

Interim Management Statement | January – 31 December 2020

	LC SALES	EURO SALES	ADJUSTED EBITDA
Quarter 4	(3%)	(14%)	€50.8m
Year 2020	(2%)	(8%)	€178.6m

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 12 months ended 31 December 2019 (income statement) covered in this interim management statement.

Scope of consolidation Entities	Previous name	12 months ended 31 December 2019				12 months ended 31 December 2020			
		Q1 '19	Q2 '19	Q3 '19	Q4 '19	Q1 '20	Q2 '20	Q3 '20	Q4 '20
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 31 December 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 3% and Euro sales decreased by 14% to €307.5m (€357.2m).
- Adjusted EBITDA margin was 16.5% (14.6%) and adjusted EBITDA amounted to €50.8m (€52.0m).
- Adjusted operating margin was 13.7% (12.2%), negatively impacted by 380 bps from currencies, and adjusted operating profit was €42.1m (€43.7m).
- Adjusted net profit was €15.4m (€15.4m).
- Adjusted cash flow from operating activities was €75.0m (€73.6m) and adjusted cash flow before financing activities was €69.7m (€66.2m).
- Cash and cash equivalents at the end of the period amounted to €241.9m (€143.5m).
- Total debt amounted to €786.1m (€841.0m), secured debt amounted to €748.0m (€773.2m) and the Net Secured Debt ratio was 2.8 (3.5).
- 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 the fourth quarter, extending into 2021, with stricter measures implemented to combat the renewed spread of the virus.

Twelve months ended 31 December 2020

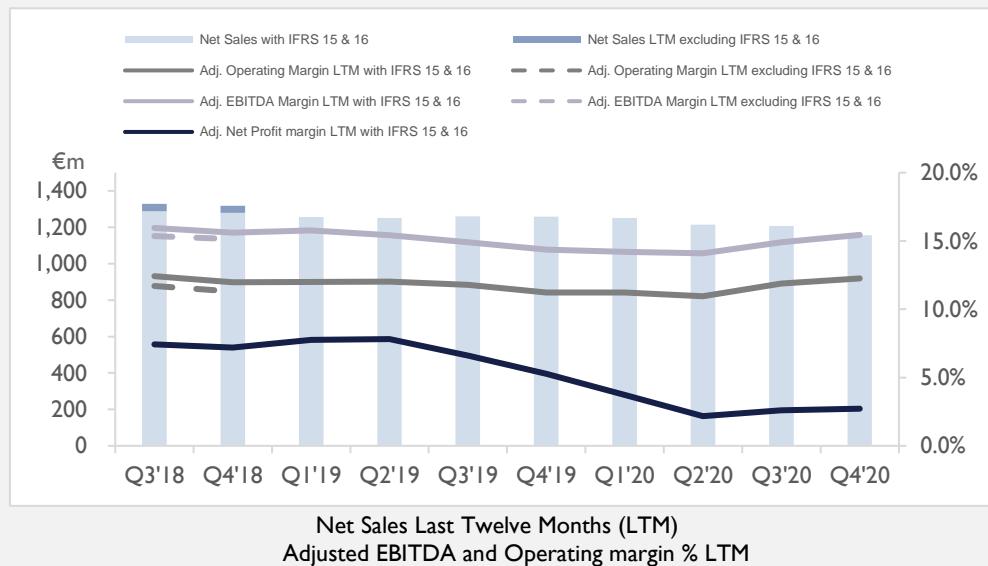
“Adjusted” figures exclude non-recurring and purchase price allocation (PPA) related items. For additional information refer to the alternative performance measures on page 13 and to the condensed consolidated income statements on pages 16 and 17.

- Local currency sales decreased by 2% and Euro sales decreased by 8% to €1,156.9m (€1,258.3m).
- Adjusted EBITDA margin was 15.4% (14.4%) and adjusted EBITDA amounted to €178.6m (€180.8m).
- Adjusted operating margin was 12.3% (11.2%), negatively impacted by 240 bps from currencies, and adjusted operating profit was €141.9m (€141.4m).
- Adjusted net profit was €31.4m (€66.3m).
- Adjusted cash flow from operating activities was €160.8m (€112.5m) and adjusted cash flow before financing activities was €191.5m (€109.7m).
- On 23rd February 2021, the Board of Directors decided to pay a dividend of €30.5m, given the Company's much improved financial and cash position at the end of the year.



Key financial data

3 months ended 31 December 2020



Financial summary

For comparative purpose, the financial information for the 12 months ended 31 December 2019 period 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 31 December			12 months ended 31 December		
	2020	2019	Change %	2020	2019	Change %
Sales	307.5	357.2	(14%)	1,156.9	1,258.3	(8%)
Adj. Gross margin, %	71.1	66.3		68.3	68.1	
Adj. EBITDA	50.8	52.0	(2%)	178.6	180.8	(1%)
Adj. EBITDA margin, %	16.5	14.6		15.4	14.4	
Adj. Operating profit	42.1	43.7	(4%)	141.9	141.4	0%
Adj. Operating margin, %	13.7	12.2		12.3	11.2	
Adj. Net profit	15.4	15.4	(0%)	31.4	66.3	(53%)
Adj. Cash flow from operating activities	75.0	73.6	2%	160.8	112.5	43%
Adj. Cash flow before financing activities	69.7	66.2	5%	191.5	109.7	75%
Total debt	786.1	841.0		786.1	841.0	
Secured debt	748.0	773.2		748.0	773.2	
Net Secured Debt ratio	2.8	3.5		2.8	3.5	

“2020 was a challenging year in many ways but we managed to deliver a year with a low single digit local currency sales decrease versus prior year – with strengthened profitability. After the first wave of the pandemic in the first half of the year, we experienced a positive sales turnaround in the third quarter that unfortunately was reversed in the fourth quarter. We also faced strong currency head winds negatively impacting our overall sales and margins. In addition, the combination of changed demand and product mix, together with relatively long inventory replenishment lead times, led to product availability challenges and accordingly impacted sales negatively in certain product categories towards the end of the year. On the other hand, our initiatives to improve the profitability and cash flow of the group are clearly rendering results. The key factors behind our solid development this most challenging year are exceptional efforts of our colleagues, motivation of independent brand partners, our online business model and our product offer. We believe that this foundation gears us towards building a stronger Oriflame. We are confident, despite the continuous currency head winds, that 2021 will be a growth year as well as a year with further improved profitability, where we in the first quarter will face the most difficult comparable.”

