

Interim Management Statement | January – 30 September 2020

8%

LC SALES

(3%)

EURO SALES

€46.4m

ADJUSTED EBITDA

Important clarifying information

Following the de-listing of the Oriflame group from the Nasdaq Stockholm stock exchange in July 2019, the group structure was changed. Three companies were founded up to the parent company Oriflame Holding Limited (renamed from Walnut Midco Ltd). Until, and including, Q2'19, the consolidated financial information covers the group before the de-listing with Oriflame Swiss Holding AG as parent company and excludes the three entities from the new group. From Q3'19 onwards, the consolidated financial information is based on the group with Oriflame Holding Limited as parent company. Consequently, the scope of consolidation is different for the Year-to-date Q3'19 and Year-end 2019 periods (income statement) covered in this interim management statement.

Scope of consolidation

Entities	Previous name	Prior '19	Year to date 2019				LTM 2020		
			Year end 2019				Q1 '20	Q2 '20	Q3 '20
			Q1 '19	Q2 '19	Q3 '19	Q4 '19			
Oriflame Holding Limited ¹	Walnut Midco Ltd	●	●	●	●	●	●	●	●
Oriflame Investment Holding Plc ¹	Walnut Bidco Plc	●	●	●	●	●	●	●	●
Oriflame Holding AG ²	Walnut Switzerland AG	●	●	●	●	●	●	●	●
Oriflame Swiss Holding AG		●	●	●	●	●	●	●	●
Oriflame Subsidiaries		●	●	●	●	●	●	●	●

¹) The entity was renamed in Apr. 2020
²) The entity was renamed in Sep. 2019

● Included in the group consolidated reported figures. ● Not included in the group consolidated reported figures.

Three months ended 30 September 2020

"Adjusted" figures exclude non-recurring and purchase price allocation (PPA) related items. For additional information refer to the alternative performance measures on page 13 and to the condensed consolidated income statements on pages 16 and 17.

- Local currency sales increased by 8% and Euro sales decreased by 3% to €280.8m (€288.9m).
- Adjusted EBITDA margin was 16.5% (13.1%) and adjusted EBITDA amounted to €46.4m (€37.9m).
- Adjusted operating margin was 13.5% (9.5%), negatively impacted by 360 bps from currencies, and adjusted operating profit was €37.8m (€27.4m).
- Adjusted net profit was €8.1m (€3.1m).
- Adjusted cash flow from operating activities was €35.2m (€-8.8m) and adjusted cash flow before financing activities was €57.0m (€20.0m).
- Cash and cash equivalents at the end of the period amounted to €178.5m (€149.5m).
- Total debt amounted to €812.7m, secured debt amounted to €761.1m and the Net Secured Debt ratio was 3.2.
- Oriflame Investment Holding Plc repaid its Revolving Credit Facility of €100m in September.
- Update on Covid-19 impact: Towards the middle of the second quarter the negative sales trend, due to Covid-19 restrictions in major markets, was reversed. The situation improved during the third quarter, however worsened again in some parts of the world in the end of the quarter, with stricter measures being implemented to combat the renewed spread of the virus. The fourth quarter has started with a low single digit growth in local currency.

Nine months ended 30 September 2020

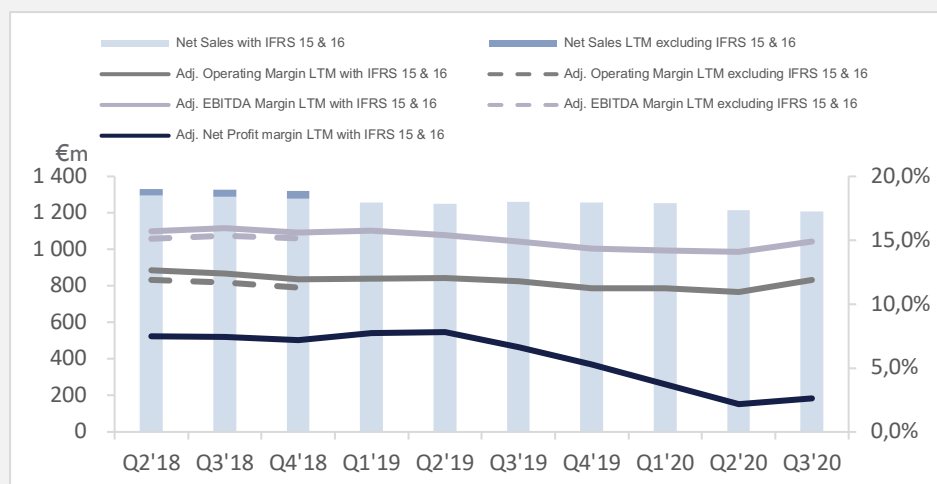
"Adjusted" figures exclude non-recurring and purchase price allocation (PPA) related items. For additional information refer to the alternative performance measures on page 13 and to the condensed consolidated income statements on pages 16 and 17.

- Local currency sales decreased by 1% and Euro sales decreased by 6% to €849.4m (€901.1m).
- Adjusted EBITDA margin was 15.0% (14.3%) and adjusted EBITDA amounted to €127.8m (€128.8m).
- Adjusted operating margin was 11.7% (10.8%), negatively impacted by 180 bps from currencies, and adjusted operating profit was €99.7m (€97.6m).
- Adjusted net profit was €16.0m (€51.0m).
- Adjusted cash flow from operating activities was €85.9m (€29.4m) and adjusted cash flow before financing activities was €121.8m (€43.5m).



Key financial data

3 months ended 30 September 2020



Simulation of IFRS 15 & 16 for 2016 and 2017 net sales LTM with negative impact of 3% on reported net sales, and 2016 and 2017 operating margin LTM with positive impact of 70 bps on reported operating margin (based on 2018 actual differences).

Net Sales Last Twelve Months (LTM)
Adjusted EBITDA and Operating margin % LTM

Financial summary

For comparative purpose, the financial information for the 9 months ended 30 September 2019 and Year-end 2019 periods is based on a different scope of consolidation as stated on the first page on the "important clarifying information".

"Adjusted" figures exclude non-recurring and purchase price allocation (PPA) related items. For additional information refer to the alternative performance measures on page 13 and to the condensed consolidated income statements on pages 16 and 17.

(€m)	3 months ended 30 September			9 months ended 30 September			LTM Oct'19 - Sep'20	Year end	
	2020	2019	Change %	2020	2019	Change %		2019	Change %
Sales	280.8	288.9	(3%)	849.4	901.1	(6%)	1,206.7	1,258.3	(4%)
Adj. Gross margin, %	67.2	68.9		67.3	68.8		67.0	68.1	
Adj. EBITDA	46.4	37.9	22%	127.8	128.8	(1%)	179.7	180.8	(1%)
Adj. EBITDA margin, %	16.5	13.1		15.0	14.3		14.9	14.4	
Adj. Operating profit	37.8	27.4	38%	99.7	97.6	2%	143.4	141.4	1%
Adj. Operating margin, %	13.5	9.5		11.7	10.8		11.9	11.2	
Adj. Net profit	8.1	3.1	162%	16.0	51.0	(69%)	31.4	66.3	(53%)
Adj. Cash flow from operating activities	35.2	(8.8)	N/A	85.9	29.4	192%	169.0	112.5	50%
Adj. Cash flow before financing activities	57.0	20.0	185%	121.8	43.5	180%	188.0	109.7	71%
Total debt	812.7	899.9		812.7	899.9		812.7	841.0	(3%)
Secured debt	761.1	822.6		761.1	822.6		761.1	773.2	(2%)
Net Secured Debt ratio	3.2	3.6		3.2	3.6		3.2	3.5	

"After a challenging first half of the year, Oriflame delivered 8% local currency growth in the third quarter. Unfortunately, several of our currencies had, and are likely to have in the upcoming quarters, a material negative impact on our overall sales and margins. In the third quarter, we successfully managed to offset the negative currency impact with improved price/mix and lower overall cost structure leading to an increased operating profit. Our initiatives to improve the profitability and cash flow of the group are proceeding according to plan. The combination of a faster sales turnaround than anticipated, change in product mix and relatively long inventory replenishment lead times, has led to product availability challenges and impact on sales in certain product categories, which is being addressed. We are pleased to see that more of our Independent Oriflame Brand Partners are placing orders online and are increasingly using our mobile applications. The challenges from Covid-19 and its impact on the people and economies around the globe continue, and we stay humble navigating our path forward with care. So far, the fourth quarter shows a low single digit growth in local currency. We believe that the strength of our business model, products, digital tools and foremost our people will continue to build a stronger Oriflame."

