



Press release

10 June 2019

Statement by the Independent Bid Committee of Oriflame in relation to the public offer from Walnut Bidco

This statement is made by the Independent Bid Committee of the Board of Directors of Oriflame Holding AG (the “**Committee**”) (“**Oriflame**” or the “**Company**”) pursuant to Rule II.19 of the Nasdaq Stockholm Takeover Rules (the “**Takeover Rules**”).

Conclusion

The Committee does not consider the full intrinsic value of the Company to be reflected in the Offer, based on the Committee’s strong belief in Oriflame, the Company’s historic ability to handle challenging market conditions, the current strategy, and Oriflame’s management.

On the other hand, given the development in the Company’s key underlying markets, as continuously communicated by the Company, the Committee is not confident in assuming that the current negative growth trend will turn positive in the near future and is furthermore of the opinion that it may take time for the Company to reach its long-term financial targets with regards to both sales growth and profitability.

The Company’s performance, the challenging market conditions and the risks associated therewith, as well as the difficulty for both the Company and the market to accurately project the Company’s earnings, are all factors that were reflected in the share price of Oriflame before announcement of the Offer. The same factors were reflected in research analysts’ target prices and are also reflected in the fairness opinion by PwC stating that the Offer is fair from a financial perspective.

Based on the above, the Committee has concluded, on balance, that a potential long-term upside in the share price currently does not outweigh the short-to-medium term risks for the shareholders of the Company associated with rejecting the Offer. Accordingly, and in light of a significant premium, the Committee has unanimously decided to recommend the shareholders of Oriflame to accept the Offer.

The Offer

On 22 May 2019, Walnut Bidco Plc (“**Walnut Bidco**”), a newly established company indirectly wholly owned by members of the founding families of Robert af Jochnick and the late Jonas af Jochnick, respectively, and certain closely related parties to them, launched an offer of SEK 227 in cash per Oriflame share (the “**Offer**”). Walnut Bidco controls shares representing 30.82 per cent of the capital and votes in the Company. The total value of the Offer, based on the 39,171,134 shares in Oriflame not directly or indirectly owned by Walnut Bidco or closely related parties, amounts to SEK 8,891,847,418. The Offer values the equity of Oriflame, based on all 56,622,398 outstanding shares, at SEK 12,853,284,346.

The price offered for the shares represents a premium of 34.8 per cent to the closing price for the shares on 21 May 2019 (the last day of trading prior to the announcement of the Offer), a premium of 31.9 per cent to the volume weighted average trading price over the ten calendar days ended on 21 May 2019, and a premium of 29.0 per cent to the dividend adjusted volume weighted average closing price over the three calendar months ended on 21 May 2019.

Walnut Bidco has stated that it will not increase the Offer price of SEK 227 per Oriflame share. Accordingly, the price in the Offer is final under the Takeover Rules.

The offer document regarding the Offer was published on 23 May 2019. The acceptance period commenced on 24 May 2019 and expires on 24 June 2019, subject to any extensions.

Completion of the Offer is subject to customary conditions, including the Offer being accepted to such extent that Walnut Bidco becomes the owner of shares representing at least 90 per cent of the total number of outstanding shares in Oriflame. Walnut Bidco has reserved the right to waive one or several of the conditions, including to complete the Offer at a lower level of acceptance.

The Independent Bid Committee and process undertaken to evaluate the Offer

Being participants in the Offer, Board members Alexander af Jochnick, Anna af Jochnick and Robert af Jochnick have not participated in the Oriflame Board of Directors' evaluation of or resolutions concerning, the Offer. Magnus Brännström, CEO of Oriflame, has elected not to participate for reasons of conflict of interest. The Independent Bid Committee consists of the remaining Board members; Mona Abbasi, Anders Dahlvig, Anna Malmhake, Gunilla Rudebjer, Christian Salamon, and Karen Tobiasen. The Committee has appointed Anders Dahlvig as Chairman of the Committee.

The Committee has engaged Carnegie Investment Bank AB (publ) and Morgan Stanley & Co. International plc as financial advisors to provide assistance in connection with its evaluation of the Offer. The Committee has also engaged Öhrlings PricewaterhouseCoopers AB ("PwC") to provide a fairness opinion regarding the Offer. The fairness opinion is attached to this statement. The Committee has engaged Advokatfirman Vinge KB and Walder Wyss AG as legal advisors in relation to the Offer.

In its evaluation of the Offer, the Committee has taken a number of factors into account which it deems relevant, including, but not limited to, the Company's present strategic and financial position, prevailing market conditions and challenges in the markets where the Company operates, the Company's expected future development and opportunities and risks related thereto, and valuation methods normally used in evaluating public offers for listed companies, including the Offer's valuation of Oriflame relative to comparable listed companies and comparable transactions, premiums in previous public offers on Nasdaq Stockholm, the stock market's expectations in respect of the Company and the Committee's view on the Company's value based on its expected long-term dividend and cash flow generation. In addition, the Committee has considered that Walnut Bidco controls 30.82 per cent of the capital and votes in the Company, and that key members of the founding families are of significant importance to the Company and its consultants.

