour products in 2005. Environmental data is continuously monitored at Oriflame factories in order to find opportunities for improvement.

The data below shows that although output from OPP increased by more than 15 per cent between 2003 and 2005, energy consumption, water usage and effluent volumes remained stable.

Oriflame's Swedish plant (OPS) near Stockholm is located in a green area. It is an integral part of the local community of Ekerö and works very closely with the local authorities to minimise any negative impact on the environment. In 2005, the Company invested in special filters to reduce atmospheric emissions of odours originating from the perfume filling lines.

For years Oriflame has used only paper from sustainably managed forests for the vast majority of its catalogues. In principle, the Company strives to minimise packaging and avoid using materials which are harmful to the environment. During production and transportation Oriflame endeavours to save energy and minimise any negative impact on the environment.

Oriflame Products Poland environmental data

	Production		Resources			Liquid waste	Packaging – recycled		
	Units	Bulk	Electrical energy	Gas	Water	Effluent	Packaging – plastic	Packaging – glass	Paper/ cartons
Year	pcs	t	MWh	Nm^3	m^3	m^3	t	t	t
2003	98,000,000	9,400	4,200	722,500	82,500	74,300	65	0	320
2004	92,000,000	8,670	3,600	629,600	80,700	72,600	50	2	310
2005	115,000,000	12,000	4,200	639,900	79,600	71,600	74	0	380

Commitment to society and nature is part of the Oriflame heritage

Oriflame was one of the first companies to utilise plant extracts in skin care products and to use ingredients from renewable plant sources. The Company long-ago banned the use of cosmetic ingredients which are derived from dead animals or which are sourced by causing harm or suffering to animals. Oriflame took a firm stance against testing cosmetics on animals long before it became fashionable, which in fact was many years before the testing ban was included in EU regulations.

Social responsibility

All suppliers are committed to operating under Oriflame's Code of Ethical Practice and other associated policies which cover such issues as animal testing, child labour, consumer protection and the environment.

Oriflame contributes to the communities in which it operates, providing employment and business opportunities as well as supporting charities on a local, regional and global level. The Company remains a donor providing support to those who need it most. Often these are the children of the world, such as those in the "Livslust" programme in Latvia – a special school for orphans that Oriflame has been supporting for many years.

The various charity activities Oriflame is involved in include funding, product donations, and the time and energy of employees spent in numerous social causes. The Company is continuously developing its social compliance programme with the goal of becoming an even better corporate citizen.

World Childhood Foundation

Global presence calls for global responsibility. Every child should have the right to a childhood – to grow up in security, to develop socially and intellectually, to play happily and to develop a curiosity about life. Many children, however, are deprived of these rights. That is why Oriflame cofounded the World Childhood Foundation in 1999, which is under the patronage of HM Queen Silvia of Sweden.

Oriflame supports the World Childhood Foundation in many ways, sponsoring a variety of children's projects in markets where they are active. For more information visit www.childhood.org

The future

Oriflame will continue to develop its global business in a sustainable manner and follow best practices to ensure that the safety of its consumers and workers, as well as the protection of the environment, remains a top priority for the Company.

Further information on Oriflame's environmental performance and policies is available at www.oriflame.com

Global Supply

Global Supply's operations are configured specifically to support the Sales Companies in fulfilling customer demand for Oriflame products throughout the world. The immediate challenge is to ensure that the right products are in the right place at the right time and, most importantly, in the right volumes.

The Oriflame supply chain is a complex interaction between Sales, Marketing and Global Supply activities. The specific activities of Global Supply encompass the collaboration with Marketing in order to develop an exciting, innovative product range whilst also ensuring that those products are manufactured and delivered to the Sales Companies to support their campaigns. In the longer term, this means that the Global Supply function is responsible for ensuring – through its capacity, systems and processes – that Oriflame can continue to respond to market demands for high-value, competitively priced products well into the future. This requires the development of innovative natural products, the capacity to manufacture them and the capability to supply them across the globe.

The Global Supply operations are driven by a strong team of professionals and experts in their respective fields. They are in turn supported by information and communication systems which allow them to rapidly respond to changes and fluctuations within the business.

Research and development

Oriflame's ability to sustain high levels of sales growth in the future will depend, in large measure, on the work being carried out today by the Company's dedicated R&D team. The essence of the team's success is not only the development of innovative, natural products for inclusion in Oriflame's range of products, but also the speed and efficiency with which they bring those products to market in the Oriflame catalogue.

This year Oriflame has moved, in particular, to strengthen its research capabilities in order to create a strong platform for future development. This has involved the specification of and recruitment for a number of new scientific positions at the R&D centre. Oriflame will continue to build skills and strengths in this area over the coming years.

The process by which Oriflame manages new product development (NPD) is fundamental to the long term success of the Company. The consistency of performance against demanding timelines for development and introductions is essential to ensure that Oriflame products are at the forefront of an ever-changing cosmetics industry. During the year, the Company has continued to build a capability to manage the ever-greater complexity in this area through recruitment of specialist resources and the development of new IT systems to support the process.

Oriflame's continued participation at the highest level in key cosmetics industry trade associations as well as other professional bodies ensures its ability to anticipate and influence the direction of new regulations and initiatives within the cosmetics industry.

Quality assurance

Oriflame's quality assurance team works with its own manufacturing operations and subcontracts suppliers to achieve consistent adherence to the ethical, safety and quality standards laid down by the Group. Oriflame maintains a policy of global compliance for all its products to ensure conformity with the highest standards of each market in which the products are sold. In addition, Oriflame is a leader in many areas of ethical policy, particularly with regard to animal testing. It is a pre-requisite for all Oriflame's products that its standards and policies are incorporated within both the development and manufacturing processes.

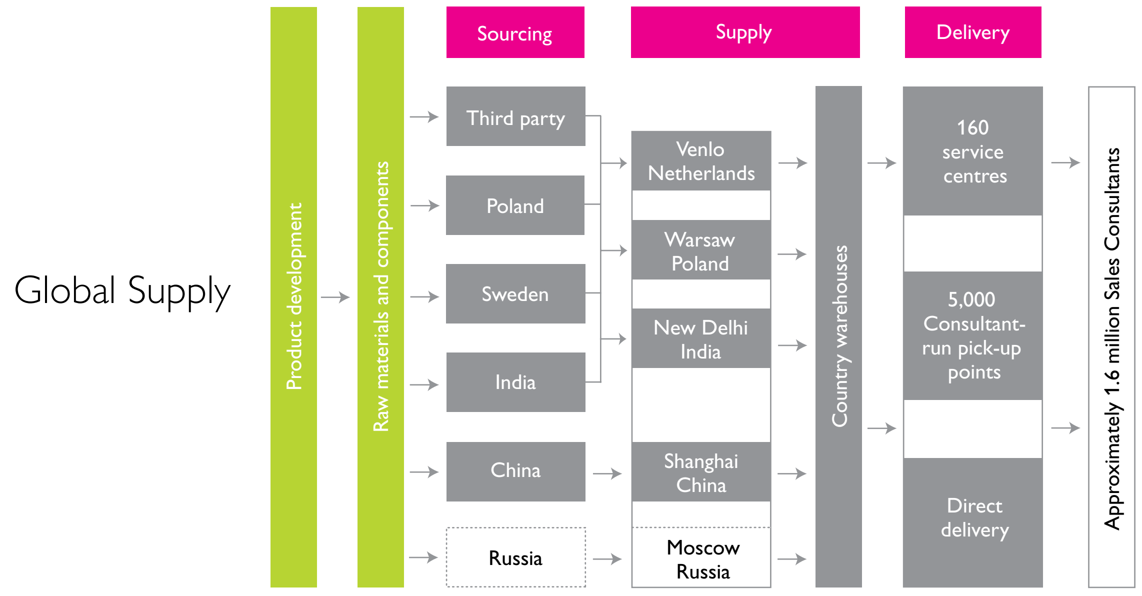
Manufacturing

Oriflame products are manufactured in-house at the Company's factories and at subcontractors who have specific expertise in certain product sectors. During 2005, the construction of a new factory in China was completed to add to and complement the existing manufacturing facilities in Poland, Sweden and India. The Chinese factory has received final certification and manufacturing has begun as part of the preparations to support the Chinese sales activities in 2006.

Oriflame's strategy is to develop capabilities in product sectors in which it has sufficient volumes to achieve scale economies which justify investment in the technology and infrastructure required to support in-house manufacture. In-house manufacturing operations are expected to produce nearly half the cosmetic products in 2006. The factories primarily focus on Skin Care, Toiletries and Fragrances.

During the year the setting up of a strategic partnership with the Weckerle Group was announced in order to establish a Colour Cosmetics Centre at the CIS Supply Centre in Moscow in 2006. This unit will commence with the manufacture of lipsticks and pencils, but will then explore the feasibility of manufacturing other colour cosmetic lines.

The capability and scale of Oriflame's manufacturing operations offer many opportunities for improvements in flexibility, responsiveness and competitive cost. Additionally, many benefits have been identified arising from the involvement of Oriflame's people in the setting up of the Chinese and Russian operations referred to above. Consequently, the Company has reorganised its structure to create a Manufacturing division within Global Supply, which will focus on developing the already existing manufacturing and engineering skills within the Group and exploiting them to obtain greater efficiency and effectiveness. This involved the appointment of a manufacturing director as well as a small core team of specialists who will be responsible for co-ordination and cross-fertilisation of best practices across all manufacturing units.



Supply Chain

The Supply Chain management activities are focused on ensuring product availability in Oriflame's markets. In 2005, they again consistently achieved high service levels to the Sales Companies, thus supporting their ability to increase sales.

During the year, many initiatives were implemented to improve elements of Oriflame's Supply Chain activities, notably the further integration of the CIS supply chain management with central operations and management in Brussels. However, there are still major opportunities to be grasped through the re-examination of the existing processes information systems and physical infrastructure, particularly at the interface with the Sales Company operations. Consequently, a major review of the entire supply chain has been initiated. The aim is for both Oriflame and suppliers to identify initiatives and changes in the configuration to achieve greater responsiveness and flexibility in the service to consumers, whilst also optimising the investment in inventory.

As a consequence of the priority to support sales through ensuring high levels of product availability, the strategic stockholding has deliberately been increased during the year. Going forward, management expects that the initiatives referred to above will optimise the levels of inventory as well as physically locate them closer to the markets, where appropriate. This is exemplified, by the repositioning of some of the inventory storage from what is still Oriflame's main hub in Holland to the new hub in Warsaw.

In general, the methods and support systems for effective management of supply chain activities are constantly evolving. Within Oriflame this is exacerbated by the range and turnover of new products to be supplied to the various markets around the world. Consequently, the constant need to recruit, develop and retain the highest levels of international skills and resources is paramount to Oriflame's success in the future.