CEO Magnus Brännström



Oriflame in brief

Founded in 1967, Oriflame is a beauty company selling direct in more than 60 countries. Its wide portfolio of Swedish, nature-inspired, innovative beauty products is marketed through approximately 3 million Registered Active Members, generating annual sales of around €1.3 billion (2019). Respect for people and nature underlies Oriflame's operating principles and is reflected in its social and environmental policies. Oriflame supports numerous charities worldwide and is a Co-founder of the World Childhood Foundation.

Operational and market update for the quarter

Q3 impact from Covid-19

In the third quarter, Oriflame reported a significant improvement on the underlying sales, profitability and cash flow. Although several countries continued to impose strict measures to reduce the spread of the virus in the third quarter, we experienced easing of the restrictions in the quarter, allowing us to open up the markets again. The Covid-19 situation has worsened again in some parts of the world in the fourth quarter, with stricter measures taking place to combat the renewed spread of the virus.

Over the past ten years the digital transformation of the Oriflame business has resulted in the online social selling model the company has today. The possibility to order online (97% online orders in the quarter) and the increased mobile usage (83% in the quarter) have been major factors behind reducing the negative impact on the company's sales, when people due to the Covid-19 stay at home working, ordering and get deliveries shipped directly to their homes or a chosen location.

Oriflame has a geographically diversified sourcing and production base. The focus during this extraordinary situation is to secure essential operational processes ensuring the supply of products to the Registered Active Members. All internal factories were able to operate during the quarter, albeit under stricter measures. The geographical footprint of the factories and suppliers allows us to mitigate production limitation risks.

During the third quarter the wellness category continued its strong growth. The shift in demand and regained growth has impacted our product availability situation in some product categories.

Global, regional and local conferences have been impacted by the Covid-19 situation, resulting in short term cost savings, although the company is negatively impacted on sales as these conferences are used to promote new product launches, new apps, new ways of working as well as an opportunity to motivate and engage the Registered Active Members. The positive results, from the additional cost efficiency measures taken earlier in the year, are visible in the third quarter and have secured a solid financial performance. Beside this, Oriflame received during the quarter government grants totalling €0.2m which were recognized in the income statement (covering mainly staff support contributions).

Key focus going forward is to continue to monitor the development and secure long term financial stability and

- Prioritize health and security among Oriflame personnel, Registered Active Members and other stakeholders
- Securing the operational processes and thereby securing the supply of essential products to the Registered Active Members as well as improve the product availability situation in some of our product categories
- Continue to evaluate and implement cost efficiency measures
- Plan for sales reactivation in some markets in line with authorities' recommendations



LOCAL CURRENCY
SALES GROWTH –
STRONG
CURRENCY HEAD
WIND

Geographical mix

Group sales in local currency increased (by 8%) for the first time in a year, as an effect of both higher units sold and positive price/mix. At the same time, Oriflame reported decreasing Euro sales in the third quarter due to the significant (-11%) negative impact from foreign exchange rates. The EBITDA growth was due to higher sales volumes, positive price/mix, lower administrative expenses, and lower selling and marketing expenses, negatively impacted by the adverse foreign currency movements. The lower administrative costs were a result of achieved operational efficiency improvements made in the first half of the year. The adjusted cash flow increased due to higher EBITDA and positive timing (decrease) of all working capital.

Following the Covid-19 outbreak in the beginning of 2020, and the negative impact on all markets, some of the regions (CIS, Europe, Turkey & Africa) recovered sales and posted strong local currency growth in the quarter. Asia and Latin America continued to record sales decline, which further impacted the geographical mix of the group. The lockdowns during the second quarter in all regions were reversed and the company did not experience any significant delivery disruptions in the third quarter. Some sales events and conferences were cancelled, others were postponed or held online. The internal travel restrictions continued in the quarter. Thanks to Oriflame's flexible social selling model and the fact that many of the company's Independent Brand Partners were already used to performing parts of their business activities online, the negative sales trend due to the outbreak of Covid-19 continued to recover in the quarter.

Although sales started to recover in *Latin America* in the quarter, most markets had a decline in the number of Registered Active Members as an effect of Covid-19. In the beginning of the quarter deliveries were still slow due to the highly accelerated e-commerce growth affecting main couriers' capacities. The situation slowly stabilized towards the end of the quarter. Net sales decreased in the quarter with €7.7m, corresponding to a decrease of 17%. Actions continue to be taken to reduce costs and to implement digital event options in order to create a momentum and increase the number of Registered Actives. Despite the lower sales, the operating margin increased from 12.4% to 15.5% thanks to lower expenses in general, staff reductions, less travel and events.

In *Turkey & Africa* net sales increased by 10% in the quarter. This region was also significantly impacted by weakening of the local currencies against the Euro – mainly the Nigerian Naira and Turkish Lira. The sales increase was due to growth in the number of Registered Actives, however in some markets this number is still behind prior year. Deliveries of products turned back to normal. The operating margin improved from 18.5% to 22.8% due to improved leverage of the administrative expenses, less field activities and efficiency measures.

Europe ended the quarter with a net sales increase of 9%, mainly from growth in Western Europe, while Central and Eastern Europe subregions were just slightly above prior year. The main growth driver was a higher level of Registered Actives. The operating margin improved from 10.2% to 16.2% due to improved leverage of the administrative expenses and less field activities.

CIS closed the third quarter with a net sales increase of 7% versus the same period last year. The Central Asian countries experienced particularly good sales growth. Some of the countries impacted by strict Covid-19 measures recorded negative sales development. Although the pandemic situation remains, the company does not experience any major operations interruptions and compliance to government requirements is being carefully followed. Improved leverage, lower administrative expenses due to earlier taken efficiency measures and favourable timing differences in marketing and sales support activities contributed to the improved operating margin from 13.9% to 20.3%.

Asia saw improved sales trend in all subregions during the quarter, however still negative growth versus the same quarter previous year for the total business area. Many of the second quarter Covid-19 related problems, like product delivery difficulties and less consumer spending in general, improved significantly during the third quarter. Operating margin improved from 14.4% to 16.6%. This can be mostly attributed to significantly lower spending on events, marketing and other selling expenses. Several cost reduction initiatives have also been implemented, which is reducing the administrative cost base.

Sustainability

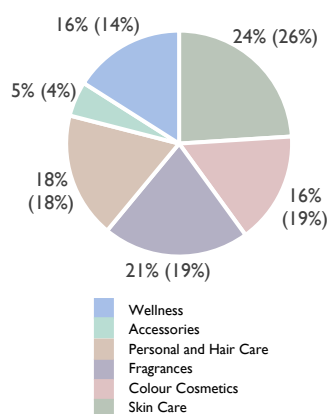
During the quarter, Oriflame submitted the annual disclosure to CDP on Climate Change and Forests. The Scope 3 assessment was finalized and the company will now set 1.5°C-aligned science-based climate targets.

The brand activation toolbox with focus on sustainability initiatives was implemented in the regions. The purpose of the brand activation toolbox was to deliver easy to understand communication about the company's sustainability achievements and raise awareness of important sustainability issues to the regions and Independent Brand Partners. For example, the toolbox was launched in Latin America during the quarter and sustainability posts were shared on social media. The posts reached in total more than 170,000 people on Facebook and 95,000 people on Instagram.



LAUNCH OF
BEAUTANICALS –
ORIFLAME'S FIRST
100% VEGAN BRAND

Product categories
Q3 2020 (Q3 2019)



Brand and Innovation

Several launches were made in the third quarter. The Wellness category continued to perform well.

