



AD-HOC ANNOUNCEMENT

Art & Fragrance posts improved first-half profit of CHF 4.5 million.

Zollikerberg near Zurich, 30 September 2011 – Art & Fragrance SA (BX:ARTN), which is active in the creation, development, marketing and worldwide distribution of luxury goods, increased its operating profit to CHF 6.3 million and its net Group profit to CHF 4.5 million in the first half of 2011 in spite of unfavourable currency developments. With this result, the Group – which in 2008 acquired and subsequently successfully restructured the renowned French company Lalique – has underlined its positive trend.

Art & Fragrance posted Group sales of CHF 51.6 million in the first half of 2011. Salaries and wages and other operating expenses amounted to CHF 21.3 million, increasing EBIT for the period under review to CHF 6.3 million. Alongside the perfume and cosmetics segment, the 2011 half-year results also include Lalique's crystal and jewellery business which, following the repurchase of a minority stake in Lalique SA, has been managed as a separate segment and fully consolidated in the Art & Fragrance financial statements since the beginning of the year. Comparison with the prior year's results is therefore limited. Due to the repurchase price of this minority stake, Art & Fragrance's net Group profit of CHF 4.5 million includes a revaluation gain of CHF 2.0 million on the stake already held in Lalique SA. The appreciation of the Swiss franc against the euro and the US dollar dented net Group profit in the amount of CHF 1.0 million.

In the perfume segment, sales in the first half of 2011 were practically unchanged on the prior year at CHF 24.5 million, whereas costs fell by 9%. The gross margin improved substantially from 34% to 42%, while EBIT increased by 82% and the EBIT margin climbed from 13% to 24%.

Parfums Alain Delon, whose "Samourai" brand is concentrated almost exclusively on the Japanese market, saw sales slide by 10% in the wake of the natural disasters in spite of successful line extensions, although thanks to cost savings this only had a slight impact on the operating profit. Jaguar Fragrances was able to further increase sales by 13% and also significantly improved its gross margin, with all lines making a positive contribution to this result. Parfums Grès recorded a 6% drop in sales versus the prior-year period where slow-moving inventory sell-outs resulted in higher sales albeit lower profits. As a result, the gross margin increased considerably for the period under review, once again largely on the back of the classic "Cabotine" product line. Sales of the Nikki Beach Fragrances line, which was launched this year, got off to a slow start. Accordingly, focus will be placed on raising the profile of the new brand within the market going forward. Lalique Parfums posted sales in line with the prior year. This corresponds to an increase of 16% in local currencies, with the launch of "Fleur de Cristal" contributing to this result. EBIT rose sharply driven by the higher gross margin.

In the cosmetics segment, sales of the new Nikki Beach sunscreen products remained below expectations as the brand has yet to increase awareness. After getting off to a good start in the spring, sales of the Ultrasun product range were adversely impacted by the poor summer weather, with sales dropping by 9% to CHF 4.6 million compared with the first half of 2010, while costs increased slightly by 2%. Operating profit nevertheless remained practically at the prior-year level thanks to an improved gross margin, while the EBIT margin rose from 29% to almost 32%.



Lalique's crystal and jewellery segment, which was consolidated according to the equity method until the end of 2010, posted sales of CHF 25.1 million in the first half of 2011. In local currencies, this translates into a pleasing 16% increase in sales versus the previous year. Increased energy and raw material costs resulting from the gradual start-up of the new melting furnace at our Alsace based manufacturing site, coupled with investments in expanding the brand in the jewellery segment led to increased costs of CHF 15.6 million and impacted both the gross margin and the operating result. This caused an operating loss for the segment of CHF 0.4 million (prior year: loss of CHF 1.8 million, CHF 0.9 million of which was recorded in the consolidated financial statements as pro-rata income from participations). This nonetheless encouraging development is primarily attributable to the opening of new points of sale, with more to follow in the second half of the year (total for 2011: 15 new points of sale, 13 of which via franchisees). These planned new openings together with the new jewellery collections launched in September and new products lines in the furniture and interior design segment paint a positive outlook going forward. Sales are thus expected to grow further, particularly due to the full order books following September's successful "Maison & Objet" trade fair as well as the fact that 55% of total annual sales are generally generated in the second half of the year. The successful art projects implemented to enhance the traditional prestige of the Lalique brand – such as the recent collaboration with the foundation of the world-renowned French artist, Yves Klein – will be continued.

Roger von der Weid, CEO of Art & Fragrance: "We generated solid results and further improved our net Group profit in the first half of 2011. Our perfume and cosmetic products – which we are continually complementing with new lines and product innovations – are well positioned in the market and extremely popular among both existing and new customers. We further expect to be able to sign a new fragrance license contract in the course of the second semester. We are now poised to reap the benefits resulting from the restructuring and ongoing development of Lalique and exploit the full potential of this traditional brand. We can look to the future with optimism."

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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 has been fully consolidated in the financial statements of Art & Fragrance. Prior to this, from 2009, the segment was consolidated according to the equity method. Comparison between the periods is thus limited.

CHF millions

	1st half of 2011	1st half of 2010
Operating revenue	51.6	29.2
Gross result	28.8	11.1
Salaries and wages	-8.9	-2.4
Other operating expenses	-12.4	-3.9
Income from participation in Lalique SA	-	-0.9
EBITDA	7.5	4.0
EBIT	6.3	3.4
EBIT margin	12.3%	11.8%
Financial result	0.4	-1.9
Net Group profit	4.5	0.1

CHF

Earnings per share	0.9	0.03
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CHF millions

	30.06.2011	30.06.2010
Total equity (after minority interests)	56.6	47.0
Equity ratio	31.6%	47.7%

*) Unaudited.

The complete half-year financial statement for 2011 (in German) is available at www.art-fragrance.com starting 30 September 2011.