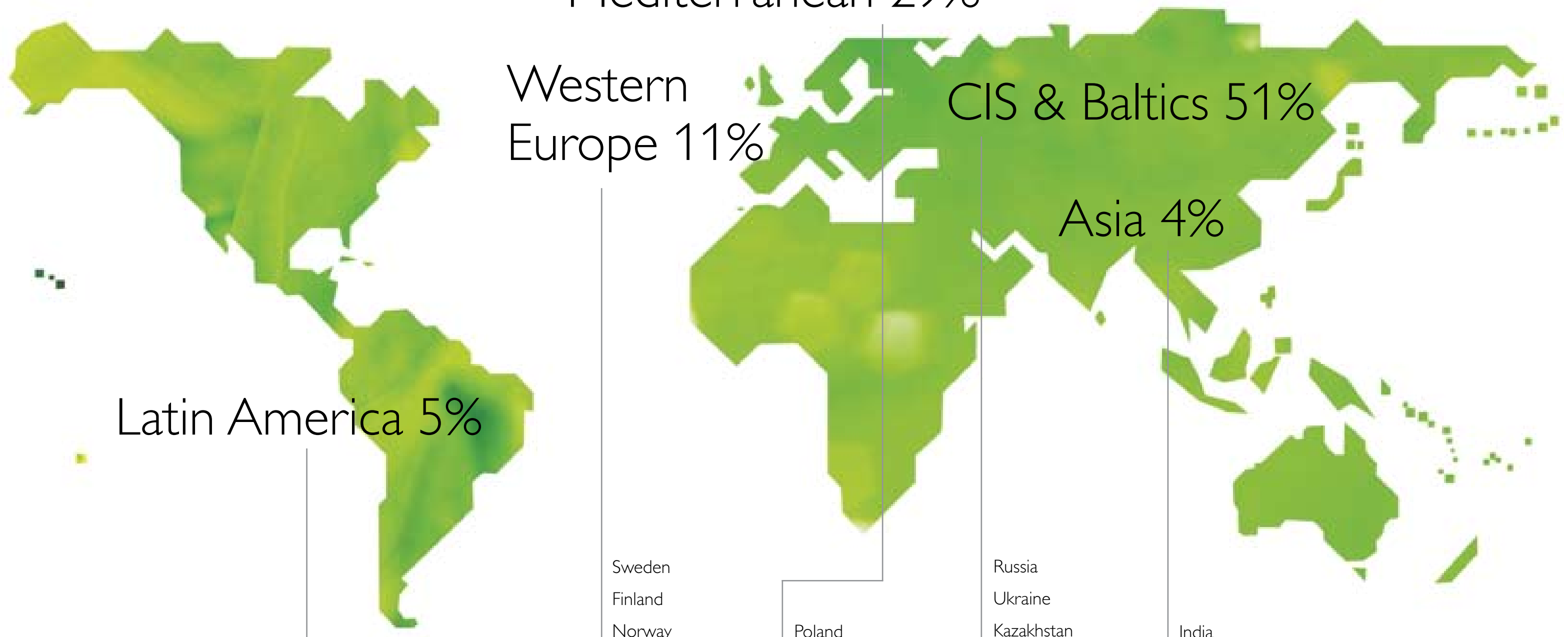
Information Technology

Information Technology is supporting, enabling and enhancing Oriflame's business processes. This is done by providing a stable core of IT services and a solid infrastructure, and by delivering effective application solutions.

During 2005, the Oriflame sales application was deployed at a high pace in 15 new markets and more than 80 percent of Oriflame's sales are now processed by this application. The first step in renewing the application support for the Supply division was made, and an integrated solution for the new product development process was taken into use in January 2006.

System support for manufacturing and accounting in China has been set up, and the preparation of the sales application is underway.

Global presence



Latin America 5%
- Mexico
- Colombia
- Ecuador
- Peru
- Chile

Western Europe 11%
- Sweden
- Finland
- Norway
- Denmark
- Netherlands
- Spain
- Portugal

Central Europe & Mediterranean 29%
- Poland
- Czech Republic
- Slovakia
- Hungary
- Romania
- Slovenia
- Serbia & Montenegro
- Croatia
- Bosnia
- Bulgaria
- Macedonia
- Greece
- Turkey
- Egypt
- Morocco
- Lebanon

CIS & Baltics 51%
- Russia
- Ukraine
- Kazakhstan
- Azerbaijan
- Georgia
- Latvia
- Estonia
- Lithuania
- Mongolia
- Armenia
- Moldova
- Belarus

Asia 4%
- India
- Indonesia
- Sri Lanka
- Thailand
- Vietnam

Franchisees

Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Switzerland, Sudan, Saudi Arabia, Malaysia, Australia, Algeria, and UK.

Regions

Oriflame distributes its products through a network of more than 1.6 million independent Sales Consultants in more than 50 countries. Oriflame has a local presence in the form of wholly owned Sales Companies in 45 markets. In 12 countries, Oriflame acts through franchise arrangements with local distributors rather than through subsidiaries.

Oriflame is a decentralised organisation with local Sales Companies taking full responsibility for managing their Sales Consultants and delivering products. The Sales Companies are organised into three main areas: Sales & Marketing, Operations, and Finance & Administration. All Sales Companies operate with their own warehouse facilities and are headed by a managing director. The Sales Companies are supported by global service functions: Marketing, Sales, Global Supply, Business Development, Finance and IT.

Global Sales Force

The total number of Sales Consultants in 2005 increased by 9 per cent to 1,728,600 up from 1,588,600 a year ago. The average size of the Sales Force during the year increased by 8 per cent to 1,597,200 (1,477,300).

CIS & Baltics	2005	2004	Change, %
Sales, €m	382.9	331.0	16
Operating profit, €m	72.7	76.0	(4)
Average Sales Force	774,600	717,600	8

Central Europe & Mediterranean	2005	2004	Change, %
Sales, €m	218.1	188.3	16
Operating profit, €m	42.7	38.9	10
Average Sales Force	555,600	509,900	9

Western Europe	2005	2004	Change, %
Sales, €m	80.6	74.1	9
Operating profit, €m	9.4	8.6	8
Average Sales Force	90,900	85,100	7

Latin America	2005	2004	Change, %
Sales, €m	33.3	26.1	28
Operating profit, €m	2.1	0.7	190
Average Sales Force	55,500	50,000	11

Asia	2005	2004	Change, %
Sales, €m	30.6	30.5	–
Operating profit, €m	0.1	1.3	(88)
Average Sales Force	120,600	114,700	5

CIS & Baltics

51%

Sales increased by 16 per cent to €382.9 million (331.0). Local currency sales increased by 14 per cent as a result of an 8 per cent increase in the average size of the Sales Force and a 6 per cent productivity increase. All markets performed well, particularly Ukraine but also Armenia, Georgia and Moldova.

The increase in productivity was to a large degree the result of further improvements to Oriflame's catalogue and an increase in the number of customer offers. In addition, productivity gains were supported by the introduction of additional catalogues during the year. During 2005, Oriflame introduced a three-week cycle and in 2006, Oriflame plans to issue a total of 17 catalogues compared to 15 in 2005.

Operating margins decreased to 19.0 per cent (23.0) resulting in an operating profit of €72.7 million (76.0). Operating margins were lower mainly as a result of initiatives within the areas of marketing, product development, catalogue development and Sales Force effectiveness in order to increase sales growth.

Central Europe & Mediterranean

29%

Sales increased by 16 per cent to €218.1 million (188.3) with strong growth in Turkey, Greece, Hungary, Poland and Slovakia. Sales growth was helped by strengthened local currencies in many of Oriflame's main markets.

Local currency sales increased by 11 per cent as a result of a 9 per cent increase in the Sales Force and a 2 per cent productivity improvement. Productivity gains were supported by an increase in the number of catalogues issued in four of the largest markets in the region: Poland, the Czech Republic, Slovakia and Hungary. In these four markets, Oriflame introduced a three-week cycle and in 2006 plans to issue a total of 17 catalogues compared to 15 in 2005.

The operating margin was 19.6 per cent (20.6) resulting in an operating profit of €42.7 million (38.9).

Western Europe

11%

Sales in local currencies and euros increased by 9 per cent to €80.6 million (74.1), with double-digit growth in Portugal, the largest market in the region, Sweden and Finland. Sales growth was driven by a 7 per cent increase in the size of the Sales Force and a 2 per cent increase in productivity.

Operating margins amounted to 11.6 per cent (11.7), resulting in an operating profit of €9.4 million (8.6).

A heads of agreement was signed in December to sell Oriflame UK Ltd., the company in which the Group conducts all its UK and Ireland operations. Oriflame's UK operations had been loss-making for many years and had operating losses of €1.8 million on sales of €4.4 million in 2005, which has been included in full in the operating profit.

Latin America

5%

Sales in Latin America increased by 28 per cent to €33.3 million (26.1). In local currencies, sales increased by 20 per cent as a result of an 11 per cent increase in the size of the Sales Force and an 8 per cent productivity improvement. Oriflame saw a good sales trend during the year, and four out of five markets reported a sales increase of more than 20 per cent.

Operating margins improved to 6.2 per cent (2.7) as a result of scale effects in the business. Operating profit amounted to €2.1 million (0.7).

Asia

4%

Sales in Asia were stable at €30.6 million (30.5). Local currency sales increased by 4 per cent thanks to a 5 per cent increase in the size of the Sales Force which was partly offset by a 1 per cent decrease in productivity.

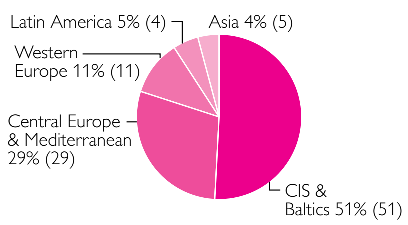
Sales development was strong in India and Sri Lanka, but weak in Thailand and Vietnam. During the year, Oriflame strengthened its regional and local management teams in the region.

Operating profit decreased to €0.1 million (1.3).

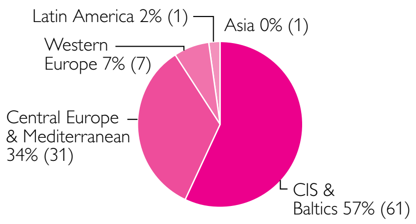
Operational preparations continue for an entry into China. A direct sales legislation has been effective since 1 December 2005, and Oriflame is in the process of applying for its direct sales licence. Oriflame will be ready to start sales in the first half of 2006, subject to obtaining the licence.

Key figures

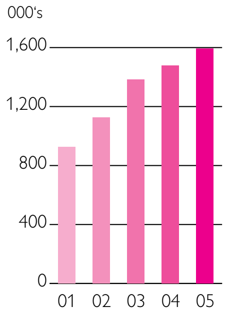
Regional sales 2005



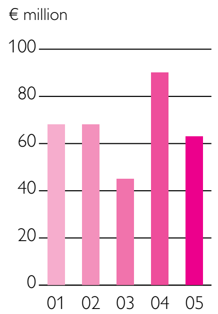
Regional operating profit 2005



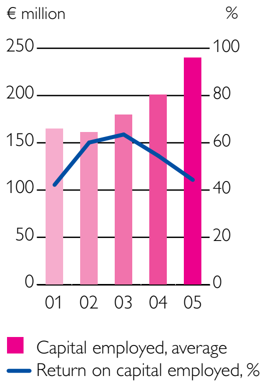
Average Sales Force



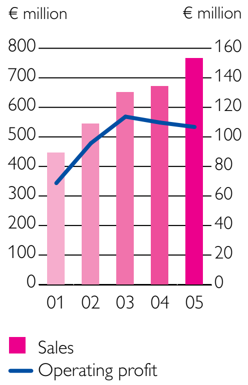
Cash flow from operating activities



Capital employed



Sales and operating profit



Five-year record

€ '000 (unless otherwise stated)	2005*	2004*	2003*	2002	2001
Sales	765,690	670,692	652,136	544,127	446,605
Gross Profit	522,729	463,627	446,564	390,843	317,955
Gross margin, %	68.3	69.1	68.5	71.8	71.2
EBITDA	120,328	120,446	124,392	105,838	82,168
Operating profit	106,746	109,500	114,026	96,157	69,083
Operating margin, %	13.9	16.3	17.5	17.7	15.5
Profit before tax	101,684	99,566	85,616	79,502	53,354
Net profit	90.482	87,844	72,532	74,371	44,798
Cash generated from operations	83,001	117,960	69,670	96,799	91,511
Cash flow from operating activities	63,440	90,454	45,364	67,807	68,306
Average operating capital	201,057	161,561	136,188	116,551	116,758
Return on operating capital, %	53.2	67.8	83.7	82.5	59.2
Average capital employed	240,032	201,238	179,555	160,958	165,078
Return on capital employed, %	44.7	54.7	63.7	60.3	42.4
Net interest bearing debt	73,492	57,527	189,760	72,113	134,639
Interest cover	11.2	9.2	6.3	8.8	4.2
Earnings per share, basic, €	1.52	1.51	1.35	1.50	0.90
Earnings per share, diluted, €	1.52	1.50	1.29	1.37	0.85
Average number of employees	4,961	4,527	4,182	3,442	2,973

