

**Half-Year Consolidated Financial Statement 2015**



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## Consolidated Income Statement

in CHF thousand	1 <sup>st</sup> semester 2015	1 <sup>st</sup> semester 2014
Net revenue from sales of goods and services	60 882	63 560
Other operating income	1 202	4 652
<b>Operating revenue</b>	<b>62 084</b>	<b>68 212</b>
Material costs, licences and third-party services	-26 349	-28 398
<b>Gross result</b>	<b>35 735</b>	<b>39 814</b>
Salaries and wages	-13 746	-13 344
Other operating expenses	-14 780	-16 340
<b>EBITDA</b>	<b>7 209</b>	<b>10 130</b>
Depreciation and amortisation / impairment	-3 047	-2 948
<b>EBIT</b>	<b>4 162</b>	<b>7 182</b>
Financial income	3 513	652
Financial expenses	-6 220	-1 470
<b>Group profit before taxes</b>	<b>1 455</b>	<b>6 364</b>
Income taxes	- 715	-1 045
<b>Net group profit</b>	<b>740</b>	<b>5 319</b>
of which attributable to:		
Non-controlling interests	16	- 187
Owners of the parent company	724	5 506
Earnings per share (in CHF)	0.14	1.06

## Consolidated Statement of Comprehensive Income

in CHF thousand	1 <sup>st</sup> semester 2015	1 <sup>st</sup> semester 2014
Net group profit	740	5 319
Exchange difference	-7 428	- 443
<b>Items that can be reclassified subsequently to i/s, net of tax</b>	<b>-7 428</b>	<b>- 443</b>
Remeasurements of pension plans	- 87	- 340
Tax on remeasurements of pension plans	20	93
<b>Items that cannot be reclassified subsequently to i/s, net of tax</b>	<b>- 67</b>	<b>- 247</b>
<b>Other comprehensive income, net of tax</b>	<b>-7 495</b>	<b>- 690</b>
<b>Consolidated comprehensive income</b>	<b>-6 755</b>	<b>4 629</b>
of which attributable to:		
Non-controlling interests	- 400	- 227
Owners of the parent company	-6 355	4 856

# Consolidated Balance Sheet

## ASSETS

in CHF thousand	30.06.2015	31.12.2014
Cash and cash equivalents	7 832	13 089
Trade accounts receivable	16 954	15 623
Inventories	67 704	69 309
Other receivables	9 972	11 001
<b>Total current assets</b>	<b>102 462</b>	<b>109 022</b>
Property, plant and equipment	36 367	38 678
Intangible assets	67 444	73 531
Other non-current assets	5 084	5 814
Deferred tax assets	4 895	5 141
<b>Total non-current assets</b>	<b>113 790</b>	<b>123 164</b>
<b>Total assets</b>	<b>216 252</b>	<b>232 186</b>

## LIABILITIES AND EQUITY

in CHF thousand	30.06.2015	31.12.2014
Bank liabilities	38 253	35 698
Trade accounts payable	11 652	14 091
Income tax provision	1 974	1 176
Pension fund liabilities	4 945	4 801
Other current liabilities	17 038	21 388
<b>Total current liabilities</b>	<b>73 862</b>	<b>77 154</b>
Other deferred liabilities	1 168	1 677
Provisions	624	815
Long-term financial liabilities	41 392	44 180
Deferred tax liabilities	21 310	23 703
<b>Total non-current liabilities</b>	<b>64 494</b>	<b>70 375</b>
<b>Total liabilities</b>	<b>138 356</b>	<b>147 529</b>
Share capital	1 000	1 000
Capital reserves	9 537	9 537
Retained earnings / other reserves	64 371	70 732
<b>Total equity before non-controlling interests</b>	<b>74 908</b>	<b>81 269</b>
Non-controlling interests	2 988	3 388
<b>Total equity</b>	<b>77 896</b>	<b>84 657</b>
<b>Total liabilities and equity</b>	<b>216 252</b>	<b>232 186</b>