Within *Skincare* a new range was launched within the **NovAge** family: **Skinergise**, addressing all first signs of ageing. In addition, **Optimals Insta-cool Anti-fatigue Hydro** gel cooling face patches were launched, designed to fight signs of skin fatigue.

Although *Colour cosmetics* showed an overall sales decline, due to the pandemic situation, there were interesting activities in the quarter. **The One Lash Extension**, a new innovative mascara, was presented in a rebranded version of the range – The One Stockholm – communicating Oriflame's Swedish heritage even more. In addition, the **New Age Defying Serum Boost Foundation** was launched being Oriflame's first ever Prebiotic Serum-Boosted Hybrid Foundation.

Giordani Gold is the best-selling brand of the *Fragrances* portfolio, covering three price tiers from premium to mass. Following the success of Mister Giordani EDT, the **New Mister Giordani Aqua** flanker was launched strengthening the brand in the male mass segment even further. Another key brand, Volare, launched **The New Volare Moments**, celebrating all the small special moments in life.

In *Personal and Hair Care* the range **Beautanicals** was launched, the first 100% vegan brand in Oriflame, certified by the well-known Vegan Society. All formulas are biodegradable and paraben & silicone free; and all bottles are made of 100% recycled plastic.

In the *Accessories* category the **Fashion Accessories Autumn Collection** was presented with a mix of products from bags to scarves. A professional manicure kit for salon ready nails as well as The Skin Pro skin care tools range were launched.

Online

The third quarter of 2020 was again a quarter with exceptionally high digital activity. Mobile use was 83% (79%) of total users and 64% (55%) of total orders placed using mobile devices, of which 38% came in through the Oriflame app. 97% (96%) of the company's global orders were placed online.

Multiple initiatives were delivered to strengthen the digital presence of the company. A key activity during the quarter was the continued rollout of the company's new transactional platform. Large efforts were also spent on design, development and implementation of concepts and features supporting the VIP Customer journey. Initiatives such as invite-a-friend, simplified registration, loyalty programs along with auto-shipment and recurring payments were activated in selected markets. Further, strong focus remained on improving and introducing new e-commerce features, both in terms of product presentation and selection as well as significant modifications to the checkout process.

The focus on Brand Partner tools and services remained during the third quarter. Most importantly the Oriflame app introduced referral logic to ensure correct customer attribution when a Brand Partner shares the app, with content tailored for VIP customers or anonymous visitors once the shared app is visited. The onboarding features in the Business app were aligned with ongoing CRM initiatives to build for a seamless journey. Additionally, the rollout of the Mobile Office (a set of module-based features supporting Registered Active Members from the onboarding with Oriflame through step-by-step instructions, to monitoring and growing their business through a set of purpose-driven modules) continued, with seven more markets implemented.

App users:

Oriflame app	1,410,000 Monthly Active Users
Business app	793,000 Monthly Active Users

Service, Manufacturing and Other

Manufacturing had an overall significant drop in units produced in the third quarter versus prior year, with an unfavorable impact on the capacity utilization, although with an increase in units produced compared to previous quarter. The unit drop was partly offset by a continued triple-digit growth in the external customers' segment. The scaling up of capacity and volumes continues to support the improvements needed in product availability as well as meet increased demand from external customers' segment.

The efficiency initiatives continued also in the third quarter as scheduled in all parts of the organization.



Three months ended 30 September 2020

“Adjusted” figures exclude non-recurring and purchase price allocation (PPA) related items. For additional information refer to the alternative performance measures on page 13 and to the condensed consolidated income statements on pages 16 and 17.



CIS, EUROPE AND
TURKEY & AFRICA
EXPERIENCED SALES
GROWTH. ASIA AND
LATIN AMERICA STILL
IN DECLINE

Sales

Sales for the three months ended September 30, 2020 decreased by 2.8%, or €8.1m, to €280.8m compared with €288.9m for the same period in 2019. CIS, Europe and Turkey & Africa business areas experienced a sales growth in Euro, while Latin America and Asia continued to record sales decline.

Local currency sales increased by 8%, due to positive productivity development and increase in the number of Registered Active Members in the quarter to 2.8m (2.7m). Unit sales increased by 2% and the price/mix effect was also positive with 6%.

Local currency sales increased by 30% in Turkey & Africa, 25% in CIS and by 11% in Europe, while Latin America and Asia decreased respectively by 3% and 10%.

Costs and expenses

Cost of sales (32.8% of sales compared to 31.1% adjusted last year)

Cost of sales increased by €2.2m to €92.0m for the three months ended September 30, 2020 from €89.8m (adjusted) for the same period in 2019 due to lower sales volumes. The cost of sales percentage increased mainly due to exchange rates and geographical mix.

Selling and marketing expenses (30.0% of sales compared to 33.1% last year)

Selling and marketing expenses decreased by 12.0%, or €11.5m, to €84.2m for the three months ended September 30, 2020 from €95.6m for the same period in 2019. This decrease was primarily due to lower marketing costs and costs related to seminars and directors' meetings, which were cancelled, postponed or held online.

Distribution and infrastructure expenses (2.3% of sales compared to 2.5% last year)

Distribution and infrastructure expenses decreased by 10.8%, or €0.8m, to €6.4m for the three months ended September 30, 2020 from €7.2m for the same period in 2019. The decrease in percentage of sales was mainly due to change in geographical mix.

Administrative expenses (22.7% of sales compared to 26.6% last year)

The administrative expenses for the three months ended September 30, 2020 include €3.6m PPA related items, while in 2019 those included €4.5m non-recurring consultancy costs related to the acquisition of the Oriflame Group and €3.6m PPA related items. On a comparable basis, excluding non-recurring and PPA related items, the adjusted administrative expenses decreased significantly during the period to €60.3m from €68.8m for the same period in 2019. Staff costs, travel expenses and miscellaneous projects were the main factors behind the decrease with respectively €1.3m, €2.6m and €1.5m.

Net financing costs (7.6% of sales compared to 6.0% adjusted last year)

Net financing costs decreased by €27.2m, to €21.5m for the three months ended September 30, 2020 from €48.7m for the same period in 2019. Excluding the non-recurring costs of €31.1m related to the group refinancing and the PPA related items of €0.4m, the net financing costs in 2019 amounted to €17.2m, representing 6.0% of sales. On a comparable basis, compared to the prior year period, net financing costs increased by €4.0m mainly due to the negative foreign exchange impact of €7.8m and the lower interest cost in the same period 2019 due to lower average debt for the period.

Adjusted income tax expenses (€8.5m compared to €7.1m last year)

On a comparable basis, excluding non-recurring and PPA impact, the tax expenses were higher than the same quarter a year ago mainly due to higher withholding tax on intragroup dividends. The effective tax rate of the group increased due to the new financing set up.