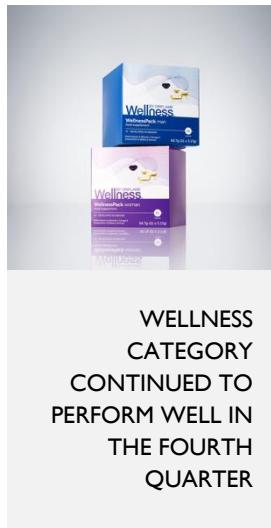
CEO Magnus Bränström



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 and Independent Brand Partners, generating annual sales of around €1.2 billion (2020). 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



Q4 impact from Covid-19

The improvement on the underlying sales from the third quarter did not continue in the fourth quarter due to reintroduced Covid-19 restrictions in many of the Oriflame sales regions and product availability shortages in certain categories due to rapid changes in demand. Despite the declining sales, the positive trend on profitability and cash flow continued. Year 2021 started with hopes to see the end of the pandemic, when several vaccines were approved by health authorities around the world. However, the limited and challenging roll-out of vaccination programs as well as the emerging of new mutations of the Covid-19 resulted in stricter measures taking place to combat the 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 (98% online orders in the quarter) and the increased mobile usage (84% 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 fourth quarter the wellness category continued its strong growth. The shift in demand and supply challenges impacted our product availability situation in some product categories in some of the regions.

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 and new ways of working. The cost savings, as well as additional cost efficiency measures taken earlier in the year, are visible in the fourth quarter and have secured a solid financial performance. Also during the fourth quarter, the government grants were insignificant for the group, where Oriflame received government grants totalling €0.2m, which were recognized in the income statement (covering mainly staff support contributions). For the full year, Oriflame received government grants totalling €1.5m of which €0.5m are pending to be paid back upon authorities decision.

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
- Secure the operational processes and thereby 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



LOCAL CURRENCY
SALES DECLINE –
STRONG
CURRENCY
HEAD WIND

Geographical mix

Group sales in local currency decreased by 3% mainly due to challenges in some of the Asian markets. A positive price/mix did not compensate for the declining unit sales. Due to significant negative impact from foreign exchange rates the decrease in Euro sales was -14% compared to the same quarter last year. The EBITDA decline was due to lower sales volumes, higher selling expenses and the negative impact of the adverse foreign currency movements. The lower administrative costs, despite higher staff bonuses, were a result of achieved operational efficiency improvements launched in the first half of the year. The adjusted operating cash flow increased mainly as a result of lower interest and income tax paid.

During the fourth quarter, Covid-19 continued to influence Oriflame's markets and affect the top line demand negatively. Deliveries and operations generally worked without disruptions, even though in most markets live meetings and events are still not possible to organize and the transformation to digital events continues. The shift in demand and consumer behaviour following the Covid-19 outbreak impacted the product availability situation and Oriflame continued to experience supply constraints in the quarter. Due to strong growth within the Wellness category combined with general supply constraints of certain products, components and input material, the supply problems impacted sales negatively towards the end of the year. The currency headwinds in the third quarter continued to negatively impact margins in the fourth quarter. The underlying administrative expenses were significantly lower in almost all regions following the staff reductions and other restructuring and savings initiatives executed during 2020.

In *Latin America*, net sales decreased by 13.8% due to lower activity and continued weak currencies. The operating margin increased from 11.1% (adjusted) to 11.9%, positively impacted by higher gross margins (price increases and positive product mix) and lower sales and marketing costs as live meetings and events were transformed into digital events across all markets.

Net sales in *Turkey & Africa* decreased by 18.4% driven by weak activity and recruitment as well as significant negative currency impact especially in Turkey and Nigeria. The operating margin decreased from 17.0% (adjusted) to 16.0%, mainly due to higher staff costs mitigated by lower sales and marketing costs following Covid-19 related restrictions of live meetings and events, and higher gross margins thanks to increased prices.

In *Europe*, net sales decreased by 1.7%. The high sales growth in Western Europe continued while Central Europe was in decline following weak recruitment. The operating margin decreased from 15.6% (adjusted) to 14.7%, negatively impacted by higher investments in Independent Brand Partner Incentives and Rewards, especially in Western Europe. The negative impact was mitigated by higher gross margins (positive product mix and lower investments into catalogue offers). During the quarter a new Independent Brand Partner Compensation Plan was successfully introduced in the Netherlands with strong sales development as a result. Also Spain and the UK reported strong sales growth.

CIS closed the fourth quarter with a net sales decrease of 16.4%, due to continuously weak main currencies. The operating margin decreased from 17.0% (adjusted) to 12.2%, heavily affected by negative currency movements, only partly outweighed by price increases, and higher investments into Independent Brand Partner Incentives and Rewards. The very strong sales development continued in Uzbekistan.

In *Asia* net sales dropped by 18.8% during the quarter due to lower sales and activity levels in China, Indonesia and Vietnam with further negative impact in Euro due to weakening local currencies. India showed a strong comeback in sales during the quarter with a double-digit growth driven by an increase in Registered Active Members. The Covid-19 impact on local deliveries stabilized in Asia, while a shift in demand of product categories, primarily towards Wellness and Personal care products, led to severe product supply disruptions in several markets. The operating margin decreased from 23.9% (adjusted) to 13.1% due to the negative sales development, negative exchange rate impacts and certain extraordinary costs for inventory.

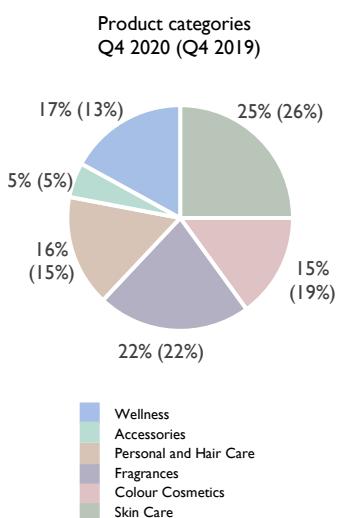
Sustainability

Despite the challenging Covid-19 pandemic, Oriflame continued to deliver on its sustainability objectives. Oriflame improved its 2020 CDP score compared to last year and scored A- on Climate, A- on Timber (Forest) and B on Palm oil (Forest).

During the quarter, Oriflame leveraged the increased interest in sustainability communication and digital events becoming the norm, by joining online sustainability forums to communicate its sustainability ambitions and achievements. For example, in November the VP sustainability was speaking at a webinar co-organized by the Swedish Embassy in Romania. The webinar focused on Swedish companies sharing sustainability practices in order to spread climate change awareness with the younger generation.