* Excluding gain on disposal and before exceptional items such as stock exchange listing and refinancing expenses and restructuring charges

Quarterly figures

	2003				2004				2005			
Sales, € million	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
CIS & Baltics	70.5	61.0	68.8	99.2	93.3	69.9	64.1	103.1	93.9	73.4	81.7	133.9
Central Europe & Med.	43.1	50.3	41.3	51.1	45.7	48.0	41.4	53.3	51.6	53.9	49.5	63.1
Western Europe	15.9	16.5	15.0	20.4	17.4	17.9	17.3	21.5	17.7	20.4	18.7	23.8
Latin America	7.1	7.7	7.8	7.6	6.1	6.6	6.6	6.9	6.0	8.0	8.7	10.5
Asia	6.2	7.4	8.2	8.2	7.4	7.9	7.7	7.5	7.2	7.8	7.2	8.4
Other	10.8	13.8	8.5	5.7	5.3	5.7	5.2	5.1	5.2	5.1	5.1	4.9
Total	**153.7**	**156.7**	**149.7**	**192.1**	**175.1**	**155.9**	**142.4**	**197.3**	**181.6**	**168.5**	**170.9**	**244.7**
Operating profit, € million	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
CIS & Baltics	17.4	13.4	15.0	26.0	24.8	15.9	11.9	23.5	18.5	8.9	15.0	30.3
Central Europe & Med.	9.8	13.0	7.5	9.5	9.2	9.6	8.3	11.5	9.8	10.3	8.5	14.0
Western Europe	1.5	2.5	1.5	1.9	2.2	1.7	1.9	2.9	1.8	2.8	1.9	2.9
Latin America	0.1	1.2	0.8	0.1	–	0.3	0.2	0.3	0.1	0.5	0.8	0.6
Asia	0.4	0.1	0.5	0.3	0.5	–	0.4	0.3	–	0.1	0.1	0.1
Other	(1.0)	(2.8)	0.1	(4.6)	(4.5)	(1.2)	(4.2)	(6.0)	(3.0)	(2.8)	(5.6)	(8.8)
Total	**28.1**	**27.3**	**25.4**	**33.3**	**32.2**	**26.5**	**18.4**	**32.5**	**27.2**	**19.7**	**20.8**	**39.1**
Average Sales Force, '000	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
CIS & Baltics	668.3	628.2	595.3	691.9	813.6	729.5	595.5	731.8	799.6	749.5	701.3	816.5
Central Europe & Med.	479.0	528.4	457.3	507.6	505.1	531.5	476.9	526.2	559.0	589.9	537.7	544.5
Western Europe	75.5	77.6	72.5	79.6	82.2	86.9	81.4	90.0	90.9	92.3	87.9	91.4
Latin America	56.1	57.2	58.6	56.3	48.0	49.6	50.2	52.3	49.5	52.0	57.6	62.2
Asia	100.1	112.4	116.0	116.2	112.3	115.0	115.1	116.2	115.9	121.1	121.0	125.0
Total	**1,378.9**	**1,403.8**	**1,299.7**	**1,451.6**	**1,561.2**	**1,512.4**	**1,319.0**	**1,516.5**	**1,614.9**	**1,604.8**	**1,505.5**	**1,639.5**

A number of factors impact sales and margins between quarters:

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

Definitions

EBITDA
Operating profit before financial items, income/loss from associates, taxes, depreciation and amortisation.

Cash generated from operations
Operating cash flow before interest and bank charges paid and before income taxes paid.

Cash flow from operating activities
Operating cash flow after interest and bank charges paid and after income taxes paid.

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 minus cash and cash equivalents.

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

The Oriflame share

Oriflame Cosmetics was introduced on the Stockholm Stock Exchange on 24 March 2004 through an initial public offering of Swedish Depositary Receipts (SDRs). On 31 December 2005, the number of shareholders and SDR holders was 4,441. Each SDR represents one share. The last price paid on 30 December 2005 was SEK 229 giving Oriflame a total market capitalisation of SEK 13.6 billion. During the year an average of 161,789 shares were traded per day. A total of 40.9 million Oriflame shares were traded on the Stockholm Stock Exchange at a value of SEK 7,323 million. During the year the share dropped to a low of SEK 141 on April 25 and reached a high of SEK 236 on December 28.

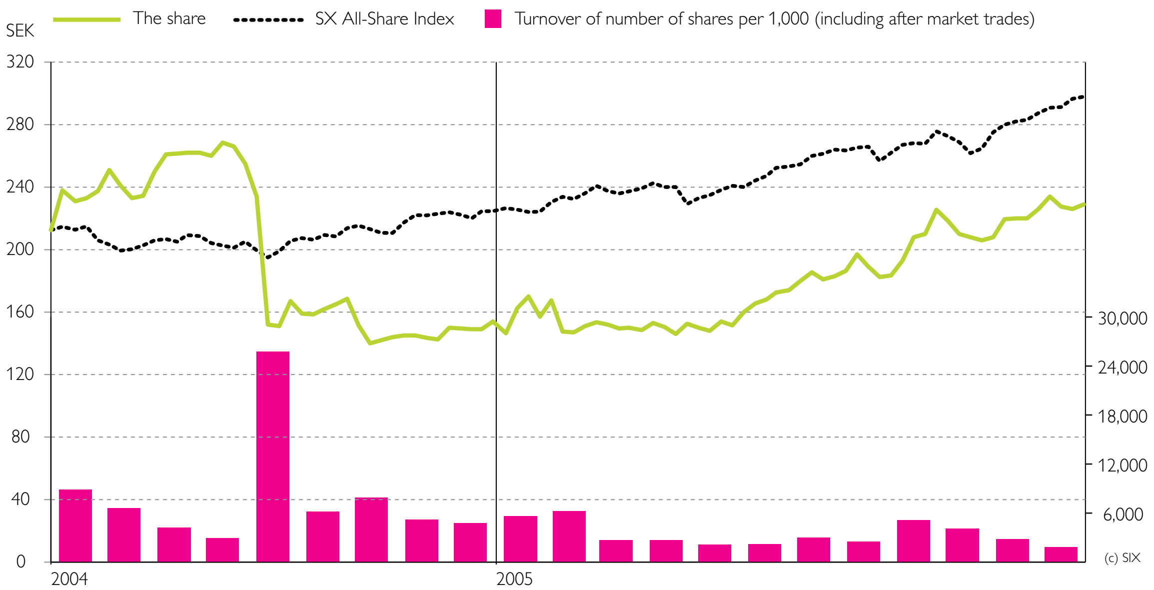
Oriflame Cosmetics top 10 shareholders as at 31 December 2005*

	Shares	Capital and votes
The Industri Kapital 1997 Fund**	9,503,333	16.0%
Jonas af Jochnick and family	5,922,569	10.0%
Stichting af Jochnick Foundation	5,498,849	9.2%
Templeton	5,383,422	9.1%
JP Morgan Chase Bank	2,898,254	4.9%
Robert af Jochnick and family	2,612,690	4.4%
Robur	1,807,044	3.0%
4th AP-Fund	1,522,000	2.6%
Members of Oriflame senior management	1,280,837	2.2%
State Street Bank and Trust	1,098,882	1.8%
Others	21,955,310	36.9%
Total	**59,483,190**	**100.0%**

Source: VPC and share register

* Oriflame may be unaware as to the identity of the beneficial owners of the shares as they may be held through nominees.
** Industri Kapital 1997 Ltd. acts as a general partner, attorney or agent to the investors who together constitute the Industri Kapital 1997 Fund and to Laureth Limited Partnership, which co-invests with the Industri Kapital 1997 Fund. For the purpose of this table, the Industri Kapital 1997 Fund includes Laureth Limited Partnership.

Share price



Ownership structure on 31 December 2005

Shareholding	Number of shareholders	%	Number of shares	%
1– 1,000	3,802	85.6	767,908	1.3
1,001– 10,000	403	9.1	1,487,335	2.5
10,001– 50,000	137	3.1	3,339,632	5.6
50,001– 500,000	84	1.9	13,222,539	22.2
500,001–1,000,000	6	0.1	4,418,733	7.4
1,000,001– upwards	9	0.2	36,247,043	60.9
Total	**4,441**	**100.0**	**59,483,190**	**100.0**

Source: VPC 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 per cent of the Company's annual profit after tax as dividends. For 2005, the Board of Directors proposes to the Annual General Meeting a distribution of €3.50 per share, amounting to €209 million in total of which €0.90 (0.75) per share is ordinary dividend and €2.60 through a redemption scheme to be completed in the third quarter of 2006.

History of share capital

The table below presents the changes in the Company's share capital since 2000. Documents pertaining to the changes in Oriflame's share capital prior to and during this period may be consulted at the Luxembourg Register of Commerce and Companies:

Year	Transaction	Change in numbers of shares	Change in share capital € '000	Total number of shares	Total share capital € '000
2000	Change in reporting currency to euro	–	3,406	69,676,463	27,871
2001(1)	New issue	18,000	7	69,676,463	27,878
2002(2)	New issue	1,005,000	407	70,699,463	28,285
2002	Reduction	(16,749,894)	–	53,949,569	28,285
2002	Increase in par value	–	41,087	53,949,569	69,372
2003(3)	New issue	2,249,060	2,892	56,198,629	72,264
2003(4)	New issue	187,500	241	56,386,129	72,505
2003(5)	Reduction	(2,650,316)	–	53,735,813	72,505
2003	Decrease in par value	–	(5,335)	53,735,813	67,170
2003(6)	New issue	42,500	53	53,770,313	67,223
2004(7)	New issue	30,000	37	53,808,313	67,260
2004(8)	New issue	2,433,116	3,041	56,241,429	70,302
2004(9)	New issue	3,100,000	3,875	59,341,429	74,177
2005(10)	New issue	141,761	177	59,483,190	74,354

(1) Issued pursuant to the exercise of employee share option plans. In 2001, the new shares were issued at a price of £0.37 (€0.51) per share.
(2) Reflects the issue of shares in connection with a reorganisation of the Group resulting in a restatement of the accounting par value of the Company's shares. The shares were issued on a non-cash basis at an equivalent price of €304.57 per share and used for an internal investment in one of the Company's subsidiaries.
(3) Issued at a price of €0.37 per share pursuant to the exercise of warrants granted as a part of the 1999 delisting to the Company's former mezzanine debt providers.
(4) Issued at a price of €1.83 per share pursuant to the exercise of employee share option plans.
(5) Reflects the cancellation of treasury shares.
(6) Issued pursuant to the exercise of employee share option plans. Of the 42,500 shares, 42,000 were issued at a price of €0.74 and 500 were issued at a price of €0.68.
(7) Issued pursuant to the exercise of employee share option plans. Of the 30,000 shares, 13,000 were issued at a price of €1.92, 11,000 were issued at a price of €1.55 and 6,000 were issued at a price of €0.68.
(8) Issued pursuant to the exercise of achievement and other options in connection with the offering on the Stockholm Stock Exchange. Of the 2,433,116 shares, 2,094,736 shares were issued at a price of €0.68, 9,750 shares were issued at €1.19, 64,320 shares were issued at €1.55, 64,090 shares were issued at €1.92, 100,000 shares were issued at €2.00, 3,000 shares were issued at €2.65, 34,220 shares were issued at €3.38, 23,000 shares were issued at €4.11 and 40,000 shares were issued at €11.23.
(9) Reflecting the new issue of 3,100,000 shares at the offering price of SEK 190 per SDR.
(10) Reflecting the new issue of shares in the share incentive programme for management.

