LALIQUE
GROUP

2017
Annual Report

CONTENTS

Cover:
Lalique Mon Premier Cristal Hirondelles (detail)

MADE BY EXCELLENCE

EXCELLENCE FOR US IS BOTH AN ASPIRATION AND A PROMISE. IT IS FOUNDED ON THE CREATIVITY AND EXPERIENCE OF OUR STAFF AND LONG-STANDING PARTNERSHIPS WITH RENOWNED SUPPLIERS. WE CONSTANTLY REINVENT IT BY DEVELOPING UNIQUE PRODUCTS OF UNSURPASSED QUALITY. IT IS UNDERPINNED BY A WELL-STRUCTURED DISTRIBUTION STRATEGY AND EXPRESSED IN THE WAY WE COMMUNICATE.

WE STRIVE TO ACHIEVE OUR GOALS WITH ENTHUSIASM AND COMMITMENT, DRIVEN BY THE AMBITION TO BE A RELIABLE AND EFFICIENT PARTNER AND AN EXEMPLARY COMPANY IN EVERYTHING WE DO.

"WE CAN CONTINUE TO BUILD ON OUR BROAD BUSINESS BASE"

Lalique Group achieved solid growth in the 2017 business year and increased earnings. An interview with Board Chairman Silvio Denz and CEO Roger von der Weid.

How did Lalique Group perform during the past year?

Silvio Denz: Thanks to our diversified business model we continued to make good progress. In 2017 we invested across the broad spectrum of our businesses, further strengthening our base for continued growth. We also unified the market presence of our group of companies. This will enable us to make even more effective use of the high level of international awareness enjoyed by our main brand, Lalique, which celebrates its 130th anniversary this year.

Roger von der Weid: Lalique Group continued to develop well in 2017, and we are pleased overall with the sales achieved. We saw solid growth in the perfume and cosmetics business as well as in crystal and interior design.

What is your assessment of the business results for 2017?

RvW: The results were in line with our expectations. Operating revenue grew year on year by 4% to EUR 128.8 million. Personnel costs also increased by 6%, mainly as a result of continued business expansion, while operating expenses decreased by 2%. Below the line, the operating result rose to EUR 7.5 million compared with EUR 3.6 million in 2016, although in that year the result was adversely affected by an extraordinary impairment. Group net profit increased year on year from EUR 1.0 million to EUR 6.9 million, with a positive tax effect recorded in 2017.

So much for the Group results; tell us about the various segments. What were the results in the segment with the main brand Lalique?

RvW: The performance in the Lalique segment was variable across the various businesses. The crystal business saw modest growth, while Lalique Art grew strongly. At Lalique Parfums we consciously accepted a decrease in sales as part of the market consolidation which had become necessary to ensure a consistent global brand positioning. Below the line, segment sales fell by 4% to EUR 77.6 million. Costs were down by 6% overall, taking into account the extraordinary impairment of EUR 1.7 million in 2016. As a consequence, the operating result in 2017 amounted to negative EUR 0.5 million, which still represents significant progress compared with 2016.

SD: I would like to emphasize that the art segment, as mentioned, turned in a very positive performance. As previously in 2015, the collaboration with artist Damien Hirst proved really worthwhile. His collection has been well received by customers, and Lalique Art was able to raise its profile further through the renewed collaboration with the artist. Furthermore, the two hotels and restaurants made a significant contribution to brand awareness, and that is already having a positive medium-term impact on the business. Certain of our investments are committed with a long-term focus and we are prepared to accept a negative effect on the result in the short term—particularly as the consequence of start-up losses and write-downs.

“THE COLLABORATION WITH ARTIST DAMIEN HIRST PROVED REALLY WORTHWHILE.”

"WE AIM TO FURTHER BROADEN LALIQUE GROUP'S BASE WITH SELECTED INVESTMENTS AND COLLABORATIVE VENTURES."

Silvio Denz, Chairman of the Board of Directors

How did the other segments perform?
RvW: Sales of Ultrasun rose by a gratifying 19% in 2017 to EUR 13.0 million, amongst other reasons thanks to the clear focus on the dermatology sector and pharmacy sales channel. At the same time, the newly launched formulations made it necessary to remove old stocks from the range; this had the effect of squeezing margins and the operating result therefore declined slightly year on year. In the other segments, the Jaguar brand in particular turned in a very positive performance and achieved marked sales growth, while the other segments and brands remained largely stable. For its part, Lalique Beauty Services, our perfume filling and logistics operation in France, recorded a positive performance in 2017. An extension to the logistics centre is now operational, doubling storage capacity, and further investments are currently on the way to increase production capacity as well. As a result we will be well placed to manage further growth in our perfume business, both organic and external.

What other important steps were taken in 2017?
RvW: The partnership with Singapore Airlines, which we announced in 2017, has considerable potential. Since January 2018, the airline has been offering its passengers in the Suites and First Class an exclusive selection of innovative Lalique amenity kits, toiletries and other luxuries such as fragrances, loungewear, bedding and glassware. This partnership with one of the world's leading airlines will give a further boost to brand awareness, especially in the Far East.
SD: At the end of 2016 and early in 2017 we were also able to broaden our investor base through the addition of strategic shareholders with a long-term orientation. The funds invested are committed entirely to the Group's growth. As a result, we are in a strong position to invest in new markets and push ahead with developing the business.

"THE PARTNERSHIP WITH SINGAPORE AIRLINES WILL GIVE A FURTHER BOOST TO BRAND AWARENESS, ESPECIALLY IN THE FAR EAST."

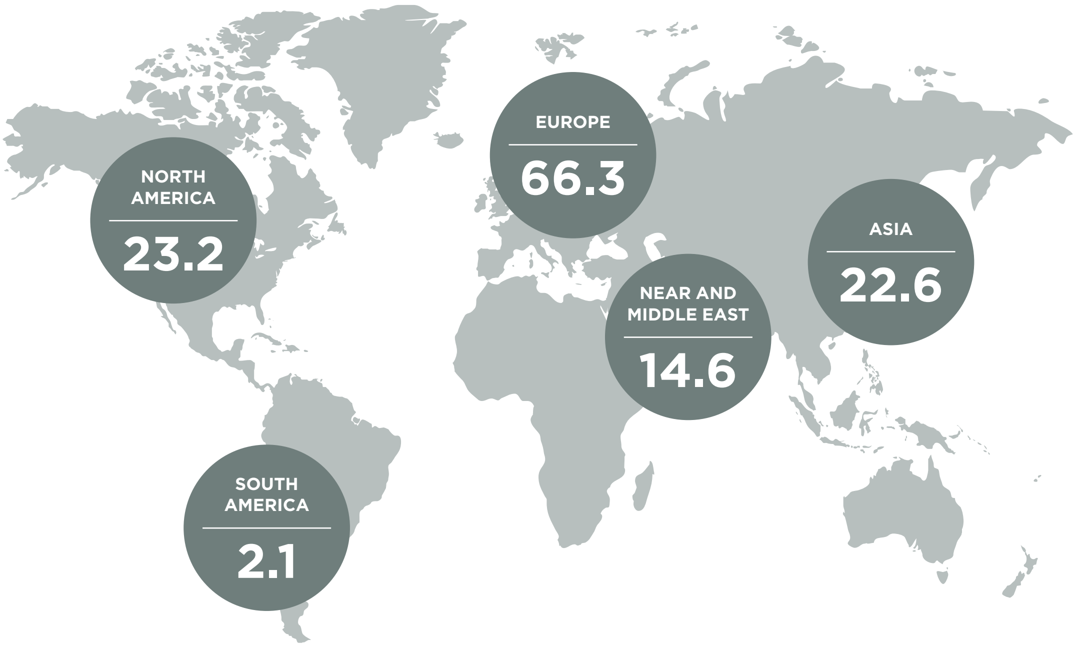
Roger von der Weid, Chief Executive Officer

The Group has made name changes over the last two years. Is the process now complete?
RvW: Yes. In 2016 we changed the name of the Group's top-level holding company to Lalique Group in order to make the most effective use of the international reputation of the main Lalique brand. For the same reason and to unify the market presence of the whole Group we changed the name of the perfume and cosmetics business, previously called Art & Fragrance, to Lalique Beauty. This change has been very well received in international markets.
SD: Now we have a unified market platform—as Lalique Group with two divisions, Lalique Beauty and Lalique, in which our crystal and jewellery business and the hospitality and gastronomy sector are consolidated.

What is the outlook for 2018?
RvW: We are confident that our business areas will develop positively on the whole in 2018. To mark the 130th anniversary of Lalique we successfully launched a collection in spring with "Hirondelles" (swallows) as the leitmotif. The Interior Design sector also has a number of highly promising projects in the pipeline. We look forward to further positive momentum being generated across the entire Asian region by the new sales company serving the Japanese market, where the Lalique brand has enjoyed an excellent reputation for decades. In the beauty division, we are assuming that Lalique Parfums and Jaguar Fragrances will progress and that Ultrasun will increase its performance, with a flying start particularly in the Far East. Last, our external growth potential is still intact. All in all, we look to the future with optimism, knowing that we will not run out of work—quite the opposite.
SD: Lalique Group is developing well with its strategy and we expect further moderate growth in 2018. Our global strategy of diversification places us in a strong position in the luxury goods market with a broad-based target clientele. We are in no doubt that we will be able to continue building on the investments already committed and we aim to further broaden Lalique Group's base with selected investments and collaborative ventures. Judging by the share price trends in recent months this strategy is being well received by our shareholders.

LALIQUE GROUP AT A GLANCE

REVENUE BY REGION
in EUR million



POINTS OF SALE

Lalique

700

Beauty Division

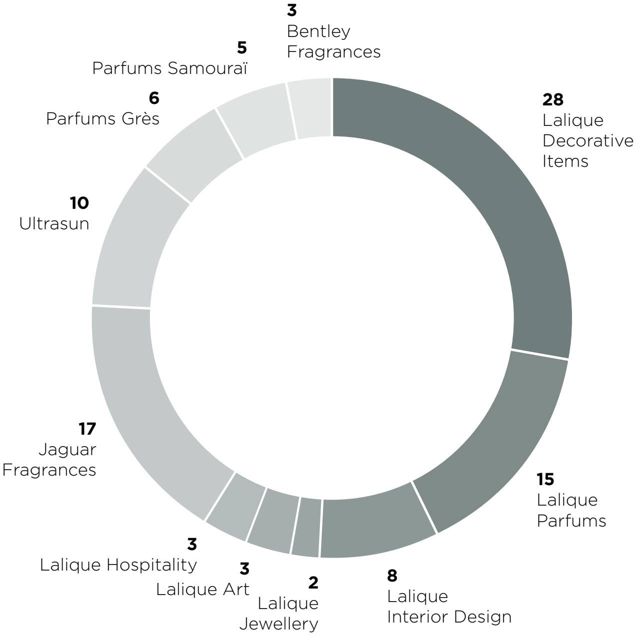
13 500

REVENUE BY BRAND
in EUR million

Total revenue in EUR million	**Total Lalique** in EUR million	**Total Jaguar Fragrances** in EUR million
128.8	76.8	21.8
Total Ultrasun in EUR million	**Total Parfums Grès** in EUR million	**Total other brands*** in EUR million
13.0	5.9	11.4

* Parfums Samouraï, Bentley Fragrances, Parfums Alain Delon, Lalique Beauty Services, Lalique Beauty Distribution

REVENUE BY BUSINESS
in %



KEY FIGURES

Revenue
in EUR million

128.8
123.6 (2016)

EBIT
in EUR million

7.5
3.6 (2016)

Net Group result
in EUR million

6.9
1.0 (2016)

Equity
in EUR million

93.2
89.3 (2016)

Equity ratio
in %

40.6
41.5 (2016)

Net debt
in EUR million

77.2
65.0 (2016)

EBIT margin
in %

5.8
2.9 (2016)

Number of employees

653
613 (2016)

SHARE STATISTICS

Share Information

Symbol	LLQ
VALOR	3381329
ISIN	CH0033813293

The registered shares of Lalique Group are listed on the BX Berne eXchange

Earnings per share
in EUR

1.40
0.39 (2016)

Equity per share
in EUR

18.69
17.97 (2016)

Share price high
in CHF

49.00
28.00 (2016)

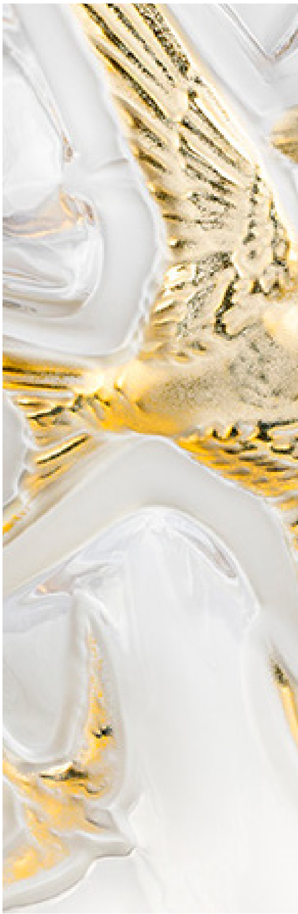
Share price low
in CHF

26.50
19.00 (2016)

CELEBRATING 130 YEARS OF LALIQUE

LALIQUE 1888–2018: TO CELEBRATE THE 130TH ANNIVERSARY OF THE MAISON, THE NEW COLLECTION TAKES US TO THE HEART OF THE ILLUSTRIOUS HERITAGE BUILT BY ITS FOUNDER. THROUGH HIS WORK, RENÉ LALIQUE EXPLORED THE DECORATIVE POSSIBILITIES OF FLORA, FAUNA AND THE FEMALE FORM. THE SWALLOW WAS A PARTICULAR INSPIRATION. HE MADE IT THE CENTREPIECE OF MANY OF HIS JEWELLERY CREATIONS AND DECORATIVE OBJECTS.

WITH ADMIRATION AND RESPECT FOR THIS SUPREME ARTIST, LALIQUE HAS REINTERPRETED THE EMBLEM OF THE SWALLOW, SYMBOL OF HAPPINESS AND FREEDOM.



LALIQUE CRYSTALLIZES NATURE AND INVITES US TO ADMIRE ITS BEAUTY.

Lalique can look back with pride on a wonderful tradition. One hundred and thirty years of savoir-faire and creative excellence in the French “Art of Living”, producing timeless creations: art objects, light fixtures, furniture, jewellery, fragrances and more.

Directly inspired by one of René Lalique’s creations, this vase depicts the beauty of swallows taking flight.

Hirondelles
Clear and gold-stamped grand size vase—Limited edition of 130 pieces

1860

Birth of René Lalique at Aÿ in the Champagne region of France.

1888

René Lalique registered his initials RL as a hallmark and engraved the letters into the original works created in his name.

1890

René Lalique's jewellery enjoyed great success with the public. He installed his third studio at 20 rue Thérèse in Paris.

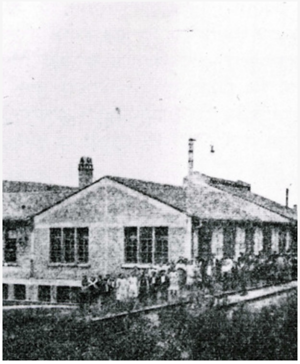
1900

René Lalique participated in the Universal Exhibition in Paris, marking the climax of his career as a jeweller. His mission, in his own words, was "to create something never yet seen", and it led to his being dubbed the "inventor of modern jewellery".

1907

The perfumer François Coty was enchanted by René Lalique's creations and invited him to place his talent at the service of perfumery. The work they did together revolutionized the perfume industry, making it possible for the first time to present fragrances in attractive flacons at affordable prices.