A CROSS
COLLABORATION
BETWEEN COLOUR
COSMETICS AND
ACCESSORIES WAS
LAUNCHED, THE
ONE MAGNETIC
LASHES AND
EYELINER KIT.



Brand and Innovation

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

Within Skincare a new brand was launched for the Chinese market, **S-Dermic**, a cosmeceutical skincare brand designed to provide professional, targeted solutions to combat specific skin conditions. A new and improved product within **Oinnoage Lift Define**, one of the most popular ranges in China, was launched in the quarter.

Although Colour cosmetics showed an overall sales decline, due to the pandemic situation, there were interesting activities in the quarter. Both **The One Colour Unlimited Ultra Fix Lipstick** and **The One Mystics Lights Collection** were launched in the quarter. The **GG Volumising Fortemente Mascara** was also introduced together with **GG Tinted Moisturizing Pearls**.

Within the Fragrance portfolio the exclusive parfum **All or Nothing** and a limited edition of Eau de Parfum **Love Potion Midnight Wish** were launched.

In Personal and Hair Care the fourth quarter is full of giftable collections, this year with the **Milk & Honey Amber Elegance** and **Crystologie Blissful Aura** collection.

In the Accessories category the **Gift season collection** was introduced consisting of jewelry, beauty tools and fashion items for him and her. The on-going Foot Cushions, Heel Cushions and Heel Shield were revamped in one collection called **Festive Feet** with the new addition the Mini Gel Spots.

In the fourth quarter a cross collaboration between Colour Cosmetics and Accessories was introduced, **The One Magnetic Lashes and Eyeliner Kit** offering the latest technology in false eye lashes in a limited edition kit.

Online

With 98% of orders placed using the online channel during the fourth quarter of 2020, the use of the Oriflame App Suite, website and other digital services continued to increase. 62% of orders were placed using mobile devices (of which 35% in the Oriflame app), up from 55% in the same period prior year. Currently 84% of all visitor sessions are from mobile devices, which is an increase from the fourth quarter 2019 (80%).

During the period, focus was on developing and implementing initiatives driving business growth for our Independent Brand Partners. The rollout of the Mobile Office (a set of module-based features supporting the on-boarding with Oriflame through step-by-step instructions, to monitoring and growing their business through a set of purpose-driven modules) continued and was also aligned with the rollout of the company's new transactional platform and now covers more than 80% of the global sales volume. For the Mobile Office additional modules that focus on our Independent Brand Partners' abilities to monitor their business performance were developed and a review of all reports was initiated to ensure a mobile optimized service. Further initiatives to drive and support digitalization include an upgraded referral system and corresponding incentive program for new customers, several new digital training modules for Independent Brand Partners and new releases of the Oriflame app to cater for VIP customer acquisition in an attractive way.

Several sections of the online shopping experience were improved along with the introduction of personalized offer communication aligned with local campaign cycles. All transactional communication related to ordering and the post-order process was also re-designed and implemented in pilot markets during the fourth quarter.

App users:

Oriflame app 1,370,000 Monthly Active Users

Business app 771,000 Monthly Active Users

Service, Manufacturing and Other

Manufacturing had an overall increase in the units produced in the fourth quarter versus earlier quarters, however with a small drop compared to the fourth quarter prior year. The unit drop was partly offset by a continued growth in the external customers' segment. The production was stable but with shortage in some of the starting materials that caused delays in the production.

The scaling up of capacity and volumes continues to support the improvements needed in product availability as well as to meet increased demand from the external customers' segment.



Three months ended 31 December 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.

Sales

Sales for the three months ended December 31, 2020 decreased by 14%, or €49.7m, to €307.5m compared with €357.2m for the same period in 2019. All business areas experienced decline in Euro equivalent sales.

Local currency sales decreased by 3%, due to negative productivity development and slight decline in the average number of Registered Active Members 2.9m (3.0m). Unit sales decreased by 12% and the price/mix effect was positive with 8%.

Local currency sales increased by 5% in CIS, remained stable in Europe, while Latin America, Turkey & Africa and Asia decreased respectively by 2%, 3% and 13%.



EURO SALES DECLINE
IN ALL BUSINESS
AREAS. LOCAL
CURRENCY SALES IN
CIS INCREASED BY 5%,
EUROPE WAS STABLE
AND THE REST
DECREASED.

Costs and expenses

Cost of sales (28.9% of sales compared to 33.7% adjusted last year)

Cost of sales decreased by 26% or €31.2m to €89.0m for the three months ended December 31, 2020 from €120.2m (adjusted) for the same period in 2019 due to lower sales volumes. The cost of sales percentage decreased mainly due to geographical mix and lower inventory provisions, where the latter was offset by higher staff bonuses (see below).

Selling and marketing expenses (32.7% of sales compared to 31.0% last year)

Selling and marketing expenses decreased in absolute terms by 9%, or €10.3m, to €100.6m for the three months ended December 31, 2020 from €110.9m for the same period in 2019. This decrease was primarily due to lower sales. The selling and marketing expenses percentage of sales increased in the fourth quarter of 2020 versus prior year due to higher plan recognitions and bonuses to Independent Brand Partners.

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

Distribution and infrastructure expenses decreased by 17%, or €1.4m, to €6.9m for the three months ended December 31, 2020 from €8.3m for the same period in 2019. The decrease was due to lower sales in the quarter.

Administrative expenses (23.6% of sales compared to 24.5% last year)

The administrative expenses for the three months ended December 31, 2020 include €3.7m related PPA related items, while in 2019 those included €9.7m 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 €68.8m from €74.0m for the same period in 2019. Staff costs and travel expenses were the main factors behind the decrease with respectively €2.6m each, despite higher staff bonuses in the quarter (€11.7m higher versus prior year).

Net financing costs (6.0% of sales compared to 7.5% last year)

Net financing costs decreased by 31% or €8.2m, to €18.5m for the three months ended December 31, 2020 from €26.7m for the same period in 2019. Excluding the non-recurring costs of €9.6m related to the group refinancing and the PPA related items of €-0.6m, the net financing costs in 2019 amounted to €17.8m, representing 5.0% of sales. On a comparable basis, compared to the prior year period, net financing costs increased slightly by €0.5m mainly due to the negative foreign exchange impact.