€46.4m

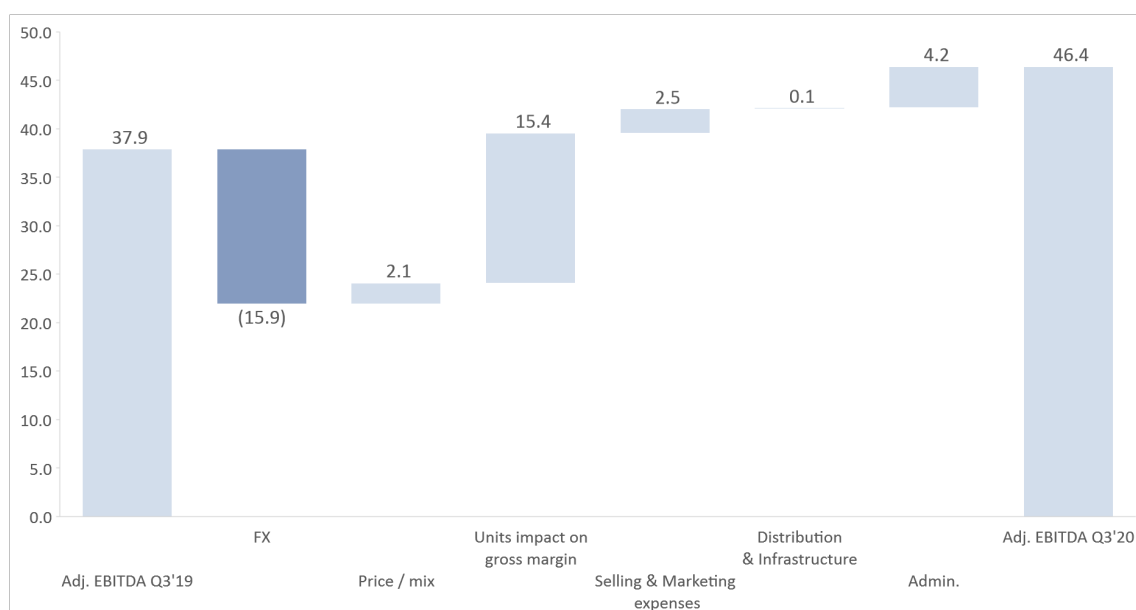
ADJUSTED EBITDA

Adjusted EBITDA

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Adjusted EBITDA increased by 22%, or €8.5m, to 46.4€m for the three months ended September 30, 2020 from €37.9m for the same period in 2019, positively impacted by higher units sales, positive price/mix, lower administrative and selling and marketing expenses. The significant weakening of the major Oriflame sales currencies had a negative foreign exchange rate impact. The adjusted EBITDA margin was 16.5% compared to 13.1% last year.

ADJUSTED EBITDA VS. PRIOR YEAR (€m)





Nine months ended 30 September 2020

For comparative purpose, the financial information for the nine months ended 30 September 2019 is based on a different scope of consolidation as stated on the first page on the “important clarifying information”.

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SALES INCREASE IN CIS AND TURKEY & AFRICA – DECREASE IN ASIA AND LATIN AMERICA, WHILE FLAT IN EUROPE

Sales

Sales for the nine months ended 30 September 2020 decreased by 5.7%, or €51.7m, to €849.4m compared with €901.1m for the same period in 2019. CIS and Turkey & Africa reported positive development, which unfortunately was offset by a larger sales decrease in both Asia and Latin America while the sales development in Europe was in line with the same period last year.

Local currency sales decreased by 1% due to negative productivity development while the average number of Registered Active Members in the period increased to 2.8m (2.7m). Unit sales decreased by 5% and the price/mix effect was positive by 4%.

Local currency sales increased by 12% in CIS, by 10% in Turkey & Africa and by 2% in Europe, while Asia and Latin America decreased respectively by 14% and 7%.

Costs and expenses

Adjusted cost of sales (32.7% of sales compared to 31.2% last year)

Adjusted cost of sales decreased by 1.1%, or €3.1m, to €277.9m for the nine months ended September 30, 2020 from €281.0m for the same period in 2019 due to lower sales volumes. The cost of sales was impacted in relative terms by the exchange rates as well as driven partly by the geographical mix and leverage of fixed costs related to global inventory management. Including the purchase price allocation related items of €13.5m in 2020 and €137.9m in 2019, the cost of sales decreased by €127.5m to €291.3m representing 34.3% of sales.

Selling and marketing expenses (30.4% of sales compared to 33.1% last year)

Selling and marketing expenses decreased by 13.6%, or €40.7m, to €257.9m for the nine months ended September 30, 2020 from €298.6m for the same period in 2019. This decrease was primarily due to the change in geographical mix, lower plan recognition, cash awards, conference and marketing costs.

Distribution and infrastructure expenses (2.5% of sales compared to 2.5% last year)

Distribution and infrastructure expenses decreased by 6.1%, or €1.3m, to €20.9m for the nine months ended September 30, 2020 from €22.3m for the same period in 2019. These costs remained unchanged as a percentage of sales for the nine months period.

Administrative expenses (25.2% of sales compared to 24.1% last year)

The administrative expenses for the nine months ended September 30, 2020 included €10.1m non-recurring cost from restructuring and €10.9m PPA related items, while in 2019 those included €11.7m non-recurring consultancy costs related to the acquisition of the Oriflame Group and €3.6m PPA related items. On a comparable basis, excluding non-recurring and PPA related items, the adjusted administrative expenses decreased during the period to €192.9m from €201.6m for the same period in 2019. Staff and travel expenses were the main factors behind the decrease with respectively €3.2m and €6.3m.

Net financing costs (7.3% of sales compared to 6.0% last year)

Net financing costs increased by €7.7m to €62.2m for the nine months ended September 30, 2020 from €54.5m for the same period in 2019. Excluding the non-recurring costs of €31.1m related to the group refinancing and the PPA related items of €0.4m, the net financing costs in 2019 amounted to €23.0m, representing 2.6% of sales. On a comparable basis, compared to prior year period, net financing costs increased by €38.3m due to the increase of the debt, increase of the interest rate and negative impact on exchange rates of €15.8m.

Adjusted income tax expenses (€22.4m compared to €23.7m last year)

On a comparable basis, excluding non-recurring and PPA impact, the tax expenses were lower than the same period a year ago due to decreased profitability and lower withholding tax on intragroup dividends. The effective tax rate of the group increased due to the new financing set up.



INITIATIVES TO IMPROVE PROFITABILITY AND CASH FLOW ARE PROCEEDING ACCORDING TO PLAN



Adjusted EBITDA

For comparative purpose, the financial information for the nine months ended 30 September 2019 is based on a different scope of consolidation as stated on the first page on the “important clarifying information”.

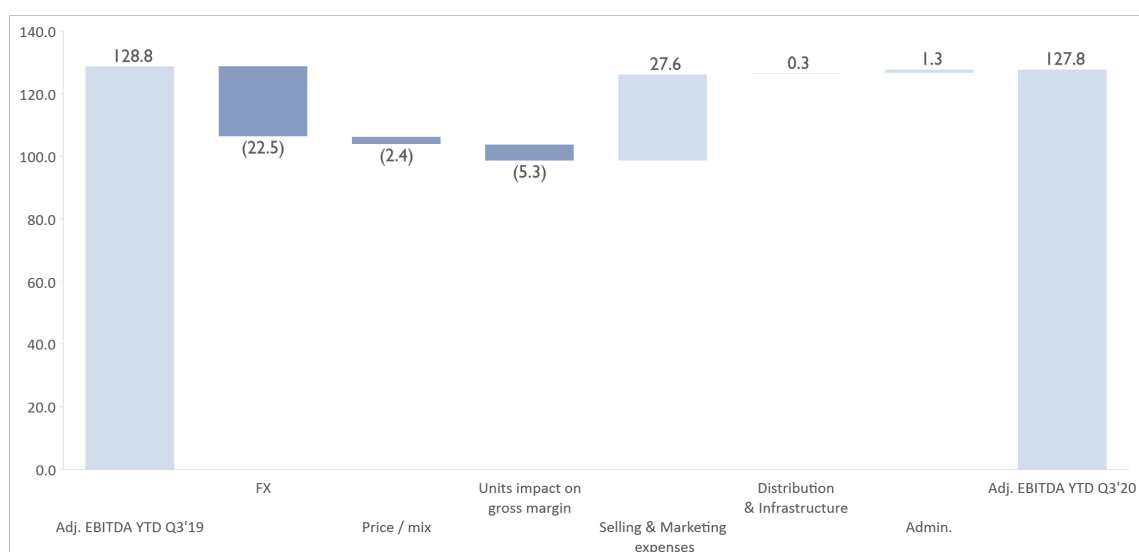
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Adjusted EBITDA decreased by 1%, or €1.1m, to €127.8m for the nine months ended September 30, 2020 from €128.8m for the same period in 2019, negatively impacted mainly by unfavourable foreign exchange and lower sales volumes, partly offset by lower selling and marketing expenses. The adjusted EBITDA margin was 15.0% compared to 14.3%.



