



**ART & FRAGRANCE**

AD-HOC ANNOUNCEMENT

## **Art & Fragrance announces 2015 half-year results**

*Zollikerberg near Zurich, 29 October 2015 – Art & Fragrance SA (BX:ARTN), which is active in the creation, development, marketing and worldwide distribution of luxury goods, generated operating revenue of CHF 62.1 million in the first half of 2015; this was 9% lower than in the first half of 2014 due to currency conversion effects, but stable in local currency. Net Group profit fell to CHF 0.7 million, due not only to the currency situation, but also to higher project costs, the economic environment in a number of sales regions and lower perfume revenues. The latter decline was mostly caused by staggered procurement and has already reversed by the third quarter of 2015. Art & Fragrance remains confident in its fundamental growth outlook.*

As signalled in the announcement of the 2014 year-end results, conversion effects resulting from the strengthened Swiss franc had an overall negative impact on Art & Fragrance's performance in the first-half 2015. Revenues in the first six months of 2015 fell 9% year-on-year to CHF 62.1 million, but were stable in local currency. Personnel expenses increased 3% to CHF 13.7 million. Cost-cutting measures helped reduce other operating expenses by 10% to CHF 14.8 million, despite higher project costs for group initiatives. Including slightly higher depreciation, costs fell 3% overall. EBIT fell 42% to CHF 4.2 million. Net financial income was CHF -2.7 million, a more than three-fold fall on the year-earlier period and mainly due to currency movements. Net Group profit was CHF 0.7 million in the first half of 2015, compared with CHF 5.3 million a year earlier. On a currency-adjusted basis, net Group profit would have been CHF 3.2 million in the first half of 2015.

At the beginning of 2015, the previous segmentation by product categories (perfumes, 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 presentation of the half-year 2014 figures has been restated for comparative purposes.

Revenues in the Lalique segment were slightly higher in euros and 13% lower in the reporting currency at CHF 39.4 million, the year-earlier period having been affected positively by a legal indemnity payment. After costs, which fell by 11% in total, EBIT was just in the black, compared with CHF 1.4 million in the first half of 2014. Lalique Art – where the launch of Damien Hirst's panels was particularly well received – and Lalique Maison both posted good growth in the reporting period. The crystal and jewellery activities were stable overall, although two sales outlets in Paris were closed. Growth at Lalique Parfums fell compared with the first half of 2014 as a result of the distribution partners' staggered procurement model (so-called phasing-effect) versus linear purchases over the year; the respective decline has already fully reversed in the third quarter of 2015. In terms of markets, the US and Western Europe performed well, while revenues in the Middle East, China and Russia spluttered, largely reflecting adverse local economic conditions. In September 2015, Art & Fragrance opened a luxury hotel, comprising six suites and a restaurant managed by 3-star Michelin chef Jean-Georges Klein, in the "Villa René Lalique" which was originally built in 1920 and is located a short distance from the Lalique factory in Wingen-sur-Moder.



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The Ultrasun segment improved on the prior year's good figures. Revenues grew 5% to CHF 9.3 million year-on-year, increasing by as much as 25% in the UK, which more than offset the slightly weaker markets of China and parts of Switzerland. Due to higher personnel expenses and a considerable marketing outlay, among others for the UK market, EBIT fell to CHF 2.2 million. Ultrasun is set to pursue its growth as the product formulas are constantly improved and new markets are tapped.

Of the other segments, revenues at Jaguar (-15%) and Grès (-21%) were down, partly due to the currency situation but also to staggered procurement. Nevertheless, both brands reported higher gross margins. Jaguar performed particularly well in Germany and Latin America, especially in Brazil. Grès sold well in Asian markets and the Middle East, but suffered a decline in the US, where the relationship with a large distributor came to an end. Most of the other brands managed sizeable growth in revenues in the first half of 2015. Bentley, the youngest brand in Art & Fragrance's portfolio, performed particularly well, driven by 24% growth in revenues and the successful market launch of the new product line "Infinite". After a series of depressed years, Samouraï, one of the first brands in the Art & Fragrance portfolio, achieved an impressive trend reversal with revenue growth of around 45%. Art & Fragrance Services (AFS), the Group's perfume production facility, grew third-party revenues by around 50% in local currency. AFS is in the process of acquiring ISO certification and introducing a new corporate IT system to support acquisitions. Art & Fragrance Distribution (AFD), the company's new proprietary distributor in France, is showing considerable upside potential after a muted start.

### Outlook

Art & Fragrance will continue its strategy and expects to achieve further growth in all its segments (in local currency). Its plans include further diversification at L'Oréal Paris and further expansion in markets such as the Far East and Latin America. The newly opened Villa René L'Oréal Paris is expected to enhance awareness of the L'Oréal Paris brand.

Roger von der Weid, CEO of Art & Fragrance: "The first-half 2015 results of Art & Fragrance were affected by currency translation effects, a more difficult economic environment in some of our sales regions and the impact of staggered procurement in perfumes. However, we believe that the fundamental growth prospects remain positive for all our brands."

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## **ART & FRAGRANCE**

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### **Art & Fragrance SA**

Art & Fragrance is a niche player in the creation, development, marketing and global distribution of luxury goods. Business fields include perfumes, cosmetics, crystal, jewellery, high-end furniture and living accessories as well as art, restaurants and hotels. Founded in 2000, the company employs approx. 550 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](http://www.art-fragrance.com).

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## ART & FRAGRANCE

### Key performance figures for Art & Fragrance (reviewed)

CHF millions

	1st half of 2015	1st half of 2014
<b>Operating revenue</b>	<b>62.1</b>	<b>68.2</b>
<b>Gross profit</b>	<b>35.7</b>	<b>39.8</b>
Salaries and wages	-13.7	-13.3
Other operating expenses	-14.8	-16.4
<b>EBITDA</b>	<b>7.2</b>	<b>10.1</b>
<b>EBIT</b>	<b>4.2</b>	<b>7.2</b>
EBIT margin	6.8%	10.5%
Net financial income	-2.7	-0.8
<b>Net Group profit</b>	<b>0.7</b>	<b>5.3</b>

CHF

<b>Earnings per share</b>	<b>0.14</b>	<b>1.06</b>
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CHF millions

	30.06.2015	30.06.2014
<b>Total equity (before non-controlling interest)</b>	<b>74.9</b>	<b>85.9</b>
Equity ratio	34.6%	36.7%

The complete consolidated financial statements for the first half of 2015 are available at [www.art-fragrance.com](http://www.art-fragrance.com).