



natural swedish cosmetics

Press release

13 February 2007

## Oriflame to explore new operational platform

The Oriflame Board of Directors has asked the Executive Committee to investigate the conditions for and consequences of establishing a new operational platform for the Group.

The proposal would constitute a next strategic step and an investment in Oriflame's brand image and unique selling point – Natural Swedish Cosmetics. The purpose of the proposal is to create a lean and more integrated organisation with more powerful product development and shorter lead times, which is vital to the company's continued success and would over time lead to higher profitability.

The proposed platform principally would entail co-locating the Groups' product development and catalogue functions back to Stockholm, Sweden, where the company was founded 40 years ago. The proposal would also entail expanding central logistic hubs in Warsaw, Poland and Moscow, Russia. In addition, the proposal includes investment in R&D capabilities with the establishment of a skin care research centre in Stockholm to further enhance the development of skin care products based on Swedish science and natural ingredients. The proposal also includes a further investment of € 1.5 million in Oriflame's R&D centre in Dublin.

The proposal would involve:

- **Establishing a new Group Support Office in Stockholm** encompassing:
  - **Marketing, Packaging Development and Purchasing**
  - **Catalogue Development**
  - **Supply Chain**
- **Moving Group Finance** from Waterloo, Belgium to the existing management office in Fribourg, Switzerland
- **Moving the Swedish sales function** to the new Group Support Office in Stockholm
- **Moving Quality Assurance** from Dublin to Stockholm
- **Shifting logistics closer to main markets** by moving Central Logistics from Waterloo to Moscow and integrating the Nordic Hub in Malmö, Sweden with the existing Group Distribution Hub in Warsaw
- **Reinforce the Group's online operations** in Stockholm
- And, as a consequence of the above, closing the offices in Waterloo and Malmö.

*"This proposal would be an important step towards realising our vision of making Oriflame the number one beauty company selling direct. We propose taking this strategic step now, in times of success, in order to secure future growth",* says Magnus Brännström, CEO of Oriflame.

Oriflame will now hold information and consultation meetings with the employees' representatives/unions in Waterloo, Malmö and Dublin. If the outcome of these meetings leads to a final decision to implement the proposed operational platform, the changes will take place when the transition of competence can be made in a secure way. The ambition is for the majority parts of the proposed projects to be completed during 2007.

The cost of the proposal is expected to be in the range of € 25-30 million, to be spent over the next two years.

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*Oriflame is an international cosmetics company selling direct, with sales in 59 countries. Oriflame offers a complete range of high quality skincare, fragrances, colour cosmetics, toiletries and accessories, marketed through a Sales Force of independent Sales Consultants. Although the company has grown rapidly it has never lost sight of its original business concept - natural Swedish cosmetics, sold from friend to friend. Oriflame is a co-founder of World Childhood Foundation. Oriflame Cosmetics is listed on the Stockholm Exchange.*