Management report

Sales

Sales increased by 12 per cent in local currencies and 14 per cent in euros. Hedging losses accounted for €4.3 million (gain of €1.2 million in 2004) of sales. Sales growth in local currencies was driven by an 8 per cent increase in the average size of the Sales Force and a 7 per cent productivity improvement.

The increase in sales was due mainly to a sales increase of 16 per cent in CIS & Baltics as a result of strong growth of the number of Sales Consultants as well as productivity improvements. In local currencies, sales increased by 14 per cent. Sales in Central Europe & Mediterranean region increased by 16 per cent, and sales in Western Europe increased by 9 per cent. Sales in the Asian region were constant in euros but up by 4 per cent in local currencies. Sales in Latin America increased strongly by 28 per cent in euros and 20 per cent in local currencies.

Results

Gross margins declined to 68.3 per cent (69.1) as a result of price adjustments in several countries and more merchandising. The operating margin amounted to 13.9 per cent (16.3) resulting in an operating profit of €106.7 million (109.5). Loss on disposal of the UK operation, amounting to €4.2 million, was provided for in the fourth quarter. Profit after tax increased by 8 per cent to €87.8 million (79.6) and earnings per share after dilution amounted to €1.45 (1.36).

Cash flow and capital expenditure

Cash flow from operating activities amounted to €63.4 million (90.5) for the full year. Operating cash flow was lower mainly as a result of €33.5 million (5.2) in increased working capital requirements. This was mainly due to a build up of inventories to support service levels. The increase in inventories had a €–32.0 million (2.0) effect on operating cash flow, partly offset by €5.1 million in lower interest and bank charges paid and €2.8 million in lower taxes paid.

Cash flow from investing activities for the 12-month period amounted to €–39.5 million (–18.5). Capital expenditure was higher mainly due to investments in the CIS Supply Centre and the China manufacturing facility.

Financing

The payment of the dividend, inventory increase and capital expenditure led to an increase in net interest bearing debt to €73.5 million compared to €57.5 million at year end 2004. Net debt/EBITDA amounted to 0.61 (0.48). Interest cover excluding exceptional items amounted to 11.2 (9.2) in the 12-month period.

To support the expected distribution, Oriflame has obtained commitments from SEB Merchant Banking and ABN Amro Bank NV for a facility of €375 million to replace the current one of €225 million.

Dividend

With reference to Oriflame's strong financial position and good cash flow situation, Oriflame's Board of Directors will propose to the AGM a distribution of €3.50 per share of which €0.90 per share is ordinary dividend payable after the AGM on 19 May 2006. The remaining part, €2.60 per share, will be distributed to the shareholders in a redemption scheme to be completed in the third quarter of 2006. The distribution to shareholders totals €209 million.

Human resources

During 2005 the average number of employees increased by 10 per cent to 4,961 (4,527). The increase was mainly in the warehousing operations as well as in customer service and regional functions. Most of the increase comes from CIS & Baltics.

Board of Directors and management

Directors are elected at the Annual General Meeting and, unless re-elected, remain in office for a term of one year. If a vacancy arises during the course of the financial year, the Board of Directors is entitled to elect a replacing director to fill the vacancy for the period until the next Annual General Meeting of the Company.

The Board of Directors met nine times during the year under review. The topics covered at meetings include the financial outlook of the Company, a review of current investments and approval of future investments, risk scenarios and the long-term plans of the Group.

For more information about the Board of Directors and management, see the section on Corporate governance.

Consolidated income statement

Year ended 31 December

€ '000	Note	2005	2004
Sales	3	765,690	670,692
Cost of sales		(242,961)	(207,065)
Gross profit		**522,729**	**463,627**
Selling and marketing expenses		(277,803)	(234,150)
Administrative expenses	5	(138,180)	(119,977)
Operating profit	3	**106,746**	**109,500**
Stock exchange listing expenses		–	(4,748)
Loss on disposal of subsidiary	4	(4,201)	–
Financial expenses, net	6	(5,062)	(14,712)
Profit before tax		**97,483**	**90,040**
Current tax expense	7	(9,919)	(10,992)
Deferred tax expense	7	(1,283)	514
Net profit		**86,281**	**79,562**
Earnings per share, €	8		
Basic		1.45	1.37
Diluted		1.45	1.36

The attached notes on pages 33 to 43 form an integral part of the consolidated financial statements.

Consolidated balance sheet

At 31 December

€ '000	Note	2005	2004
Assets			
Intangible assets	9	11,152	8,794
Tangible assets	10	102,581	73,054
Deferred tax assets	11	7,110	6,856
Other long term receivables		3,768	881
Total non-current assets		**124,611**	**89,585**
Inventories	12	144,196	108,807
Trade and other receivables	13	69,670	52,920
Cash and cash equivalents	14	50,907	27,044
Total current assets		**264,773**	**188,771**
Total assets*		**389,384**	**278,356**
Equity			
Share capital	15	74,354	74,177
Reserves	16	25,941	18,254
Retained earnings	16	103,980	18,397
Dividend	16	(44,506)	–
Total capital and reserves		**159,769**	**110,828**
Liabilities			
Interest bearing loans	17	1,083	81,406
Other long term non interest-bearing liabilities		259	213
Deferred tax liabilities	11	2,557	1,104
Total non-current liabilities		**3,899**	**82,723**
Bank overdraft	14	12	229
Current portion of interest-bearing loans	17	123,304	2,936
Taxes payable		5,638	1,012
Trade and other payables	18	87,410	74,621
Provisions	22	9,352	6,007
Total current liabilities		**225,716**	**84,805**
Total equity and liabilities		**389,384**	**278,356**

*Total assets held for sale amount to €1.2 million and liabilities to €1.3 million (note 4).

The attached notes on pages 33 to 43 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

€ '000	Share capital (Note 15)	Share premium	Legal reserve	Special reserve	Translation reserve	Hedging reserve	Other reserves (Note 16)	Total reserves	Retained earnings (Note 16)	Total equity
At 31 December 2003	**67,223**		**6,686**	**5,313**	**(55,206)**	**3,908**	**–**	**(39,299)**	**(62,920)**	**(34,996)**
Increase on issuance of new shares	3,875	56,843	–	–	–	–	–	56,843	–	60,718
Increase on exercise of options	3,079	688	–	–	–	–	–	688	**(1,195)**	2,572
Cash flow hedging reserve	–	–	–	–	–	(3,666)	–	(3,666)	–	(3,666)
Translation gain for the period	–	–	–	–	3,812	–	–	3,812	–	3,812
Movement in legal reserve	–	–	(8)	–	–	–	–	(8)	(5)	(13)
Transfer from revaluation reserve to retained earnings	–	–	–	–	(116)	–	–	(116)	116	–
Release of negative goodwill as per IFRS 3	–	–	–	–	–	–	–	–	2,839	2,839
Profit for the period	–	–	–	–	–	–	–	–	79,562	79,562
At 31 December 2004	**74,177**	**57,531**	**6,678**	**5,313**	**(51,510)**	**242**	**–**	**18,254**	**18,397**	**110,828**
Increase on issuance of new shares	177	2,178	–	–	–	–	–	2,178	–	2,355
Cash flow hedging reserve	–	–	–	–	–	(451)	–	(451)	–	(451)
Translation gain for the period	–	–	–	–	4,770	–	–	4,770	–	4,770
Movement in legal reserve	–	–	670	–	–	–	–	670	(698)	(28)
Other movements	–	–	–	–	–	–	520	520	–	520
Dividend	–	–	–	–	–	–	–	–	(44,506)	(44,506)
Profit for the period	–	–	–	–	–	–	–	–	86,281	86,281
At 31 December 2005	**74,354**	**59,709**	**7,348**	**5,313**	**(46,740)**	**(209)**	**520**	**25,941**	**59,474**	**159,769**

The attached notes on pages 33 to 43 form an integral part of the consolidated financial statements.

Consolidated cash flow statement

Year ended 31 December

€ '000	Note	2005	2004
Operating activities			
Operating profit		106,746	109,500
Adjustments for:			
Depreciation, amortisation and similar expenses		13,582	10,946
Foreign exchange gain/(loss)		(2,817)	2,953
Profit (loss) on disposal of property, plant and equipment		(1,045)	(219)
Operating profit before changes in working capital		116,466	123,180
Decrease / (increase) in trade and other receivables		(16,586)	(725)
Decrease / (increase) in inventory		(31,976)	2,015
Increase / (decrease) in trade and other payables		15,098	(6,510)
Cash generated from operations		**83,001**	**117,960**
Interest and bank charges paid		(9,611)	(14,753)
Income taxes paid		(9,950)	(12,753)
Cash flow from operating activities		**63,440**	**90,454**
Investing activities			
Proceeds on sale of tangible assets		1,630	2,128
Interest received		465	639
Purchase of tangible assets		(37,815)	(18,663)
Purchase of intangible assets		(3,827)	(2,579)
Cash flow from investing activities		**(39,547)**	**(18,475)**
Financing			
Funds received from refinancing and movement in loans		41,088	150,000
Repayment of interest bearing loans		–	(307,843)
Proceeds from issuance of share capital		–	63,721
Proceeds from exercised options		2,355	2,532
Dividend paid, net		(44,460)	(89)
Stock exchange listing expenses		–	(5,819)
Cash flow from financing activities		**(1,017)**	**(97,498)**
Increase in cash and cash equivalents		**22,876**	**(25,519)**
Cash and cash equivalents at 1 January		26,814	52,306
Effect of exchange rate fluctuations on cash held		1,205	28
Cash and cash equivalents at 31 December	14	**50,895**	**26,815**

The attached notes on pages 33 to 43 form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

Note 1 • Status and principal activity

Oriflame Cosmetics S.A. ("OCSA" or the "Company") is a holding company incorporated in Luxembourg and registered at 20 Rue Philippe II, 2340 Luxembourg. The principal activity of the Company's subsidiaries is the direct sale of cosmetics. The consolidated financial statements of the Company for the year ended 31 December 2005 comprise the Company and its subsidiaries (together referred to as the "Group"). The financial statements were authorised for issue by the Directors on 12 April.

Note 2 • Summary of significant accounting policies

The consolidated financial statements of Oriflame Cosmetics S.A. have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. Separate statutory consolidated financial statements for the Company have been prepared in accordance with Luxembourg law and are available from the Company upon request.

(a) Basis of preparation

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

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.

(b) Principles of consolidation

The Company prepares consolidated financial statements that aggregate the assets and liabilities and income and expenses of the Company and its subsidiaries. Subsidiaries are defined as entities over which the Company exercises control.

All inter-Company balances and transactions are eliminated on consolidation.

Where a subsidiary has been acquired or disposed of during the year, its results are included or excluded from the effective date of acquisition or disposal. Where subsidiary or associated undertakings are acquired during the year, goodwill, representing the difference between cost and the fair value attributed to the net assets acquired, is capitalised and tested for impairment on an annual basis

(c) Foreign currencies

Assets and liabilities of foreign subsidiaries are translated at the closing rate of exchange at the balance sheet 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 income statement.

Certain subsidiaries of the Company operate in hyperinflationary economies. The Board of Directors considers, as a matter of judgement, an economy to be hyperinflationary when the cumulative inflation rate over three years is significant and where economic trends indicate that this inflation rate is not temporary. The financial statements of such subsidiaries are adjusted for the effects of inflation, and then converted into euros.

(d) Risk management and financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, investing and financing activities. The Company 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. Recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy (e)). The fair value of interest swaps is the estimated amount which the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

(e) Hedging

(i) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability on cash flows of a recognised asset or liability, a firm commitment or a highly probable transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the firm commitment or forecasted transaction results in the recognition of an asset or a liability, the cumulative gain or loss is removed from equity and included in the initial measurement of the asset or liability. Otherwise the cumulative gain or loss is removed from equity and recognised in the income statement at the same time as the hedged transaction (i.e., when the interest income or expense is recognised). The ineffective part of any gain or loss is recognised in the income statement immediately.

