



ART & FRAGRANCE

AD-HOC ANNOUNCEMENT

Art & Fragrance announces 2014 year-end results

Zollikerberg near Zurich, 23 April 2015 – Art & Fragrance SA (BX:ARTN), which is active in the creation, development, marketing and worldwide distribution of luxury goods, made sound progress in its operating business in 2014. Operating revenue rose by 14% to CHF 135.1 million compared to the previous year. The Group result, which was negatively impacted by a court case involving Lalique in France, amounted to CHF 6.0 million (2013: CHF 5.8 million). Without this case, the Group result would have been 32% higher than in the previous year. Art & Fragrance is confident that it will continue to achieve growth in all segments.

Art & Fragrance made sound progress in its operating business in 2014. Thanks to healthy increases in sales, particularly in the cosmetics and crystal and jewellery segments, operating revenue rose by 14% to CHF 135.1 million compared to the previous year.

Salaries and wages grew by 7% to CHF 28.7 million, mainly due to increases in capacity and corresponding new hires at the filling and logistics firm AFS. Other operating expenses, which increased to CHF 36.4 million, reflect the intense efforts made in retail marketing for perfumes and the marketing costs incurred in order to develop relatively new business areas at Lalique, in particular for additional trade fairs and exhibitions. In addition, in the second half of 2014, Lalique had to pay compensation of EUR 3.4 million to a former joint venture partner in a court case for poaching its employees. Lalique disputes the accusations in the strongest terms. However the Paris Court of Appeal did not accept the appeal lodged against the verdict because the documents were not received at the court registry until after the statutory deadline for making an appeal. Consequently, the appeal was declared void without a substantive examination of the evidence. Art & Fragrance is about to submit a claim for damages against the law firm responsible. Taking into account the minimum insurance cover expected and the provisions made, Art & Fragrance's 2014 financial statements were impacted in the amount of CHF 1.9 million. Depreciation expenses in the perfumes and crystal and jewellery segments increased by a total of 52% due to investments.

After taking into account the payment described above, the Group result amounted to CHF 6.0 million (2013: CHF 5.8 million). Without this unexpected payment, the Group result would have been 32% higher than in the previous year.

In the perfumes segment, where there was a single new launch ("Jaguar Innovation"), sales increased marginally compared to the previous year and the gross margin remained stable. EBIT fell by 14%. The main focus in 2014 was on the smooth integration and now completed restructuring of AFS as well as the associated increases in capacity and their corresponding costs. A comprehensive new enterprise information system is being introduced at AFS in the current year, and ISO certification is being sought. In terms of products, preparations are in progress for the important roll-outs of the novelties at Lalique Parfums and Bentley.

The cosmetics segment increased sales of its Ultrasun sunscreen products significantly in all markets in 2014 and improved revenue by 33% compared to the previous year. The gross margin also increased pleasingly, and EBIT grew by 58%. This result was supported by a more attractive brand identity and a wider range of products.



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Operating revenue in Lalique's crystal and jewellery segment rose by 20% to CHF 73.5 million compared to 2013, which includes one-time gains of CHF 4.2 million. The gross margin remained stable at a high level. Contributions to the significantly improved sales came from the six newly opened boutiques, including those in the US, China and Switzerland, as well as various co-branding activities and the interior design area, with substantial orders for special designs and customised items. While pleasing progress was made in the US market, the political situation in Russia and the Near East slowed sales down. As a result of considerable operating expenses (in particular for the new boutiques, marketing outlay and one-off legal costs, including the above-mentioned payment of EUR 3.4 million) as well as greater depreciation resulting from investments, EBIT fell from CHF 0.2 million in the previous year to CHF -2.3 million. Without the unexpected payment, EBIT would have been CHF -0.4 million.

Outlook

Art & Fragrance expects to achieve further growth in all its segments. The increased strength of the Swiss franc against the euro will have a negative impact on results overall as a result of translation effects. However, negative transaction effects will be largely absent because not only considerable income but also the entire cost of goods for the Group and the majority of the operating costs (Lalique, AFS) are incurred in euros.

Following the successful insourcing of production and logistics, Art & Fragrance is optimally positioned in the perfumes segment and is currently involved in a number of negotiations regarding the acquisition of a new licence or brand. Ultrasun is benefiting from a significant upward trend, and there are plans to introduce even more effective product formulas for 2016. In the crystal and jewellery segment, the current strategy of growth through diversification will be pursued consistently going forward. In addition to jewellery and art, which are to strengthen the global lifestyle brand, considerable growth potential is expected both in the architecture/interior design area and in general as part of co-branding partnerships. In January 2015 a new collaboration was announced with the world-renowned artist Damien Hirst, which will help to establish Lalique in the art scene.

Roger von der Weid, CEO of Art & Fragrance: "We are confident of achieving further growth in all our business areas and of being able to build on the investments made in the perfumes, cosmetics and crystal and jewellery segments. With our global strategy of diversification, we believe we are very well positioned in the luxury goods market with a broad-based target customer group."



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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. 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.



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Key performance figures for Art & Fragrance

CHF million

	2014	2013
Operating revenue	135.1	118.7
Gross profit	78.6	68.8
Salaries and wages	-28.7	-26.8
Other operating expenses	-36.4	-28.1
EBITDA	13.5	13.9
EBIT	6.7	9.4
EBIT margin	5.0%	7.9%
Financial result	0.4	-3.0
Net Group result	6.0	5.8

CHF

Earnings per share	1.30	1.16
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CHF million

	31.12.2014	31.12.2013
Total equity (before non-controlling interest)	81.3	76.6
Equity ratio	35.0%	35.5%

The complete consolidated financial statements for 2014 will be available from end-May at www.art-fragrance.com.