1921



René Lalique built his glassworks La Verrerie d'Alsace at Wingen-sur-Moder, in the heart of a region with a long-standing glassmaking tradition.
To this day it is the world's only Lalique factory.

1925

The International Exhibition of Modern Decorative and Industrial Arts held in Paris in 1925 marked the zenith of René Lalique's career as a glassmaker and the triumph of Art Deco.

1929

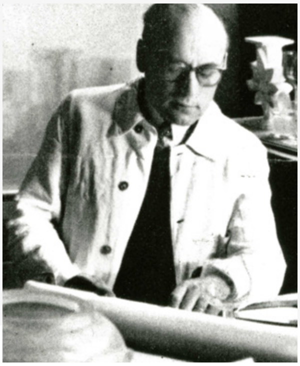
René Lalique created the décor for the carriages of the Côte d'Azur Pullman Express and undertook wide-ranging interior decoration projects.

130 YEARS OF LALIQUE

1935

René Lalique opened his Lalique boutique at 11 Rue Royale in Paris. He was also involved in the interior decoration of the ocean liner Le Normandie. He had already decorated the salons of the renowned fashion designer Madeleine Vionnet, created the glass doors for the residence of Prince Yasuhiko Asaka in Tokyo, and designed the fountains that ornament the roundabout of the Champs-Elysées.

1945



Death of René Lalique. His son Marc Lalique took over the House of Lalique and ushered in the era of crystal.

1977

Marie-Claude Lalique, Marc's daughter, took over as head of the company. She revived the creation of jewellery and developed a line of perfume flacons.

1992

Launch of the first fragrance for women: Lalique de Lalique.

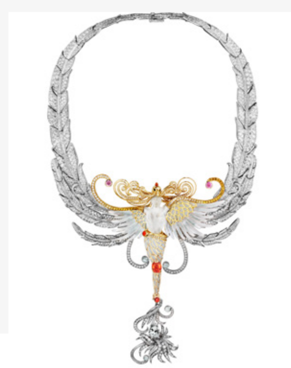
2008

Art & Fragrance, a Swiss group headed by Silvio Denz, acquired Lalique with the ambition of developing and diversifying its activities worldwide. Art & Fragrance was subsequently renamed Lalique Group.

2011

Opening of the Lalique Museum at Wingen-sur-Moder. It exhibits more than 650 works—from jewellery through glass to today's crystalware—created by René Lalique and his successors. Launch of Lalique Art with the creation of La Victoire de Samothrace, Yves Klein by Lalique.

2012



Historic revival of Haute Joaillerie ("high jewellery") and Lalique jewellery initiated by the Sacred Fire Odyssey. Lalique returns to the roots of its founder, the master jeweller René Lalique.

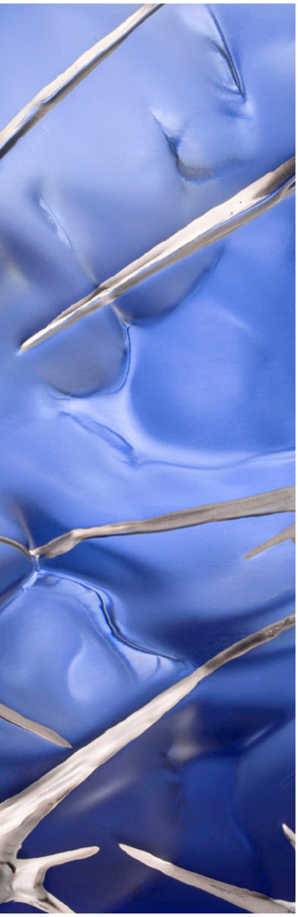
2015

Opening of Villa René Lalique at Wingen-sur-Moder in Alsace. Today, it is home to an ultra-refined five-star hotel and a gourmet restaurant with two Michelin stars.

NATURE REMAINS AN ENDLESS SOURCE OF INSPIRATION FOR LALIQUE.

Sculpted from satin-smooth crystal, a flock of swallows with wings unfurled signals the start of a long journey to freedom. Like a homage to migrating swallows on the water's surface, ÉDITION JUBILÉ 130 ANS—PLATINE evokes ethereal turbulence in the wake of powerful flight. Carried by the wind, the earthy aromatic notes mingle with the invigorating freshness of sea air.

Édition jubilé 130 ans
Sapphire blue and platinum-enamelled crystal scented candle—Limited edition of 130 pieces



THE PIECES ARE METAMORPHOSES OF THE CREATIVE TALENTS OF THE LALIQUE'S BRILLIANT CRAFTSMEN.

Fashioned in satin-finished and re-polished crystal, emblematic of Lalique, the swallows are juxtaposed in a repeating graphic pattern.

Hirondelles
Clear medium-sized vase

OUR BUSINESS MODEL AND STRATEGY

A SUCCESSFUL NICHE PLAYER IN LUXURY GOODS

AS A SUCCESSFUL NICHE PLAYER IN THE LUXURY GOODS SECTOR, LALIQUE GROUP SPECIALIZES IN THE CREATION, DEVELOPMENT, MARKETING AND GLOBAL DISTRIBUTION OF BRANDED PRODUCTS. ITS BUSINESS AREAS COMPRISE PERFUMES, COSMETICS, CRYSTAL, JEWELLERY, HIGH-END FURNITURE AND LIVING ACCESSORIES, AS WELL AS ART, GASTRONOMY AND HOSPITALITY.

PAST TO PRESENT

The Group, based in Zurich, was founded in 2000 by Silvio Denz and floated on the Berne stock exchange (BX Berne eXchange) in September 2007. In June 2016 the Group's holding company, Art & Fragrance SA, changed its name to Lalique Group SA. In early 2007, the Group secured its entry into the cosmetics industry through the acquisition of Ultrasun, a high-end Swiss company in the suncare sector. In February 2008, the Group acquired Lalique SA, a company rich in tradition which specializes in decorative crystalware, interior décor, perfumes, jewellery and art. With this acquisition, the Group completed a significant step in its expansion and extended its activities into the perfume sector and the luxury goods business. Lalique Group holds 95% of the capital of Lalique SA, while the remaining shares are held by private investors.

In late January 2013, Lalique Group took over a French perfume filling and logistics company. The in-sourcing of production activities and logistics services ensures optimum control of this part of the value chain. In 2015, Villa René Lalique opened at Wingen-sur-Moder in Alsace—a five-star hotel and gourmet restaurant with two Michelin stars. This was followed by the opening of the four-star hotel Château Hochberg. Together the two hotels form the most recently added pillar of Lalique's activities: "Gastronomy and Hospitality". Lalique Group is holding firmly to its expansion course and remains interested in new brands and licences, especially in the perfume sector.

Lalique Group's portfolio includes the following brands:

- Lalique (brand acquired in 2008)
- Jaguar Fragrances (licence acquired in 2002)
- Parfums Grès (licence acquired in 2001; brand acquired in 2007)
- Parfums Samouraï (licence acquired in 2000; brand acquired in 2007)
- Bentley Fragrances (licence acquired in 2011)
- Parfums Alain Delon (licence acquired in 2000; brand acquired in 2007)
- Ultrasun (brand acquired in 2007)

A SUCCESSFUL NICHE PLAYER

Lalique Group identifies as a niche player in an industry dominated by multinationals and global luxury goods suppliers. The company's recipe for success is based on its special expertise and the wealth of experience of its employees and key partners in the following areas:

- Realignment and further development of a global luxury brand such as Lalique
- Establishment and international consolidation of brands such as Bentley Fragrances
- Brand building, with a particularly strong focus on selected markets, such as the Samouraï line of perfumes in Japan and other Far Eastern countries
- Repositioning of brand images, for example the modernization of the Jaguar Fragrances brand following acquisition of the licence
- Professional management of global brands such as Parfums Grès
- Identification of potential and acquisition of new brands, also for the purpose of exploiting synergies in the perfume and cosmetics segments

LALIQUE'S PRESTIGIOUS OFFERING HAS EVOLVED TO ENCOMPASS SIX MAIN PILLARS—THE MOST RECENT ONE BEING "GASTRONOMY AND HOSPITALITY".

BUSINESS MODEL

1. LALIQUE

1.1. CRYSTAL DECORATIVE ITEMS

Since 1921, the Lalique factory located in Wingen-sur-Moder has passed on the traditional know-how of the glassmaking industry, for which the Alsace region is renowned. Handed down from generation to generation, this expertise forges the identity of each creation. The hand of both artist and craftsman shapes every object, conveying a rich artistic heritage. The Lalique style flows from an artistic gesture that transforms a drawing into crystal. The style is expressed through the manual modelling of shapes and décors as if sculpted, the richness of the figurative details, and the different types of finish which create a characteristic contrast of clear and satin-finished crystal. A particular highlight is the casting of sculptures using the lost-wax casting process. Lalique's expert glassmakers are among the very few who still master this difficult and artistic technique. Each design—inspired by the female form, fauna or flora—is infused with a strong Art Nouveau or Art Deco influence.

THROUGH ARTISTRY AND CRYSTAL GLASS FUSION AT 1400°C, LALIQUE METAMORPHOSES RAW MATERIALS INTO UNIQUE WORKS OF ART.

1.2 INTERIOR DESIGN

Precision craftsmanship applied to bold designs

Lalique sails on the most prestigious yachts, illuminates contemporary interiors, highlights open spaces, inspires eclectic styles and breathes new life into venerable châteaux. Lalique Maison offers Art Deco-inspired pieces of furniture and luxurious home accessories, born of the company's creative partnership with Green & Mingarelli Design agency. Pierre-Yves Rochon, the great French interior decorator and designer, has also created the "Signature" interior design collection for Lalique.

Throughout the world, the Lalique Interior Design Studio offers designers, architects and individuals the possibility to develop tailor-made unique creations to enrich their projects with a distinctive Lalique signature.

1.3 JEWELLERY

Each piece of Lalique Jewellery tells a story grounded in René Lalique's avant-garde vision and legacy

The strategy for jewellery consists in achieving a synthesis between tradition and innovation. Capitalizing on its impressive heritage, iconic motifs, designs and savoir-faire, Lalique jewellery has reinvented itself with a modern twist. When fashioning pieces from crystal, metal, gemstones, enamel or lacquer, our craftsmen and partner workshops uphold the highest standards of excellence.

The catalogue has been streamlined with a clearer focus and is undergoing continuous development to attract new customers. New product lines—inspired by the female form, fauna and flora, and with strong Art Nouveau and Art Deco influences—are being continuously added to the collection.

1.4 ART

Where art and crystal meet

Lalique Art places the expertise of Lalique at the disposal of major contemporary artists, designers with flair, and cultural foundations. Lalique Art offers artists new inspirations and motifs, using the interplay of light, transparency, colour and contours.

THE ENTIRETY OF LALIQUE ART'S COLLABORATIONS WILL BE PRESENTED AS THE TEMPORARY EXHIBITION AT MUSÉE LALIQUE IN ALSACE FROM APRIL TO NOVEMBER 2018.

In recent years, Lalique Art has created outstanding crystal artworks based on sculptures by Yves Klein (Victoire de Samothrace and Terre Bleue) and Rembrandt Bugatti, it has begun to develop a crystal architecture collection with international architects Zaha Hadid and Mario Botta and collaborated with contemporary artists of world renown such as Damien Hirst, Anish Kapoor, and Terry Rodgers.

The entirety of Lalique Art's collaborations will be presented as the temporary exhibition at Musée Lalique in Alsace from 27 April to 4 November 2018.

Lalique Art is currently collaborating on several major new projects. Lalique's aspiration in developing these partnerships is to become a leading partner in the art world.

1.5 PARTNERSHIPS AT THE HIGHEST LEVEL

Lalique also engages in co-branding projects in partnership with selected brands of distinction and leaders in their field. Co-branded items combine the know-how and expertise of both Lalique and its partners and are often produced in limited editions.

THE SUB-HOLDING COMPANY LALIQUE BEAUTY OPERATES WITH LEAN STRUCTURES AND THEREFORE BENEFITS FROM SHORTER DECISION-MAKING PROCESSES THAN MANY OF ITS COMPETITORS.

2. PERFUMES

Lalique perfumes are world famous for their fragrances as well as the design of their bottles

Art & Fragrance Services—which was renamed Lalique Beauty Services in 2017—is the Group's world production and logistics hub for perfumes.
The sub-holding company Lalique Beauty operates with lean structures and therefore benefits from shorter decision-making processes than many of its competitors.
The development lead time for new products at Lalique Beauty generally takes four to six months for special editions and line extensions, and twelve to eighteen months for new product lines. In terms of time to market, this makes the company one of the industry leaders.

From original idea to finished product

Lalique Beauty is committed to professional, efficient project management in its product development operations: the teams responsible define the brand strategy and the related product concept, commission external specialists to create the fragrance and the design of the perfume bottle and packaging, and finally decide on the advertising and marketing material before the products are ready for distribution. Components are procured from leading suppliers and manufacturers. Lalique Beauty ensures quality control along the entire value chain. International distribution is meanwhile organized via a worldwide network of independent distribution partners and agents. In this way, the most effective partner for the commercialization of each market and brand can be selected to ensure the greatest possible market penetration.

3. ULTRASUN

Ultrasun is constantly launching innovations and reformulated advanced UV and sun protection, driven by in-house formula expertise and external Swiss manufacturing support. The brand commands a leadership position in the market thanks to its unmatched formulations, which are free of any controversial ingredients.

In the UK, its key market, Ultrasun plays an important role in TV shopping (QVC), department stores and online.

Both in Switzerland and internationally, Ultrasun's highly skin-friendly formulations are increasingly shifting the brand's distribution focus towards the pharmacy and dermatology channels.

After western Europe, international expansion is focussed on countries and regions with all-year-round sunshine (e.g. UAE, Bahrain, Maghreb and Egypt) as well as markets with a high awareness of the need for daily UV protection (e.g. Hong Kong, Japan, Taiwan and South Korea).

STRATEGY

Maintenance and optimization of existing brand portfolio

Lalique Group constantly pursues the optimization and further development of its brand portfolio. In particular, this involves continuous brand development through the launch of new product lines, as well as extension of existing product ranges, optimization of sales channels and opening up new markets. Lalique Beauty Services, the production company with headquarters in Ury (France), implemented a new filling line in 2016. This line increased filling capacity in 2017 by 5 to 12 million units. The storage capacity was doubled through the extension of its logistics centre in 2017. Lalique Group is well placed to achieve further growth with broad and stable margins, especially in its perfume business.

Expansion of brand portfolio

Lalique Group aims to secure further growth and plans to incorporate new brands into its portfolio in the future. Acquisition opportunities arise from the granting of new licences by up-and-coming brands, and as a result of luxury goods groups reshuffling their portfolios.

Lalique: integrating and pursuing its growth strategy

Lalique Group has invested substantially in the crystal sector, resulting in higher productivity at the Wingen-sur-Moder factory and, crucially, in the optimization of the supply chain.

THE MAIN OBJECTIVE REMAINS TO INCREASE AWARENESS OF LALIQUE AS A CONTEMPORARY LUXURY AND LIFESTYLE BRAND BY PURSUING A STRATEGY OF DIVERSIFICATION.