# Consolidated Cash Flow Statement

in CHF thousand	1 <sup>st</sup> semester 2015	1 <sup>st</sup> semester 2014
Group profit before taxes	1 455	6 364
Depreciation and amortisation / impairment	3 047	2 948
Change in pension liabilities	479	408
Change in provisions	- 86	284
Financial expenses	6 220	1 470
Financial income	-3 513	- 652
Other non-cash income / expenditure	924	- 61
<b>Cash flow from operations before change in net current assets</b>	<b>8 526</b>	<b>10 761</b>
Decrease (+) / increase (-) in trade accounts receivable	-4 846	-7 488
Decrease (+) / increase (-) in inventories	-1 430	-7 083
Decrease (+) / increase (-) in other receivables	- 27	-3 115
Increase (+) / decrease (-) in trade accounts payable	- 199	3 566
Increase (+) / decrease (-) in other current liabilities	-3 955	2 727
Interest paid	- 382	- 477
Tax paid	- 27	- 673
Interest received	-	27
<b>Cash flow from business operations</b>	<b>-2 340</b>	<b>-1 755</b>
Sale of shares in subsidiaries	-	569
Investments in property, plant and equipment	-6 722	-4 788
Sale of property, plant and equipment	12	271
Investments in intangible assets	- 477	- 262
<b>Cash flow from investments</b>	<b>-7 187</b>	<b>-4 210</b>
Repayment of current and non-current financial liabilities	-	- 640
Repayment of / reduction in shareholder loans	-1 000	-
Purchase of treasury shares	- 6	- 28
Sale of treasury shares	-	103
Increase in other non-current liabilities	3 045	-
<b>Cash flow from financing activities</b>	<b>2 039</b>	<b>- 565</b>
Exchange differences on cash and cash equivalents	- 324	137
<b>Decrease / increase in net cash and cash equivalents</b>	<b>-7 812</b>	<b>-6 393</b>
Balance of net cash and cash equivalents as at 01. 01.	-22 609	-23 267
Balance of net cash and cash equivalents as at 30.06. <sup>1)</sup>	-30 421	-29 660

<sup>1)</sup> The net cash balance as of 30. June 2015 consists bank asset of TCHF 7 832 and bank liabilities of TCHF -38 253. The bank liabilities move within the granted credit line and due to the current interest situation the loans have no fixed payment date.

## Consolidated Statement of Changes in Equity

in CHF thousand		Share Capital	Capital reserves	Treasury shares	Other reserves	Retained earnings	Total equity		Total equity
							before minority interests	Non- controlling interests	
Balance as at	01.01.2014	1 000	9 537	- 77	-1 799	67 974	76 635	3 294	79 929
Consolidated comprehensive									
income		-	-	-	- 411	5 267	4 856	- 227	4 629
<b>Balance 01.01. to 31.03. 2014</b>		<b>1 000</b>	<b>9 537</b>	<b>- 77</b>	<b>-2 210</b>	<b>73 241</b>	<b>81 491</b>	<b>3 067</b>	<b>84 558</b>
Change of consolidation									
structure		-	-	-	-	-	-	569	569
Purchase of treasury shares		-	-	- 28	-	-	- 28	-	- 28
Sale of treasury shares		-	-	105	-	- 2	103	-	103
Balance as at	30.06.2014	1 000	9 537	-	-2 210	73 239	81 566	3 636	85 202
Balance as at	01.01.2015	1 000	9 537	-	-2 893	73 625	81 269	3 388	84 657
Consolidated comprehensive									
income		-	-	-	-7 012	657	-6 355	- 400	-6 755
<b>Balance 01.01. to 31.03. 2015</b>		<b>1 000</b>	<b>9 537</b>	<b>-</b>	<b>-9 905</b>	<b>74 282</b>	<b>74 914</b>	<b>2 988</b>	<b>77 902</b>
Purchase of treasury shares									
		-	-	- 6	-	-	- 6	-	- 6
Balance as at	30.06.2015	1 000	9 537	- 6	-9 905	74 282	74 908	2 988	77 896

# Notes to the Consolidated Financial Statements

## 1. Accounting Principles

The Consolidated Financial Statements of the Art & Fragrance Group were prepared in accordance with International Financial Reporting Standards (IFRS). Accordingly, the Half-Year Consolidated Financial Statements 2015 for the period ending 30 June 2015 were also prepared in accordance with IAS 34 (Interim Financial Reporting). The Half-Year Consolidated Financial Statements were approved by the Board of Directors on 27 October 2015.