(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 income statement.

(iii) Hedge of net investment in foreign operation

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

(f) Sales

Sales, which exclude 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. Sales are recognised when the goods are delivered and net of any customer returns.

(g) Employee benefits

(i) Pension obligations

The cost of providing for retirement pensions and related benefits is charged to the income statement over the periods that the Group benefits from the employees' service. For pension schemes providing defined benefits, the regular annual pension cost is based on estimates by consulting actuaries. Past service costs are amortised over the period until the benefits become vested. The effect of changes in actuarial estimates are amortised over the estimated average remaining service lives of the employees concerned. For defined contribution schemes, the cost is the premium payable during the year.

(ii) Equity-related compensations

Share options granted under company stock option programmes 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 the 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. When the options are exercised, equity is increased by the amount of the proceeds received.

(h) Leases

Assets held under leases which result in Group companies assuming substantially all the risks and rewards of ownership (finance leases) are capitalised as property, plant and equipment at the estimated present value of the underlying lease payments. The corresponding finance lease obligation is included within interest bearing loans. Operating lease commitments are provided in the balance sheet at the time the rental payments fall due. Rental costs are charged against profit as incurred.

(i) Taxation

Tax on the profit or loss for the year comprises current and deferred tax.

Current tax comprises income tax payable calculated on the basis of the expected taxable income for the year, any adjustments of tax payable for previous years and other corporate taxes payable.

Deferred tax is provided using the balance sheet liability method on all temporary differences between carrying amounts for financial reporting purposes and the amounts used for taxation purposes. 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 amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets is recognised only to the extent that it is probable future taxable profits will be available against which the asset can be utilised.. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(j) 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 impairment losses.

(ii) Intangible assets

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

(iii) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of intangible assets. Intangible assets, except goodwill, are amortised from the date they are available for use. The estimated useful life for licences is 10 years, trademarks between 5 and 10 years and software between 3 and 5 years.

(iv) Research and development

Development regarding the design and production of software applications are 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. The estimated useful life is between 3 to 5 years.

(v) Impairment

The carrying amount of intangible assets, including goodwill, is reviewed at each balance sheet date to determine whether there is an indication of impairment of the carrying value. If such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset, or its cash-generating unit, exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(k) Tangible assets

Items of tangible assets 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. The carrying amounts of tangible assets are reviewed to determine whether they are in excess of their recoverable amount as at balance sheet 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 income statement.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of the assets. The 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

No depreciation is provided on freehold land. Improvements to leasehold property are depreciated over their useful economic life or the duration of the lease, whichever is the shorter. For assets under construction, the asset will be depreciated when it is commissioned.

Subsequent expenditure on repairs and maintenance of tangible assets made to restore or maintain future economic benefits expected from the assets is recognised as an expense when incurred.

(l) Investment property

Investment property is 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. Rental income from investment property is recognised within selling and administrative expenses in the income statement over the term of the lease.

(m) Inventory

Inventories are stated at the lower of cost (on a first in, first out basis) and net realisable value. For finished goods manufactured by the Group, cost is taken as production cost, which includes an appropriate proportion of attributable overheads. The cost of inventory includes expenditure incurred in acquiring the inventories and bringing them to their final location and condition. Provision is made for obsolete, slow moving or defective items, where appropriate.

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

(n) Trade and other receivables

Trade and other receivables are stated at cost less write-down for any amounts expected to be irrecoverable.

(o) 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.

(p) Interest bearing borrowings

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

(q) Trade and other payables

Trade and other payables are stated at cost.

Note 3 • Segment reporting

The primary and the only segmentation of the business is based on geographic cosmetics sales. The segmentation is based on the Group's management and internal reporting structure.

	Sales		Operating profit	
€ '000	**2005**	**2004**	**2005**	**2004**
CIS & Baltics	382,853	331,049	72,711	75,984
Central Europe & Mediterranean	218,113	188,335	42,676	38,869
Western Europe	80,595	74,061	9,356	8,643
Latin America	33,302	26,117	2,053	707
Asia	30,608	30,544	148	1,265
Group overhead and other operations	20,219	20,586	(20,197)	(15,968)
Consolidated	**765.690**	**670,692**	**106,746**	**109,500**

	Capital expenditure		Depreciation and amortisation	
€ '000	**2005**	**2004**	**2005**	**2004**
CIS & Baltics	7,323	4,901	3,226	2,174
Central Europe & Mediterranean	2,086	2,847	2,243	2,074
Western Europe	1,425	563	1,275	1,467
Latin America	257	204	296	291
Asia	831	886	600	429
Group overhead and other operations	29,720	11,841	5,422	4,511
Consolidated	**41,642**	**21,242**	**13,062**	**10,946**

	Assets		Liabilities	
€ '000	**2005**	**2004**	**2005**	**2004**
CIS & Baltics	122,923	87,569	15,350	8,478
Central Europe & Mediterranean	59,962	47,783	17,510	13,940
Western Europe	28,432	34,894	18,903	14,560
Latin America	13,697	8,968	3,051	1,368
Asia	11,049	10,540	5,164	4,855
Group overhead and other operations	153,321	88,602	169,637	124,328
Consolidated	**389,384**	**278,356**	**229,615**	**167,529**

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The group overhead and other operations segment includes revenue and expenses from, amongst others, mail order business and licensee sales, unallocated items such as corporate assets and expenses, and interest bearing loans and expenses.

Note 4 • Disposal of subsidiary

A heads of agreement was signed in December to sell Oriflame UK Ltd, the company in which the Group conducts all its UK and Ireland operations. Oriflame's UK operations had been loss making for many years and had operating losses of €1.8 million on sales of €4.4 million in 2005, which has been fully included in the operating profit. The loss on disposal of the UK operations of €4.2 million is recognised in the fourth quarter and comprises various costs in relation to the restructuring of the business, including pension commitments. The related assets and liabilities were classified as held for sale at 31 December 2005.

Effect of the disposal on individual assets and liablities of the Group

€ '000	2005
Inventories	260
Trade and other receivables	536
Cash and cash equivalents	438
Total assets	**1,234**
Taxes payable	213
Trade and other payables	1,088
Total liabilities	**1,301**

Note 5 • Administrative expenses

Administrative expenses are stated after charging:

€ '000	2005	2004
Salaries and wages	70,398	62,347
Social securities contributions	13,132	12,083
Pension expenses	3,788	3,816
	87,318	**78,246**
Less amounts presented in cost of sales	(7,799)	(5,491)
Personnel expenses	**79,519**	**72,755**
Directors' emoluments	484	587
Auditors' remuneration	947	966
Auditors' remuneration for non-audit services	78	1,375
Research and development	7,645	6,405
Depreciation	11,929	10,304
Amortisation and similar expenses	1,653	642
Depreciation, amortisation and similar expenses	**13,582**	**10,946**

The average number of employees in 2005 was 4,961 (4,527).

Note 6 • Financial expenses, net

€ '000	2005	2004
Interest income	465	638
Interest rate swap expense	(916)	(1,065)
Bank interest and charges including borrowing costs	(9,415)	(10,865)
Write-off of prior year's capitalised refinancing expenses	–	(4,777)
Gain /(Loss) on exchange	4,804	1,357
	(5,062)	**(14,712)**

Note 7 • Income tax expense

€ '000	2005	2004
Recognised in the income statement		
Current tax expense	9,919	10,992
Deferred tax expense		
Origination and reversal of temporary differences	2,601	(167)
Utilisation of losses brought forward	(1,318)	(347)
	1,283	**(514)**
Total income tax expense in the income statement	**11,202**	**10,478**
Reconciliation of effective tax rate		
Profit before tax	97,483	90,040
Average applicable tax rate, %	8.3	7.5
Tax at applicable tax rate	8,106	6,755
Adjustment to tax expense		
Non-deductible expenses	2,096	705
Utilisation of tax losses brought forward	(1,318)	(347)
Withholding taxes	1,218	2,217
Other taxes	1,100	1,205
Adjustments in respect of prior years	–	(57)
Tax expense	**11,202**	**10,478**
Effective tax rate, %	**11.5**	**11.6**

The tax rates of the Group's subsidiaries range between 0% and 39%. The Group benefits from favourable tax regimes in a number of countries, the benefits of which are expected to continue in the foreseeable future.

Note 8 • Earnings per share

(a) Basic

Earnings per share are based on the net profit attributable to ordinary shareholders of €86,281,000 (79,562,000) and the weighted average number of shares outstanding during the year. The weighted average number of shares used in the computation was €59,412,892 for the year to 31 December 2005 (57,991,436).

(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 scheme (see Note 19). The weighted average number of ordinary shares adjusted for the share schemes can be specified as follows:

	2005	2004
Weighted average number of shares outstanding (basic)	59,412,892	57,991,436
Effect of share schemes	86,267	639,772
Weighted average number of shares outstanding (diluted)	**59,499,159**	**58,631,208**

Diluted earnings per share are based on the same net profit for the year as used in calculating basic earnings per share, because the total number of shares has been increased by the number of shares deemed to have been issued for no consideration.

Note 9 • Intangible assets

€ '000	Software	Trademarks	Licences	Goodwill	Negative goodwill	Total
Cost						
At 31 December 2003	**–**	**316**	**2,924**	**8,739**	**(2,839)**	**9,140**
Additions	2,357	222	–	–	–	2,579
Reclassification	2,734	–	–	–	–	2,734
Translation	(4)	–	–	–	–	(4)
Impact of adopting IFRS 3	–	–	–	(3,341)	2,839	(502)
At 31 December 2004	**5,087**	**538**	**2,924**	**5,398**	**–**	**13,947**
Additions	3,688	139	–	–	–	3,827
Reclassification	177	–	–	–	–	177
Disposals	(818)	–	–	–	–	(818)
Translation	183	–	–	–	–	183
At 31 December 2005	**8,316**	**678**	**2,924**	**5,398**	**–**	**17,316**
Amortisation						
At 31 December 2003	**–**	**316**	**2,924**	**3,122**	**–**	**6,362**
Charge for the year	401	22	–	219	–	642
Reclassification	1,470	–	–	–	–	1,470
Translation	20	–	–	–	–	20
Impact of adopting IFRS 3	–	–	–	(3,341)	–	(3,341)
At 31 December 2004	**1,891**	**338**	**2,924**	**–**	**–**	**5,153**
Charge for the year	1,089	45	–	–	–	1,134
Reclassification	(24)	–	–	–	–	(24)
Disposals	(109)	–	–	–	–	(109)
Translation	9	–	–	–	–	9
At 31 December 2005	**2,856**	**384**	**2,924**	**–**	**–**	**6,164**
Net book value						
At 31 December 2003	**–**	**–**	**–**	**5,617**	**(2,839)**	**2,778**
At 31 December 2004	**3,196**	**200**	**–**	**5,398**	**–**	**8,794**
At 31 December 2005	**5,460**	**294**	**–**	**5,398**	**–**	**11,152**

During 1997, the Company acquired the remaining 49 per cent 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.

In May 2003, the Company acquired Nordium AB for €5.3 million. After revaluation of land to market value, the acquisition resulted in a negative goodwill of €2.8 million. Upon issuance of IFRS3–Business combinations on 31 March 2004, the Group applied the limited retrospective application and discontinued amortisation of existing goodwill. The carrying amount of the related accumulated depreciation was eliminated with a corresponding decrease in goodwill. At balance sheet date, the goodwill was tested for impairment. Also, the negative goodwill following the Nordium acquisition was derecognised, with a corresponding adjustment to retained earnings.

During 2004, the Group reclassified to intangible assets externally acquired software which was included in property, plant and equipment for an amount of €2 million and own developed software for an amount of €0.7 million.

Included in software additions during the year are costs for own developed software for an amount of €1.4 million (2.0).

