



## ART & FRAGRANCE

### AD HOC ANNOUNCEMENT

#### Art & Fragrance announces 2014 half-year results

*Zollikerberg near Zurich, 19 September 2014 - Art & Fragrance SA (BX:ARTN), which is active in the creation, development, marketing and worldwide distribution of luxury goods, reconfirmed in the first half of 2014 the progress it made in the previous year. Operating revenue rose by 23% to CHF 68.2 million thanks to increases in sales in all segments compared to the first half of 2013. The net Group result, which was impacted in the previous period by one-off costs for the integration of the filling and logistics firm acquired in early 2013, more than doubled to CHF 5.3 million. Art & Fragrance is confident that it will be able to continue its growth trend in the second half of 2014 as well.*

Art & Fragrance generated very solid results in the first six months of 2014. Thanks to increases in sales in all segments, operating revenue rose by 23% compared to the first half of 2013 to CHF 68.2 million. Personnel expenses grew by 6% to CHF 13.3 million, mainly due to increases in capacity and corresponding new hires at the filling and logistics firm AFS. Other operating expenses, which increased by 22% to CHF 16.4 million, primarily reflect one-off costs in the crystal and jewellery segment of Lalique as well as higher marketing costs. The overall result was a net Group result that more than doubled to CHF 5.3 million (first half of 2013: CHF 2.4 million).

In the perfumes segment, sales increased by 7% compared to the first half of 2013 to CHF 26.2 million. Gross profit rose accordingly by 5%. The integration and restructuring of AFS is now complete and thanks to increased capacities, around 6 million perfume bottles can now be produced each year. As a result of correspondingly higher personnel expenses (+18%) and slightly greater advertising costs, the operating profit (EBIT) of CHF 4.3 million was 2% lower than in the same period of the previous year.

Lalique Parfums generated 13% growth in sales, which was mainly attributable to the "L'Amour", "Encre Noire" and "Satine" products. The increased presence in the travel retail area contributed to the high sales. Sustained strong growth was generated in the Middle East and the Asian market in particular.

The sales of Jaguar Fragrances remain stable at a high level with attractive sales success in the US and Germany, while sales in Eastern Europe declined due to political instability. The growth-driving products continued to include the "Jaguar Classic" and "Jaguar for Men" lines. In addition, "Jaguar Innovation" was successfully launched in the spring of 2014.

After a declining trend in previous periods, Parfums Grès generated sales growth of 32%. Ongoing price pressure on the classic perfume "Cabotine" led to a slight decline in the gross margin. However, the demand for "Cabotine" and "Madame Grès" was pleasing. Particularly strong growth was generated in the US, Israel and Asia with the help of the new launches of "Lumière Noire" and "Rose".

At Parfums Samourai, revenue (in particular royalties) fell by 34%, which was due to still difficult market conditions in the main market of Japan. The aim in the second half of 2014 is to improve results by increasing the number of new launches.



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Bentley Fragrances has performed well in the just under one and a half years since its launch and was met with strong demand in the Middle East, the UK and Asia in particular. With high-end projects such as an exclusive edition for the department store Harrods, the brand was attractively positioned.

The cosmetics segment continued its successful trend in the first half of 2014 with the Ultrasun sunscreen products. Thanks to a new, more attractive brand identity and an extended assortment with new product formulas, revenues increased by a very good 49% compared to the previous year to CHF 8.8 million. EBIT rose by 92%. Particularly strong growth was generated in China, Italy, the UK, Germany and Switzerland.

The crystal and jewellery segment generated a strong increase in income of 30% compared to the first half of 2013 to CHF 34.2 million. Among other things, the new boutiques in Las Vegas, Miami, Shanghai and Zurich contributed to the significant improvement in revenues. The US market in particular made pleasing progress. The still relatively new Lalique Art and Jewellery segments generated very positive results. While personnel expenses only rose very slightly, operating expenses increased by 33% as a result of higher marketing expenses (in particular participation in exhibitions and trade fairs) and greater legal costs, which were, however, more than compensated for by trial compensation booked to income. Increased investment-related write-downs also contributed to the higher costs. Overall, EBIT improved by 77% to CHF -0.4 million (first half of 2013: CHF -1.9 million).

### Outlook

Art & Fragrance intends to hold its course and expects to keep generating solid growth in all of its segments. After the successful insourcing of production and logistics, Art & Fragrance is optimally positioned in the perfume area and will bolster up its efforts to acquire new brands. Recently, a new partner was granted a license to develop and distribute exclusive hotel amenities under the brand Lalique Parfums. The positive trend will also be continued at Ultrasun and brand recognition will be increased internationally. In the crystal and jewellery segment of Lalique, the current strategy of growth through diversification will be pursued consistently going forward. In addition to the areas of jewellery and art, which are to strengthen the positioning as a global lifestyle brand, considerable growth potential is expected both in the architecture/interior decorating area and in general as part of co-branding partnerships.

Roger von der Weid, CEO of Art & Fragrance: "Art & Fragrance performed very well in the first half of 2014, generated additional growth in all segments and further improved its profitability. We are confident that we will also be able to continue this pleasing trend in the second half of the current year."

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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 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](http://www.art-fragrance.com).

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## ART & FRAGRANCE

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

CHF millions

	1st half of 2014	1st half of 2013
<b>Operating revenue</b>	68.2	55.3
<b>Gross profit</b>	39.8	32.2
Salaries and wages	-13.3	-12.6
Other operating expenses	-16.4	-13.4
<b>EBITDA</b>	10.1	6.2
<b>EBIT</b>	7.2	3.9
EBIT margin	10.5%	7.1%
Financial result	-0.8	-0.5
<b>Net Group result</b>	5.3	2.4

CHF

<b>Earnings per share</b>	1.06	0.49
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CHF millions

	30.06.2014	30.06.2013
<b>Total equity (before shares with non-controlling interest)</b>	85.9	76.8
Equity ratio	36.7%	37.8%

The complete consolidated financial statements for the first half of 2014 are available at [www.art-fragrance.com](http://www.art-fragrance.com).