The recording, valuation and consolidation principles applied correspond to the Consolidated Financial Statements as of 31 December 2014. The Half-Year Consolidated Financial Statements 2015 should therefore be read in conjunction with the Consolidated Financial Statements 2014.

The Consolidated Financial Statements of the Art & Fragrance Group are prepared in Swiss francs (CHF). Unless otherwise stated, all figures have been rounded to the nearest CHF thousand.

## 2. Seasonal Influences on Business Activities

The various segments are subject to seasonal influences, which are offset in the overall analysis. The Ultrasun segment, for example, tends to generate higher revenue in the first half (sales of sunscreen products), in contrast to the Lalique segment, which normally sees an increase in revenue in the second half due to Christmas trade.

## 3. Scope of Consolidation

The scope of consolidation of Art & Fragrance as of 30 June 2015 remains unchanged compared to 31 December 2014.

## 4. Income Taxes

Income tax expense is recorded in the Half-Year Results on the basis of the best possible current estimate of the income tax rate for 2014.

## **5. Inventories**

As in the prior-year period, there were no impairments on inventories recorded as expenses.

## **6. Fixed Assets**

From 1 January to 30 June 2015, the Group acquired property, plant and equipment worth CHF 6 722 thousand (2014: CHF 4 788 thousand). The largest positions relate to investments in the renovation and extension of Villa René Lalique in Wingen-sur-Moder.

## **7. Provisions**

Additional provisions of CHF 35 thousand (2014: CHF 447 thousand) were accounted during the first six months of the year 2015. The provisions were reduced by foreign exchange differences of CHF 106 thousand and consumption of CHF 121 thousand.

## 8. Segment Reporting

At the beginning of 2015, the previous segmentation by product (perfume, cosmetics, crystal and jewellery) was changed to brands (Lalique, Ultrasun, Jaguar, Grès, other brands) so that the reporting structure reflects the marketing and personnel synergies and the expanded activities of Lalique (crystal, jewellery, interior design, perfumes, art, co-branding, restaurants and hotels). The figures for the first half of 2014 have been adjusted accordingly for comparative purposes.

### Segment Reporting for the 1<sup>st</sup> Semester 2015

#### Business segments

The table below contains information on the revenues and results, and on the assets and liabilities of the Group's business segments.

in CHF thousand	Lalique	Ultrasun	Jaguar	Grès	Other Brands <sup>1)</sup>	Holding + elim. <sup>2)</sup>	Group
<b>Operating Revenue</b>							
Revenue from sales to external customers	38 909	9 275	5 612	3 284	5 133	- 129	62 084
Revenue from transactions with other segments	513	- 21	- 16	47	2 234	-2 757	-
<b>Total operating revenue</b>	<b>39 422</b>	<b>9 254</b>	<b>5 596</b>	<b>3 331</b>	<b>7 367</b>	<b>-2 886</b>	<b>62 084</b>
<b>EBIT</b>	<b>222</b>	<b>2 225</b>	<b>806</b>	<b>708</b>	<b>219</b>	<b>- 18</b>	<b>4 162</b>
Financial result							-2 707
Group profit before taxes							1 455
Income taxes expense							- 715
<b>Net group profit</b>							<b>740</b>
<b>Assets and liabilities</b>							
Segment assets	153 058	19 916	9 434	11 912	18 930	3 002	216 252
Segment liabilities	98 870	6 699	6 616	3 714	19 207	3 250	138 356
<b>Other segment information</b>							
<b>Investments</b>							
Property, plant and equipment	6 273	-	15	-	349	85	6 722
Intangible assets	204	33	42	-	106	92	477
<b>Depreciation and amortisation</b>							
Property, plant and equipment	2 329	17	62	10	380	2	2 800
Intangible assets	192	7	21	1	25	1	247

<sup>1)</sup> Operating revenue per perfume brand

Parfums Samourai	2 611
Bentley Fragrances	1 744
Art & Fragrance Distribution	274 (in EUR thousand: 259)
Art & Fragrance Services	2 738 (in EUR thousand: 2 588)
segment	7 367

<sup>2)</sup> The "Holding + elim." segment covers the holding and management companies and eliminations. The segment's assets mainly include cash and cash equivalents, long-term receivables of the holding and management companies, and eliminations between the segments. Segment liabilities mainly comprise current liabilities, loans and eliminations.



