



AD-HOC ANNOUNCEMENT

Art & Fragrance announces increase in profits for financial year 2012

Zollikerberg near Zurich, 11 April 2013 – Art & Fragrance SA (BX:ARTN), which is active in the creation, development, marketing and worldwide distribution of luxury goods, increased its net Group profit by 17% to CHF 9.7 million in 2012. Both the perfumes and the cosmetics business as well as the crystal and jewellery segment posted a solid performance in 2012. The integration of filling and logistics company CPS, which was acquired in January 2013, is proceeding well. Art & Fragrance is very well positioned as a Group and optimistic about the future. However, due to the continuing uncertain economic environment, the Group remains cautious regarding its business performance in the short term.

Art & Fragrance made good strategic progress in financial year 2012, generating solid results in a challenging environment still fraught with uncertainty.

Group sales declined by almost 2% to CHF 111.3 million compared with the previous year. At the same time, operating expenses including depreciation and amortisation decreased by 4% to CHF 49.5 million, while operating profit (EBIT) totalled CHF 13.1 million. Excluding the income booked last year from the revaluation of the stake in Lalique SA, this corresponds to an increase of 40% compared with 2011. Net Group profit amounted to CHF 9.7 million in 2012, which equates to a rise of 17%.

Sales in the perfumes segment were down 4% year-on-year to CHF 48.9 million in 2012. By contrast, both the gross and operating margins increased, and EBIT rose by 14% to CHF 12.4 million. Due to the adjustment of certain distribution channels, Lalique Parfums posted 8% lower sales than in 2011, although Russia, the US, Germany and Italy in particular generated higher sales. The main lines Encre Noire and Amethyst again performed well, and the new products Hommage à l'Homme and L'Amour, launched in 2012, got off to a pleasing start. The Samouraï brand, which primarily targets the Japanese market, was affected by the ongoing economic weakness in Japan and posted a decline in royalties, while sales of perfumes remained stable. Thanks to its Classic line and Jaguar for Men, Jaguar Fragrances was able to maintain the 2011 sales level which had significantly increased from the previous year and also generated a striking improvement in profit margin. Parfums Grès performed at a stable level overall, in particular in the Asian, North American and South American markets, which are key for the Cabotine line. The new products from Bentley Fragrances were unveiled in autumn 2012. Following positive feedback, the launch is now in full swing and the first deliveries have been made.

In the cosmetics segment, sales of Ultrasun sunscreen products rose by 17% in 2012 to CHF 6.6 million; the increase is attributable to improved performance in key markets and diversification into new markets such as Italy and China. Both the gross margin and the operating margin increased substantially. Despite higher marketing expenditure, EBIT more than tripled to almost CHF 1.0 million.

Sales in Lalique's crystal and jewellery segment fell by 4% to CHF 59.0 million in 2012, due in part to currency developments. Wholesale earnings stagnated while retail sales increased, partly as a result of the new store concept launched in 2012, which highlights the lifestyle character of the brand and strengthens the Group in its strategy of running more flagship stores in key markets. The launch of the new fine jewellery collection led to a slight increase in the contribution of the jewellery business



to total sales in 2012. As part of the diversification strategy, the first standalone points of sale were opened for the furniture and living accessories range, which was launched in 2011; these have already recorded very promising sales. The gross margin increased slightly year-on-year. At the same time, the negative trend in the operating margin recorded in the first six months of the year, caused by higher personnel and production costs as well as investments in modernising manufacturing processes, was also reversed. Excluding the income booked last year from the revaluation of the stake in Lalique SA, EBIT for the crystal and jewellery segment increased by CHF 0.9 million in the year under review, underlining the progress Lalique has made in the operating business.

Outlook

Art & Fragrance is very well positioned as a Group and optimistic about the future. However, due to the continuing uncertain economic environment, the Group remains cautious regarding its business performance in the short term.

As already communicated in the half-year results, Art & Fragrance is well placed in the perfume segment to achieve further growth at steadily high margins, particularly thanks to the newly launched Bentley Fragrances line. The integration of filling and logistics company Cosmetics Perfumes Services (CPS), which was acquired in January 2013 and is headquartered in Ury, France, is proceeding well. Art & Fragrance intends to use CPS as its single location worldwide for the conditioning and logistics of its perfume lines in order to control this part of its value chain and achieve cost savings. The relocation of the existing finished goods and components stock is currently underway, and the transfer of production, completed in part, has already boosted capacity utilisation to a significant degree. In the cosmetics segment, the focus is on further international expansion.

In the crystal and jewellery segment, deficiencies with the electric tank furnace that was brought into operation in 2011 have been remedied, and the furnace is now running at full capacity. In the next few months, a second press for the production of decanters, glasses and flacons will be installed. The company continues to work on establishing its new Lalique fine jewellery in the key markets, and plans to add to last year's collection with new lines. In addition, online sales through the platform www.lalique.com, which was started in autumn 2012, will be promoted. The B2B segment, in which the Lalique Design Studio has already successfully completed several interior design projects such as the placing of two chandeliers at the Musée d'Orsay in Paris, will be further expanded. The lifestyle store concept will be gradually implemented at further points of sale worldwide, such as Harrods in London, where a new representative showroom will be opened in summer 2013. Finally, the company is planning to open new boutiques, for example at Bal Harbour in Miami, as well as in Shanghai to further strengthen the presence of the Lalique brand in China.

Roger von der Weid, CEO of Art & Fragrance: "We are pleased with the performance posted by all of our business areas in 2012, including the crystal and jewellery segment, where significant investments paved the way for further growth. In the months and years ahead, we want to continue to push forward within our segments into new business areas and markets in order to further enhance our sales and profitability."

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Art & Fragrance SA

Art & Fragrance is a niche player in the creation, development, marketing and global distribution of luxury goods and specialises in perfumes, cosmetics, crystal, jewellery, high-end furniture and living accessories, and art. Founded in 2000, the company employs approx. 500 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

CHF millions

	2012	2011
Operating revenue	111.3	113.1
Gross profit	62.6	61.1
Salaries and wages	-21.1	-21.9
Other operating expenses	-25.6	-25.8
Income from revaluation of Lalique SA	-	3.2
EBITDA	15.9	16.6
EBIT	13.1	12.6
EBIT margin	11.8%	11.1%
Financial result	-1.5	-3.2
Net Group result	9.7	8.3

CHF

Earnings per share	2.00	1.68
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CHF millions

	31.12.2012	31.12.2011
Total equity (after shares with non-controlling interest)	69.9	61.1
Equity ratio	37%	34%

The complete annual report 2012 (in German) as well as summary report 2012 (in English) will be available from mid-May at www.art-fragrance.com.