Note 10 • Tangible assets

€ '000	Freehold land & buildings	Improve-ments to leasehold property	Plant & machinery	Furniture & equipment	Computer equipment	Motor vehicles	Under con-struction	Total
Cost								
At 31 December 2003	**43,961**	**10,814**	**22,374**	**11,253**	**22,043**	**6,087**	**3,331**	**119,863**
Additions	863	3,071	4,119	1,660	2,801	694	5,455	18,663
Disposals	(2,422)	(677)	(149)	(558)	(796)	(865)	–	(5,467)
Transfers	–	–	(8)	(13)	(2,724)	11	–	(2,734)
Translation	1,933	(139)	1,375	(16)	245	154	–	3,552
At 31 December 2004	**44,335**	**13,069**	**27,711**	**12,326**	**21,569**	**6,081**	**8,786**	**133,877**
Additions	3,428	1,681	4,701	1,947	4,216	947	20,895	37,815
Disposals	(406)	(409)	(443)	(707)	(1,388)	(1,112)	–	(4,465)
Reclassification	829	(161)	(265)	(24)	(23)	227	(766)	(183)
Translation	3,433	815	1,069	781	961	320	–	7,379
At 31 December 2005	**51,619**	**14,995**	**32,773**	**14,323**	**25,335**	**6,463**	**28,915**	**174,423**
Depreciation								
At 31 December 2003	**7,519**	**5,199**	**13.449**	**8,000**	**16,404**	**3,403**	**–**	**53,974**
Charge for the year	1,108	1,443	2,713	1,253	2,742	1,045	–	10,304
Disposals	(884)	(618)	(125)	(513)	(663)	(750)	–	(3,553)
Transfers	–	–	7	–	(1,454)	(23)	–	(1,470)
Translation	309	(73)	937	21	250	124	–	1,568
At 31 December 2004	**8,052**	**5,951**	**16,981**	**8,761**	**17,279**	**3,799**	**–**	**60,823**
Charge for the year	1,831	1,958	2,721	1,347	2,802	1,268	–	11,927
Disposals	(35)	(377)	(369)	(672)	(1,443)	(982)	–	(3,878)
Transfers	114	(158)	–	(28)	21	51	–	–
Translation	539	406	631	540	652	201	–	2,969
At 31 December 2005	**10,501**	**7,780**	**19,964**	**9,948**	**19,311**	**4,337**	**–**	**71,841**
Net book value								
At 31 December 2003	**36,442**	**5,615**	**8,925**	**3,253**	**5,639**	**2,684**	**3,331**	**65,889**
At 31 December 2004	**36,283**	**7,118**	**10,730**	**3,565**	**4,290**	**2,282**	**8,786**	**73,054**
At 31 December 2005	**41,118**	**7,215**	**12,809**	**4,375**	**6,024**	**2,126**	**28,915**	**102,582**

(a) Finance leases

Included in property, plant and equipment at 31 December 2005 is the net book value of assets under finance leases which totaled €1,575,000 (1,861,000), of which furniture and equipment €84,000 (147,000), motor vehicles €221,000 (283,000), plant and machinery €1,270,000 (1,431,000).

(b) Investment property

Included in freehold land and buildings are investment properties amounting to a net book value of €2,885,000 (2,463,000). Net rental income from these assets in 2005 was €305,000 (291,000). The Board of Directors is of the view that the fair value of the investment properties approximates to their book value.

Note 11 • Deferred taxation

Deferred tax assets and liabilities at 31 December 2005 and 2004 are attributable to the items detailed in the tables below:

	2005			2004			
€ '000	Assets	Liabilities	Net	Assets	Liabilities	Net	Movement
Tangible assets	243	(1,101)	(858)	39	(285)	(246)	(612)
Inventories	873	(582)	291	1,910	(427)	1,483	(1,192)
Trade and other receivables	444	(96)	348	269	–	269	79
Accruals	1,212	(17)	1,195	219	–	219	976
Other	550	(761)	211	548	(392)	156	(367)
Operating losses carried forward	3,778	–	3,788	3,871	–	3,871	(83)
Tax assets/(Liabilities)	**7,110**	**(2,557)**	**4,553**	**6,856**	**(1,104)**	**5,752**	**(1,199)**

Unrecognised deferred tax assets

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

€ '000	2005	2004
Deductible temporary differences	13,586	9,154
Tax losses	29,836	38,542
Total	**43,422**	**47,696**

The losses are available for carry forward in varying amounts and expire over an average period of five to ten 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 12 • Inventories

€ '000	2005	2004
Raw materials	10,301	9,684
Work in progress	104	68
Finished goods	133,413	97,660
Other inventories	378	1,395
	144,196	**108,807**

In 2005, other inventories (printed material and non-standard products, i.e. non-bonus point sales) have been presented separately. The previous year's figures have been restated to reflect this change.

Note 13 • Trade and other receivables

€ '000	2005	2004
Trade receivables	41,144	31,473
Other receivables	9,526	4,057
Prepaid expenses	19,000	17,390
	69,670	**52,920**

The provision for doubtful debtors is €20.7 million (17.7).

Note 14 • Cash and cash equivalents

Cash as reported in the balance sheet consists of cash at bank and in hand, together with term deposits and highly liquid debt instruments with original maturities of less than three months. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

€ '000	Cash and term deposits	Bank overdrafts	Total
At 31 December 2003	**52,309**	**(3)**	**52,306**
Net flow	(25,293)	(226)	(25,519)
Exchange differences	28	–	28
At 31 December 2004	**27,044**	**(229)**	**26,815**
Net flow	22,658	217	22,875
Exchange differences	1,205	–	1,205
At 31 December 2005	**50,907**	**(12)**	**50,895**

Note 15 • Share capital

The Company has one class of share capital with an authorised share capital of €102,400,000. All shares have equal rights to dividends and shareholders are entitled to one vote per share at annual and general meetings of the Company.

The total number of shares issued and outstanding consists of movements in share capital. A reconciliation of the movements of each element is detailed below:

	No. of shares	€ '000
Share capital		
Balance 31 December 2003	**53,778,313**	**69,372**
Issued on issuance of new shares	3,100,000	3,875
Issued on exercise of options	2,463,116	3,079
Balance 31 December 2004	**59,341,429**	**74,177**
Issued on issuance of new shares	141,761	177
Balance 31 December 2005	**59,483,190**	**74,354**

(i) On 24 March 2004, the Group listed on the Stockholm Stock Exchange. The listing share price amounted to SEK 190 and the consideration received, net of listing expenses of €3.0 million, was €60.7 million, of which €3.9 million was credited to the share capital and €56.8 million was credited to share premium.

(ii) On 30 June 2005, the Group issued 141,761 shares to Oriflame employees as part of the share incentive plan that was approved by the EGM on 19 May 2005. The consideration received was €2.4 million, of which €0.2 million was credited to the share capital and €2.2 million was credited to share premium.

Note 16 • Reserves

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

(ii) Included in the translation gain for 2005 are the following:
(a) Exchange gain of €3.6 million (€0.4 million loss) arising on long-term inter-company debt of an investment nature, and;
(b) Translation of foreign subsidiaries resulted during the year to €2.0 million loss (€3.4 million gain).

Included in the translation reserve is a revaluation reserve related to certain assets of €10.3 million (7.1).

(iii) The hedging reserve comprises the effective portion of the cumulative net change in fair value of the cash flow hedging instruments where the hedged transaction has not yet occurred.

(iv) In May 2005, the AGM of the Company approved a dividend of €0.75 per share, as proposed by the Board of Directors, i.e. €44.5 million in total.

(v) The Board of Directors will propose to the AGM a distribution of €3.50 per share, amounting to €209 million in total, of which €0.90 (0.75) per share is ordinary dividend. The profit brought forward of the parent company Oriflame Cosmetics SA as at 31 December 2005 amounts to €386.1 million.

Note 17 • Interest bearing loans

On 26 March 2004 the Company entered into an agreement for a €225.0 million, multi-currency-committed five-year revolving credit facility (the "Credit Facility"), which was amended with supplemental agreement dated 11 June 2004. The Credit Facility is reduced by €7.5 million every 6 months starting on 26 March 2006.

The Credit Facility provides that utilisations may be in euros or other freely available currencies, as agreed. The interest payable is calculated at the relevant interbank rate plus the applicable margin.

The Credit Facility contains 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, operating profit interest coverage and equity to gross assets of the Group.

To support the expected distribution in 2006, Oriflame has obtained commitments from SEB Merchant Banking and ABN Amro Bank N.V. for facilities of €375 million to replace the current facilities of €225 million. The long-term loan of €119 million has therefore been reclassified to a short-term loan.

€ '000		2005	2004
Non-current liabilities	**Interest rate**		
Revolving credit facility	Euribor + variable margin	–	80,000
Finance lease long-term liabilities		1,083	1,406
		1,083	**81,406**
Current liabilities			
Short-term loans		122,895	2,457
Finance lease short-term liabilities		409	479
		123,304	**2,936**
Loans outstanding at 31 December are maturing as follows:			
Within one year, or on demand		122,895	2,457
Between two and five years		–	80,000
Over five years		–	–
		122,895	**82,457**

Finance lease liabilities are payable as follows:

€ '000	Payments	Interest	Principal
Less than one year	503	94	409
Between one and three years	962	108	853
Between three and five years	241	11	229
More than five years	–	–	–
	1,705	**214**	**1,491**

At 31 December 2005, the Group had total banking facilities available of €234.0 million (230.8), of which €125.9 million (85.2) has been utilised as bank overdrafts, guarantees, short-term loans and long-term loans.

Note 18 • Trade and other payables

€ '000	2005	2004
Trade payables	21,238	23,373
Other payables	20,848	11,976
Accrued expenses	45,324	39,272
	87,410	**74,621**

Note 19 • Equity compensation plans

During 2004 the major shareholders, the af Jochnick family and the Industri Kapital 1997 Fund, issued 166,500 options to certain employees of the Group. The options will vest on the day of the announcement of the 2006 annual accounts and will be exercisable 30 days after at a strike price of SEK 190. The options will expire immediately thereafter.

On 19 May 2005 the Oriflame EGM approved a share incentive plan, according to which key Oriflame employees are entitled to receive a certain number of 'achievement' shares for free in 2008 for every 'investment' share they were offered to subscribe for in June 2005, provided that the Company achieves certain growth in operating profit for that period.

The number of investment shares is as follows:

Granted in June 2005	141,761
Forfeited during the period	(1,800)
Outstanding at the end of the period	**139,961**

Note 20 • Related parties

The Directors of the Company held beneficial interests in the shares of the Company at 31 December as follows:

	Number of shares
R. af Jochnick and family	2,612,690
J. af Jochnick and family	5,922,569
Christian Salamon	–
Bodil Eriksson	–
Kim Wahl	–
Helle Kruse Nielsen	–
Lennart Björk	10,000
Magnus Brännström	203,500

The major shareholders, the af Jochnick family, the Stichting af Jochnick Foundation and Industri Kapital 1997 Ltd., jointly exercise control over 23,537,441 shares which represents 39.6% of the issued share capital and the outstanding shares as at 31 December 2005. Industri Kapital 1997 Ltd. exercises control over 9,503,333 shares.

For the year ended 31 December 2005, the members of the Board of Directors (excluding the Chairman and Magnus Brännström who in his capacity as Chief Executive Officer is an employee) received total compensation of €76,250 (85,000). The Chairman received €30,000 (30,000).

For the year ended 31 December 2005, the Chief Executive Officer received a total compensation of €540,605 (472,002) of which €350,000 was salary, €68,160 pension contributions under the pension scheme for senior management, and €122,445 of other benefits and allowances.

Total compensation to the members of the Executive Committee (excluding the Chief Executive Officer) who were employed in the year ended 31 December 2005, were €1,371,679 (1,524,128), which was made up of €1,103,525 in salaries, €162,033 in payments into pension schemes and €106,121 of other benefits and allowances.