The Committee has established contact with a variety of potential bidders, both industry players and financial sponsors, with the aim to find a higher offer. The Committee notes that the significant shareholding of the founding families in the Company, their role in the commercial activities of the Company, and their importance to the Company have limited the interest of potential bidders for the Company. Hence, as of the date of this statement, the Committee assesses the likelihood of another bidder launching an alternative offer to be low and thus concludes that shareholders should not expect any additional alternatives to the Offer for shareholders to consider, other than the Company remaining as a publicly traded Company.

Upon written request by Walnut Bidco, the Committee has permitted Walnut Bidco to review limited information for confirmatory purposes in connection with the preparations for the Offer. Walnut Bidco has not received any inside information from Oriflame in connection therewith.

The Independent Bid Committee's recommendation

Background

Oriflame was listed on Nasdaq Stockholm in 2004, with long-term financial targets from 2008 to achieve local currency sales growth of approximately 10 per cent per annum and an operating margin of 15 per cent. The Company has since its listing pursued a strategy – adapted over time as market opportunities have been identified, as continuously and clearly communicated to the public market – to achieve the long-term financial targets. The Board has been fully supportive of the execution of the strategy over time and remains fully supportive of the strategy going forward.

After an initial number of years after the listing with strong growth, a period of slower growth followed and during 2010-2015 the Company reported an average local sales growth of 2 per cent. In 2016 and 2017, growth recovered, with local currency sales increasing by 12 and 11 per cent, respectively. However, in 2018 local currency sales increased by 3 per cent, and the Q1'19 report showed a negative 4 per cent¹ local currency sales development, compared to the corresponding quarter 2018. The local currency sales development in Q2'19 to date as per yesterday is negative by 5 per cent, excluding any timing impact from IFRS. In 2018, the Company reported an operating margin of 11.3 per cent².

¹ Excluding 2 percentage points negative impact related to a one-off IFRS effect.

² Excludes the impact of IFRS 15, IFRS 16 and related accounting alignments.

The Company has previously stated that its future sales growth is dependent on the Company's ability to further penetrate the markets in which it operates, with an emphasis on six strategic markets: Mexico, Russia, Turkey, India, China, and Indonesia.

In the Q1'19 report, Oriflame reported stable profitability at 10.5 per cent operating margin, while recording a decline in local currency sales, as mentioned above. Management noted positive developments in Latin America, Africa, Europe, and most of the CIS markets, but, with the exception of India, continued sales decline in Asia & Turkey, where sales continued to be negatively impacted by challenging market conditions. In addition, Indonesia experienced challenges with offers and recruitment while China was unfavourably impacted by the 100-day review of the health product and direct selling industries conducted by the Chinese government, and Vietnam was negatively affected by the new direct selling legislation.

The share price of Oriflame has over time mirrored the market's prevailing assessment of the earnings and growth prospects of the Company. Following strong reported growth, strong results, and more positive prospects in 2016-2017, the share price increased gradually from SEK 107 in early 2016 to SEK 419 in May 2018. For the remainder of 2018 and in the beginning of 2019 – as the Company reported declining growth and challenges in several of its key markets, including, as communicated, political and regulatory uncertainties – the share price declined to around SEK 200 by the end of 2018, and then continued down to around SEK 170-175 after the release of the Q1'19 report.

The Committee regards the recent decline in the Company's share price, and the collected views of the equity research community with a consensus target price around SEK 185³ per share prior to the announcement of the Offer, as a consequence of the uncertainties perceived by the market surrounding the development in the Company's core markets and the difficulty in determining the timing of the Company's return to growth.

The Offer of SEK 227 per share represents a significant premium to the prevailing share price before announcement of the Offer and the Offer price is also well above the consensus target price of research analysts before announcement of the Offer. The Committee also notes that the Nasdaq OMX Stockholm 30 index has decreased with 1.8 per cent since the Offer was made public. Finally, the Offer is considered fair from a financial perspective by PwC, as expressed in the fairness opinion attached hereto.

Conclusion

The Committee does not consider the full intrinsic value of the Company to be reflected in the Offer, based on the Committee's strong belief in Oriflame, the Company's historic ability to handle challenging market conditions, the current strategy, and Oriflame's management.

On the other hand, given the development in the Company's key underlying markets, as continuously communicated by the Company, the Committee is not confident in assuming that the current negative growth trend will turn positive in the near future and is furthermore of the opinion that it may take time for the Company to reach its long-term financial targets with regards to both sales growth and profitability.

The Company's performance, the challenging market conditions and the risks associated therewith, as well as the difficulty for both the Company and the market to accurately project the Company's earnings, are all factors that were reflected in the share price of Oriflame before announcement of the Offer. The same factors were reflected in research analysts' target prices and are also reflected in the fairness opinion stating that the Offer is fair from a financial perspective.