The distribution channels have been expanded, partly by opening proprietary boutiques in strategic markets, but also by increasing the number of partner-managed points of sale. These may be operated by independent franchisees or distributors and are an especially strong presence in the emerging markets. Apart from this investment and expansion, the main objective remains to increase awareness of Lalique as a contemporary luxury and lifestyle brand by pursuing its strategy of diversification across six key areas of activity: crystal decorative items, interior design, jewellery, perfumes, art, as well as gastronomy and hospitality. The co-branding programme will also be extended to new partnerships. While the perfume and cosmetics business is growing organically with stable profit margins, Lalique will continue to develop and broaden its base through targeted investments. The strategic partnership with Singapore Airlines, which started in early 2018, is a promising step in this direction. Singapore Airlines exclusively carries selected inflight items co-branded with Lalique in its Suites and First-Class cabins. The exclusive hotel amenities line by Lalique will also contribute to further increase brand awareness. It was launched in 2016 and is available in selected hotels around the globe.

External growth by means of further acquisitions in the luxury goods sector
Although not a priority, Lalique Group continues to scrutinize further opportunities to acquire luxury brands that would constitute a good fit with the existing portfolio. Central factors governing this process are the level of strategic fit with existing activities and products, as well as the potential to build up a perfume or cosmetic brand.

Expansion of business activities through private labelling
With private labelling, Lalique Group offers its clients the opportunity to create customized perfumes and cosmetics, for instance with their own company logo. Lalique Group develops high-quality products in a number of price categories, ranging from customized perfume and cosmetic creations using standard components to luxury editions which, upon request, can even incorporate crystal. Lalique Group has built up the requisite expertise for such ventures through its many years of engagement with the perfume, cosmetics and crystal industries. Thanks to its broad network of partners, it can also offer solutions perfectly tailored to clients' needs and wishes in terms of design and quality.

LALIQUE

JAGUAR

ultrasun
Professional Protection

PARFUMS GRÈS
PARIS

SAMOURAÏ

BENTLEY

ALAIN DELON
PARFUMS

OUR BRANDS & ACTIVITIES

LALIQUE

DECORATIVE ITEMS

AN EXPRESSION OF TIMELESS MODERNITY

Brand Acquired
2008

Share of Company Revenue
28%

Over the years, Lalique has become a byword for expertise and craftsmanship, a synonym for excellence and masterful use of the contrast between polished and satin-finished crystal. The brand has evolved into a lifestyle icon, with endless creative possibilities. Lalique collections are composed of creations that have become classics and others that will undoubtedly follow suit. It is, perhaps, this timeless modernity which is most characteristic of Lalique.

Every year Lalique launches two major collections of decorative items: Spring/Summer and Autumn/Winter. September 2017 saw the presentation of Nature Sauvage, a collection dedicated to the iconic Champs-Elysées motif created by Marc Lalique in 1951. The 2018 Hirondelles collection celebrates the 130th anniversary of Maison Lalique (see also pages 10–17). This design particularly inspired René Lalique and became the centrepiece of many of his jewellery creations and decorative objects. The swallow, an early harbinger of spring, is the symbol of happiness and freedom.

Images (left and right): 1. Rhinoceros, Nature Sauvage Collection.
2. The design and dimensions of the piece are defined by hand using a diamond-tipped tool.

LALIQUE

LALIQUE INTERIOR DESIGN STUDIO

FROM DESIGNER DÉCOR TO INTERIOR ARCHITECTURE

Brand Acquired
2008
Share of Company Revenue
8%

Lalique is the only crystal manufacturer with the ability to offer a huge range of customized designs through its Interior Design Studio. It enables architects, interior designers and clients to realize unique crystal concepts to meet the demands of their specific projects, including custom panels, murals, furniture, staircases, walls, doors and lighting for any lifestyle setting. The Interior Design Studio has worked on projects throughout the world, ranging from private residences and commercial and retail spaces to yachting, airplanes and hospitality.

Lalique has inherited a strong tradition of interior design from its founder René Lalique, who was famously commissioned to decorate the interiors of the Orient Express train, the Normandy ocean liner and the historic glass windows of the Henri Bendel building on New York's Fifth Avenue. Lalique is continuing this tradition with the next generation of bespoke luxury architectural projects: the Mikimoto flagship store in Tokyo and the Georges V hotel and restaurant in Paris, to name but a few.

Images (left and right): 1. The four-leaf clover is a universal symbol of luck and happiness.
2. Lalique Cloud of Clovers light sculpture, 6th floor of the Mikimoto Ginza flagship store in Tokyo.

LALIQUE

JEWELLERY

A BRILLIANT WHIRLWIND OF MATERIALS

Brand Acquired
2008

Share of Company Revenue
2%

Lalique's jewellery collections continue to showcase innovative skills and techniques. When fashioning pieces blending crystal, metal, gemstones, enamel or lacquer, our craftspeople and partner workshops uphold the highest standards of excellence.

In our jewellery collections, Lalique crystal is sculpted with graphic and naturalist inspirations to instil its signature contrast between satined and repolished finishes. Rings, necklaces, earrings, bracelets, brooches and cufflinks reveal an emblematic style crafted with unique know-how. In 2017, the new collection "1927/1928" with contemporary styling was launched.

The collaboration with the Opéra national de Paris is continuing with the Cygnes and Fleur de Neige collections. In addition to the well-known ballet, swans were a source of inspiration for René Lalique, who incorporated many swan motifs into his jewellery between 1897 and 1900.

With this collection, Lalique gives fresh impetus to iconic designs and brings them up to date.

Images (left and right): 1. Adrienne necklace and ring, Lalique and Paris Opera jewellery collection. 2. Cabochon and Charmante rings.

LALIQUE

ART

WHERE ART AND CRYSTAL MEET

Brand Acquired
2008

Share of Company Revenue
3%

Lalique Art places the century-old expertise of Lalique at the disposal of renowned artists, art foundations and outstanding designers worldwide. The objective is to enter into partnerships to create unique and extraordinary works. Thanks to Lalique's unrivalled know-how in crystal-glass making, in particular the lost-wax casting technique, Lalique Art is able to offer artists new inspirations and motifs, using an interplay of light, transparency, colour and contours.

Lalique Art has collaborated with Yves Klein Archives, the Rembrandt Bugatti family, George Lam, Zaha Hadid, Mario Botta, Damien Hirst, Anish Kapoor and Terry Rodgers. In 2017, Lalique Art introduced "Sirènes" by artist Terry Rodgers, a contemporary reinterpretation of the legendary Bacchantes vase, created by René Lalique in 1927.

Another notable feature of 2017 was the completion of the collaboration with Damien Hirst on the "Eternal" collection. The presentation of these exceptional pieces is the culmination of four years of research and innumerable conversations between Hirst and Lalique, combining the creative expertise of both artist and craftsmen. The limited-edition crystal pieces have met with great success, and Eternal Truth, a crystal dove holding an 18-carat gold branch, representing hope, sold out in less than two weeks.

2018 will mark an important time for Lalique Art as the full range of its artistic collaborations will be presented as the temporary exhibition at Musée Lalique in Wingen-sur-Moder from 27 April 2018 till 4 November 2018.

Images (left and right): 1. Sirènes vase, designed by Terry Rodgers in 2017.
2. Damien Hirst in collaboration with Lalique—"Eternal" Collection, Eternal Sleep, 2017, black.

LALIQUE

GASTRONOMY/HOSPITALITY

THE CREATIVE, ECLECTIC WORLD OF RENÉ LALIQUE

Established
2015

Share of Company Revenue
3%

VILLA RENÉ LALIQUE

Villa René Lalique in Alsace, France, opened its doors in September 2015. The Villa is a five-star hotel with six exclusives suites and a restaurant, which holds two Michelin stars. The refurbishment and decor were commissioned from interior designers Lady Tina Green and Pietro Mingarelli.

Chef Jean-Georges Klein heads a team of fifteen, creating an array of gastronomic delights. Klein was recently joined by Austrian Paul Stradner, former two-star chef at Brenners Park-Hotel & Spa in Baden-Baden (Germany). Romain Iltis, the Villa's sommelier of distinction from Alsace is in charge of the exceptional cellar—one of Europe's finest—with over 60,000 bottles in stock. The restaurant was built by the internationally renowned Swiss architect Mario Botta. Villa René Lalique is a member of the prestigious Relais & Châteaux collection.

CHÂTEAU HOCHBERG

Since August 2016, Château Hochberg, which was built in 1863, has been the fabulous setting of a four-star hotel and a modern restaurant, providing visitors with a convivial destination and a complementary offering close to Villa René Lalique.

This manor house, which is located on the site of the former Hochberg glassworks, is closely linked with the traditions and savoir-faire of glassmaking, which are at the origins of Maison Lalique.

Images (left and right): 1. The cuisine at the Villa René Lalique is highly colourful, rich in contrasts of appearance and taste. 2. Château Hochberg Hotel & Restaurant, Wingen-sur-Moder.

LALIQUE

PARFUMS

THE ESSENCE OF THE LALIQUE LIFESTYLE

Brand Acquired
2008

Share of Company Revenue
15%

The history of the Lalique brand and that of perfume are closely intertwined, René Lalique having played a pioneering role in the development of the modern perfume industry by supplying elegant glass flacons to the most renowned brands of his day (François Coty, Molinard, Roger & Gallet etc.).

In 1992, the House of Lalique launched its first perfume, Lalique de Lalique, initiating a line of top-of-the-range feminine and masculine fragrances.

In late 2012, Lalique introduced Voyage de Parfumeur, a home fragrance range comprising scented candles and diffusers, which combine the arts of perfumery and interior decor.

In 2017, Lalique launched the Mon Premier Cristal Collection: a trio of feminine fragrances, freely composed by three female perfumers. Lalique's fragrance portfolio was complemented in Spring 2018 by a new masculine fragrance: L'Insoumis Ma Force.

To mark Lalique's 130th anniversary, the Mon Premier Cristal Collection is presenting a superb limited edition of 130 numbered pieces under the festive sign of gold. Hand-painted, the 23-carat gold enhances the elegant Swallows motif of the flacon.

The Noir Premier Niche Collection was enriched in 2017 by the addition of Illusion Captive, an olfactory interpretation of a René Lalique masterpiece: the Dragonfly brooch, created in 1898. In 2017, the brand also launched Deux Cigales, Lalique's most outstanding creation to date: an exclusive edition of eight pieces, numbered and signed, and decorated with an elegant "Cicada" motif using the rare lost-wax process.

Images (left and right): 1. Noir Premier Deux Cigales, lost-wax.
2. Lalique Mon Premier Cristal Collection—My Everyday Luxury.

THE BOLDNESS AND FLAIR OF A SIGNATURE FRAGRANCE

Brand Acquired
2002

Share of Company Revenue
17%

Jaguar—a name guaranteed to fire the imagination of car enthusiasts—is the epitome of power combined with outstanding design. Jaguar Fragrances, proudly positioned as a prestige brand, elegantly symbolizes the Jaguar attributes of style, performance and modernity. The perfumes draw on the DNA of the Jaguar aesthetic and its iconic heritage. The brand has gained international fame through its founding principles of sporting verve, passion, tradition and quality.

The first scent under the licence was launched in 2002—Jaguar Classic—a fragrance that has become a timeless masterpiece. However, like the great classics, each of the label's new fragrances also has an enchanting spell of its own to cast, striking new and unique notes of vivacious elegance. They are a constant source of surprise and inspiration, combining powerful character and proud dynamism.

Created to celebrate the launch of the Jaguar F-Pace family sports car, the best-selling Jaguar Pace is an expression of true masculinity. An exciting new addition to the range is the latest highlight called Jaguar Pace Accelerate which was unveiled in autumn 2017. The sensation of speed is translated into the scent through a high-energy mix of citrus and spices which distils pure adrenaline into Jaguar Pace Accelerate.

Images (left and right): 1. Jaguar Pace Accelerate, product shot.
2. Jaguar Chromite, advertising campaign.

GRÈS
PARIS

A PRESENT-DAY TAKE ON PARISIAN CHIC

Brand Acquired
2007

Share of Company Revenue
6%

Parfums Grès fragrances made history from their inception and have been leading the way in perfumery ever since. First was Cabochard, with a seductive chypre accord and bold name meaning stubborn. Since its market debut in 1959, it has acquired cult status.

Cabotine, a floral bouquet launched in 1990, retains a strong following among young women to this day. Its success is surely due to its character, combining romance and pertness, and the stylized flowers of its design.

Launched in 2013, the distinctive fragrance Madame Grès pays warm tribute to the brand's founder and her extraordinary talent for sculpting fabrics.

In 2015, Parfums Grès went on to complete its exciting reinvention with the launch of Pièce Unique, a fragrance highlighting the couture facets of Grès. Pièce Unique draws its inspiration from Madame Grès' profoundly artistic approach to fashion: her quest for the ultimate, ideal dress made up of a single piece of fabric, which would become as singular as its wearer.

Images (left and right): 1. Cabotine de Grès, illustration. 2. Cabotine Gold, Cabotine de Grès, Cabotine Rose.

ultrasun
Professional Protection

INNOVATION AT ITS BEST

Brand Acquired

2007

Share of Company Revenue

10%

With over 25 years' experience in UV protection, Ultrasun is an internationally recognized skin protection brand on a strong growth trajectory.

The launch of the all-new Mineral protection line in early 2018 established a third pillar for the brand's protection portfolio and created a sound basis for further growth: the "Sensitive Skin" line and the new Mineral line for "Ultra-Sensitive Skin" address dermatology needs, while the "Normal Skin" line with its transparent Sports formulas is aimed at endurance athletes.

Ultrasun is constantly launching innovations and reformulated advanced UV and infrared protection, driven by in-house expertise and external Swiss manufacturing support, enabling the brand to build a leadership position in the market. All formulas must comply with the brand's 0% policy that prohibits use of controversial ingredients (such as certain chemical sunscreen filters, preservatives, mineral oils, PEG/PPG emulsifiers, silicones, etc.) in any product.

For the future, Ultrasun is focussing on further distribution growth in existing and new markets all over the world.

Images (left and right): 1. Ultrasun, Face Mineral, ultra-light mineral sun protection for the face. 2. Ultrasun, advertising campaign.

SAMOURAÏ

WHERE TRADITION AND MODERNITY MEET

Brand Acquired
2007
Share of Company Revenue
5%

The name means “servant” or “companion” and explains the role of the Samurai as Japan’s warrior caste in the preindustrial age. Men of outstanding courage and honesty, they were always at pains to perfect their mastery of the martial arts.

Samouraï perfumes are particularly popular in Japan due to their association with the country’s noble warrior class. Younger buyers in particular identify strongly with the heroic legends of their ancestors, which millions of followers still celebrate every year.

Launched in the 1990s, Samouraï perfumes have earned a place among the best-selling fragrances in Japan and as part of an ongoing brand promotion; various flankers and line extensions are added annually to keep abreast of the times.

Positioned between power and wisdom, energy and spirituality, Parfums Samouraï renders homage to a proud tradition. The brand is constantly monitored in Japan, leading to new additions to the line and its accessories each year. This ensures the range is always attuned to new trends.

Images (left and right): 1. Samouraï Man Driving Force, product shot.
2. Samouraï Woman Aqua Aster, advertising campaign.

BENTLEY

A MODERN EXPRESSION OF LUXURY

Brand Acquired
2011

Share of Company Revenue
3%

Bentley has been a byword for luxury since 1919. Second to none in the luxury bracket, Bentley Motors boasts superior performance and unique, bespoke looks. Unrivalled expertise is the key to its success. The epitome of tradition and of a way of life, Bentley embodies a strong set of values which transposes successfully into the world of perfume. Scrupulous attention to detail, design modelled on the iconic lines of the cars, and luxury finishing touches are the precepts that guide the creation of Bentley perfumes.

Bentley Fragrances is proud to present a bold new addition to its best-selling Momentum line: Bentley Momentum Unlimited.

A global traveller for business or pleasure, the Momentum man enjoys the ultimate luxury: freedom.