€127.8m
ADJUSTED EBITDA

ADJUSTED EBITDA VS. PRIOR YEAR (€m)





Cash flow and investments

For comparative purpose, the financial information for the nine months ended 30 September 2019 is based on a different scope of consolidation as stated on the first page on the “important clarifying information”.

“Adjusted” figures exclude non-recurring and purchase price allocation (PPA) related items. For additional information refer to the alternative performance measures on page 13 and to the condensed consolidated income statements on pages 16 and 17.

Cash flow from/used in operating activities

Adjusted cash flow from operating activities was €35.2m in the three months period ended September 30, 2020 compared to €-8.8m for the same period in 2019. The increase was due to improved EBITDA and positive timing of all elements of the working capital.

For the nine months period ended September 30, 2020 the adjusted cash flow from operating activities was €85.9m (€29.4m). The increase of the adjusted cash flow from operating activities in the first nine months of 2020 was mainly due to a decrease of inventory levels. The non-adjusted cash flow from operating activities for the nine months ended 30 September 2020 was €60.9m (€-13.8m) which included cash outflow from non-recurring restructuring items of €24.1 (€42.7m).



€121.8m

ADJ. CASH FLOW
BEFORE FINANCING
ACTIVITIES

Cash flow used in investing activities

Cash flow used in investing activities for the three months ended September 30, 2020 was €1.8m, compared to €4.1m for the same period in 2019. The decrease from previously low levels was due to lower purchases of property, plant and equipment.

For the nine months period ended September 30, 2020 cash flow used in investing activities was €5.1m compared to €12.8m for the same period in 2019. The decrease from previously low levels was due to lower purchases of property, plant and equipment.

Cash flow from/used in financing activities

Cash flow used in financing activities for the three months ended September 30, 2020 was €-104.2m, compared to €53.5m for the same period 2019. During the quarter the group fully repaid the Revolving Credit Facility of €100m, which was drawn down in March 2020 due to risk mitigation reasons.

For the nine months period ended September 30, 2020 cash flow used in financing activities was €-11.1m compared to €-3.4m used in the same period in 2019. The cash flow from or used in financing activities in 2019 reflects the major items related to the public offer and the acquisition of the group by Oriflame Investment Holding Plc (former Walnut Bidco Plc), for example issue of shares and bonds, repayment of USPP loans and acquisition of the publicly listed former Oriflame Holding AG.

Adjusted cash flow before financing activities

Adjusted cash flow before financing activities for the three months ended September 30, 2020 was €57.0m, compared to €20.0m for the same period in 2019. The increase was due to improved EBITDA, working capital initiatives and lower cash outflow in investing activities.

For the nine months period ended September 30, 2020 adjusted cash flow before financing activities was €121.8m compared to €43.5m for the same period in 2019. The positive impact in the first nine months of 2020 was due to more favourable cash flow from operating activities, positive timing of working capital and lower outflow in investing activities.



The following table illustrates the company's cash flow before financing activities for the different periods.

€m	3 months ended 30 September		9 months ended 30 September		LTM Oct'19 – Sep'20	Year end 2019
	2020	2019	2020	2019		
Cash flow from operating activities	33.0	(51.9)	60.9	(13.8)	134.0	59.4
Excluding interest received	(0.3)	(4.3)	(1.1)	(9.7)	(1.5)	(10.2)
Excluding interest and bank charges paid	28.7	74.3	57.5	83.8	60.0	86.3
Cash flow used in investing activities	(1.8)	(4.1)	(5.1)	(12.8)	(8.1)	(15.8)
Payment of lease liabilities	(4.2)	(5.2)	(13.6)	(15.3)	(19.2)	(20.9)
Non-recurring and PPA items	1.7	11.3	23.2	11.3	22.8	10.9
Adj. cash flow before financing activities	57.0	20.0	121.8	43.5	188.0	109.7



Funding and financial position

Oriflame's long-term debt as of September 30, 2020 consists mainly of Senior Secured Notes of €761.1m due 2024 with an average interest rate of around 6.6%. The company also has a Revolving Credit Facility (RCF) of €100m with interest in EURIBOR +200 bps to 300 bps depending on leverage. The amount of the RCF, which was drawn down in March 2020 as a risk mitigation, was fully repaid on 30 September 2020. The current corporate credit rating is B1 from Moody's, B from Fitch and S&P. The company was in compliance with all of its covenants related to the outstanding debt as of September 30, 2020.

	€ Note	\$ Note	Revolving Facility
Total amount	€475m	\$335m	€100m
Interest rate	6.750%	9.125%*	EURIBOR +200-300 bps
Due	2024	2024	2024
Drawing as per 30 September, 2020			-

* Swapped € interest rate 6.450%

As of September 30, 2020, total debt amounted to €812.7m, secured debt amounted to €761.1m, net secured debt amounted to €582.6m and the Net Secured Debt ratio was 3.2.

Dividend

The company will not pay any dividend in 2020.

Financial calendar for 2020

The date for the fourth quarter 2020 report will be published on 24th February 2021.

Other

Conference call for the financial community

The company will host a conference call on Friday, 6 November 2020 at 15.00 CET.

Participant access numbers:

DK: +45 781 501 08
 FI: +358 981 710 520
 SE: +46 8 505 583 58
 UK: +44 333 300 9269
 US: +1 833 823 0587

The conference call will also be audio web cast in "listen-only" mode through Oriflame's website: www.oriflame.com or through the following link <https://oriflame-ir.creo.se/201106>

This report has not been audited by the company's auditors.

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3.2
 NET SECURED
 DEBT RATIO



Alternative Performance Measures (APMs)

Alternative Performance Measures represent key metrics to provide supplemental information which are used to help both investors and management to analyze trends and performance of the group's operations. Since not all companies calculate the same financial performance indicators, these are not always comparable to the APMs of other companies. Therefore, these financial performance measures should not be considered as a substitute for ratios defined in IFRS, but rather as an addition.

For calculations of the APMs used by Oriflame, please visit:

<https://investors.oriflame.com/en/alternative-performance-measures>

Definitions

Adjusted EBITDA

Operating profit before financial items, taxes, depreciation and amortization and equity-settled share-based incentive plan, excluding non-recurring items and purchase price allocation items.

Adjusted gross profit

Gross profit excluding purchase price allocation items.

Adjusted net profit

Net profit excluding non-recurring items and purchase price allocation items.

Adjusted operating profit

Operating profit excluding non-recurring items and purchase price allocation items.

Cash flow before financing activities

Cash flow from operating activities excluding interest received and interest and bank charges paid less cash flow used in investing activities and payment of lease liabilities.

EBITDA

Operating profit before financial items, taxes, depreciation, amortization and equity-settled share-based incentive plan.

Independent Brand Partners

Independent Brand Partners refers to the registered actives who are eligible to benefit and earn from the Oriflame Success Plan (business/commission plan).

Net Secured Debt ratio

Secured Debt less cash and cash equivalents divided by Adjusted EBITDA.

Registered Active Members

All who placed at least one order that generate commission in the last three months.

Secured Debt

Non-current and current interest-bearing loans secured by a Lien, excluding front end fees (Senior Secured Notes and Revolving Credit facility).

Total debt

Non-current and current interest-bearing loans (excluding front end fees), bank overdraft and lease liabilities.



Quarterly Figures

For comparative purpose, the financial information prior to the Q3'19 report is based on a different scope of consolidation as stated on the first page of the interim management statement on the "important clarifying information".

"Adjusted" figures exclude non-recurring and purchase price allocation (PPA) related items. For additional information refer to the alternative performance measures on page 13 and to the condensed consolidated income statements on pages 16 and 17.

The reportable segments have changed from 1st January 2020 to reflect the new Global Business Area structure. From this date, the new reportable segments consist of the five following Global Business Areas: Latin America, Europe, CIS, Turkey & Africa and Asia.

Below figures for Europe, Turkey & Africa and Asia were restated accordingly for comparative purpose.

