



Press release

29 January 2015

## **Oriflame Cosmetics Q4 2014 update: Sales development in line with previous communication, pressure on operating margin**

As per the press release of December 16, 2014, Oriflame continued to see a positive local currency sales trend in the fourth quarter. Local currency sales for the full fourth quarter grew with 5% for the group, impacted positively by 1% from timing of closing and opening of catalogues which will be reversed in the first quarter of 2015. Local currency sales growth in Russia for the fourth quarter was 7% despite major challenges in the market. The momentum in Latin America continued and the trend in Turkey, Africa & Asia improved further.

The local currency sales for Oriflame's Global Business Areas developed as follows in 2014:

- CIS Q4 +5% and full-year 2014 -4%.
- Europe Q4 -10% and full-year 2014 -18%.
- Latin America Q4 +7% and full-year 2014 +12%.
- Turkey, Africa & Asia Q4 +25% and full-year 2014 +18%.

The high growth regions, representing 36% of group sales in the quarter compared to 28% in the same period prior year, will drive the sales development going forward, while the company continues its efforts to manage the development in Europe and CIS where external challenges are intensified.

Despite the improved local currency sales trend in the fourth quarter 2014, the continued and increased depreciation of some of Oriflame's main currencies led to a negative exchange rate impact of 10%, resulting in a Euro sales decline of 5% for the group in the fourth quarter. Full-year 2014 local currency sales for the group increased by 1% while Euro sales decreased by 10%, negatively impacted by 11% from currencies.

In order to improve the momentum in CIS, investments were made to drive sales and recruitment during the end of the quarter. These investments, together with other factors, put pressure on margins. As a result, the group adjusted operating margin is expected to be just below 8.0% (12.6) for the fourth quarter around 7.5% (10.1) for the full year.

- Currencies impact the adjusted operating margin by approximately -350 basis points in the fourth quarter.
- The abovementioned campaigns were more costly than anticipated as a result of large inflow of consultants and unfavourable exchange rates at the time. The margin impact from these campaigns is approximately -150 basis points for the quarter.
- The quarter four adjusted operating margin is impacted by closure and start-up costs of factories as well as underutilisation of assets of approximately -200 basis points.
- Above negative factors were partly offset by price and mix improvements as well as hedging instruments.
- The adjusted operating margin excludes a net impact of non-recurring items of approximately -40 basis points. The non-recurring items consist of restructuring costs (EUR 2.5m) and VAT costs related to the Russian tax claim (EUR 8.1m), almost fully offset by the gain from sale of manufacturing assets in Sweden and Russia (EUR 9.2m).

Cash flow in the fourth quarter was positive and the net debt at hedged values was reduced to approximately EUR 200m.

Further comments and information will be given in the full-year 2014 report which will be published on February 11, 2015 at 07:15 CET.

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