Adjusted income tax expenses (€8.5m compared to €10.6m last year)

On a comparable basis, excluding non-recurring and PPA impact, the tax expenses were lower than the same quarter a year ago at €8.5m (€10.6m), mainly due to lower profit before tax and change in geographical mix.



Adjusted EBITDA



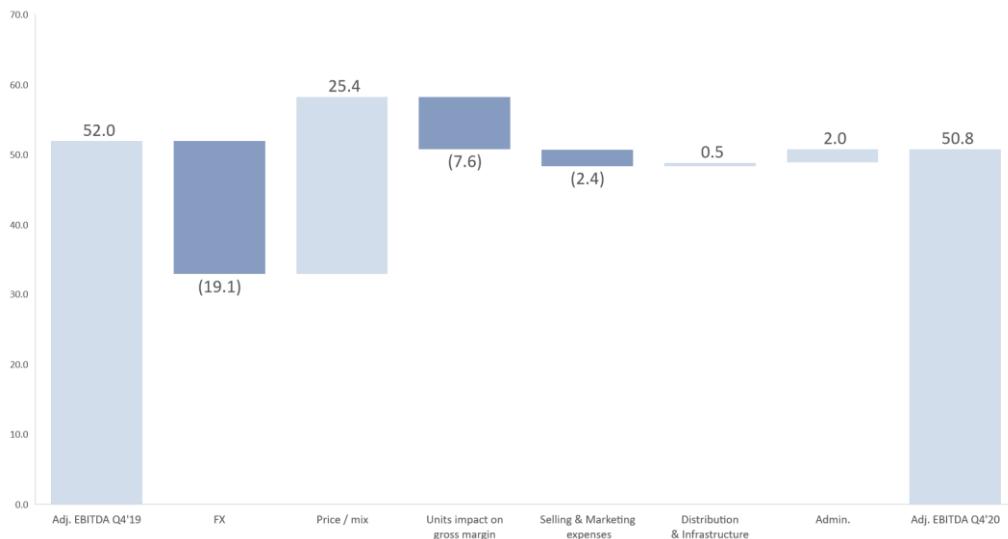
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Adjusted EBITDA decreased by 2.3%, or €1.2m, to €50.8m for the three months ended December 31, 2020 from €52.0m for the same period in 2019, negatively impacted by the weakening of the major Oriflame sales currencies and the related negative exchange rate impact, lower units sales and higher selling expenses, offset by positive price/mix and lower administrative expenses. The adjusted EBITDA margin was 16.5% compared to 14.6% last year.

€50.8m

ADJUSTED EBITDA

ADJUSTED EBITDA VS. PRIOR YEAR (€m)





Twelve months ended 31 December 2020



LOCAL CURRENCY
SALES INCREASE IN
CIS, TURKEY &
AFRICA AND
EUROPE – DECREASE
IN ASIA AND LATIN
AMERICA.



2.8m
AVERAGE
REGISTERED ACTIVE
MEMBERS REMAINED
STABLE

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Sales

Sales for the twelve months ended 31 December 2020 decreased by 8%, or €101.4m, to €1,156.9m compared with €1,258.3m in 2019. All business areas reported negative Euro sales development for the whole year.

Local currency sales decreased by 2% due to negative productivity development while the average number of Registered Active Members in the period remained stable at 2.8m (2.8m). Unit sales decreased by 6% and the price/mix effect was positive by 5%.

Local currency sales increased by 10% in CIS, by 6% in Turkey & Africa and by 1% in Europe, while Asia and Latin America decreased respectively by 14% and 6%.

Costs and expenses

Adjusted cost of sales (31.7% of sales compared to 31.9% last year)

Adjusted cost of sales decreased by 9%, or €34.3m, to €366.9m for the twelve months ended December 31, 2020 from €401.2m in 2019 due to lower sales volumes. The cost of sales was impacted in relative terms by the exchange rates as well as partly by the geographical mix and deleverage of fixed costs related to global inventory management. Including the PPA related items of €13.5m in 2020 and €308.4m in 2019, the cost of sales decreased by €329.3m from €709.6m to €380.3m representing 32.9% of sales.

Selling and marketing expenses (31.0% of sales compared to 32.5% last year)

Selling and marketing expenses decreased by 12%, or €50.9m, to €358.6m for the twelve months ended December 31, 2020 from €409.5m in 2019. This decrease was primarily due to a decrease in sales and lower conference and marketing costs.

Distribution and infrastructure expenses (2.4% of sales compared to 2.4% last year)

Distribution and infrastructure expenses decreased by 9%, or €2.7m, to €27.9m for the twelve months ended December 31, 2020 from €30.6m in 2019. These costs remained unchanged as a percentage of sales for the twelve months period.

Administrative expenses (24.8% of sales compared to 24.2% last year)

The administrative expenses for the twelve months ended December 31, 2020 included €14.6m PPA related items and €10.1m non-recurring costs for restructuring, while in 2019 those included €21.4m non-recurring restructuring costs and consultancy costs related to the acquisition of the Oriflame Group and €7.3m PPA related items. On a comparable basis, excluding non-recurring and PPA related items, the adjusted administrative expenses decreased during the period to €261.7m from €275.6m for the same period in 2019. The main driver of the lower administrative costs was the reduction in travel expenses of €9.0m compared to last year despite higher staff bonuses (€21.0m higher versus prior year).

Net financing costs (7.0% of sales compared to 6.5% last year)

Net financing costs decreased by 1% or €0.5m to €80.7m for the twelve months ended December 31, 2020 from €81.2m for the same period in 2019. Excluding the non-recurring costs of €40.7m related to the group refinancing and the PPA related items of €-0.2m, the net financing costs in 2019 amounted to €40.8m, representing 3.2% of sales. On a comparable basis, compared to prior year, net financing costs increased by €38.8m due to the increase of the debt, increase of the interest rate and negative impact on exchange rates of €19.5m.

Adjusted income tax expenses (€30.9m compared to €34.3m last year)

On a comparable basis, excluding non-recurring and PPA impact, the tax expenses were lower than in the same period a year ago as a result of decreased profitability and change in geographical mix. The effective tax rate of the group increased due to the new financing set up.