Financial summary	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20
Sales, €m	303.0	288.9	357.2	302.8	265.8	280.8
Adj. Gross margin, %	69.6	68.9	66.3	66.5	68.3	67.2
Adj. EBITDA	46.5	37.9	52.0	41.3	39.9	46.4
Adj. EBITDA margin, %	15.3	13.1	14.6	13.6	15.0	16.5
Adj. Operating profit	37.7	27.4	43.7	31.7	30.1	37.8
Adj. Operating margin, %	12.4	9.5	12.2	10.5	11.3	13.5
Adj. Net profit, €m	24.8	3.1	15.4	3.4	4.5	8.1
Adj. Cash flow from operating activities, €m	17.6	(8.8)	83.1	(12.0)	62.6	35.2
Adj. Cash flow before financing activities, €m	9.0	20.0	66.2	8.2	56.6	57.0
Cash and cash equivalents	153.4	149.5	143.5	209.4	256.3	178.5
Total debt		899.9	841.0	940.1	931.0	812.7
Secured debt		822.6	773.2	880.7	874.2	761.1
Net Secured Debt ratio		3.6	3.5	3.8	3.6	3.2
Sales, €m	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20
Latin America	41.6	46.0	48.0	38.8	27.5	38.3
Europe	56.9	55.0	74.8	57.2	56.6	60.2
CIS	77.0	68.9	96.6	87.7	75.2	73.7
Asia	95.5	90.9	98.8	84.5	76.8	76.5
Turkey & Africa	28.2	25.3	32.1	28.8	25.4	27.9
Manufacturing	1.9	0.8	5.3	3.9	3.5	2.3
Other	1.9	2.0	1.6	1.9	0.9	1.9
Oriflame	303.0	288.9	357.2	302.8	265.8	280.8
Adjusted operating Profit, €m	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20
Latin America	3.1	5.7	5.3	2.1	(0.2)	5.9
Europe	5.9	5.6	11.7	7.6	4.9	9.7
CIS	13.2	9.6	16.5	16.9	16.2	15.0
Asia	14.8	13.1	23.6	15.1	15.7	12.7
Turkey & Africa	5.2	4.7	5.5	5.5	5.4	6.4
Manufacturing	2.3	3.0	2.7	1.3	(0.2)	2.4
Other	(6.7)	(14.2)	(21.4)	(16.8)	(11.6)	(14.3)
Oriflame	37.7	27.4	43.7	31.7	30.1	37.8
Registered Active Members, '000	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20
Latin America	297	357	341	299	259	331
Europe	495	478	550	494	529	492
CIS	782	766	972	936	847	843
Asia	728	775	744	702	707	772
Turkey & Africa	339	300	365	333	349	328
Oriflame	2,640	2,677	2,971	2,764	2,690	2,766



Adjusted operating margin, %	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20
Latin America	7.7	12.4	11.1	5.5	(0.6)	15.5
Europe	10.3	10.2	15.6	13.2	8.6	16.2
CIS	17.2	13.9	17.0	19.3	21.6	20.3
Asia	15.5	14.4	23.9	17.9	20.4	16.6
Turkey & Africa	18.3	18.5	17.0	19.1	21.1	22.8
Oriflame	12.4	9.5	12.2	10.5	11.3	13.5
€ Sales growth in %	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20
Latin America	17	23	8	4	(34)	(17)
Europa	(3)	(3)	(3)	(7)	(1)	9
CIS	8	11	10	11	(2)	7
Asia	(14)	(7)	(16)	(13)	(20)	(16)
Turkey & Africa	(6)	13	17	4	(10)	10
Oriflame	(2)	3	(1)	(2)	(12)	(3)
Cash flow, €m	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20
Adj. cash flow from/(used in) operating activities	17.6	(8.8)	83.1	(12.0)	62.6	35.2
Cash flow used in investing activities	(5.7)	(4.1)	(3.0)	(1.9)	(1.3)	(1.8)



Condensed consolidated income statements – 3 months ended 30 September

€'000	2020	PPA items**	Adjusted 2020	2019	Non-recurring items*	PPA items**	Adjusted 2019
Sales	280,775		280,775	288,906			288,906
Cost of sales	(92,033)		(92,033)	(227,754)		137,905	(89,849)
Gross profit	188,742	-	188,742	61,153	-	137,905	199,057
Selling and marketing expenses	(84,182)		(84,182)	(95,637)			(95,637)
Distribution and infrastructure	(6,446)		(6,446)	(7,224)			(7,224)
Administrative expenses	(63,856)	3,585	(60,271)	(76,959)	4,540	3,648	(68,771)
Operating profit/(loss)	34,259	3,585	37,844	(118,667)	4,540	141,552	27,425
Financial income	9,668		9,668	31,561			31,561
Financial expenses	(31,156)	257	(30,899)	(80,243)	31,084	396	(48,763)
Net financing costs	(21,488)	257	(21,232)	(48,683)	31,084	396	(17,202)
Net profit/(loss) before tax	12,771	3,841	16,612	(167,350)	35,624	141,948	10,223
Total income tax expense/(credit)	(7,830)	(658)	(8,487)	26,809		(33,929)	(7,120)
Net profit/(loss) attributable to owners of the Company	4,941	3,184	8,125	(140,541)	35,624	108,019	3,102

* 2019 non-recurring items cover administrative expenses related to the acquisition of the Oriflame group and financial expenses from refinancing

** Purchase Price Allocation (PPA) items cover the income statement impact from the purchase price allocation on the business combination. These elements, mainly amortization of newly identified intangible assets during the PPA, are excluded to normalize the performance of the group (for additional information refer to the document "Purchase Price Allocation – summary" available on the investors page or through the following link:

https://vp233.alertir.com/sites/default/files/report/oriflame_purchase_price_allocation_summary.pdf?v2assets).



Condensed consolidated income statements – 9 months ended 30 September

For comparative purpose, the financial information for the nine months ended 30 September 2019 is based on a different scope of consolidation as stated on the first page on the “important clarifying information”.

€'000	2020	Non-recurring items*	PPA items**	Adjusted 2020	2019	Non-recurring items*	PPA items**	Adjusted 2019
Sales	849,426			849,426	901,111			901,111
Cost of sales	(291,343)		13,474	(277,869)	(418,869)		137,905	(280,965)
Gross profit	558,083	-	13,474	571,557	482,242	-	137,905	620,146
Selling and marketing expenses	(257,941)			(257,941)	(298,620)			(298,620)
Distribution and infrastructure	(20,948)			(20,948)	(22,297)			(22,297)
Administrative expenses	(213,906)	10,066	10,895	(192,945)	(216,893)	11,655	3,648	(201,590)
Operating profit/(loss)	65,289	10,066	24,368	99,723	(55,568)	11,655	141,552	97,639
Financial income	26,406			26,406	35,751			35,751
Financial expenses	(88,607)		903	(87,703)	(90,233)	31,084	396	(58,753)
Net financing costs	(62,200)	-	903	(61,297)	(54,482)	31,084	396	(23,002)
Net profit/(loss) before tax	3,088	10,066	25,272	38,426	(110,050)	42,739	141,948	74,638
Total income tax (expense)/credit	(14,914)	(2,067)	(5,411)	(22,392)	10,242		(33,929)	(23,687)
Net profit/(loss) attributable to owners of the Company	(11,825)	7,999	19,860	16,034	(99,808)	42,739	108,019	50,951

* Non-recurring items cover:

2020: restructuring costs (refer to note 3 for additional information).

2019: administrative expenses related to the acquisition of the Oriflame group and financial expenses from refinancing

** Purchase Price Allocation (PPA) items cover the income statement impact from the purchase price allocation on the business combination. These elements, mainly amortization of newly identified intangible assets during the PPA, are excluded to normalize the performance of the group (for additional information refer to the document “Purchase Price Allocation – summary” available on the investors page or through the following link:

https://vp233.alertir.com/sites/default/files/report/oriflame_purchase_price_allocation_summary.pdf?v2assets).



Condensed consolidated statements of comprehensive income

For comparative purpose, the financial information for the 9 months ended 30 September 2019 is based on a different scope of consolidation as stated on the first page on the “important clarifying information”.