Momentum Unlimited meets the same, exacting standards as Bentley cars. A fresher interpretation of the bracing Momentum line, this vibrant fragrance distils the thrill of elite travelling into an exciting contrast of fresh and sensuous accords.

Images (left and right): 1. Momentum Unlimited, product shot. 2. Advertising campaign.

LALIQUE FACTORY

THE HOME OF MASTER CRAFTSMEN

Number of employees
230

Crafted items produced in different colours and sizes every year
500 000

Best Craftsmen in France
7 Lalique artisans belong to this elite

René Lalique chose to locate his factory in Wingen-sur-Moder, Alsace, because the region was famous for its glassmaking tradition and well-forested. By implementing major improvements in recent years, it has reduced its environmental impact to nearly zero.

Since the acquisition of Lalique in 2008, well over 20 million euros have been invested in overhauling the factory and optimizing processes. Today, the factory has a useful floor area of 20,000 m^2. Among the craftsmen employed by Lalique, seven bear the title of "Meilleurs Ouvriers" de France, which reflects the high level of talent that each master craftsmen possesses.

REMARKABLE CRAFTSMANSHIP

The production process starts with mould making. Next, the master glassmakers in the hot glass workshops bring molten crystal to extremely high temperatures (1400°C) before gathering and shaping it by means of various techniques. The coloured crystal is produced in a traditional clay pot furnace whereas the modern electric furnace is used to make clear crystal. At Lalique, retouching, sculpting and chiselling are executed with painstaking care to achieve consummate perfection, whereupon the pieces are sandblasted, polished and satin-finished. Pieces are repeatedly inspected to verify that they meet house quality standards. Finally, the Lalique signature is applied by hand to certify their authenticity and quality.

Images (left and right): 1. The flacon is sandblasted before being polished and satin-finished. 2. The right amount of molten crystal must be taken.

LALIQUE
BEAUTY

FULL SERVICE PROVIDER FOR PERFUME PRODUCTION

Number of employees
100

Perfume production capacity per year
12 000 000 units

Warehouse capacity in pallets
12 000

Number of production lines
5
(two automated lines/ three semi-automated lines)

Maceration capacity
90 000 litres
(tanks with a capacity of 100 to 5 000 litres)

The production company Lalique Beauty Services, which is headquartered in Ury (France), is a full-service provider, engaged in perfume preparation, filling and packing. It also provides related logistics services such as warehousing of components and end-products, and dispatch of the finished goods worldwide.

The entire facility is certified ISO 22716 (Cosmetic Good Manufacturing Practices). The investment in a new logistic centre, opened at the beginning of July 2017, increased the storage capacity by a further 6 000 pallets.

The investment in a new automated filling line, which will be implemented at the beginning of September 2018, will increase the filling capacity as well as the productivity rate.

Images (left and right): The production plant is a full service provider, engaged in perfume preparation, filling and packaging.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

PRINCIPLES

Lalique Group undertakes to comply with the principles of good corporate governance and follows the requirements of the BX Berne exchange concerning information on corporate governance. It also voluntarily aligns itself with the relevant standards of the SIX Swiss Exchange.

PARENT COMPANY AND SHAREHOLDERS

Parent company

Lalique Group SA, registered in Zurich, Switzerland, is the parent company of Lalique Group. The shares of Lalique Group SA (stock exchange symbol: LLQ) have been listed since 19 September 2007 and are traded on the BX Berne eXchange.

Shareholders

As at 31 December 2017, a total of 496 shareholders (previous year: 436) were entered in the share register.

Shareholders	Shares 31.12.2017	Shares 31.12.2016	Remarks
Board of Directors and Executive Board	3 759 700	3 933 300	see major share-holders
Other shareholders	962 197	779 098	
Non-registered shares	264 603	257 402	
Treasury shares	13 500	30 200	
Total	5 000 000	5 000 000	
Major shareholders			
Silvio Denz	3 602 000	3 775 000	
MAG Seven Ltd	166 667	–	

CAPITAL STRUCTURE

Ordinary share capital

As of 31 December 2017, the share capital amounted to CHF 1 million (31 December 2017: CHF 1 million) and consisted of 5,000,000 registered shares with a nominal value of CHF 0.20 each (31 December 2016: 5,000,000 registered shares with a nominal value of CHF 0.20 each). All registered shares issued are fully paid up and bear equal rights in all regards.

Changes in capital

In 2017 there were no alterations in the capital at Group level.

Conditional capital

There is conditional capital of CHF 50,000 for an employee incentive plan.

Restrictions on transferability

- The transferability of the shares of Lalique Group is not subject to any restrictions in principle.
- Owners of shares are entered in a share register. The company must be notified of any changes.
- The persons entered in the share register are deemed to be the shareholders in relation to the company.
- Entry in the share register requires that proof be provided of acquisition of the shares.
- After hearing the case put by the person concerned, the company may cancel any relevant entry in the share register that was made on the basis of false information.

Compensation, participations and loans

Compensation is listed in the Notes to the parent company financial statements.

Ownership of share capital as at 31 December 2017 (2016)

Corporate body	Number
Board of Directors	3 759 000 (3 932 000)
Executive Board [1]	700 (1300)

[1] Excl. Roger von der Weid and Claudio Denz, who are listed under “Board of Directors”.

Shareholder loans

As at the end of 2017, there were two loans granted to the company by the main shareholder, one of CHF 4 million and one of CHF 20 million. The CHF 20 million loan is subordinate to a bank loan of Lalique Group SA.

Management transactions

"Management transactions" are transactions carried out by members of the Board of Directors and of the Executive Board. The following management transactions were carried out in 2017.

Type of Transaction	Number of persons	Number of transactions	Value in CHF
Purchase	1	2	1 839
Sale	1	3	4 209 252

Business transactions with related parties

All transactions with related parties and companies are based on arm's-length contracts at market conditions. Business relations with related parties are detailed in the consolidated accounts of the annex in note 27 (in the electronic version of the Financial Report).

Shareholder participation

All shareholders entered in the share register with voting rights are entitled to attend and vote at the General Meeting of Shareholders. Each registered share entitles the holder to one vote. No restrictions on voting rights exist. Shareholders may arrange to be represented at the General Meeting of Shareholders by a person authorized in writing, by the management representative, by the independent proxy or by a portfolio representative by means of a written power of attorney. No legal quorum exists. Invitations to the General Meeting of Shareholders are issued in writing at least 20 days in advance together with an announcement in the company's official publication medium, the Swiss Official Gazette of Commerce (Schweizerisches Handelsamtsblatt, SHAB). For organizational reasons, only those shareholders entered in the share register on the day before invitations are sent may attend the General Meeting of Shareholders. Shareholders are entitled to receive dividends and to lay claim to the rights stipulated in the Swiss Code of Obligations.

Change of control and defensive measures

The articles of incorporation of Lalique Group SA contain neither an opting-out nor an opting-up clause. No change of control clauses with members of the Board of Directors, of the Executive Board or senior management exist.

Auditors

The General Meeting of Shareholders elects the auditor for a period of one year. In 2017, Ernst & Young AG, Zurich, was elected as statutory auditor. The auditor in charge was Christian Krämer, a Swiss certified accountant.

Information policy

Lalique Group undertakes to pursue an open, transparent and consistent information policy, publishing semi-annual and annual results in compliance with the requirements of the BX Berne eXchange. In addition to the detailed information published at the General Meeting of Shareholders, the company also provides information about significant and material events, which is archived on the company website at www.lalique-group.com. The CEO is responsible for communication with investors. The official publication medium of Lalique Group is the Swiss Official Gazette of Commerce (SHAB).

Board of Directors

All members of the Board of Directors were re-elected at the General Meeting of Shareholders on 23 June 2017. Jan Kollros was newly appointed as an additional member of the Board of Directors.

Term of office

The term of office of each member of the Board of Directors is one year.

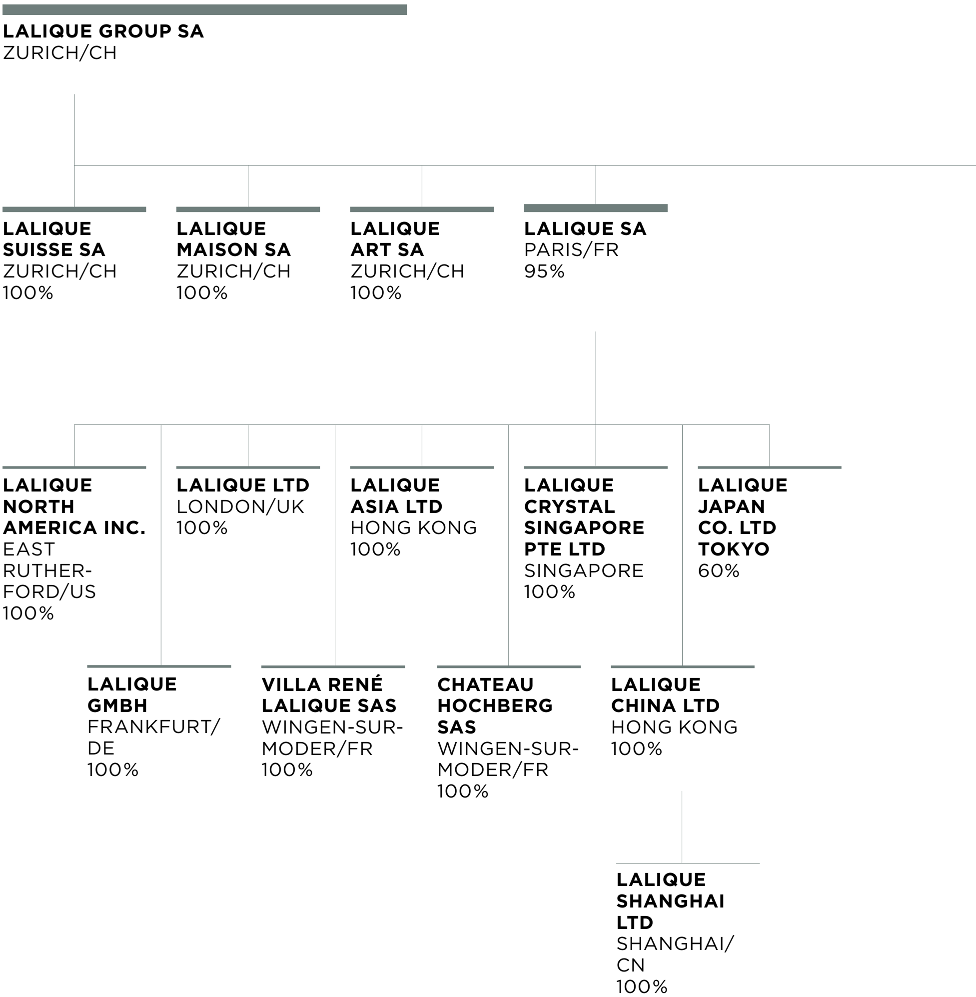
Dual functions

The Board of Directors takes the view that the current dual functions of Roger von der Weid as CEO and Executive Director and Claudio Denz as Head of Digital and member of the Board of Directors are to the benefit of Lalique Group, facilitating efficient leadership and an excellent flow of information between shareholders, the Board of Directors and the Executive Board.

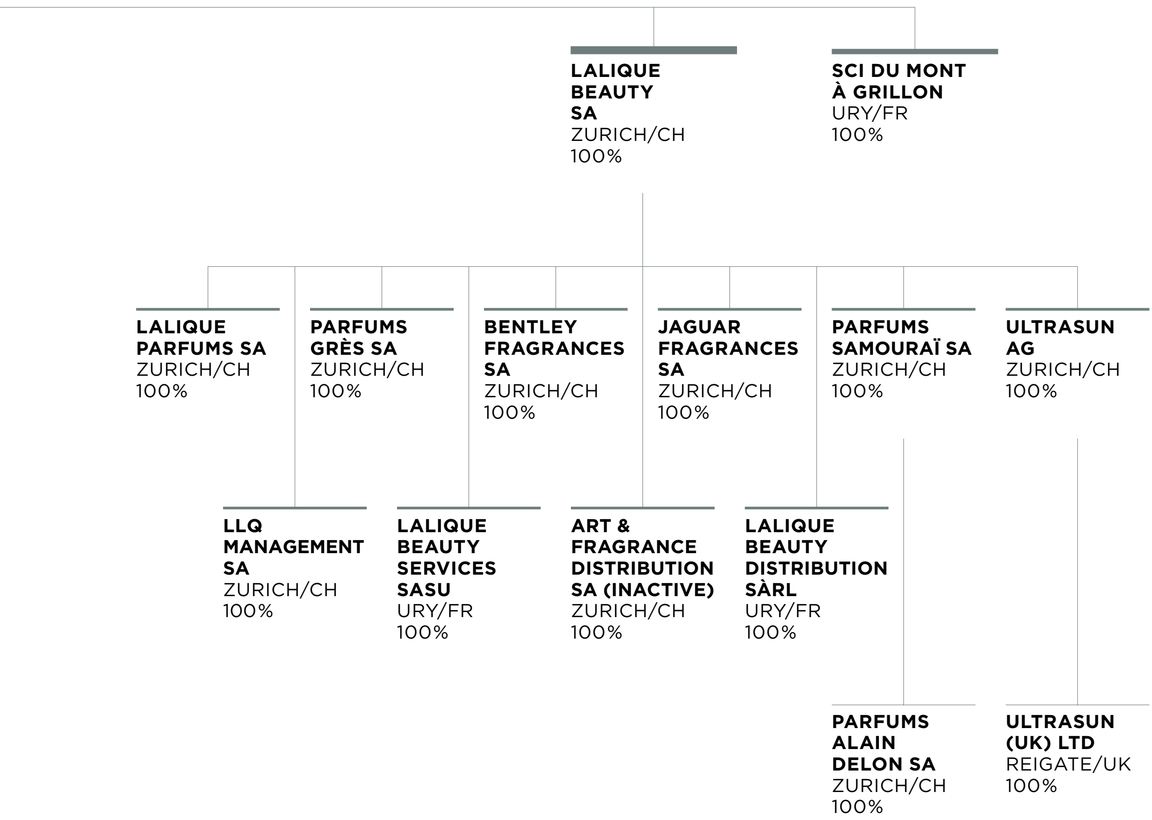
Renumeration Committee

The remuneration committee is constituted by Silvio Denz and Roger von der Weid.

LEGAL GROUP STRUCTURE



Working method of the Board of Directors
Pursuant to the articles of incorporation the Board of Directors meets at least four times a year and as often as business requires. In 2017, the Board of Directors held five meetings (2016: five). Where required, the Board of Directors calls in external specialists for the treatment of specific themes. The responsibilities of the Board of Directors concern the strategic management of the company, supervision of the Executive Board and financial control. The Board of Directors examines the company's objectives and identifies opportunities and risks. It also appoints the members of the Executive Board. Its rights and obligations, authorities and responsibilities are laid down in the organizational regulations. The Board of



Directors constitutes a quorum if at least half of its members are present. A decision must be supported by the majority of the votes cast in order to be valid. In the event of a parity of votes, the Chairman of the Board of Directors has the casting vote.

Executive Boards
The Executive Boards of the beauty segment on one hand, and Lalique on the other, are responsible for the operational management of the business. Their rights and obligations, authorities and responsibilities are laid down in the organizational regulations.