## Segment Reporting for the 1<sup>st</sup> Semester 2014

### Business segments

The table below contains information on the revenues and results, and on the assets and liabilities of the Group's business segments.

in CHF thousand	Lalique	Ultrasun	Jaguar	Grès	Other Brands <sup>1)</sup>	Holding + elim. <sup>2)</sup>	Group
<b>Operating Revenue</b>							
Revenue from sales to external customers	45 083	8 793	6 571	4 223	3 594	- 52	68 212
Revenue from transactions with other segments	365	- 15	- 16	- 10	2 824	-3 148	-
<b>Total operating revenue</b>	<b>45 448</b>	<b>8 778</b>	<b>6 555</b>	<b>4 213</b>	<b>6 418</b>	<b>-3 200</b>	<b>68 212</b>
<b>EBIT</b>	<b>1 412</b>	<b>3 150</b>	<b>977</b>	<b>754</b>	<b>780</b>	<b>109</b>	<b>7 182</b>
Financial result							- 818
Group profit before taxes							6 364
Income taxes expense							-1 045
<b>Net group profit</b>							<b>5 319</b>
<b>Assets and liabilities</b>							
Segment assets	164 824	20 896	13 151	14 262	20 394	143	233 670
Segment liabilities	101 398	7 081	8 280	4 712	18 351	8 070	147 892
<b>Other segment information</b>							
<b>Investments</b>							
Property, plant and equipment	4 373	-	52	-	363	-	4 788
Intangible assets	205	20	-	-	37	-	262
<b>Depreciation and amortisation</b>							
Property, plant and equipment	2 393	2	47	9	228	2	2 681
Intangible assets	224	3	17	2	20	1	267

<sup>1)</sup> Operating revenue per perfume brand

Parfums Samourai	1 807
Bentley Fragrances	1 405
Art & Frangrance Services segment	3 206 (in EUR thousand: 2 626)
	6 418

<sup>2)</sup> The "Holding + elim." segment covers the holding and management companies and eliminations. The segment's assets mainly include cash and cash equivalents, long-term receivables of the holding and management companies, and eliminations between the segments. Segment liabilities mainly comprise current liabilities, loans and eliminations.

## 9. Transactions with Related Parties

in CHF thousand	30.06.2015	30.06.2014	Type of transaction
Liabilities			
Members of the Board of Directors of Art & Fragrance SA	18	21	Mont-Blanc Resourcing
Loans			
Loan from principal shareholder	29 000	30 244	Loan

in CHF thousands	1 <sup>st</sup> semester 2015	1 <sup>st</sup> semester 2014	Type of transaction
Proceeds from:			
Affiliates under common control	6	6	Rent, insurance
Principal shareholder	3	745	Proceeds from sale of Lalique objects
Expenditure of:			
Members of the Board of Directors of Art & Fragrance SA	62	66	Mont-Blanc Resourcing
	120	488	Interest on loans principal shareholder

Transactions with related parties are settled on an arms's length basis.

## 10. Dividends

In accordance with the motion of the Board of Directors and the resolution passed at the Annual General Meeting held on 26 June 2015 in Zurich, no dividends were paid out.

## 11. Contingent Liabilities

Contingent liabilities are detailed in the Notes to the Consolidated Financial Statements 2014 (Note 29) and have since then remained unchanged, i.e. there are no contingent liabilities.

## 12. Events after the Balance Sheet Date

No significant events after balance sheet date to report.

# Report on the review of half-year condensed consolidated financial statements

## *Introduction*

We have reviewed the half-year consolidated financial statements (consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity, notes to the consolidated financial statements; pages 2 to 10) of Art & Fragrance SA for the period from 1 January 2015 to 30 June 2015. The Board of Directors is responsible for the preparation and presentation of these half-year consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these half-year consolidated financial statements based on our review.

## *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the half-year consolidated financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 “Interim Financial Reporting”.

## **Ernst & Young Ltd**

Alessandro Miolo  
Licensed audit expert  
(Auditor in charge)

Nathalie Balett  
Licensed audit expert

Zurich, 27 October 2015

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