€178.6m

ADJUSTED EBITDA

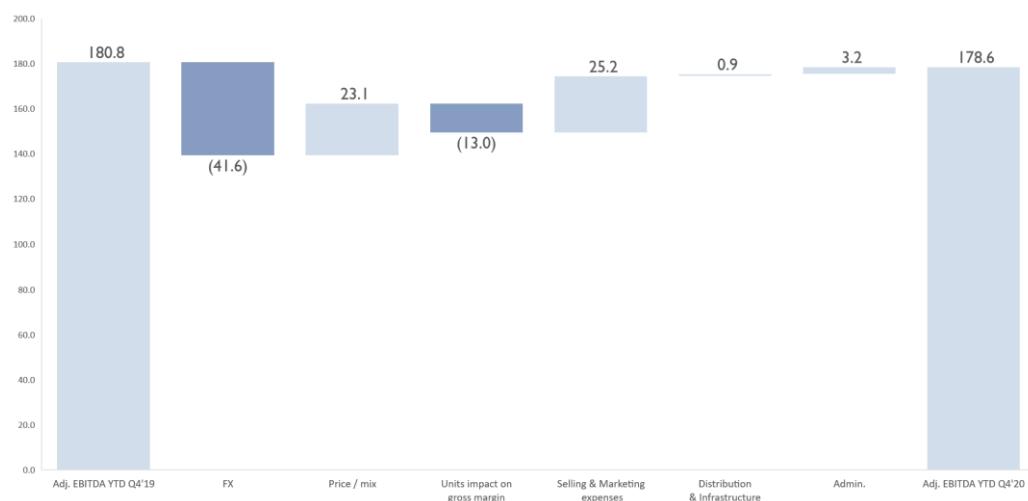
Adjusted EBITDA

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Adjusted EBITDA decreased by 1.2%, or €2.2m, to €178.6m for the twelve months ended December 31, 2020 from €180.8m 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 15.4% compared to 14.4%.

ADJUSTED EBITDA VS. PRIOR YEAR (€m)





Cash flow and investments



€191.5m

ADJ. CASH FLOW
BEFORE FINANCING
ACTIVITIES

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Cash flow from operating activities

Adjusted cash flow from operating activities was €75.0m in the three months period ended December 31, 2020 compared to €73.6m for the same period in 2019. The slight increase was due to lower interest and income tax costs paid.

For the twelve months period ended December 31, 2020 the adjusted cash flow from operating activities was €160.8m (€112.5m). The increase of the adjusted cash flow from operating activities in 2020 was mainly due to a decrease of inventory levels. The positive timing is approximately €25m, which implies that 2021 will be impacted negatively by the timing effect (not regarding potential timing impact between 2021 and 2022). The non-adjusted cash flow from operating activities for the twelve months ended 31 December 2020 was €133.4m (€59.4m) which included cash outflow from non-recurring restructuring items of €26.3m (€52.3m).

Cash flow used in investing activities

Cash flow used in investing activities for the three months ended December 31, 2020 was €0.9m, compared to €3.0m for the same period in 2019. The decrease from previously low levels was due to lower purchases of property, plant and equipment.

For the twelve months period ended December 31, 2020 cash flow used in investing activities was €5.9m compared to €15.8m for the same period in 2019. The decrease was due to lower purchases of property, plant and equipment.

Cash flow used in financing activities

Cash flow used in financing activities for the three months ended December 31, 2020 was €6.7m, compared to €73.2m for the same period 2019. During the quarter the group repaid a €2.5m loan, which was drawn down in May 2020 in one of the subsidiaries for hedging and risk mitigation purposes.

For the twelve months period ended December 31, 2020 cash flow used in financing activities was €17.9m compared to €76.6m used in the same period in 2019. The cash flow 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 December 31, 2020 was €69.7m, compared to €66.2m in 2019. The increase was due mainly to lower cash outflow in investing activities.

For the twelve months period ended December 31, 2020 adjusted cash flow before financing activities was €191.5m compared to €109.7m for the same period in 2019. The positive impact in 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 31 December		12 months ended 31 December	
	2020	2019	2020	2019
Cash flow from operating activities	72.5	73.2	133.4	59.4
<i>Excluding</i> interest received	(1.1)	(0.4)	(2.1)	(10.2)
<i>Excluding</i> interest and bank charges paid	1.4	2.4	58.9	86.3
Cash flow used in investing activities	(0.9)	(3.0)	(5.9)	(15.8)
Payment of lease liabilities	(4.2)	(5.5)	(17.8)	(20.9)
Non-recurring and PPA items	1.9	(0.4)	25.1	10.9
Adj. cash flow before financing activities	69.7	66.2	191.5	109.7



Funding and financial position

Oriflame's long-term debt as of December 31, 2020 consists mainly of Senior Secured Notes of €748.0m due 2024 with an average interest rate of around 6.6%. The company also has a €100.0m Revolving Credit Facility (RCF) with interest in EURIBOR +200 bps to 300 bps depending on leverage. As of December 31, 2020, the €100.0m RCF was undrawn and the cash and cash equivalents was €241.9m. The current corporate credit rating is BI 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 December 31, 2020.



2.8

NET SECURED
DEBT RATIO

	€ 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 31 December, 2020			-

* Swapped € interest rate 6.450%

As of December 31, 2020, total debt amounted to €786.1m (€841.0m), secured debt amounted to €748.0m (€773.2m), net secured debt amounted to €506.1m (€629.7m) and the Net Secured Debt ratio was 2.8 (3.5).

Dividend proposal to the 2021 AGM

On 23rd February 2021, the Board of Directors decided to pay a dividend of €30.5m, given the Company's much improved financial and cash position at the end of the year.

Financial calendar for 2021

The Annual Report 2020 will be published on or about 27 April 2021

The first quarter 2021 report will be published on 20 May 2021

The second quarter 2021 report will be published on 27 August 2021

The third quarter 2021 report will be published on 18 November 2021

Other

Conference call for the financial community

The company will host a conference call on Wednesday, 24 February 2021 at 15.00 CET.