BOARD OF DIRECTORS AND EXECUTIVE BOARD

Silvio Denz

Roland Weber

Roger von der Weid

Claudio Denz

Jan Kollros

Marc Roesti

SILVIO DENZ
Chairman of the Board of Directors
Educated in Finance. Various positions held in Switzerland and abroad. Developed and managed Alrodo AG; sold it in 2000 to Marionnaud. Went on to found Art & Fragrance SA, which was renamed Lalique Group SA in 2017. Investments in vineyards and real estate. Active in international art trading. Resident in Switzerland since end of 2017. Other board memberships: Lalique Group SA, Zurich; Lalique SA, Paris; Lalique Asia Limited, Hong Kong; Ciron SA, Zurich; Art & Terroir SA, Zurich. Born in 1956, dual Swiss and Italian citizenship, Chairman of the Board of Directors from 2000 to 2005 and from 2007 till today; occupation: entrepreneur.

ROLAND WEBER
Vice-Chairman of the Board of Directors
Master of Business Administration from the University of St. Gallen (HSG). Management responsibility at Jaguar Cars Switzerland and Yves Saint Laurent Switzerland and Austria. CEO and Executive Director of Alrodo. Later director of Retail Factory SA, Cham. Resident in Dubai since 2007. Other board memberships: Schneider Feldmann AG, patent and brand attorneys, Cham. Born 1957, Swiss, member of the Board of Directors since the 2003 General Meeting; Chairman from 2005 until the Extraordinary General Meeting on 21 May 2007, since then Vice-Chairman; occupation: entrepreneur.

ROGER VON DER WEID
Delegate of the Board of Directors; Member of the Executive Board/Chief Executive Officer
Trained as an attorney at law; Master of Laws from Duke University School of Law, North Carolina (USA); Swiss Certified Tax Expert; Executive Master of Corporate Finance. Lawyer and tax consultant. Managing Director of a trust company. Board memberships: Lalique SA, Paris; Lalique Asia Limited, Hong Kong; Lalique Beauty SA, Zurich; Lalique North America, USA; Lalique China, China; Lalique (UK) Limited, London; Art & Terroir SA, Zurich; Ultrasun AG, Zurich; Ciron SA, Zurich; Madura Holding APS, Denmark; as well as other Group companies. Born 1970, Swiss, member of the Board of Directors since the 2006 General Meeting; occupation: CEO of Lalique Group SA since January 2006.

CLAUDIO DENZ
Member of the Board of Directors and of the Executive Board; Head of Digital
Commercial diploma; joined the Group in 2009; worked in a variety of positions in the fields of brand management, marketing, online commerce, as creative director and COO. Assignments at Lalique North America, Lalique SA in Paris as well as at Lalique Ltd in London. Born 1988, dual Swiss and Italian citizenship, member of the Board of Directors since the 2011 General Meeting. Other board memberships: Ermitage Estate AG, Zurich; Madox Group AG, Zurich; Denz Weine AG, Zurich. Occupation: COO from 2011 to 2016, Creative Director from 2013 to May 2017. Head of Digital since January 2015.

JAN KOLLROS
Member of the Board of Directors
Studied mechanical engineering and industrial management at ETH Zurich. Gained professional experience in various international industrial groups. Since 2005 he has worked at adbodmer AG, a multi-family office in Horgen, near Zurich; since 2009 as Managing Partner, responsible for the operational management of the company. Other board memberships: Bédat & Co, VETtrust AG, and others. Born 1978, Swiss, member of the Board of Directors since the 2017 General Meeting. Occupation: Managing Partner at adbodmer AG since 2009.

MARC ROESTI
Member of the Board of Directors
Studied business administration in Cambridge and Sheffield, UK. Management roles in Sales & Marketing in the perfume industry. CEO at Takasago. Founded Mont-Blanc Resourcing in 1999 and since then consultant on perfumes and cosmetics. Other board membership: Lalique SA, Paris. Born 1946, Swiss, member of the Board of Directors since the 2008 General Meeting; occupation: owner and founder of Mont-Blanc Resourcing, a consultancy firm for the creation and development of perfumes and cosmetics.

BOARD OF DIRECTORS AND EXECUTIVE BOARD

OPERATIONAL STRUCTURE

BOARD OF DIRECTORS LALIQUE GROUP
Silvio Denz, Chairman; Roland Weber, Vice-Chairman;
Claudio Denz, Member; Jan Kollros, Member; Marc Roesti, Member;
Roger von der Weid, Delegate and Executive Director

AUDITORS
Ernst & Young AG

GROUP CEO
Roger von der Weid

GROUP CFO
Alexis Rubinstein

BEAUTY DIVISION

Executive Board

ROGER VON DER WEID
CEO

CLAUDIO DENZ
Head of Digital

DAVID RIOS
COO Fragrance Division

BENEDIKT IRNIGER
Head of Suncare

MICHAEL MÜLLER
Director Finance & Controlling

ROSEMARIE ABELS
Head of Procurement & Production

MARIE-LAURE JOLY
Head of Marketing

THOMAS LEUTENEGGER
Head of Sales & Export

LALIQUE

Executive Board

SILVIO DENZ
Chairman of the Board of Directors & CEO

ROGER VON DER WEID
Managing Director

CLAUDIO DENZ
Head of Digital

ALEXIS RUBINSTEIN
CFO

ALEXIA ASHWORTH
Head of Marketing

JEAN-BAPTISTE DE JAHAM
Head of Sales

PASCAL GRUSSI
Head of Human Resources

MARC LARMINAUX
Artistic Director and Head of Design Studio

DENIS MANDRY
Head of Production

CONSOLIDATED FINANCIAL STATEMENTS LALIQUE GROUP

CONSOLIDATED INCOME STATEMENT OF LALIQUE GROUP

IN EUR THOUSANDS	REF.	2017	2016
Net revenue from sales of goods and services	4	127 381	121 234
Other operating income	5	1 449	2 336
Operating revenue		**128 830**	**123 570**
Material costs, licences and third-party services	6	–53 494	–53 229
Gross result		**75 336**	**70 341**
Salaries and wages	7	–30 475	–28 862
Other operating expenses	8	–30 235	–30 927
EBITDA		**14 626**	**10 552**
Depreciation and amortization/impairment	17/18	–7 161	–6 983
EBIT		**7 465**	**3 569**
Financial income	9	5 007	3 094
Financial expenses	9	–5 957	–4 731
Group profit before taxes		**6 515**	**1 932**
Income taxes	10	363	–894
NET GROUP PROFIT		**6 878**	**1 038**
of which attributable to:			
Non-controlling interests		–129	–903
Owners of the parent company		7 007	1 941
Earnings per share basic/diluted (in EUR)	11	1.40	0.39

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

IN EUR THOUSANDS	REF.	2017	2016
NET GROUP PROFIT		**6 878**	**1 038**
Foreign currency translation reserve		–4 994	72
Items that can be reclassified subsequently to the income statement, net of tax		**–4 994**	**72**
Remeasurements of pension plans	19	–60	402
Tax on remeasurements of pension plans		15	–100
Items that cannot be reclassified subsequently to the income statement, net of tax		–45	302
Other comprehensive income, net of tax		**–5 039**	**374**
CONSOLIDATED COMPREHENSIVE INCOME		**1 839**	**1 412**
of which attributable to:			
Non-controlling interests		–113	–932
Owners of the parent company		1 952	2 344

CONSOLIDATED BALANCE SHEET LALIQUE GROUP

ASSETS

IN EUR THOUSANDS	REF.	31.12.17	31.12.16
Cash and cash equivalents	12	16 252	12 704
Trade accounts receivable	13	15 723	18 134
Inventories	14	63 533	60 942
Other receivables	15	7 084	6 942
Total current assets		**102 592**	**98 722**
Property, plant and equipment	17	51 631	42 596
Intangible assets	18	67 294	64 548
Other non-current assets	16	5 114	5 113
Deferred tax assets	25	3 189	4 320
Total non-current assets		**127 228**	**116 577**
TOTAL ASSETS		**229 820**	**215 299**

LIABILITIES AND EQUITY

IN EUR THOUSANDS	REF.	31.12.17	31.12.16
Bank liabilities	12	45 568	34 281
Trade accounts payable		10 838	14 314
Income tax liabilities		1 416	887
Other current liabilities	20	16 069	14 956
Total current liabilities		**73 891**	**64 438**
Other deferred liabilities	21	4 291	–
Provisions	22	397	368
Non-current financial liabilities	23	33 679	34 081
Defined benefit obligation	19	4 836	4 976
Deferred tax liabilities	25	17 246	20 370
Total non-current liabilities		**60 449**	**59 795**
Total liabilities		**134 340**	**124 233**
Share capital	26	816	816
Capital reserves	26	20 798	17 129
Retained earnings/other reserves	26	71 596	71 379
Total equity before non-controlling interests		**93 210**	**89 324**
Non-controlling interests		2 270	1 742
Total equity		**95 480**	**91 066**
TOTAL LIABILITIES AND EQUITY		**229 820**	**215 299**

CONSOLIDATED CASH FLOW STATEMENT

BALANCE OF NET CASH AND CASH EQUIVALENTS AS AT 31.12.	REF.	2017	2016
Group profit before taxes		6 515	1 932
Depreciation and amortization/impairment	17/18	7 161	6 983
Change in defined benefit obligation		92	407
Change in provisions	22	29	–28
Financial expenses	9	5 957	4 731
Financial income	9	–5 007	–3 094
Other non–cash income/expenditure		–124	–40
Cash flow from operations before change in net current assets		**14 623**	**10 891**
Decrease (+)/increase (–) in trade accounts receivable		1 293	2 411
Decrease (+)/increase (–) in inventories		–6 983	334
Decrease (+)/increase (–) in other receivables		229	2 229
Increase (+)/decrease (–) in trade accounts payable		–2 658	–382
Increase (+)/decrease (–) in other current liabilities		59	–1 023
Interest paid		–1 129	–1 271
Tax paid		–1 301	–1 102
Interest received		4	–
Cash flow from business operations		**4 137**	**12 087**
Investments in subsidiaries net of cash and cash equivalents	28	–7 453	–
Investments in property, plant and equipment	17	–8 800	–5 858
Sale of property, plant and equipment	17	1 631	–
Investments in intangible assets	18	– 985	–694
Cash flow from investments		**–15 607**	**–6 552**
Capital contribution from share holder		3 669	9 347
Reduction in shareholder loans		–1 800	–1 835
Purchase of treasury shares		–63	–111
Sale of treasury shares		611	455
Increase current financial liabilities		–808	–
Increase (+)/decrease (–) in other non–current liabilities		2 626	–550
Dividend payment to non-controlling shareholders		–618	–319
Cash flow from financing activities		**3 617**	**6 987**
Exchange differences on cash and cash equivalents		114	–584
DECREASE/INCREASE IN NET CASH AND CASH EQUIVALENTS		**–7 739**	**11 938**
Balance of net cash and cash equivalents as at 01.01.	12	–21 577	–33 515
Balance of net cash and cash equivalents as at 31.12.	12	–29 316	–21 577

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

IN EUR THOUSANDS	SHARE CAPITAL	CAPITAL RESERVES	TREASURY SHARES	ACCUMU-LATED FOREIGN CURRENCY TRANS-LATION	RETAINED EARNINGS	TOTAL EQUITY BEFORE MINORITY INTERESS	NON-CON-TROLLING INTERESTS	TOTAL EQUITY
BALANCE AS AT 01.01.16	**816**	**7 782**	**–807**	**990**	**68 827**	**77 608**	**2 674**	**80 282**
Consolidated comprehensive income	–	–	–	106	2 238	2 344	–932	1 412
Balance 2016	**816**	**7 782**	**–807**	**1 096**	**71 065**	**79 952**	**1 742**	**81 694**
Dividend payout	–	–	–	–	– 319	–319	–	–319
Capital contribution from shareholder	–	9 347	–	–	–	9 347	–	9 347
Purchase of treasury shares	–	–	–111	–	–	–111	–	–111
Sale of own shares	–	–	365	–	90	455	–	455
BALANCE AS AT 31.12.16	**816**	**17 129**	**–553**	**1 096**	**70 836**	**89 324**	**1 742**	**91 066**
BALANCE AS AT 01.01.17	**816**	**17 129**	**–553**	**1 096**	**70 836**	**89 324**	**1 742**	**91 066**
Consolidated comprehensive income		–	–	–4 994	6 946	1 952	–113	1 839
Balance 2017	**816**	**17 129**	**–553**	**–3 898**	**77 782**	**91 276**	**1 629**	**92 905**
Dividend payout	–	–	–	–	–618	–618	–	–618
Capital contribution from shareholder	–	3 669	–	–	–	3 669	–	3 669
Change in consolidation structure		–	–	–	–364	–364	641	277
Acquisition of Château Hochberg/transaction under common control					–1 301	–1 301	–	–1 301
Purchase of treasury shares	–	–	–63	–	–	–63	–	–63
Sale of treasury shares	–	–	339	–	272	611	–	611
BALANCE AS AT 31.12.17	**816**	**20 798**	**–277**	**–3 898**	**75 771**	**93 210**	**2 270**	**95 480**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. INFORMATION ON THE COMPANY

Lalique Group was formed on 14 April 2000 in Switzerland. The parent company is Lalique Group SA domiciled at Grubenstrasse 18, Zurich.

Lalique Group is active in the development, marketing and global distribution of perfumes, cosmetics, crystal and jewellery. It markets the following brands: Lalique (crystals, perfumes, jewellery, art, gastronomy and hospitality and interior design), Parfums Grès, Parfums Samouraï, Jaguar Fragrances, Bentley Fragrances, Parfums Alain Delon (all perfumes) and Ultrasun (sunscreen).

Components in the perfume and cosmetics segments are manufactured by external partners under contract. Whereas production and logistics activities in the perfume segment were insourced in February 2013, in cosmetics the same services continue to be carried out by external partners. Marketing and distribution activities are for the most part carried out through independent distribution partners.

The Group has its own factory in France responsible for manufacturing parts of the products for the Lalique brand (crystal in particular). Marketing and distribution activities in this segment are carried out by the Group's own national subsidiaries or points of sale, as well as via independent distribution partners.

2. ACCOUNTING POLICIES

The Consolidated Financial Statements of Lalique Group are prepared in accordance with the International Financial Reporting Standards (IFRS) as published by the IASB.

With the exception of securities and derivatives held as current assets, which are measured at fair value, the accounts are prepared on the basis of acquisition cost or amortized cost. The Consolidated Financial Statements of Lalique Group are prepared in euros (EUR). Unless otherwise stated, all figures have been rounded to the nearest EUR thousand.

The Consolidated Financial Statements were approved by the Board of Directors on 13 April 2018 and recommended for approval by the General Meeting of Shareholders on 8 June 2018.

New accounting policies
The IASB has published the following new standards, interpretations and amendments to existing standards and interpretations that are effective for the 2017 financial statements:

- Amendment to IAS 12—Recognition of Deferred Tax Assets for Unrealized Losses
- Amendment to IAS 7—Disclosure Initiative—Net Debt
- Disclosure initiative—Changes in financial liabilities from financing activities
- Annual Improvements to IFRS—December 2014–2016

The above revised IFRS standards did not have a significant impact on the accounting policies or the presentation of Lalique Group's assets, liabilities, financial position and earnings.

