



AD-HOC ANNOUNCEMENT

Art & Fragrance quadruples Group profit to CHF 8.3 million

Zollikerberg near Zurich, 23. April 2012 – Art & Fragrance SA (BX:ARTN), which is active in the creation, development, marketing and worldwide distribution of luxury goods, has more than quadrupled its Group profit to CHF 8.3 million during the 2011 financial year. Despite unfavourable currency developments, the company achieved a very good result, namely in the perfume business as well as in the crystal and jewellery segment which continued to make great progress.

Art & Fragrance achieved a very good result during the 2011 financial year despite the fact that a majority of the company's revenues are in EUR and US\$ and, accordingly, suffered not only as a result of the unfavourable currency situation but also the gloomy consumer sentiment present in countries impacted by the debt crisis. Overall, Group revenues during the reporting year totalled CHF 113.1 million and operating expenses (incl. depreciation and amortisation) amounted to CHF 51.7 million. These figures are comparable with those from 2010 only to a limited extent since the Lalique crystal and jewellery segment has been fully consolidated in Art & Fragrance's financial statements only since 2011. Group operating income (EBIT) increased 87% over the previous year to CHF 12.6 million and Group profit more than quadrupled to CHF 8.3 million.

The perfume segment in particular contributed to the positive overall result. Compared to 2010, revenues declined 3% to CHF 50.9 million as a result of currency movements. Even so, thanks to substantial savings measures and, above all, a significant increase in the gross margin, the company succeeded in boosting EBIT by 75% to CHF 10.9 million and the EBIT margin rose to a solid 21%.

Parfums Alain Delon generated stable revenue in its local currency (-12% in CHF) and experienced just a slightly lower operating result - something that, given the catastrophes in Japan, its principal market, can be seen as a satisfactory development. Jaguar Fragrances increased its revenue by 20% and tripled its EBIT thanks in great part to successful sales of its lines Classic and Classic Black, Classic Amber and Jaguar For Men. As a result of its dependency on the US\$, Parfums Grès experienced a painful 19% decline in CHF revenue on its principal markets in North and South America, although both its gross margin and operating results were given a powerful boost given the inventory adjustments undertaken in the previous year. Nikki Beach Beauty was unable to assert itself on the market and revenues fell far short of expectations. Discussions regarding early termination of the license have begun as a result.

Revenues generated by Lalique Parfums rose by 13% in EUR yet declined by 1% in CHF. Particularly the main lines Encre Noire and Amethyst as well as the newly launched Fleur de Cristal experienced very positive development. Since no inventory adjustments needed to be made compared to the previous period, the gross margin increased substantially; operating expenses were also cut. The operating result was therefore multiplied by a factor of more than five and the operating margin ended the year at over 20%.

During the past year a new exclusive license was concluded with the well-known marque Bentley Motors for the production and global sale of perfumes. Product development is already underway and the first line will be introduced to the public at the Tax Free World Exhibition in autumn 2012. Its global launch is scheduled for spring 2013.

In the cosmetics segment, revenues for Ultrasun suncare products declined 21% (15% in local currencies) to CHF 5.6 million in 2011. EBIT fell by 45% to nearly CHF 0.7 million. This disappointing result is primarily attributable to unfavourable climate conditions in summer 2010 which resulted in distribution partners and retailers being left with excess inventories, some of them substantial, at the end of the year. The segment result was negatively impacted by inventory write-downs at Nikki Beach Beauty.

In the past year, the crystal and jewellery segment of the luxury house of Lalique increased its revenue by 25% to EUR 49.6 million or 12% to CHF 61.2 million, a satisfying increase primarily attributable to the opening of numerous new points of sale as well as other increases in sales in certain key markets. On the other hand, salaries and wages rose due to the loss of synergies from the joint venture dissolved in early 2011 as well as the recruitment of new glass specialists, additional sales staff and new specialists for the areas of jewellery, architecture and interior decorating. Operating expenses rose as a result of investments in the development of promising, newly launched lines of jewellery as well as new product lines in the areas of furniture and interior decoration. The fine jewellery creations were successfully introduced to the public at the World Watch and Jewellery Show BaselWorld in March 2012 and are being internationally launched since. A new electric furnace having been brought into operation in the Wingen factory at the beginning of the reporting year, certain flaws in it became apparent at the outset, and so production did not reach full capacity in 2011. Operating expenses were also negatively impacted by the need to keep the old pot furnaces in operation longer than planned. In the meantime, the necessary steps have been taken to ensure that the new furnace will soon be able to run at full capacity and generate additional revenue. EBIT in the crystal and jewellery segment more than tripled in 2011 to EUR 2.3 million or CHF 2.9 million.

Outlook

Art & Fragrance is in very good shape as a group and therefore optimistic about the future. Nevertheless, the company will remain cautious for the next few months due to continued insecurity regarding market conditions in connection with the debt crisis and the ongoing unfavourable currency situation. In the perfume segment, Art & Fragrance is in a good position to achieve further growth at steadily high margins, particularly thanks to the new Bentley Fragrances line. Lalique's crystal and jewellery segment became more broadly diversified with the addition of attractive product lines in the high-end jewellery and interior decoration segment. Interesting cooperation and production agreements were signed with the celebrated French musician Jean-Michel Jarre and the internationally renowned architect Zaha Hadid. A new logistics centre went into operation in Wingen at the beginning of 2012. At the same time, investments are planned not only in the renovation of the headquarters in Paris and the boutiques in Paris and Cannes but also in a new Internet site with an online shop. Plans also include an expansion of art activities as well as new showrooms for the area of interior decorating and living accessories. Lalique is well on its way to becoming an international lifestyle brand. In the year to come, attention will be largely focused on the growth markets of Southeast Asia and China.

Roger von der Weid, CEO of Art & Fragrance: "2010 saw us return to profitability after restructuring and repositioning Lalique. In 2011 we have now been able to show that we are well on our way to making the most of our potential. Our luxury goods group is an excellent position and, even if market fluctuations can be expected in the short term, we are correspondingly optimistic about the long-term future."



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Art & Fragrance

Art & Fragrance is a niche player in the creation, development, marketing and global distribution of luxury goods, and specialises in perfumes, cosmetics, crystal and jewellery. Founded in 2000, the company employs approx. 430 staff and has its headquarters in Zollikerberg near Zurich. The registered shares of Art & Fragrance (ARTN) are listed on the BX Berne eXchange. You can find further information at www.art-fragrance.com.

Key performance figures for Art & Fragrance

Note regarding consolidation:

Since 1 January 2011, Lalique SA (crystal and jewellery) has been managed as a separate segment and fully consolidated in the financial statements of Art & Fragrance. Prior to this, from 2009, the segment was consolidated according to the equity method. The comparability of the periods is thus limited.

CHF in millions

	2011	2010
Operating revenue	113.1	57.2
Gross profit	61.1	20.6
Salaries and wages	-21.9	-4.8
Other operating expenses	-25.8	-8.3
Income from participation in Lalique SA	–	0.1
Income from revaluation of Lalique SA	3.2	–
EBITDA	16.6	7.6
EBIT	12.6	6.7
EBIT margin	11.1%	11.7%
Financial result	-3.2	-3.2
Net Group result	8.3	2.0

CHF

Earnings per share	1.68	0.41
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CHF in millions

	31.12.2011	31.12.2010
Total equity (after shares with non-controlling interest)	61.1	46.7
Equity ratio	34%	48%

A German version of the complete financial statement for 2011 and a summary report in English for 2011 will be available from mid-May at www.art-fragrance.com.