Participant access numbers:

DK: +45 787 232 50

FI: +358 981 710 522

SE: +46 8 505 583 73

UK: +44 333 300 9260

US: +1 833 823 0590

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/210224>

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

Subscription service

You can subscribe or update your subscription to company press releases and different types of financial information through Oriflame's website: www.oriflame.com or through the following link: <http://investors.oriflame.com/index.php/en/subscribe>

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

Total debt

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



Quarterly Figures

“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	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20
Sales, €m	288.9	357.2	302.8	265.8	280.8	307.5
Adj. Gross margin, %	68.9	66.3	66.5	68.3	67.2	71.1
Adj. EBITDA	37.9	52.0	41.3	39.9	46.4	50.8
Adj. EBITDA margin, %	13.1	14.6	13.6	15.0	16.5	16.5
Adj. Operating profit	27.4	43.7	31.7	30.1	37.8	42.1
Adj. Operating margin, %	9.5	12.2	10.5	11.3	13.5	13.7
Adj. Net profit, €m	3.1	15.4	3.4	4.5	8.1	15.4
Adj. Cash flow from operating activities, €m	(8.8)	73.6	(12.0)	62.6	35.2	75.0
Adj. Cash flow before financing activities, €m	20.0	66.2	8.2	56.6	57.0	69.7
Cash flow used in investing activities	(4.1)	(3.0)	(1.9)	(1.3)	(1.8)	(0.9)
Cash and cash equivalents	149.5	143.5	209.4	256.3	178.5	241.9
Total debt	899.9	841.0	940.1	931.0	812.7	786.1
Secured debt	822.6	773.2	880.7	874.2	761.1	748.0
Net Secured Debt ratio	3.6	3.5	3.8	3.6	3.2	2.8
Sales, €m	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20
Latin America	46.0	48.0	38.8	27.5	38.3	41.4
Europe	55.0	74.8	57.2	56.6	60.2	73.6
CIS	68.9	96.6	87.7	75.2	73.7	80.8
Asia	90.9	98.8	84.5	76.8	76.5	80.2
Turkey & Africa	25.3	32.1	28.8	25.4	27.9	26.2
Manufacturing	0.8	5.3	3.9	3.5	2.3	3.7
Other	2.0	1.6	1.9	0.9	1.9	1.6
Oriflame	288.9	357.2	302.8	265.8	280.8	307.5
Adjusted operating Profit, €m	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20
Latin America	5.7	5.3	2.1	(0.2)	5.9	4.9
Europe	5.6	11.7	7.6	4.9	9.7	10.8
CIS	9.6	16.5	16.9	16.2	15.0	9.8
Asia	13.1	23.6	15.1	15.7	12.7	10.5
Turkey & Africa	4.7	5.5	5.5	5.4	6.4	4.2
Manufacturing	3.0	2.7	1.3	(0.2)	2.4	4.8
Other	(14.2)	(21.4)	(16.8)	(11.6)	(14.3)	(2.9)
Oriflame	27.4	43.7	31.7	30.1	37.8	42.1
Registered Active Members, '000	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20
Latin America	357	341	299	259	331	331
Europe	478	550	494	529	492	558
CIS	766	972	936	847	843	1,020
Asia	775	744	702	707	772	681
Turkey & Africa	300	365	333	349	328	342
Oriflame	2,677	2,971	2,764	2,690	2,766	2,932



Adjusted operating margin, %	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20
Latin America	12.4	11.1	5.5	(0.6)	15.5	11.9
Europe	10.2	15.6	13.2	8.6	16.2	14.7
CIS	13.9	17.0	19.3	21.6	20.3	12.2
Asia	14.4	23.9	17.9	20.4	16.6	13.1
Turkey & Africa	18.5	17.0	19.1	21.1	22.8	16.0
Oriflame	9.5	12.2	10.5	11.3	13.5	13.7
€ Sales growth in %	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20
Latin America	23	8	4	(34)	(17)	(14)
Europe	(3)	(3)	(7)	(1)	9	(2)
CIS	11	10	11	(2)	7	(16)
Asia	(7)	(16)	(13)	(20)	(16)	(19)
Turkey & Africa	13	17	4	(10)	10	(18)
Oriflame	3	(1)	(2)	(12)	(3)	(14)



Condensed consolidated income statements – 3 months ended 31 December

€'000	2020	PPA items**	Adjusted		Non-recurring items*	PPA items**	Adjusted	
			2020	2019			2019	
Sales	307,485		307,485	357,234				357,234
Cost of sales	(88,984)	-	(88,984)	(290,744)		170,520	(120,225)	
Gross profit	218,501	-	218,501	66,490	-	170,520	237,010	
Selling and marketing expenses	(100,644)		(100,644)	(110,896)				(110,896)
Distribution and infrastructure	(6,947)		(6,947)	(8,344)				(8,344)
Administrative expenses	(72,460)	3,695	(68,765)	(87,433)	9,736	3,648	(74,049)	
Operating profit/(loss)	38,450	3,695	42,145	(140,183)	9,736	174,167	43,721	
Financial income	9,363		9,363	9,215		(999)		8,216
Financial expenses	(27,843)	265	(27,578)	(35,941)	9,576	396	(25,969)	
Net financing costs	(18,480)	265	(18,215)	(26,726)	9,576	(603)	(17,752)	
Net profit/(loss) before tax	19,971	3,960	23,930	(166,908)	19,312	173,565	25,969	
Total income tax expense/(credit)	(7,866)	(682)	(8,547)	31,377	-	(41,954)	(10,577)	
Net profit/(loss) attributable to owners of the Company	12,105	3,278	15,383	(135,532)	19,312	131,611	15,392	

* 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 – 12 months ended 31 December

For comparative purpose, the financial information for the twelve months ended 31 December 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		Non-recurring items*	PPA items**	Adjusted
				2020	2019			
Sales	1,156,911			1,156,911	1,258,345			1,258,345
Cost of sales	(380,327)		13,474	(366,853)	(709,614)		308,424	(401,189)
Gross profit	776,584	-	13,474	790,058	548,731	-	308,424	857,156
Selling and marketing expenses	(358,584)			(358,584)	(409,516)			(409,516)
Distribution and infrastructure	(27,895)			(27,895)	(30,641)			(30,641)
Administrative expenses	(286,366)	10,066	14,589	(261,711)	(304,325)	21,391	7,295	(275,639)
Operating profit/(loss)	103,739	10,066	28,063	141,868	(195,751)	21,391	315,720	141,360
Financial income	29,342			29,342	40,768		(999)	39,770
Financial expenses	(110,021)		1,168	(108,853)	(121,975)	40,660	792	(80,523)
Net financing costs	(80,680)	-	1,168	(79,512)	(81,207)	40,660	(206)	(40,753)
Net profit/(loss) before tax	23,059	10,066	29,231	62,356	(276,958)	62,051	315,513	100,606
Total income tax (expense)/credit	(22,780)	(2,067)	(6,093)	(30,939)	41,619	-	(75,883)	(34,264)
Net profit/(loss) attributable to owners of the Company	279	7,999	23,139	31,417	(235,339)	62,051	239,630	66,342

* 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

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 “20 May – 31 December 2019” cover the period 1 July – 31 December 2019.