Standards published but not yet effective

The following new or revised IFRS interpretations have been published, but will only enter into force at a later date and were not applied early in the present consolidated financial statements. A final analysis of their impact on the consolidated financial statements of the Group has not yet been made; the anticipated effects disclosed below therefore represent a first appraisal by the Board of Directors:

STANDARD/INTERPRETATION	DESIGNATION	EFFECTIVE DATE	PLANNED APPLICATION BY LALIQUE GROUP
Amendment to IFRS 2	Clarifications of Classification and Measurement of Share-based Payment Transactions	1 January 2018	2018 business year
Amendment to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018	2018 business year
IFRS 9	Financial Instruments	1 January 2018	2018 business year
IFRS 15	Revenue from Contracts with Customers	1 January 2018	2018 business year
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018	2018 business year
Amendment to IAS 40	Transfers of Investment Property	1 January 2018	2018 business year
IFRS 16	Leases	1 January 2019	2019 business year
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019	2019 business year
IFRS 17	Insurance Contracts	1 January 2021	2021 business year

The amendments considered relevant by Lalique Group are explained in the following:

IFRS 9 – Financial Instruments

IFRS 9 Financial Instruments includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The effects of application of IFRS 9 are currently being analysed. It is assumed that there will be no significant effect on the classification and measurement of the Group's financial assets.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB published IFRS 15 revenue from contracts with customers. The standard is replacing IAS 18 revenue and IAS 11 construction contracts and their interpretations. However, it is assumed that except for the disclosure requirements no material impact on the the recognition and measurement of revenue will arise.

IFRS 16 – Leases

IFRS 16 specifies how to recognize, measure, present and disclose leases. Currently existing lease contracts classified as "operating leases" are reported as off-balance sheet items. Lalique Group's lease contracts essentially concern real estate assets (office and boutique properties), industrial installations (land, factory machinery) and to a lesser extent vehicles. The amount of the liability included in financial debt is thus noticeably dependent on the assumptions used regarding the discount rate and the duration of commitments, since options for renewal, extension or early termination of contracts must be incorporated into calculation of the liability if it is considered reasonably certain, when the contract is first signed, that they will be exercised.

The Group is in the process of identifying the impact of the application of IFRS 16 and is collecting the relevant information from all its subsidiaries regarding leases classified as "operating leases" in existence at 31 December 2017. Data collection is currently being finalized. The assumptions concerning the duration of certain contracts and the discount rate are still being defined, and the Group is continuing its assessement regarding the impact of the first application of IFRS 16 on the balance sheet.

IFRS 2, IFRS 4, IFRIC 22, IFRIC 23 and IFRS 17

No or no significant impact on the consolidated financial statements is anticipated.

Consolidation principles and consolidated companies
The Consolidated Financial Statements comprise the financial statements of Lalique Group SA and its subsidiaries as at 31 December of each financial year. The accounts of the subsidiaries are prepared using standard accounting policies and presented on the same balance sheet date as those of the parent company.

Subsidiaries are fully consolidated from the date of acquisition, i.e. from the date on which the Group effectively obtains control of the company concerned. Control is deemed to have been obtained when the following three principal criteria have been met: the Group has control of the company, the Group is exposed or has rights to variable returns from its involvement with the company, and the Group has the ability to affect those returns through its control of the company. The entities are deconsolidated as soon as control ceases. All intra-Group balances, revenues and expenses, and unrealized gains and losses from intra-Group transactions are eliminated in full.

Business combinations are reported in the balance sheet according to the purchase method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value on the acquisition date, including any non-controlling interests. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Costs incurred in the course of a business combination are recognized as expenses.

Foreign-currency translation
The Consolidated Financial Statements are prepared in euros (EUR), whereas Lalique Group SA presents the financial statements in its functional currency of Swiss francs (CHF). The consolidated subsidiaries are at liberty to determine their own functional currency. Foreign currency transactions are translated into the functional currency.

Transactions denominated in foreign currencies are translated at the exchange rate applicable at the time of the transaction. Monetary balance sheet items are translated at the year-end rate, with any currency gains/losses recognized directly in the income statement. Non-monetary balance sheet items are translated at the historical rate.

For the purpose of preparing the Consolidated Financial Statements, with regard to the annual accounts of all subsidiaries whose functional currency is not EUR, the balance on the income statement is shown at the average rate for the year. Currency translation differences are recognized as a credit or charge in equity under "Other reserves"; in the case of loss of control over a subsidiary, such differences are derecognized again via the income statement.

The following EUR exchange rates were used:

	2017	2016
CHF		
Year-end rate (balance sheet)	0.8543	0.9333
Average rate for the year (income statement)	0.9000	0.9176
USD		
Year-end rate (balance sheet)	0.8379	0.9505
Average rate for the year (income statement)	0.8860	0.9038
GBP		
Year-end rate (balance sheet)	1.1259	1.1728
Average rate for the year (income statement)	1.1409	1.2244
HKD		
Year-end rate (balance sheet)	0.1072	0.1225
Average rate for the year (income statement)	0.1137	0.1164
SGD		
Year-end rate (balance sheet)	0.6261	0.6566
Average rate for the year (income statement)	0.6414	0.6543
CNY		
Year-end rate (balance sheet)	0.1281	0.1368
Average rate for the year (income statement)	0.1311	0.1361

Risks arising from currency fluctuations are explained in greater detail in the section entitled "Financial risk management".

Significant estimates and assumptions
All estimates and assumptions are reviewed on an ongoing basis and are based on past experience and expectations concerning future events that appear reasonable given the circumstances. Naturally, the resulting estimates often depart from the subsequent actual circumstances. The key estimates and assumptions that may cause volatility with regard to the carrying amounts of assets and liabilities in the coming financial year are discussed below.

Impairments on intangible assets
Lalique Group reviews its intangible assets (brand values) annually for impairment in accordance with accounting principles, a process which requires that the underlying cash-generating units be assessed. Estimated factors such as volumes, selling prices, sales growth, gross profit margins, operating costs, as well as investments, market conditions and other economic factors, are based on assumptions that management regards as reasonable. A planning period of five years is normally used for brand impairment tests. Further details on this subject can be found in Note 18.

Pension schemes
The expense from defined post-employment benefit plans is determined on the basis of actuarial calculations. The actuarial evaluation is carried out on the basis of assumptions regarding discount rates, future increases in wages and salaries, mortality and future pension increments. Due to the long-term nature of such plans, these estimates are subject to material uncertainties. Further details on this subject can be found in Note 19.

Provisions
Provisions are recognized whenever Lalique Group has a legal or constructive obligation arising from a past event, the future settlement of which will probably lead to an outflow of funds that can be reliably determined. Restructuring costs are charged to the operating result of the period in which management undertakes to carry out the restructuring, insofar as the costs can be estimated with sufficient reliability and the measures were specified and communicated satisfactorily. Further details on this subject can be found in Note 22.

Accounting and valuation principles
Revenue recognition
Revenues are recognized whenever it is likely that the financial benefit from a transaction will go to the Group and the amounts in question can be measured reliably. Revenues are measured at the fair value of the consideration received. Sales tax is not taken into account, while discounts and rebates are recorded as revenue reductions. Revenue from the sale of products is recognized when the material opportunities and risks associated with the ownership of the goods and products have transferred to the buyer.

Property, plant and equipment

Property, plant and equipment is stated at acquisition cost or manufacturing cost, net of accumulated, scheduled depreciation and impairment losses. Scheduled linear or declining balance depreciation is based on the estimated useful life of each asset. The individual tangible asset categories are depreciated as follows:

Land	No depreciation
Buildings	40 years
Equipment and furnishings	25% of the carrying amount
Building extensions	Using the straight-line method over the contractually agreed useful life of the property
Machinery, equipment and hardware	Machinery and equipment 30–40% of the carrying amount/hardware over five years using the straight-line method
Tools	Over three years using the straight-line method
Vehicles	40% of the carrying amount

A tangible asset is derecognized either on disposal or when no economic benefit is expected from the further use or sale of the asset. The resulting gain or loss from the disposal of the asset is determined as the difference between the net proceeds from the sale and the carrying amount of the asset, and is recognized in the income statement under other net operating income in the period in which the asset was derecognized.

Residual values, useful lives and depreciation methods are reviewed at the end of each financial year and adjusted as appropriate.

Fixed assets held under finance leases

Lease contracts, which effectively constitute assets purchased with appropriate financing, are classified as finance leases. Investment properties financed via such lease contracts are recognized either at market value or at the net present value of future lease rates, whichever is lower. Fixed assets held under finance leases are depreciated either over the useful economic life of the asset or over the term of the lease agreement, whichever is the shorter. Outstanding leasing liabilities from finance leases are recognized under current and non-current financial liabilities.

Intangible assets

Intangible assets with a limited useful life

Individually acquired intangible assets are carried at their acquisition cost on initial recognition. Thereafter, they are amortized over their estimated useful lives. Lalique Group does not possess any intangible assets that it has created itself. The individual intangible asset categories are amortized as follows:

Creations	Using the straight-line method over three years
Software	Using the straight-line method over five years
Licence rights	Licence rights are amortized on a straight-line basis over the contractual term or the useful life. Amortization is recognized under licence expenses.

Residual values, useful lives and amortization methods are reviewed at the end of each financial year and adjusted as appropriate.

Intangible assets with an indefinite useful life

Costs related to acquired brands are capitalized and not amortized (see Note 18). The indefinite useful lives of brands stem from the fact that brands enjoy and continue to enjoy over years a high degree of international recognition in the relevant markets. As such, brand rights are amortized but must undergo an impairment test annually or whenever there is an indication that the brand could be impaired. Their classification as “intangible assets with indefinite useful lives” is reviewed each year.

Borrowing costs

Borrowing costs are recognized as expenses in the period in which they are incurred.

Impairment of non-financial assets

At each balance sheet date, the Group investigates whether there are reasons to believe that the value of an asset could be impaired. Should such reasons exist, the Group estimates the amount that may be recoverable on the asset in question. The recoverable amount is the higher of the fair value of the asset, less selling costs or the value in use. If the net carrying amount of the asset exceeds its estimated recoverable amount on the balance sheet date, it will be depreciated accordingly.

Financial investments and other financial assets

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset have expired or when the Group has transferred said contractual rights, including all risks and rewards of ownership.

Impairment of assets

At every balance sheet closing date, the Group investigates whether any impairment of the value of a financial asset or of a group of financial assets has arisen. In the case of financial instruments recognized at amortized cost, the amount of the loss is calculated as the difference between the carrying amount of the asset and the cash value of expected future cash flows, discounted by the original effective interest rate. This impairment loss is included in the income statement. If there is objective evidence that not all trade accounts receivable will be received in accordance with the originally agreed invoice conditions, an impairment will be recognized.

Inventories

Inventories are recognized at the lower of purchase/production cost and the net realizable value. The net realisable value is the estimated sales revenue achievable in the normal course of business operations, less the estimated costs to be incurred up to completion of production and the estimated distribution costs required. All costs incurred in bringing inventories to their current location and placing them in their current state are recognized in the balance sheet for raw materials, components, advertising materials, finished goods and trading goods. Impairments are recorded for non-saleable goods.

Cash and cash equivalents

Cash and cash equivalents include cash, credit balances on postal checking and bank accounts, and cash on deposit with a maturity of less than three months. These are carried at their nominal value. The “Cash and cash equivalents” item carried in the consolidated cash flow statement is calculated according to the above definition and includes short-term bank liabilities.

Interest-bearing loans

Financial liabilities are first recorded as soon as the Group has entered into a contract. Upon initial recognition, the financial liabilities are carried at the amount of the consideration received, minus any transaction costs. They are subsequently measured at their amortized cost using the effective interest rate method. A financial liability is derecognized when it is paid off, rescinded or has expired.

Provisions

Provisions are created when the Group has a current (legal or constructive) obligation arising from a past event, when an outflow of economic resources to meet the obligation is probable and when the amount of the obligation can be estimated reliably. If the interest effect from discounting is material, provisions are discounted at a gross (i.e. pre-tax) interest rate that, where required according to the circumstances, reflects the risks specific to the debt. The provisions are measured on the basis of best estimates, taking into account the material risks and uncertainties.

Contingent liabilities

Contingent liabilities for which an outflow of resources is not regarded as probable are not recorded in the balance sheet. However, the contingent liabilities existing as at the balance sheet date are disclosed in the Notes.

Pension plans

Besides statutory social insurance, the companies of Lalique Group maintain various employee benefit plans in accordance with the local regulations and customs in the respective countries. These are funded either by means of contributions to legally independent foundations and establishments or by recognition as provision for employee benefit plans in the accounts of the relevant companies.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation on the balance sheet date, less the added value of the plan assets. The present value of the defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds which have terms to maturity approximating the average duration of the related pension liability.

The pension expense item consists of the following three components: service cost, net interest result and remeasurement of the pension plan. Service cost is attributable to salaries and wages and comprises current service cost and unrecognized past service cost arising from changes to, or curtailment/settlement of a plan. Net interest result is disclosed in the financial result and is calculated by multiplying the net defined benefit pension liability or net pension plan assets existing at the start of the year by the discount rate. Actuarial gains and losses arising from changes/adjustments to previous actuarial assumptions are credited or debited immediately under other comprehensive income as pension remeasurements.

Income taxes

Effective tax liabilities and any claims for reimbursement of tax paid for the current period and earlier periods are valued at the amount at which a payment to or reimbursement from the tax authorities is expected. This amount is calculated on the basis of the tax rates and legislation in place on the balance sheet date.

Deferred taxes are calculated using the liability method. Deferred taxes take account of the income tax effects of the differences in value between the internal Group and local fiscal valuation guidelines for assets and liabilities. Deferred taxes are calculated at the respective local tax rates.

Any tax loss carry-forwards and tax credits that can be applied for tax purposes are only recognized as deferred tax credits to the extent that it is probable that the future profit will be sufficient to realize tax loss carryforwards and tax credits. Each year, the company assesses the unrecognized tax loss carry-forwards and the carrying amount of the deferred tax assets as at the balance sheet date.

Current and deferred taxes are credited or charged directly to equity or to comprehensive income if the taxes relate to items that were credited or charged directly to equity or to comprehensive income in the current or a different period.

Financial risk management

As an internationally oriented company, Lalique Group is exposed to the following financial risks, which are assessed on an ongoing basis and hedged where necessary. In addition to credit and liquidity risk, the Group’s assets and liabilities are also subject to risks from changes in foreign currency exchange rates and interest rates.

The policy of the Group is to avoid speculative deals involving financial instruments and to strive for maturity matching where possible.

Credit risk

Credit risk applies primarily to receivables (customers) resulting from as yet unsettled transactions. Significant concentration risk does not exist due to the nature of Lalique Group’s customer portfolio. Certain trade receivables are hedged by means of a credit insurance policy or by the agreement of specific payment conditions. In addition, receivables are constantly monitored.

With regard to trade accounts receivable and the Group’s other financial assets, including cash and cash equivalents and other receivables, the maximum credit risk corresponds to the carrying amounts reported in the balance sheet.

Trade accounts receivable are non-interest-bearing and generally with maturity between 0 and 90 days, and up to 150 days in special cases, depending on the customer.

Liquidity risk
Liquidity is monitored and controlled at Group level on an ongoing basis. In addition, liquidity trends are anticipated in order to respond quickly in the case of a surplus or shortfall. The amounts disclosed in the table are the contractual undiscounted cash fows.