€'000	3 months ended 30 September		9 months ended 30 September	
	2020	2019	2020	2019
Net profit/(loss) attributable to owners of the Company	4,941	(140,541)	(11,825)	(99,808)
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Remeasurements of net defined liability, net of tax	-	-	-	(2,771)
Total items that will not be reclassified subsequently to profit or loss	-	-	-	(2,771)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation differences for foreign operations	(28,993)	3,495	(60,669)	13,198
Effective portion of changes in fair value of cash flow hedges, net of tax	(1,985)	1,511	20,729	29
Total items that are or may be reclassified subsequently to profit or loss	(30,979)	5,007	(39,941)	13,227
Other comprehensive income for the period, net of tax	(30,979)	5,007	(39,941)	10,456
Total comprehensive income for the period attributable to owners of the Company	(26,038)	(135,534)	(51,766)	(89,352)



Condensed consolidated statements of financial position

€'000	30 September, 2020	31 December, 2019
Assets		
Property, plant and equipment	111,456	143,385
Right-of-use assets	48,410	66,781
Intangible assets	587,042	598,570
Goodwill	251,072	279,158
Investment property	542	542
Deferred tax assets	34,863	34,224
Other long-term receivables	132	134
Total non-current assets	1,033,517	1,122,793
Inventories	120,594	191,165
Trade and other receivables	54,713	75,524
Tax receivables	16,746	18,280
Prepaid expenses	13,297	14,965
Derivative financial assets	8,759	2,356*
Cash and cash equivalents	178,498	143,474
Total current assets	392,608	445,763
Total assets	1,426,125	1,568,556
Equity		
Share capital	653,081	653,081
Reserves	(32,641)	7,300
Retained earnings	(297,197)	(285,372)
Total equity attributable to the owners of the company	323,242	375,008
Liabilities		
Interest-bearing loans	4	739,084
Employee benefits		17,075
Lease liabilities		33,816
Other long-term liabilities		1,068
Deferred income		207
Deferred tax liabilities		60,255
Total non-current liabilities	851,505	874,553
Lease liabilities		15,344
Trade and other payables		86,214
Contract liabilities		10,130
Tax payables		16,155
Accrued expenses		106,069
Derivative financial liabilities		3,839
Employee benefits		-
Provisions	3	13,627
Total current liabilities	251,378	318,994
Total liabilities	1,102,883	1,193,548
Total equity and liabilities	1,426,125	1,568,556

* In the consolidated statement of financial position as at 31 December 2019, an amount of €8.048m was reclassified from derivative financial liabilities to derivative financial assets.



Condensed consolidated statements of changes in equity

The prior year period started on 20 May 2019, date of the incorporation of Oriflame Holding Limited. No transactions occurred between this date and the acquisition of the Oriflame Group in July 2019. Consequently, the movements reported below for 2019 cover the period 1 July – 30 September 2019.

€'000	Share capital	Reserves	Retained earnings	Total Equity
At 20 May 2019	-	-	-	-
Net loss	-	-	(140,541)	(140,541)
Other comprehensive income, net of tax	-	5,007	-	5,007
Total comprehensive income for the period	-	5,007	(140,541)	(135,534)
Issue of ordinary shares	652,979	-	-	652,979
At 30 September 2019	652,979	5,007	(140,541)	517,445

€'000	Share capital	Reserves	Retained earnings	Total Equity
At 1 January 2020	653,081	7,300	(285,372)	375,008
Net loss	-	-	(11,825)	(11,825)
Other comprehensive income, net of tax	-	(39,941)	-	(39,941)
Total comprehensive income for the period	-	(39,941)	(11,825)	(51,766)
At 30 September 2020	653,081	(32,641)	(297,197)	323,242



Condensed consolidated statements of cash flows – 3 months ended 30 September

€'000	2020	Non-recurring items	Purchase Price allocation items	2020 Adjusted	2019	Non-recurring items	Purchase Price allocation items	2019 Adjusted
Operating activities								
Net profit / (loss) before income tax	12,771		3,841	16,612	(167,350)	35,624	141,948	10,223
Adjustments for:					0			
Depreciation of property, plant and equipment and right-of-use assets	8,321		(28)	8,293	10,072		(78)	9,994
Amortization of intangible assets	3,832		(3,557)	275	4,041		(3,569)	471
Change in fair value of borrowings and derivatives financial instruments	(1,473)			(1,473)	506			506
Deferred income	295			295	(487)			(487)
Unrealized exchange rate differences	5,497			5,497	(2,990)			(2,990)
Profit on disposal of property, plant and equipment, intangible assets, leased assets	(192)			(192)	(112)			(112)
Financial income	(6,365)			(6,365)	(7,499)			(7,499)
Financial expenses	22,451		(257)	22,194	58,574	(31,084)	(396)	27,094
	45,138	-	-	45,138	(105,245)	4,540	137,905	37,200
Decrease in trade and other receivables, prepaid expenses and derivative financial assets	7,305			7,305	10,968			10,968
(Increase)/decrease in inventories	10,307			10,307	121,132		(137,905)	(16,773)
Increase/(decrease) in trade and other payables, accrued expenses and derivatives financial liabilities	4,946			4,946	(1,286)	7,115		5,828
Increase in provisions	1,615	1,962		3,577	229			229
Cash generated from operations	69,310	1,962	-	71,272	25,798	11,655	-	37,453
Interest received	347			347	4,330			4,330
Interest and bank charges paid	(28,716)		257	(28,459)	(74,346)	31,084	396	(42,866)
Income taxes paid	(7,973)			(7,973)	(7,677)			(7,677)
Cash flow from operating activities	32,967	1,962	257	35,186	(51,895)	42,739	396	(8,760)



Condensed consolidated statements of cash flows – 3 months ended 30 September (continued)

€'000	2020	Non-recurring items	Purchase Price allocation items	2020 Adjusted	2019	Non-recurring items	Purchase Price allocation items	2019 Adjusted
Cash flow from operating activities	32,967	1,962	257	35,186	(51,895)	42,739	396	(8,760)
Investing activities								
Proceeds on sale of property, plant and equipment, intangible assets	103			103	77			77
Purchases of property, plant, equipment	(1,830)			(1,830)	(3,693)			(3,693)
Purchases of intangible assets	(51)			(51)	(500)			(500)
Cash flow used in investing activities	(1,779)	-	-	(1,779)	(4,116)	-	-	(4,116)
Financing activities								
Proceeds from borrowings	-			-	816,639			816,639
Repayment of borrowings	(100,000)			(100,000)	(226,432)			(226,432)
Acquisition of subsidiaries*	-			-	(812,624)			(812,624)
Proceeds from issuance of new shares	-			-	281,106			281,106
Decrease of finance lease liabilities	(4,229)		(257)	(4,486)	(5,220)		(396)	(5,616)
Cash flow from / (used in) financing activities	(104,229)	-	(257)	(104,486)	53,468	-	(396)	53,072
Change in cash and cash equivalents	(73,040)	1,962	-	(71,079)	(2,542)	42,739	-	40,197
Cash and cash equivalents at the beginning of the period net of bank overdrafts	256,313	22,135		278,448	153,361			153,361
Effect of exchange rate fluctuations on cash held	(4,775)			(4,775)	(3,584)			(3,584)
Cash and cash equivalents at the end of the period, net of bank overdrafts	178,498	24,096	-	202,595	147,235	42,739	-	189,974 **

* The acquisition of subsidiaries for the three months ended 30 September 2019 represents the cash outflow for the Oriflame acquisition, excluding the cash acquired. It is disclosed under "Financing activities" cash flow in the Interim Management Statement for management purpose.

** Represents the cash that Oriflame would have had without the non-recurring items at the end of the period.



Condensed consolidated statements of cash flows – 9 months ended 30 September

For comparative purpose, the financial information for the nine months ended 30 September 2019 is based on a different scope of consolidation as stated on the first page on the “important clarifying information”.