€'000	3 months ended 31 December		1 January – 31 December 2020	20 May – 31 December 2019
	2020	2019		
Net profit/(loss) attributable to owners of the Company	12,105	(135,532)	279	(276,072)
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Remeasurements of net defined liability, net of tax	(1,950)	(225)	(1,950)	(225)
Total items that will not be reclassified subsequently to profit or loss	(1,950)	(225)	(1,950)	(225)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Foreign currency translation differences for foreign operations	(1,116)	63	(61,786)	3,558
Effective portion of changes in fair value of cash flow hedges, net of tax	(7,479)	2,230	13,250	3,741
Total items that are or may be reclassified subsequently to profit or loss	(8,596)	2,293	(48,536)	7,300
Other comprehensive income for the period, net of tax	(10,546)	2,068)	(50,486)	7,074
Total comprehensive income for the period attributable to owners of the Company	1,559	(133,464)	(50,207)	(268,998)



Condensed consolidated statements of financial position

€'000	31 December, 2020	31 December, 2019
Assets		
Property, plant and equipment	109,508	143,385
Right-of-use assets	37,398	66,781
Intangible assets	583,224	598,570
Goodwill	250,424	279,158
Investment property	542	542
Deferred tax assets	36,136	34,224
Other long-term receivables	131	134
Total non-current assets	1,017,363	1,122,793
Inventories	127,696	191,165
Trade and other receivables	51,165	75,524
Tax receivables	14,046	18,280
Prepaid expenses	16,968	14,965
Derivative financial assets	1,340	2,356*
Cash and cash equivalents	241,947	143,474
Total current assets	453,162	445,763
Total assets	1,470,526	1,568,556
Equity		
Share capital	653,081	653,081
Reserves	(41,237)	7,300
Retained earnings	(287,042)	(285,372)
Total equity attributable to the owners of the company	324,802	375,008
Liabilities		
Interest-bearing loans	4	725,012
Employee benefits		23,529
Lease liabilities		22,359
Other long-term liabilities		1,068
Derivative financial liabilities		17,677
Deferred income		962
Deferred tax liabilities		59,311
Total non-current liabilities	849,918	874,553
Lease liabilities		15,784
Trade and other payables		99,015
Contract liabilities		11,068
Tax payables		18,496
Accrued expenses		134,807
Derivative financial liabilities		2,315
Employee benefits		-
Provisions	3	14,322
Total current liabilities	295,806	318,994
Total liabilities	1,145,724	1,193,548
Total equity and liabilities	1,470,526	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 – 31 December 2019.

€'000	Share capital	Reserves	Retained earnings	Total Equity
At 20 May 2019	-	-	-	-
Net loss	-	-	(276,072)	(276,072)
Other comprehensive income, net of tax	-	7,300	(225)	7,074
Total comprehensive income for the period	-	7,300	(276,298)	(268,998)
Issue of ordinary shares	653,081	-	-	653,081
Share incentive plan	-	-	(1,998)	(1,998)
Share incentive plan – modification to cash-settled share-based plan	-	-	(7,076)	(7,076)
Total contributions and distributions	653,081	-	(9,074)	644,006
At 31 December 2019	653,081	7,300	(285,372)	375,008

€'000	Share capital	Reserves	Retained earnings	Total Equity
At 1 January 2020	653,081	7,300	(285,372)	375,008
Net profit	-	-	279	279
Other comprehensive income, net of tax	-	(48,536)	(1,950)	(50,486)
Total comprehensive income for the period	-	(48,536)	(1,671)	(50,207)
At 31 December 2020	653,081	(41,237)	(287,042)	324,802



Condensed consolidated statements of cash flows – 3 months ended 31 December

€'000	2020		2020		2019		2019	
	Non-recurring items	Purchase Price allocation items	Adjusted		Non-recurring items	Purchase Price allocation items	Adjusted	
Operating activities								
Net profit / (loss) before income tax	19,971		3,960	23,930	(166,908)		19,312	173,565
Adjustments for:								
Depreciation of property, plant and equipment and right-of-use assets	8,205		(15)	8,190	9,963			9,963
Amortization of intangible assets	3,874		(3,616)	258	3,944		(3,648)	296
Change in fair value of borrowings and derivatives financial instruments	1,874			1,874	(647)			(647)
Deferred income	936			936	2,487			2,487
Impairment	218			218	558		(558)	-
Share incentive plan	-			-	(1,998)			(1,998)
Unrealized exchange rate differences	(649)			(649)	(2,295)			(2,295)
Profit on disposal of property, plant and equipment, intangible assets, leased assets	(394)		(63)	(457)	(342)			(342)
Financial income	(7,086)			(7,086)	(12,167)		999	(11,168)
Financial expenses	21,602		(265)	21,337	36,908		(9,576)	(396)
	48,551	-	-	48,551	(130,496)		9,178	170,520
Decrease in trade and other receivables, prepaid expenses and derivative financial assets	2,902			2,902	2,716		(868)	1,848
(Increase)/decrease in inventories	(9,576)		-	(9,576)	180,494		(170,520)	9,975
Increase in trade and other payables, accrued expenses and derivatives financial liabilities	34,096			34,096	23,509		(2,248)	21,261
Increase/(decrease) in provisions	776	2,210		2,986	5,405		(6,061)	(657)
Cash generated from operations	76,750	2,210	-	78,960	81,628		-	81,628
Interest received	1,051			1,051	448			448
Interest and bank charges paid	(1,375)		265	(1,110)	(2,433)		396	(2,037)
Income taxes paid	(3,940)			(3,940)	(6,488)			(6,488)
Cash flow from operating activities	72,486	2,210	265	74,961	73,155	-	396	73,551



Condensed consolidated statements of cash flows – 3 months ended 31 December (continued)