Financial assets and liabilities can be allocated based on the following maturities:

IN EUR THOUSANDS	MATURING IN LESS THAN 1 YEAR	MATURING IN > 1 YEAR, < 5 YEARS	MATURING IN MORE THAN 5 YEARS	**2017 TOTAL**	MATURING IN LESS THAN 1 YEAR	MATURING IN > 1 YEAR, < 5 YEARS	MATURING IN MORE THAN 5 YEARS	**2016 TOTAL**
Assets								
Cash and cash equivalents	16 252	–	–	**16 252**	12 704	–	–	**12 704**
Trade accounts receivable	15 723	–	–	**15 723**	18 134	–	–	**18 134**
Other receivables	3 418	–	–	**3 418**	4 030	–	–	**4 030**
Total	**35 393**	**–**	**–**	**35 393**	**34 868**	**–**	**–**	**34 868**
Liabilities								
Bank liabilities[1]	45 568	–	–	**45 568**	34 281	–	–	**34 281**
Trade accounts payable	10 838	–	–	**10 838**	14 314	–	–	**14 314**
Other current liabilities	16 069	–	–	**16 069**	14 956	–	–	**14 956**
Loans from the principal shareholder[2]	1 871	2 287	17 229	**21 387**	2 051	4 469	18 806	**25 326**
Other non–current liabilities	–	17 536	1 887	**19 423**	–	11 250	800	**12 050**
Total	**74 346**	**19 823**	**19 116**	**113 285**	**65 602**	**15 719**	**19 606**	**100 927**

[1] This is a loan on our current account. The securities granted ensure steady albeit long-term amortization of the bank liability and, for this reason, liquidity risk is not expected.
[2] Two loans from shareholders amounting to EUR 3.417 million and EUR 17.086 million (CHF 20 million) respectively existed at the end of 2017. The principal shareholder has declared the loan of EUR 17.086 million to be subordinate to the bank liability. The loan of EUR 17.086 million was arranged for an indefinite period. For this reason, only the expected interest payments for a period of one year were reported under "Maturing in more than five years".

Currency risk
Lalique Group operates around the world and is therefore exposed to currency risks in various currencies, especially with regard to the Swiss franc, the pound sterling and the US dollar. As in the previous year, the risk as at 31 December 2017 largely involved the Group's trade accounts payable and receivable, which are partly based on transactions in foreign currencies and to a lesser extent on cash and cash equivalents and bank liabilities. The Group monitors its transaction-related foreign-currency risks and, where necessary, concludes currency hedges in order to manage the risks inherent in assets, liabilities and expected transactions.

Financial assets and liabilities can be allocated based on the following categories and currencies:

IN EUR THOUSANDS	EUR	CHF	USD	GBP	OTHER	2017 TOTAL	EUR	CHF	USD	GBP	OTHER	2016 TOTAL
Assets												
Cash and cash equivalents	3 314	8 002	1 445	1 127	2 364	**16 252**	3 289	5 509	924	2 083	899	**12 704**
Trade accounts receivable	8 448	1 483	4 788	748	256	**15 723**	8 698	973	7 435	627	401	**18 134**
Other receivables	1 019	424	738	418	819	**3 418**	1 751	197	508	361	1 213	**4 030**
Total	**12 781**	**9 909**	**6 971**	**2 293**	**3 439**	**35 393**	**13 738**	**6 679**	**8 867**	**3 071**	**2 513**	**34 868**
Liabilities												
Bank liabilities	36 478	7 355	1 513	16	206	**45 568**	21 151	7 271	5 346	128	385	**34 281**
Trade accounts payable	7 704	969	727	619	819	**10 838**	9 152	1 390	935	812	2 025	**14 314**
Other current liabilities	9 012	5 611	915	226	305	**16 069**	7 114	4 518	1 895	302	1 127	**14 956**
Loans from the principal shareholder	–	20 503	–	–	–	**20 503**	–	24 266	–	–	–	**24 266**
Other non-current liabilities	18 854	–	305	66	347	**19 423**	10 586	–	–	436	1 028	**12 050**
Total	**72 048**	**34 438**	**3 460**	**927**	**1 677**	**112 401**	**48 003**	**37 445**	**8 176**	**1 678**	**4 565**	**99 867**

As at 31 December 2017, the Group had no currency hedges (forward transactions) to safeguard future cash flows. The same applied as at 31 December 2016.

A change in the CHF/EUR exchange rate of +/– 5% in 2017 would have had an impact on the Group's profit before tax of EUR +/– 1.227 million (2016: EUR +/– 1.538 million) while a change in the USD / EUR exchange rate of +/– 5% in 2017 would have had an impact of EUR +/– 176,000 (2016: CHF +/– 35,000), and a change in the GBP/EUR exchange rate of +/– 5% in 2017 would have affected figures by EUR +/– 68,000 (2016: EUR +/– 70,000).

Interest-rate risk
The risk of fluctuation of market interest rates as at the end of 2017, which Lalique Group is subject to, largely resulted from cash and cash equivalents and bank liabilities. Lalique Group is exposed to interest risks above all in Swiss francs and euros. Management of interest rates in connection with non-current liabilities is performed centrally; short-term interest-rate risk is not normally hedged.

Sensitivity analysis: Interest-rate risk is modelled via sensitivity analyses, which show the effect changes in market interest rates would have on interest income and expense and on equity, provided that all other parameters remain constant. If the market interest rate on 31 December 2017 had been 1 percentage point higher or lower, the Group's financial result or equity would have been EUR 254,000 (2016: EUR 277,000) lower or higher.

Capital management
The overriding aim of capital management in Lalique Group is to maintain an adequate equity base to retain investor, customer and market confidence and to support the future development of the core business. Dividend policy, return of capital and if necessary capital increases are used to maintain or adjust the equity structure. The Group's own target for share of equity in the balance sheet total before non-controlling interests was set at 25–35%.

IN EUR THOUSANDS	31.12.17	31.12.16
Share capital	816	816
Capital reserves	20 798	17 129
Retained earnings/other reserves	71 596	71 379
Total equity before non-controlling interests	**93 210**	**89 324**
TOTAL CAPITAL	**229 820**	**215 299**
Equity ratio	40.6%	41.5%

In 2017 the capital reserves increased as follows:

IN EUR THOUSANDS	
CAPITAL RESERVES AS OF 31.12.2016	**17 129**
Paid in additional capital reserves	3 849
Transaction costs	–180
CAPITAL RESERVES AS OF 31.12.2017	**20 798**

The capital contribution was made by the main shareholder in connection with contractually agreed and directly transferred earnings from a sale of Lalique Group (LLQ) shares held by the main shareholder and sold to new shareholders.

Fair values

The fair value of a financial asset or liability is the value for which the relevant instrument could currently be sold or replaced. The following methods are used to calculate fair value:

- As at 31 December 2017, the fair values of cash and cash equivalents, short-term bank liabilities, trade accounts receivable and payable, current financial liabilities, other receivables and other current liabilities corresponded to their carrying values.
- Non-current, fixed-interest financial investments and liabilities are measured on the basis of the interest rates and risk factors in order to take account of anticipa-ted defaults on the payment of these receivables. On 31 December 2017, the carrying amounts did not differ significantly from the respective fair values.

The table below shows the differences between the carrying amounts and the fair values of financial instruments on 31 December 2017. Where an item's carrying amount is the same as its fair value, the latter is not shown separately in the table.

IN EUR THOUSANDS	CARRYING AMOUNT	FAIR VALUE 2017	CARRYING AMOUNT	FAIR VALUE 2016
Assets				
Cash and cash equivalents	16 252	–	12 704	–
Trade accounts receivable	15 723	–	18 134	–
Other receivables	3 418	–	4 030	–
Total	**35 393**	**–**	**34 868**	**–**
Liabilities				
Bank liabilities	45 568	–	34 281	–
Trade accounts payable	10 838	–	14 314	–
Other current liabilities	16 069	–	14 956	–
Loans from the principal shareholder	20 503	–	24 266	–
Other non-current liabilities	19 423	–	12 050	–
Total	**112 401**	**–**	**99 867**	**–**

Fair-value hierarchy
Lalique Group uses the following hierarchy to determine and disclose the fair values of its financial instruments, depending on the valuation method:
- Level 1: Listed (unadjusted) prices on active markets for similar assets or liabilities.
- Level 2: Other methods using inputs which significantly affect the fair value and are based on data that can be observed directly or indirectly on the market.
- Level 3: Methods using inputs which significantly affect the fair value and are not based on observable market data.

Assets and liabilities at fair value:

IN EUR THOUSANDS	31.12.17	LEVEL 1	LEVEL 2	LEVEL 3
Other current liabilities	–	–	–	–

IN CHF THOUSANDS	31.12.16	LEVEL 1	LEVEL 2	LEVEL 3
Other current liabilities	–	–	–	–

3. SEGMENT REPORTING

Lalique Group is divided into the following segments:

Segment 1 – Lalique
The Lalique segment comprises all business transactions conducted under the Lalique brand.

Segment 2 – Ultrasun
The Ultrasun segment covers the Ultrasun brand.

Segment 3 – Jaguar
The Jaguar segment covers the Jaguar brand.

Segment 4 – Grès
The Grès segment covers the Grès brand.

Segment 5 – Other brands
The other brands segment covers the Samouraï, Bentley, Art & Fragrance Services, Art & Fragrance Distribution and Alain Delon brands.

Segment 6 – Holding and eliminations
The holding company generates revenue from management fees charged to the other segments. Intra-Group transactions are handled on an arm's-length basis.

Segment reporting for the 2017 financial year

The table below contains information on the revenues and results, and on the assets and liabilities of the Group's business segments.

IN EUR THOUSANDS	LALIQUE	ULTRASUN	JAGUAR	GRÈS	OTHER BRANDS[1]	HOLDING AND ELIM.[2]	GROUP
Operating revenue							
Revenue from sales to external customers	76 870	13 026	21 766	5 857	11 419	–108	128 830
Revenue from transactions with other segments	791	–17	–30	54	6 822	–7 620	–
Total operating revenue	**77 661**	**13 009**	**21 736**	**5 911**	**18 241**	**–7 728**	**128 830**
EBIT	**–497**	**799**	**4 191**	**1 116**	**2 210**	**–354**	**7 465**
Financial result							–950
Group profit before taxes							6 515
Income tax expenses							363
NET GROUP PROFIT							**6 878**
Assets and liabilities							
Segment assets	158 296	15 387	14 889	9 964	26 146	5 852	230 534
Segment liabilities	114 447	4 867	9 422	2 906	25 373	–21 961	135 054
Other segment information							
Investments							
Property, plant and equipment	13 041	14	–	–	5 124	355	18 534
Intangible assets	295	377	4 494	45	1 344	132	6 687
Depreciation and amortization							
Property, plant and equipment	5 129	58	128	65	971	13	6 364
Intangible assets	203	209	52	9	321	3	797

[1] Operating revenue other brands

Parfums Samouraï	6 193
Bentley Fragrances	3 880
Parfums Alain Delon	127
Lalique Beauty Distribution	941
Lalique Beauty Services	7 100
Total operating revenue other brands	18 241

[2] The "Holding + elim." segment covers the holding and management companies, and eliminations. The segment's assets mainly include cash and cash equivalents, long-term receivables of the holding and management companies, and eliminations between the segments. Segment liabilites mainly comprise current liabilities, loans and eliminations.

Segment reporting for the 2016 financial year

The table below contains information on the revenues and results, and on the assets and liabilities of the Group's business segments.

IN EUR THOUSANDS	LALIQUE	ULTRASUN	JAGUAR	GRÈS	OTHER BRANDS[1]	HOLDING AND ELIM.[2]	GROUP
Operating revenue							
Revenue from sales to external customers	79 956	10 929	16 100	6 339	10 317	–71	123 570
Revenue from transactions with other segments	1 082	–17	–45	179	5 384	–6 583	–
Total operating revenue	**81 038**	**10 912**	**16 055**	**6 518**	**15 701**	**–6 654**	**123 570**
EBIT	**–2 539**	**1 236**	**2 774**	**1 473**	**992**	**–367**	**3 569**
Financial result							–1 637
Group profit before taxes							1 932
Income tax expenses							–894
NET GROUP PROFIT							**1 038**
Assets and liabilities							
Segment assets	155 868	17 545	8 897	11 524	20 797	668	215 299
Segment liabilities	105 626	5 856	4 441	3 258	20 812	–15 760	124 233
Other segment information							
Investments							
Property, plant and equipment	3 989	48	2	–	2 036	411	6 486
Intangible assets	191	248	50	–	539	114	1 142
Depreciation and amortization							
Property, plant and equipment	5 289	36	124	69	787	7	6 312
Intangible assets	244	128	54	10	231	4	671

[1] Operating revenue other brands

Parfums Samouraï	5 226
Bentley Fragrances	3 364
Parfums Alain Delon	139
Lalique Beauty Distribution	805
Lalique Beauty Services	6 167
Total operating revenue other brands	15 701

[2] The "Holding + elim." segment covers the holding and management companies, and eliminations. The segment's assets mainly include cash and cash equivalents, long-term receivables of the holding and management companies, and eliminations between the segments. Segment liabilites mainly comprise current liabilities, loans and eliminations.

Geographical regions

Geographical information pertaining to segment income is broken down by customer location.

IN EUR THOUSANDS	2017	2016
Revenue from sales to external customers		
USA	22 709	24 861
UK	23 215	18 708
France	18 487	15 836
UAE	10 916	11 508
Hong Kong	7 917	7 647
Japan	7 165	6 817
Germany	7 342	6 495
Russia	3 024	3 081
Switzerland	3 731	4 186
Israel	2 466	1 058
Singapore	3 491	1 910
China	2 846	1 408
Other countries	15 521	20 055
Group	**128 830**	**123 570**

Geographical information pertaining to non-current assets comprises property, plant & equipment, intangible assets and other non-current assets.

IN EUR THOUSANDS	31.12.17	31.12.16
Non-current assets		
France	92 336	81 827
Switzerland	32 647	31 232
USA	2 019	2 257
Hong Kong	105	532
China	410	346
UK	181	261
Germany	–	–
Singapore	244	122
Group	**127 942**	**116 577**

DETAILS ON THE CONSOLIDATED INCOME STATEMENT

4. NET REVENUE FROM SALES AND GOODS AND SERVICES

IN EUR THOUSANDS	2017	2016
Gross revenue	138 201	130 715
Revenue reductions	–10 820	–9 481
TOTAL NET REVENUE	**127 381**	**121 234**

Revenue reductions relate primarily to discounts. Revenue per segment, including other operating income, is disclosed in the segment reporting.

5. OTHER OPERATING INCOME

IN EUR THOUSANDS	2017	2016
Other operating income	564	1 531
Licence income/royalties	885	805
TOTAL OTHER OPERATING INCOME	**1 449**	**2 336**

Other operating income mainly comprises income from service agreements.

6. MATERIAL COSTS, LICENCES AND THIRD-PARTY SERVICES

IN EUR THOUSANDS	2017	2016
Cost of components and finished goods	37 084	38 234
Other directly apportionable production costs	10 366	9 589
Licence expenses	2 399	1 949
Commission expenses	1 232	1 395
Other procurement costs	2 413	2 062
TOTAL MATERIAL COSTS, LICENCES AND THIRD-PARTY SERVICES	**53 494**	**53 229**

Other directly apportionable production costs mainly comprise wages and salaries of the production staff at the factory in Wingen. Licence expenses arise mainly in connection with Jaguar Fragrances and Bentley Fragrances. Commission expenses relate to the mediation of transactions. The item “Other procurement costs” includes costs that are incurred in connection with receipt and shipment of goods to/from stock, customs and freight charges relating to purchasing, and lithography and plating costs, net of any supplier discounts.

7. SALARIES AND WAGES

IN EUR THOUSANDS	2017	2016
Wages and salaries (incl. bonuses)	20 597	19 224
Social insurance and employee pension/welfare expenses	9 539	9 258
Other personnel costs	339	380
TOTAL PERSONNEL COSTS	**30 475**	**28 862**
Number of staff as at 31 December (in positions)	653	613

8. OTHER OPERATING EXPENSES

IN EUR THOUSANDS	2017	2016
Administrative expenses	4 802	5 143
Advertising and promotional expenses	7 377	6 241
Rental expenses	10 351	10 884
Vehicles	196	174
Property insurance, levies and charges	694	686
Miscellaneous operating expenses	6 815	7 799
TOTAL OTHER OPERATING EXPENSES	**30 235**	**30 927**

The item “Miscellaneous operating expenses” includes travel expenses (2017: EUR 2.816 million; 2016: EUR 2.452 million), expenses for creations (2017: EUR 223,000; 2016: EUR 245,000) and various other costs.