€'000	2020	Non-recurring items	Purchase Price allocation items	Adjusted	2019	Non-recurring items	Purchase Price allocation items	Adjusted
Operating activities								
Net profit / (loss) before income tax	3,088	10,066	25,272	38,426	(110,050)	42,739	141,948	74,638
Adjustments for:								
Depreciation of property, plant and equipment and right-of-use assets	26,400		(96)	26,304	29,756		(78)	29,678
Amortization of intangible assets	11,475		(10,622)	853	4,824		(3,569)	1,255
Change in fair value of borrowings and derivatives financial instruments	(2,515)			(2,515)	1,735			1,735
Deferred income	(1,007)			(1,007)	(2,673)			(2,673)
Impairment	993	(112)		881	-			-
Share incentive plan	-			-	241			241
Unrealized exchange rate differences	9,397			9,397	(6,290)			(6,290)
Profit on disposal of property, plant and equipment, intangible assets, leased assets	(613)		(177)	(790)	(1,727)			(1,727)
Financial income	(20,962)			(20,962)	(12,897)			(12,897)
Financial expenses	69,076		(903)	68,173	69,034	(31,084)	(396)	37,553
	95,332	9,954	13,474	118,760	(28,047)	11,655	137,905	121,513
Decrease in trade and other receivables, prepaid expenses and derivative financial assets	12,483			12,483	444			444
(Increase)/decrease in inventories	56,446		(13,474)	42,973	116,784		(137,905)	(21,121)
Increase/(decrease) in trade and other payables, accrued expenses and derivatives financial liabilities	(28,538)	13,395		(15,144)	(130)			(130)
Increase in provisions	5,725	748		6,472	236			236
Cash generated from operations	141,448	24,096	-	165,544	89,287	11,655	-	100,942
Interest received	1,095			1,095	9,741			9,741
Interest and bank charges paid	(57,546)		903	(56,643)	(83,819)	31,084	396	(52,339)
Income taxes paid	(24,119)			(24,119)	(28,964)			(28,964)
Cash flow from / (used in) operating activities	60,877	24,096	903	85,877	(13,756)	42,739	396	29,379



Condensed consolidated statements of cash flows – 9 months ended 30 September (continued)

€'000	2020	Non-recurring items	Purchase Price allocation items	2020 Adjusted	2019	Non-recurring items	Purchase Price allocation items	2019 Adjusted
Cash flow from operating activities	60,877	24,096	903	85,877	(13,756)	42,739	396	29,379
Investing activities								
Proceeds on sale of property, plant and equipment, intangible assets	325			325	906			906
Purchases of property, plant, equipment	(5,318)			(5,318)	(11,691)			(11,691)
Purchases of intangible assets	(82)			(82)	(2,019)			(2,019)
Cash flow used in investing activities	(5,075)	-	-	(5,075)	(12,804)	-	-	(12,804)
Financing activities								
Proceeds from borrowings	102,520			102,520	816,639			816,639
Proceeds from issuance of new shares	(100,000)			(100,000)	(226,432)			(226,432)
Acquisition of subsidiaries*	-			-	(812,624)			(812,624)
Proceeds from issuance of new shares	-			-	279,523			279,523
Decrease of finance lease liabilities	(13,618)		(903)	(14,251)	(15,306)		(396)	(15,702)
Dividends paid	(52)			(52)	(45,198)			(45,198)
Cash flow used in financing activities	(11,149)	-	(903)	(12,052)	(3,398)	-	(396)	(3,794)
Change in cash and cash equivalents	44,653	24,096	-	68,750	(29,957)	42,739	-	12,782
Cash and cash equivalents at the beginning of the period net of bank overdrafts	143,474			143,474	178,075			178,075
Effect of exchange rate fluctuations on cash held	(9,629)			(9,629)	(883)			(883)
Cash and cash equivalents at the end of the period, net of bank overdrafts	178,498	24,096	-	202,595	147,235	42,739	-	189,974 **

* The acquisition of subsidiaries for the nine months ended 30 September 2019 represents the cash outflow for the Oriflame acquisition, excluding the cash acquired. It is disclosed under "Financing activities" cash flow in the Interim Management Statement for management purpose.

** Represents the cash that Oriflame would have had without the non-recurring items at the end of the period.



Notes to the condensed consolidated financial statements of Oriflame Holding Limited

Note 1 • Status and principal activity

Oriflame Holding Limited (the “Company”) – renamed from Walnut Midco Ltd in April 2020 – is a holding company incorporated under the laws of Jersey on 20 May 2019 with a registration number 129092 and registered office address of 47 Esplanade, St Helier, Jersey JE1 OBD. The principal activity of the Company’s subsidiaries is the direct sale of cosmetics. The condensed consolidated financial statements of the Company as at and for the nine months ended 30 September 2020 comprise the Company and its subsidiaries (together referred to as the “Group”).

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

Statement of compliance

The condensed consolidated financial statements for the nine months period ended 30 September 2020 have been prepared by management in accordance with the measurement and recognition principles of IFRS and should be read in conjunction with the published consolidated financial statements of the Oriflame Swiss Holding AG as at and for the year ended 31 December 2019.

The condensed consolidated financial statements were authorized for issue by the Directors on 5th November 2020.

Change in significant accounting policies, use of judgements and estimates

The accounting policies, significant judgements and key sources of estimation uncertainty applied by the group in these financial statements are the same as those applied by the Oriflame Swiss Holding AG in its consolidated financial statements as at and for the year ended 31 December 2019.

The group has applied the practical expedient from the IFRS 16 leases amendment, “Covid-19-Related Rent Concessions”, issued in May 2020 by the International Accounting Standards Board. This amendment allows the lessee not to recognize the rent concessions that occur as a direct consequence of the Covid-19 pandemic as a lease modification but to recognize them directly in the income statement as a variable lease payment. During the nine months ended 30 September 2020, rent concessions due to Covid-19 pandemic recognized in the income statement amounted to €0.2m (€0.1m during the third quarter 2020).

Other new or amended IFRS standards which became effective January 2020 have had no material effect on the group’s financial statements.

Note 3 • Provisions

€'000	Restructuring	Claims & Other	Total
Balance at 1 January 2020	6,091	2,231	8,322
Provisions made during the period	8,386	6,751	15,137
Provisions used during the period	(8,890)	(291)	(9,181)
Provisions reversed during the period	(244)	(87)	(331)
Translation	(245)	(75)	(320)
Balance at 30 September 2020	5,098	8,529	13,627

The increase in provisions during the nine months ended 30 September 2020 primarily comes from restructuring due to operational efficiency initiatives within all the regions as well as in the global functions such as closure of sales offices and staff reductions.

Restructuring costs totalling €10.1m were recognized within administrative expenses during the first quarter 2020 (€8.2m) and during the second quarter 2020 (€1.9m). No restructuring costs were recognised during the third quarter 2020.

The group already settled a total of €11.2m of restructuring costs (including prior year balance) during the nine months ended 30 September 2020 (€4.4m during the first quarter, €4.8m during the second quarter and €2.0m during the third quarter).

The remaining balance at 30 September 2020 is expected to be mainly settled during 2020.

The provisions for “Claims & Other” increased by €6.8m during the nine months ended 30 September 2020 to cover litigations with local authorities in different countries, mainly in relation to VAT and personal income taxes. The settlement of these provisions is not defined yet, as most of the cases are not closed.

**Note 4 • Interest bearing loans**

The terms and conditions of outstanding loans were as follows as at 30 September 2020.

€'000	Interest rate	Year of maturity	Carrying amount	Non-current	Current
Revolving credit facility	Euribor + margin	2024	-	-	-
Senior Secured Notes - €475.0m	6.750%	2024	475,000	475,000	-
Senior Secured Notes - \$335.0m	9.125%*	2024	286,129	286,129	-
Interest-bearing loans	1.45%	2023	2,374	2,374	-
Capitalized front end fees	-	2024	(24,419)	(24,419)	-
Total interest bearing liabilities			739,084	739,084	-

* Swapped € interest rate 6.450%