Based on the above, the Committee has concluded, on balance, that a potential long-term upside in the share price currently does not outweigh the short-to-medium term risks for the shareholders of the Company associated with rejecting the Offer. Accordingly, and in light of a significant premium, the Committee has unanimously decided to recommend the shareholders of Oriflame to accept the Offer.

Effects on Oriflame and its employees

Under the Takeover Rules, the Committee is required to present its opinion of the effects the implementation of the Offer may have on Oriflame, especially employment, and its view on Walnut Bidco's strategic plans for Oriflame and the impact these could be expected to have on employment and on the locations where Oriflame conducts its business. In the offer document, Walnut Bidco states:

³ Consensus target price is computed as the median of five analysts offering target prices of SEK 145, 180, 185, 195 and 270 per share, as collected by the Company in May 2019, following the publication of the Q1'19 interim report and prior to the launch of the Offer.

“... the af Jochnick family’s plans for the future business and general strategy do not currently include any changes, and no decisions have been made with regards to Oriflame’s business model, its management or employees. Pursuant to the current view of the af Jochnick family, terms of employment will not materially change and none of Oriflame’s sites will be affected by any reorganisational measures which are directly linked to the Offer.

The af Jochnick family looks forward to continuing to work with the existing management team at Oriflame and further develop the Company under private ownership and we remain committed to our shareholding in the Company for the long-term.”

The Committee assumes that the above statements made by Walnut Bidco are correct and has no reason to take a different view.

This statement by the Committee shall be governed by and construed in accordance with substantive Swedish law. Disputes arising from this statement shall be settled exclusively by Swedish courts.

Schaffhausen, Switzerland, 10 June 2019

The Independent Bid Committee of the Board of Directors of Oriflame Holding AG

For further information, please contact:

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This is information that Oriflame Holding AG is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the Oriflame Holding AG contact person set out above, at 22:30 CET on 10 June 2019.

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 €1.3 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 Swiss company group listed on the Nasdaq Stockholm Exchange. For more information about Oriflame, please visit www.oriflame.com.

PwC’s fairness opinion statement to the Independent Committee of the Board of Directors of

Oriflame Holding AG
Bleicheplatz 3
CH-8200 Schaffhausen
Switzerland

June 10, 2019

To the Independent Committee of the Board of Directors of Oriflame Holding AG

The Board of Directors of Oriflame Holding AG ("Oriflame" or the "Company") has been informed that the af Jochnick family, through Walnut Bidco Plc ("BidCo"), on May 22, 2019, has announced a public tender offer to the shareholders of Oriflame. The offer entails that BidCo offers a cash consideration of SEK 227 per share in Oriflame ("the Offer"). Öhrlings PricewaterhouseCoopers AB ("PwC" or "we" or "us"), in the capacity as an independent expert, has been assigned by the Independent Committee of the Board of Directors of Oriflame (the "Committee"), pursuant to Rule III.3 of the Nasdaq Stockholm Takeover Rules, to assess the fairness of the Offer from a financial perspective for the shareholders in Oriflame.

Our assessment of the market value has included, *inter alia*, valuation based on the income approach, the market approach, sensitivity analyses, publicly available information about comparable listed firms in similar lines of business as well as historical bid premiums.

As a basis for our assessment, we have reviewed, *inter alia*, the following information:

- a) information from management of the Company through meetings
- b) meetings with financial advisers to the Company
- c) certain internal financial information and presentations from recent years
- d) publicly available information regarding Oriflame, such as annual reports and interim reports
- e) market data including trading activity, share prices and turnover, for the Oriflame share
- f) analysts' reports regarding Oriflame
- g) information from financial databases, such as Bloomberg, Capital IQ and Thomson Reuters
- h) historical bid premiums and publicly available financial conditions for certain comparable transactions
- i) press release including the Offer
- j) other analyses and information that PwC has deemed relevant for this fairness opinion.

We have relied upon the accuracy and the completeness, in all relevant aspects, of the information provided and otherwise made available to us by representatives of Oriflame.

Our opinion is necessarily based on the financial, economic, market and other conditions, as well as the information provided to us, as of the date hereof. Changes in the circumstances mentioned may affect the conditions that have formed the basis of our value assessment, and we do not assume any responsibility for updating, revising or confirming this opinion.

We have not acted as a financial advisor to Oriflame in connection with the contemplated transaction. Our fee for this assignment is not dependent on completion of the transaction.

This opinion is addressed to the Committee for the purpose of serving as a basis for its position regarding the Offer and we do not accept any responsibility for its use for other purposes than this.

Subject to the foregoing conditions and limitations, it is PwC's opinion that the Offer as of this date, from a financial point of view, is fair to the shareholders of Oriflame.

PwC



Jon Walberg
Partner