The redundancy costs for Oriflame's previous Chief Executive Officer ammounted to €513,054 which was fully expensed in 2005.

During the period, the following transactions were conducted with related parties:

€ '000	2005	2004
Services provided by Cypoint AB	113	159
Services provided by Credus Management AB		(22)
Expenses and employee costs incurred on behalf of and recharged to Medicover S.A.	1,207	1,167
Medicover health care services	225	201

No transactions between Oriflame and Credus Management AB were reported in 2005. Until 2004, Credus Management AB, a Swedish company wholly owned by Robert af Jochnick, invoiced Oriflame for consultancy fees provided on an arm's length basis to Oriflame by employees of Credus, other than Robert af Jochnick.

Cypoint AB provides services to host the extranet website and assist with the corporate intranet. In the past, Cypoint has developed both the extranet and intranet programmes. Robert af Jochnick has been a director of Cypoint AB since 2001.

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. In addition, Medicover has entered into agreements with certain of the Group's subsidiaries in Poland, Romania, Hungary, the Czech Republic and Estonia to provide private health care benefits to employees.

Note 21 • Group companies

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

Name	Country of incorporation	Percentage share capital held, %
Oriflame Azerbaijan LLC	Azerbaijan	100
Oriflame Cosmetics LLC	Armenia	100
Oriflame Kozmetika BH. D.o.o. Sarajevo	Bosnia	100
Oriflame Bulgaria EOOD	Bulgaria	100
Oriflame Cosmetics Foreign LLC	Belarus	100
Oriflame Management SA	Belgium	100
Oriflame de Chile SA	Chile	100
Oriflame Cosmetics (China) Co. Ltd	China	100
Oriflame de Colombia SA	Colombia	100
Oriflame Kozmetika Croatia doo.	Croatia	100
Oriflame Czech Republic SPOL R.O	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 Kosmetik Vertriebs GmbH	Germany	100
Oriflame Hellas Sole Shareholder Ltd	Greece	100
Oriflame Georgia LLC	Georgia	100
Oriflame Hungary Kozmetika Kft	Hungary	100
Oriflame India Pvt. Ltd.	India	100
SilverOak Laboratories Pvt. Ltd.	India	100
Oriflame GTC Ltd.	Ireland	100
Oriflame LLP	Kazakhstan	100
Oriflame Latvija S.I.A	Latvia	100
Oriflame Cosmetics Lebanon Ltd.	Lebanon	100
Oriflame Kosmetika UAB.	Lithuania	100
Oriflame Kozmetika doo.	Macedonia	100
Oriflame Investments Ltd	Mauritius	100
Oriflame (Mexico) SA de CV	Mexico	100
Oriflame International SRL	Moldova	100
Oriflame Mongolia XXK	Mongolia	100
Oriflame Kosmetika MN doo.	Montenegro	100
Oriflame Maroc SARL	Morocco	100
Oriflame Kosmetiek BV.	Netherlands	100
Oriflame Holdings BV.	Netherlands	100
Zetes Holdings BV.	Netherlands	100
Zetes Licence BV.	Netherlands	100
Oriflame Norge A/S	Norway	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 SPOL ro.	Slovak Republic	100
Oriflame Kozmetica d.o.o.	Slovenia	100
Oriflame Cosmeticos S.A.	Spain	100
Oriflame Lanka Private Ltd	Sri Lanka	100
Nordium AB	Sweden	100
Oriflame Cosmetics AB	Sweden	100

Name	Country of incorporation	Percentage share capital held, %
Zetes Holdings AB	Sweden	100
Zetes SA	Switzerland	100
Oriflame Cosmetics (Thailand) Ltd	Thailand	100
Oriflame Management Asia Ltd	Thailand	100
Oriflame Kozmetik Urunleri Ticaret Sirketi Ltd.	Turkey	100
DP "Oriflame Cosmetics" Ukraine	Ukraine	100
DP "Rielty Ukraine"	Ukraine	100
Oriflame UK Ltd	United Kingdom	100
Oriflame Vietnam Ltd.	Vietnam	100

Note 22 • Provisions, commitments and contingent liabilities

(a) The provisions consist of provisions for various tax litigations, pensions and restructuring.

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

€ '000	2005	2004
Within one year	5,001	5,888
Between one and three years	4,293	5,881
Between three and five years	1,874	2,030
More than five years	745	836
	11,913	**14,635**

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

(c) The Group has bank guarantees in place of €2.8 million (5.2).

(d) 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 Company continues to actively monitor and defend such litigation.

(e) In conjunction with the sale of ACO in 2003, the Group originally agreed to continue to manufacture and supply a limited part of the ACO product range until 31 December 2007. In 2005, the contract, was extended to 31 December 2011.

(f) The Group entered into a service agreement with a third party in Russia for consultancy advice in respect of real estate and the selection of business partners for the establishment of trading and manufacturing activities in the Moscow area.

Note 23 • Pensions

One subsidiary within the Group has established retirement benefit schemes, of the defined benefit, final salary type, funded by contributions from the companies and employees. Contributions to the schemes are determined by qualified actuaries on the basis of valuations, which occur with sufficient regularity to ensure no material differences, using projected benefit valuation methods. Pension costs charged in the year in respect of defined benefit plans amounted to €0.1 million (0.3). Other subsidiaries within the Group operate defined contribution schemes. Pension costs charged for the year for these schemes amounted to €3.7 million (3.5).

Note 24 • Risk management and financial instruments

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business. Derivative financial instruments are sometimes used to reduce exposure to fluctuations in foreign exchange rates and interest rates. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

(a) Foreign currency risk

Translation exposure

Translation exposure arises because the profits and losses and assets and liabilities of operating subsidiaries are reported in the respective currencies of their country of incorporation. Profits and losses and assets and liabilities in the various local currencies are translated into euros, the reporting currency. For those countries with a reporting currency other than the 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 shareholders' equity.

Transaction exposure

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

Strategic currency exposure

Strategic currency exposures 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 70% 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 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 applying the hedging policy.

As from February 2004, management of the Company adopted a policy to hedge the estimated Russian Rouble (RUR) related exposure in respect of forecasted sales and expenses in Russia when this is economically efficient. The Company also hedges up to 100% 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.

As at 31 December 2005 there were no (51.1) RUR forward exchange rate contracts outstanding; and there were a variety of forward exchange contracts outstanding for an amount equivalent to €45.9 million (45.7) with a maturity between February and June 2006 to hedge selected currency transaction exposures.

The Group does not apply hedge accounting for the variety of forward contracts that economically hedge monetary assets and liabilities in foreign currencies, mainly intra-group. Both the changes in fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary assets and liabilities are recognised in the income statement. At 31 December 2005, the fair value of these forward contracts was a €0.1 million (0.2) gain.

During 2005 the Group closed in total €189.8 million (272.4) forward contracts, out of which €71.6 million (133.6) were classified as hedge against net income in Russia, and €118.2 million (62.6) related to the above mentioned variety of forward contracts. The total net realised loss of all forward contracts closed in 2005 was €6.3 million (€5.2 million gain), of which €2.3 million (€0.8 million gain) was recognised as effective hedge against the same lines as the hedged items, i.e. sales and expenses were decreased by €4.3 million (increased by €1.2 million) and €2.0 million (increased by €0.4 million) respectively. The remaining €4.0 million net realised loss (€4.4 million gain) was recognised in the gain and loss on exchange in the income statement.

(b) Interest rate risk

Hedging

In March 2003, the Group decided to hedge its exposure to changes in interest rates on €100 million bank loans via an interest rate swap, denominated in euros.

According to the contract, the Company receives the 6-month euro floating rate biannually on 24 March and 24 September, and pays the fixed rate of 3.15% once a year on 24 March. The swap matures in March 2006.

The Group classifies the interest rate swap as a cash flow hedge and states it at fair value. The fair value of the swap at 31 December 2005 was a liability of €0.2 million (0.8).

In respect of income-earning financial assets and interest-bearing financial liabilities the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

2005

€ '000	Effective interest rate, %	Total	Less than 1 year	1–3 years	3–5 years	More than 5 years
Cash and cash equivalents	1.44	50,895	50,895	–	–	–
Financial lease liabilities	6.04	(1,491)	(409)	(853)	(229)	–
Revolving credit facility	3.62	(119,351)	(119,351)	–	–	–
Effect of interest swap	0.88	100,000	(100,000)	–	–	–
Short-term loans	8.40	(3,544)	(3,544)	–	–	–

2004

€ '000	Effective interest rate, %	Total	Less than 1 year	1–3 years	3–5 years	More than 5 years
Cash and cash equivalents	1.59	26,815	26,815	–	–	–
Financial lease liabilities	5.10	(1,885)	(479)	(725)	(605)	(76)
Revolving credit facility	4.15	(80,000)	(80,000)	–	–	–
Effect of interest swap	0.70	100,000	100,000	(100,000)	–	–
Short-term loans	6.53	(2,457)	(2,457)	–	–	–

(c) Credit risk

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.

Cash and cash equivalent deposits are only with counterparties that have high credit ratings and therefore management does not expect any counterparty to fail to meet its obligations.

(d) Fair value

Financial assets of the Group include cash and cash equivalents, trade and other receivables and forward exchange contracts.

Financial liabilities of the Group include interest bearing loans, bank overdrafts, trade and other payables, taxes payable and interest rate swaps.

The fair value of the Group's financial assets and liabilities are not materially different from their carrying amounts.

Report of the independent auditors

To the shareholders of Oriflame Cosmetics S.A.

We have audited the accompanying consolidated balance sheet of Oriflame Cosmetics S.A. and its subsidiaries (the "Group"), as of 31 December 2005 and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2005 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use in the European Union.

Brussels, 14 March 2006

Klynveld Peat Marwick Goerdeler, Reviseurs d'Entreprises
Represented by Marc E. Hoydonckx

Corporate governance

Corporate governance, management and control of the Oriflame Group is apportioned between the shareholders/SDR holders at the General Meetings of shareholders ("General Meeting(s)"), the Board of Directors (the "Board"), its elected committees and the CEO in accordance with Luxembourg law and Oriflame's Articles of Association and Management practice. Oriflame complies with applicable areas of the Swedish Code of Corporate Governance as published in 2005 ("Code") to the extent that the Code is not in conflict with Luxembourg law or regulations.

General Meetings

In accordance with Oriflame's Articles of Association as last amended by the Extraordinary General Meeting on 19 May 2005, the Annual General Meeting of Oriflame shall be held on 19 May of each calendar year, or the next following weekday should 19 May be a holiday or weekend.

At the General Meetings, being Oriflame's highest decision making forum, resolutions are passed with respect to adoption of the income statement and balance sheet as well as the consolidated income statement and balance sheet; dispositions of Oriflame's profit and loss according to the adopted balance sheet; discharge from liability for the Board members and Auditor and certain other matters provided by law and the Articles of Association.

A shareholder may attend and vote at General Meetings in person or by proxy. A SDR holder who has been duly registered as such with the Swedish Securities Register Centre (VPC AB), may vote at the meeting by proxy, yet not in person. An SDR holder wishing to attend a General Meeting must notify Oriflame of his/her intention to attend. The manner in which to notify Oriflame and in which to issue proxy cards is described in the notice convening the General Meeting.

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

Board of Directors and rules of procedure

The Board has established rules of procedure which set forth how and when the Board convenes, and includes instructions for the allocation of duties and responsibilities within and between the Board and the CEO. The rules of procedure also contain instructions for financial reporting and set forth how reporting to the Board is to proceed.

In accordance with Luxembourg law, the Board is responsible for the management of the Company's affairs. The Board monitors the performance of the CEO and is responsible for ensuring that the Company's organisation fulfils its purpose. The Board continuously evaluates Company procedures and ensures that guidelines for management and the investment of Company funds are followed.