€'000	2020			2020 Adjusted	2019			2019 Adjusted
		Non-recurring items	Purchase Price allocation items			Non-recurring items	Purchase Price allocation items	
Cash flow from operating activities	72,486	2,210	265	74,961	73,155	-	396	73,551
Investing activities								
Proceeds on sale of property, plant and equipment, intangible assets	780			780	722			722
Purchases of property, plant, equipment	(1,620)			(1,620)	(3,508)			(3,508)
Purchases of intangible assets	(34)			(34)	(201)			(201)
Cash flow used in investing activities	(875)	-	-	(875)	(2,987)	-	-	(2,987)
Financing activities								
Repayment of borrowings	(2,520)			(2,520)	(40,000)			(40,000)
Acquisition of subsidiaries*	-			-	(27,749)			(27,749)
Proceeds from issuance of new shares	-			-	101			101
Payment of lease liabilities	(4,216)		(265)	(4,481)	(5,545)		(396)	(5,941)
Dividends paid	-			-	(16)			(16)
Cash flow used in financing activities	(6,736)	-	(265)	(7,001)	(73,208)	-	(396)	(73,604)
Change in cash and cash equivalents								
Cash and cash equivalents at the beginning of the period net of bank overdrafts	64,876	2,210	-	67,086	(3,040)	-	-	(3,040)
Effect of exchange rate fluctuations on cash held	178,498	24,096		202,595	147,235	52,315	-	199,550
Cash and cash equivalents at the end of the period, net of bank overdrafts	241,947	26,306	-	268,253	143,474	52,315	-	195,789**

* The acquisition of subsidiaries for the three months ended 31 December 2019 represents the remaining cash outflow for the Oriflame acquisition. 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 – 12 months ended 31 December

For comparative purpose, the financial information for the twelve months ended 31 December 2019 is based on a different scope of consolidation as stated on the first page on the “important clarifying information”.

€'000	2020		2020		2019		2019 Adjusted
	Non-recurring items	Purchase Price allocation items	Adjusted		Non-recurring items	Purchase Price allocation items	
Operating activities							
Net profit / (loss) before income tax	23,059	10,066	29,231	62,356	(276,958)	62,051	315,513
Adjustments for:							
Depreciation of property, plant and equipment and right-of-use assets	34,605		(111)	34,494	39,641		39,641
Amortization of intangible assets	15,349		(14,238)	1,111	8,846	(7,295)	1,551
Change in fair value of borrowings and derivatives financial instruments	(642)			(642)	1,088		1,088
Deferred income	(71)			(71)	(186)		(186)
Impairment	1,210	(112)		1,098	558	(558)	-
Share incentive plan	-			-	(1,756)		(1,756)
Unrealized exchange rate differences	8,748			8,748	(8,585)		(8,585)
Profit on disposal of property, plant and equipment, intangible assets, leased assets	(1,007)		(240)	(1,247)	(2,069)		(2,069)
Financial income	(28,048)			(28,048)	(25,064)	999	(24,065)
Financial expenses	90,678	-	(1,168)	89,510	105,942	(40,660)	(792)
	143,883	9,954	13,474	167,311	(158,543)	20,833	308,424
Decrease in trade and other receivables, prepaid expenses and derivative financial assets	15,385			15,385	3,160	(868)	2,292
(Increase)/decrease in inventories	46,871		(13,474)	33,397	297,278	(308,424)	(11,146)
Increase in trade and other payables, accrued expenses and derivatives financial liabilities	5,558	13,395		18,953	23,379	(2,248)	21,131
Increase/(decrease) in provisions	6,501	2,958		9,459	5,641	(6,062)	(421)
Cash generated from operations	218,197	26,306	-	244,504	170,915	11,655	-
Interest received	2,146			2,146	10,189		10,189
Interest and bank charges paid	(58,921)		1,168	(57,753)	(86,252)	40,660	792
Income taxes paid	(28,058)			(28,058)	(35,452)		(35,452)
Cash flow from operating activities	133,364	26,306	1,168	160,838	59,400	52,315	792
							112,507



Condensed consolidated statements of cash flows – 12 months ended 31 December (continued)

€'000	2020		2020		2019		2019	
	Non-recurring items	Purchase Price allocation items	Adjusted		Non-recurring items	Purchase Price allocation items	Adjusted	
Cash flow from operating activities	133,364	26,306	1,168	160,838	59,400	52,315	792	112,507
Investing activities								
Proceeds on sale of property, plant and equipment, intangible assets	1,105			1,105	1,628			1,628
Purchases of property, plant, equipment	(6,938)			(6,938)	(15,199)			(15,199)
Purchases of intangible assets	(117)			(117)	(2,220)			(2,220)
Cash flow used in investing activities	(5,949)	-	-	(5,949)	(15,791)	-	-	(15,791)
Financing activities								
Proceeds from borrowings	102,520			102,520	816,639			816,639
Repayment of borrowings	(102,520)			(102,520)	(266,432)			(266,432)
Proceeds from issuance of new shares	-			-	279,624			279,624
Acquisition of subsidiaries*	-			-	(817,740)	(22,633)		(840,373)
Payment of lease liabilities	(17,833)		(1,168)	(19,001)	(20,851)		(792)	(21,643)
Dividends paid	(52)			(52)	(67,846)	22,633		(45,213)
Cash flow used in financing activities	(17,885)	-	(1,168)	(19,053)	(76,606)	-	(792)	(77,398)
Change in cash and cash equivalents								
Cash and cash equivalents at the beginning of the period net of bank overdrafts	109,529	26,306	-	135,836	(32,997)	52,315	-	19,318
Effect of exchange rate fluctuations on cash held	143,474			143,474	178,075			178,075
Cash and cash equivalents at the end of the period, net of bank overdrafts	241,947	26,306	-	268,253	143,474	52,315	-	195,789**

* The acquisition of subsidiaries for the twelve months ended 31 December 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 twelve months ended 31 December 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 twelve months period ended 31 December 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 23rd February 2021.

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 twelve months ended 31 December 2020, rent concessions due to Covid-19 pandemic recognized in the income statement amounted to €0.2m.

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	9,834	18,220
Provisions used during the period	(10,921)	(431)	(11,352)
Provisions reversed during the period	(423)	(98)	(521)
Translation	(223)	(124)	(347)
Balance at 31 December 2020	2,910	11,412	14,322

The movements in the restructuring provision during the twelve months ended 31 December 2020 primarily come 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 recognized during the third and fourth quarters 2020.

The group settled a total of €13.2m of restructuring costs (including restructuring costs paid directly during the first quarter of €2.3m) during the year 2020. The remaining balance at 31 December 2020 is expected to be settled during the first half of 2021.

The provision for “Claims & Other” increased by €9.8m during the twelve months ended 31 December 2020 mainly to cover litigations with local authorities in different countries in relation to VAT, customs 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 31 December 2020.

€'000	Interest rate	Year of maturity	Book value	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	273,001	273,001	-
Capitalized front end fees	-	2024	(22,989)	(22,989)	-
Total interest-bearing liabilities			725,012	725,012	-

* Swapped € interest rate 6.450%

The interest-bearing loan of €2.5m with a maturity in 2023 was repaid in advance during the fourth quarter of 2020.