At the 2005 Annual General Meeting a nomination process was adopted for the election of Nomination Committee members, whose task is to prepare and submit proposals to the Annual General Meeting for the election of the Board members and the size of the fees paid to Board members and other Committees of the Board (currently being the Audit Committee and Remuneration Committee).

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

The Board shall consist of not less than three, and not more than eight, members. Currently, the Board consists of eight members, all of whom were elected at the last Annual General Meeting held on 19 May 2005.

The Board consists of principal shareholders, persons closely associated with the principal shareholders and persons independent of such shareholders. The CEO is also a member of the Board. Other Company staff may from time to time participate in Board meetings in order to make presentations or present reports as requested by the Board.

According to the rules of procedure, the Board shall convene at least four times per year, of which at least one meeting is to focus on business strategy issues.

During the 2005 financial year, the Board held nine meetings. At Board meetings, Board members may not vote on any motion in which they have a conflict of interest. A Board member is not counted in the quorum of a meeting if a conflict of interest disallows him/her from voting on a particular motion. Board members declare the nature of any conflict of interest prior to voting, and such declaration is entered in the minutes of the meeting. The conflict of interest is reported at the next General Meeting before any resolution is taken.

The Remuneration Committee

The Board appoints a Remuneration Committee. The Remuneration Committee, currently consisting of Robert af Jochnick, Lennart Björk and Kim Wahl, establishes and reviews remuneration and terms of employment for the Company's executive directors, senior executives and other key personnel. The Remuneration Committee meets when necessary, but not less than twice per year. The Remuneration Committee reports to the Board.

The Audit Committee and Auditors

The Company's Audit Committee is appointed by the Board and currently consists of Helle Kruse-Nielsen, Jonas af Jochnick and Christian Salamon. 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 reports to the Board and meets at least twice per year.

The Nominating Committee

At the Annual General Meeting held on 19 May 2005, the meeting resolved to approve the following nomination process for the election of the Nominating Committee:

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

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

- information regarding the composition of the Committee shall be made public in the Company's interim report for the third quarter; and

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

Current Nomination Committee members are Robert af Jochnick, Kim Wahl (Indusri Kapital), Carl Rosén (2nd AP Fund) and Carlos von Hardenberg (Templeton).

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

The Nominating Committee is intended to meet as often as necessary, but at least once per year. In advance of the 2006 Annual General Meeting, the Nominating Committee met on two occations.

CEO and Executive Committee

The CEO is appointed by the Board and is responsible for the day-to-day control of the Group. The Group's COO reports to the CEO. In accordance with the work procedures set out by the Board, the Executive Committee is responsible for the formulation of Group strategy, business control and the distribution of resources between the regions. Headed by the CEO, the Executive Committee consists of the COO, the CFO, the Global Marketing Director, the Global Supply Director and the Head of Business Development. The Executive Committee meets at least ten times per year.

Regional management

Global support and service functions

Group segmentation is based on geographic cosmetics sales by region. Each region has its own staff and resources to facilitate its effective control. In addition to daily operations, the tasks of regional management include drawing up proposals for strategic regional development and investment. These are reviewed by the corporate functions and presented to the Board for approval. The global support and service functions consist of four directors and staff for the Finance, Supply, Marketing and Sales Support functions.

Internal control and monitoring

Oriflame's internal control procedures cover all units within the Group and include policies for measurement, acquisition and protection of assets, controlling the accuracy and reliability of reports, benchmarking between units to share best practice and ensuring compliance with defined guidelines.

Each region and the supply division has appointed a controller who reports directly to the CFO. The controller is responsible for the implementation of internal controls and reporting in accordance with Group guidelines and for ensuring that local laws and regulations are followed.

All companies prepare monthly and quarterly reports to Group requirements. These reports are the base for the Group consolidated accounts and local performance measurements on sales and profitability.

Oriflame uses Cognos Controller for financial reporting and consolidation. Data is stored in a central database from which it can be retrieved for analysis and follow up at a Group, Region and Company level.

Oriflame has no group internal audit function.

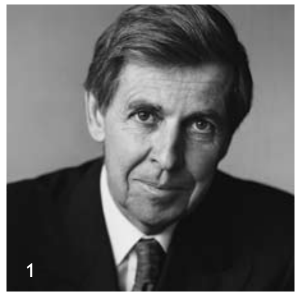
Insider policy

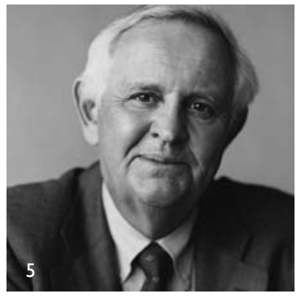
In addition to the general rules against insider trading in securities listed on the Stockholm Stock Exchange, Oriflame has a set of rules that applies to dealings in the Oriflame SDR by employees of the Oriflame Group.

Even stricter rules apply to a number of people on Oriflame's internal insider list. This list comprises the members of the Board, senior management and certain other staff together with the Company's auditors.

For a full Corporate Governance Report, please refer to www.oriflame.com, or as appended hereto.

Board of Directors





1. Robert af Jochnick
Born 1940.
Co-founder of Oriflame and Chairman of the Board since 2000.
Elected to the Board in 1970.
Member of the Nominating Committee and the Remuneration Committee.
LLB Stockholm University and BSc in Business Administration Stockholm School of Economics.
Chairman of Mint Capital Ltd and the af Jochnick Foundation.
Board member of Credus Management AB, Cypoint AB and the World Childhood Foundation. He also serves as the treasurer and a member of the operating group of the World Federation of Direct Selling Associations.
Shareholding (including immediate family members): 2,612,690

2. Lennart Björk
Born 1942.
Elected to the Board in 2005.
Member of the Remuneration Committee.
Chairman of the Board of Gant Company AB.
Shareholding: 10,000

3. Magnus Brännström
Born 1966.
Chief Executive Officer.
Elected to the Board in 2005.
Law studies and MBA Uppsala University.
Shareholding: 203,500

4. Bodil Eriksson
Born 1963.
Elected to the Board in 2002.
Senior Vice President Communications and Investor Relations at SCA AB.
BA in Switzerland and England and Communication & PR DRMI-Berghs, Stockholm.
Board member of Nobia AB and Hemtex AB.
Shareholding: 0

5. Jonas af Jochnick
Born 1937.
Co-founder of Oriflame.
Elected to the Board in 1970.
Member of the Audit Committee.
LLB Stockholm University. MBA Harvard Business School.
Chairman of Medicover Holding S.A. and Oresa Ventures S.A. and Board member of Sigma Asset Management.
Shareholding (including immediate family members): 5,922,569

6. Helle Kruse Nielsen
Born 1953.
Elected to the Board in 2005.
Member of the Audit Committee.
BSc Copenhagen Business School.
Board member of Dansk Droge A/S, Gumlink A/S, Vin & Sprit AB, ScanSeason A/S and BestyrelseGruppen.
Shareholding: 0

7. Christian Salamon
Born 1961.
Elected to the Board in 1999.
Member of the Audit Committee.
MSc Royal Institute of Technology. MBA Harvard Business School.
Board member of Lamiflex International AB.
Shareholding: 0

8. Kim Wahl
Born 1960.
Elected to the Board in 2003.
Member of the Nominating Committee and the Remuneration Committee.
BEc University of San Diego. MBA Harvard Business School.
Deputy Chief Executive and partner of Industri Kapital, as well as one of its founders.
Board member of Dywidag Systems International Holding GmbH, Ekstrem Lavpris Holding ASA and Kid Interiör A/S.
Shareholding: 0

Management

1. Magnus Brännström
Chief Executive Officer since 2005.
Born 1966.
Employed since 1997.
Law studies and MBA Uppsala University.
Professional experience: Export Manager at Swedish brewery Spendrups. Managing Director of Oriflame Russia, Regional Director for the CIS and Asia regions.
Shareholding: 203,500
No shares or partnerships in companies with which Oriflame has significant business connections.

2. Marco Greidinger
Global Supply Director since 2000.
Born 1950.
Employed since 1992.
BSc Stockholm University. MSc in Chemical Engineering Royal Institute of Technology in Stockholm.
Professional experience: Pharmacia and ACO Läkemedel. Technical Director of Oriflame.
Shareholding: 40,000
No shares or partnerships in companies with which Oriflame has significant business connections.

3. Inge Heinsius
Global Marketing Director since 2005.
Born 1960.
Employed since 2005.
MBA University of Hamburg.
Professional experience: Senior executive positions at Wella and in the Home and Personal Care division of Unilever.
Shareholding: 5,000
No shares or partnerships in companies with which Oriflame has significant business connections.

4. Kevin Kenny
Chief Financial Officer since 2001.
Born 1954.
Employed since 1980.
MSc in Management and Business Studies University of Warwick. Fellow of the Institute of Chartered Accountants
Professional experience: Joint Managing Director of ORESA and OISA.
Shareholding: 437,000
No shares or partnerships in companies with which Oriflame has significant business connections.

5. Jonathan Kimber
Head of Business Development since 2005.
Born 1970.
Employed since 2005.
MSc in Business Administration and Economics Stockholm School of Economics.
Professional experience: General Electric, GE Capital and Bain & Company.
Shareholding: 4,500
No shares or partnerships in companies with which Oriflame has significant business connections.

6. Jesper Martinsson
Chief Operating Officer since 2005.
Born 1966.
Employed since 1997.
Professional experience: Kendrion. Managing Director of Oriflame brand Fleur de Santé. Regional Director for Central Europe & Mediterranean and Western Europe.
Shareholding: 201,500
No shares or partnerships in companies with which Oriflame has significant business connections.

Senior Management

Regional Directors

Thomas Ekberg
Asia
Jonas Hedberg
Western Europe
Johan Nordström
Central Europe & Mediterranean
Sandro Ragonesi
Latin America
Johan Rosenberg
CIS & Baltics

Regional Financial Controllers

Tatiana Egorova
CIS & Baltics
Carlos Gonzalesguerra
Latin America
Pavlina Marinova
Central Europe & Mediterranean and Western Europe
Pontus Muntzing
Asia
Jonas Weidler
Supply

Other Senior Management

Brian Bellerose
Legal and Business Development
Gabriel Bennet
Group Controller
Michael Cervell
Sales Support
Jeanne Christensen
Product Development
Christian Jönsson
IT
Georgi Karapanchev
Treasurer
Edwin Koehler
Purchasing
Mary Lord
Technical Centre
Sean Monaghan
Quality Assurance
Joanna Poplawska
Manufacturing
Brian Rolfe
Supply Chain
Stephen Syrett
Catalogue & Forecasting

Advisers

Auditors

Klynveld Peat Marwick Goerdeler
Réviseurs d'Entreprises
Avenue du Bourget 40
BE-1130 Brussels

Registrar

SEB Private Bank S.A.
6A, Circuit de la Foire Internationale
LU-2014 Luxembourg

Legal advisers

Wildgen & Partners
69, Boulevard de la Petrusse
LU-2320 Luxembourg

Baker & McKenzie
100 New Bridge Street
GB-London EC4 6JA

Principal Bankers

SEB Merchant Banking
Skandinaviska Enskilda Banken AB (publ)
SE-106 40 Stockholm

Nordea
Malmskillnadsgatan 23
SE-105 71 Stockholm

ABN Amro Bank N.V.
Kanseleraijstraat 17 A
BE-1000 Brussels

Our core values

Togetherness

People who work together care for each other. They help each other along the way. They know that doing it together is more meaningful than going it alone.

Spirit

Spirited people are the true entrepreneurs. They are the ones who never give up. They are prepared to do whatever it takes in order to get things done.

Passion

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

oriflame

natural swedish cosmetics

Oriflame Cosmetics, Waterloo Office Park – Building O
Drève Richelle 161 B, BE-1410 Waterloo, Belgium

www.oriflame.com