Operating lease

Maturity structure of off-balance-sheet liabilities from operating lease contracts:

in EUR thousands	31.12.17	31.12.16
Maturing within 1 year	5 982	6 056
Maturing between 1 and 5 years	10 202	13 745
Maturing in more than 5 years	2 447	2 936
TOTAL	**18 631**	**22 737**

Expenses for operating leasing recognized in the 2017 income statement amount to EUR 9.465 million (2016: EUR 9.892 million).

9. FINANCIAL INCOME AND EXPENSES

IN EUR THOUSANDS	2017	2016
Financial income		
Interest on loans and advance financing[1]	–	2
Income from exchange rate fluctuations[1]	4 960	3 086
Other financial income[1]	47	6
Total financial income	**5 007**	**3 094**
Financial expenses		
Expenses from exchange rate fluctuations[1]	4 205	3 144
Interest on loans and short–term financial liabilities[2]	827	659
Other financial expenses[1]	925	928
Total financial expenses	**5 957**	**4 731**
FINANCIAL RESULT	**–950**	**–1 637**

The corresponding items originate from the following categories of financial instrument:
[1] Loans and receivables
[2] Financial liabilities carried at amortized cost

10. INCOME TAXES

The main components of income tax expenses are as follows:

IN EUR THOUSANDS	2017	2016
Current year income taxes	1 316	897
Income taxes from previous years	12	–60
Statutory tax expense	**1 328**	**837**
Deferred tax expenses/income resulting from change in temporary differences	323	240
Deferred tax expenses/income resulting from change in tax rates	–1 983	–433
Deferred tax expenses/income resulting from usage or capitalization respectively of deferred taxes on accumulated losses	–30	250
Deferred tax expenses	**–1 690**	**57**
TOTAL TAX EXPENSES	**–363**	**894**

The following breakdown shows a reconciliation of the expected and actual tax expenses calculated at the tax rates applicable to the Group.

IN EUR THOUSANDS	2017	2016
Group profit before taxes	6 515	1 932
Expected tax rate	–8.6%	–59.4%
Expected tax expenses	**–560**	**–1 147**
Non–deductible expenses	231	–162
Fiscal effect of income taxed at different rates	–1 086	–44
Effect of change in the tax rate	–1 983	–433
Unrecognized losses from the current financial year	3 051	2 709
Offsetting of unrecognized loss carry–forwards from previous financial years	–43	–83
Income taxes from previous years	12	–60
Other effects	13	114
TOTAL INCOME TAX	**–363**	**894**

The different profit and loss contributions of the individual Group companies in relation to total Group profit and the different tax rates produced an expected income tax rate of –8.6%.

11. EARNINGS PER SHARE AND DIVIDENDS

		2017	2016
Total number of shares issued	Number	5 000 000	5 000 000
Average number of treasury shares held	Number	11 236	41 021
Average number of shares in circulation	Number	4 988 764	4 958 979
Net Group profit in favour of shareholders of Lalique Group SA	EUR thousands	7 007	1 941
EARNINGS PER SHARE	**EUR**	**1.40**	**0.39**

For the 2016 financial year a dividend of CHF 0.50 per share was paid out. With respect to the 2017 financial year, the Board of Directors proposes a dividend payment of CHF 0.50 per share.

DETAILS ON THE CONSOLIDATED BALANCE SHEET

12. CASH AND CASH EQUIVALENTS AND SHORT-TERM BANK LIABILITIES

IN EUR THOUSANDS	31.12.17	31.12.16
Cash	103	101
Bank	16 149	12 603
TOTAL CASH AND CASH EQUIVALENTS	**16 252**	**12 704**
BANK LIABILITIES	**–45 568**	**–34 281**
BALANCE OF NET CASH AND CASH EQUIVALENTS	**–29 316**	**–21 577**

Interest earned on assets denominated in CHF, EUR, GBP and USD was 0.00%. Interest charged on liabilities in CHF, USD and GBP was 0.65%, those on liabilities in EUR between 0.20% and 2.50% and in HKD between 3% and 4%.

13. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable are non-interest-bearing and generally fall due between 0 and 90 days, and up to 150 days in special cases, depending on the customer. If, in the case of trade accounts receivable, there is objective evidence to suggest that Lalique Group will not be in a position to receive all amounts in accordance with the original terms and conditions, an impairment will be recognized.

IN EUR THOUSANDS	TOTAL OUT-STANDING ITEMS	NOT DUE	DUE	OF WHICH DUE WITHIN 60 DAYS	OF WHICH OVERDUE 61–90 DAYS	OF WHICH OVERDUE MORE THAN 91 DAYS
2017						
Of which EUR	8 664	7 164	1 500	1 039	23	438
Of which CHF accounts shown in EUR	1 482	1 246	236	294	3	–61
Of which USD accounts shown in EUR	5 111	4 654	457	283	25	149
Of which other currencies shown in EUR	1 012	360	652	453	23	176
Allowance for doubtful debts	–546	–	–546	–	–	–546
Total	**15 723**	**13 424**	**2 299**	**2 069**	**74**	**156**
2016						
Of which EUR	8 683	5 541	3 142	1 772	312	1 058
Of which CHF accounts shown in EUR	885	827	58	27	–	31
Of which USD accounts shown in EUR	7 757	6 936	821	399	16	406
Of which other currencies shown in EUR	1 224	613	611	540	43	28
Allowance for doubtful debts	–415	–	–415	–	–	–415
Total	**18 134**	**13 917**	**4 217**	**2 738**	**371**	**1 108**

Allowance on trade receivables developed as follows:

IN EUR THOUSANDS	31.12.17	31.12.16
Opening balance	415	439
Formation (+)	173	14
Usage (–)	–1	–50
Currency effect	–41	12
CLOSING BALANCE	**546**	**415**

14. INVENTORIES

IN EUR THOUSANDS	31.12.17	31.12.16
Components and raw materials	24 139	24 873
Advertising materials	2 724	2 709
Finished goods	36 296	32 999
Advance payments	374	361
TOTAL INVENTORIES	**63 533**	**60 942**

Impairments on inventories recognized as expenditure amounted to EUR 955,000 in 2017 (2016: EUR 1.135 million).

15. OTHER RECEIVABLES

IN EUR THOUSANDS	31.12.17	31.12.16
Receivables from VAT claims	3 666	2 912
Accrued income and prepaid expenses	1 950	2 670
Deferred tax assets	11	16
Other receivables	1 457	1 344
TOTAL OTHER RECEIVABLES	**7 084**	**6 942**

For the most part, other receivables consist of security deposits for future operating expenses.

16. OTHER NON-CURRENT ASSETS

Other non-current assets comprise a collection of perfume flacons, drawings, and other collectables of the Lalique brand produced by company founder René Lalique and bought by Lalique Group.

17. PROPERTY, PLANT AND EQUIPMENT

IN EUR THOUSANDS	LAND, BUILDINGS	EQUIPMENT, FURNISHINGS	MACHINERY + EQUIPMENT, IT, HARDWARE, TOOLS	VEHICLES	PLANT UNDER CONSTRUC-TION	TOTAL PROPERTY, PLANT AND EQUIPMENT
Acquisition costs 01.01.2016	**45 421**	**20 004**	**16 095**	**325**	**2 226**	**84 071**
Additions	731	1 806	2 147	30	1 833	6 547
Reclassification/transfers	1 415	–	476	–	–1 891	–
Disposals	–901	–439	–482	–48	–9	–1 879
Exchange differences	362	–191	116	–2	–7	278
Acquisition costs 31.12.2016	**47 028**	**21 180**	**18 352**	**305**	**2 152**	**89 017**
Additions[1]	4 818	2 644	1 549	136	1 105	10 252
Additions from acquisition under common control	6 372	1 910	–	–	–	8 282
Reclassification/transfers	1 028	130	–	–	–1 158	–
Disposals	–742	–408	–2 818	–	–622	–4 590
Exchange differences	–1 281	–342	–708	–31	–34	–2 396
Acquisition costs 31.12.2017	**57 223**	**25 114**	**16 375**	**410**	**1 443**	**100 565**
Depreciation, cumulative 01.01.2016	**–18 646**	**–10 710**	**–12 147**	**–254**	**–**	**–41 757**
Additions	–3 206	–1 592	–1 478	–36	–	–6 312
Disposals	895	434	485	48	–	1 862
Exchange differences	–278	158	–94	–	–	–214
Depreciation, cumulative 31.12.2016	**–21 235**	**–11 710**	**–13 234**	**–242**	**–**	**–46 421**
Addition	–3 021	–1 746	–1 572	–29	–	–6 368
Additions from acquisition under common control	–180	–175	–	–	–	–355
Disposals	260	400	1 756	–	–	2 416
Exchange differences	920	271	583	20	–	1 794
Depreciation, cumulative 31.12.2017	**–23 256**	**–12 960**	**–12 467**	**–251**	**–**	**–48 934**
NET PROPERTY, PLANT AND EQUIPMENT 31.12.2017	**33 967**	**12 154**	**3 908**	**159**	**1 443**	**51 631**
Net property, plant and equipment 31.12.2016	25 793	9 470	5 118	63	2 152	42 596

[1] The additions of EUR 10.252 million (2016: EUR 6.547 million) resulted in a cash outflow of EUR 8.800 million (2016: EUR 5.858 million). The total depreciation in 2017 of EUR 6.368 million (2016: EUR 6.312 million) did not include any impairment costs.

No items of property, plant and equipment serve as collateral for obligations.

18. INTANGIBLE ASSETS

IN EUR THOUSANDS	GOODWILL	BRANDS	LICENCE RIGHTS	CREATIONS	SOFTWARE	TOTAL INTANGIBLE ASSETS
Acquisition costs 01.01.2016	**380**	**61 088**	**3 195**	**2 534**	**4 772**	**71 969**
Additions	–	–	–	486	656	1 142
Disposals	–	–	–41	–422	–400	–863
Exchange differences	–21	260	33	29	26	327
Acquisition costs 31.12.2016	**359**	**61 348**	**3 187**	**2 627**	**5 054**	**72 575**
Additions[1]	–	–	5 562	836	255	6 653
Additions from acquisition under common control	–	–	34	–	–	34
Disposals	–	–	–3 058	–232	–	–3 290
Exchange differences	–10	–2 130	– 395	–254	–117	–2 906
Acquisition costs 31.12.2017	**349**	**59 218**	**5 330**	**2 977**	**5 192**	**73 066**
Amortization, cumulative 01.01.2016	**–**	**–**	**–1 925**	**–1 884**	**–3 631**	**–7 440**
Additions[2]	–	–	–625	–306	–365	–1 296
Disposals	–	–	42	422	314	778
Exchange differences	–	–	–31	–19	–19	–69
Amortization, cumulative 31.12.2016	**–**	**–**	**–2 539**	**–1 787**	**–3 701**	**–8 027**
Additions[2]	–	–	–615	–412	– 381	–1 408
Disposals	–	–	3 058	232	–	3 290
Additions from acquisition under common control	–	–	–6	–	–	–6
Exchange differences	–	43	90	161	85	379
Amortization, cumulative 31.12.2017	**–**	**43**	**–12**	**–1 806**	**–3 997**	**–5 772**
NET INTANGIBLE ASSETS 31.12.2017	**349**	**59 261**	**5 318**	**1 171**	**1 195**	**67 294**
Net intangible assets 31.12.2016	359	61 348	648	840	1 353	64 548

[1] The additions of EUR 6.653 million (2016: EUR 1.142 million) resulted in a cash outflow of EUR 985,000 (2016: EUR 694,000).
[2] The amortization of licence rights is recorded in licence expenses.

Brands
Brand values as at 31 December 2017: Parfums Grès CHF 6.574 million (2016: CHF 6.574 million), Parfums Samouraï CHF 1.800 million (2016: CHF 1.800 million), Ultrasun CHF 11.000 million (2016: CHF 11.000 million), Lalique EUR 42.710 million (2016: EUR 43.266 million).

The discounted cash flow method was used to test the various brand values for impairment. The calculation was based on the assumptions listed below. The latter include planning assumptions made over a maximum period of five years, and a residual value. The residual value incorporates a growth rate of 1.5% for Ultrasun and Lalique, 0.3% for Parfums Samouraï, and 1.7% for Parfums Grès respectively. In the case of Ultrasun, it has been assumed that the EBITDA margin will rise from 12.5% in 2018 to 18.5% in 2022. With regard to Lalique, it has been assumed that the EBITDA margin will rise from 3.2% in 2018 to 13.3% in 2022. These assumptions were determined by management based on its expectations for future market development. In the event of significant changes in the basic data used, utility values may differ from the carrying amounts indicated.

	AVERAGE GROWTH IN SALES[1]		AFTER-TAX DISCOUNT RATE	
IN %	2017	2016	2017	2016
Lalique	6.1	5.0	9.8	9.3
Ultrasun	2.3	2.3	9.8	9.0
Parfums Grès	1.1	1.0	11.9	6.0
Parfums Samouraï	2.1	2.3	9.7	6.0

[1] Calculated over the planning horizon of five years.

Sensitivity
At Lalique, the brand value would only be diminished in the event of a negative change in sales growth of 4.9 percentage points or a negative change in the EBITDA margin of 1.5 percentage points or an increase in the discount rate of 1.7 percentage points. The brand value of Lalique would be diminished upon a negative change of sales growth of 0.4 percentage points or EUR 1.276 million or a negative change in the EBITDA margin of 0.3 percentage points or EUR 2.716 million or a change in the discount rate of 0.2 percentage points or EUR 1.639 million.

At Ultrasun, Parfums Grès and Parfums Samouraï the values in use are greater than the reported net assets, which would also pertain in the case of significant changes in the base values applied at the end of 2017 and 2016.

Licence rights
Write-downs in 2017 and in the previous financial year relate to licence agreements and rights for Jaguar Fragrances and Bentley Fragrances that are depreciated over the contractual term or the useful life of the licence and recognized under licensing expenses. The residual amortization period for both licence rights is two years.

Creations
The item "Creations" comprises expenses incurred through the commissioning of external designers to create flacons and packaging, and the associated development costs. The residual amortization period is between zero and three years. In 2017, as in the previous year, there were no extraordinary write-downs.

Software
The item "Software" consists of purchased IT software usage licences and the costs of specific customization of software. Software is amortized on a straight-line basis over a useful life of five years.

With the exception of depreciation on new licence rights, which is recognized under licence expenses, all amortization on intangible assets appears under "Depreciation and amortization" in the income statement. In 2017, there were no extraordinary write-downs (2016: EUR 0).

There are no restrictions on the use of intangible assets. There are no commitments to make further payments or to take on additional intangible assets. No intangible assets serve as collateral for obligations.

19. PENSION SCHEMES

IN EUR THOUSANDS	31.12.17	31.12.16
Defined benefit pension plans	4 620	4 752
Other long-term post-employment benefits	216	224
TOTAL PENSION FUND LIABILITIES	**4 836**	**4 976**

Defined benefit pension plans

There is only a defined benefit pension plan in Switzerland and this has the following characteristics: The plan is designed to ensure that current and future contributions are sufficient to cover future obligations. As defined in the fund regulations, the employer and the employees make matching annual contributions. Contributions are based on an age-related sliding scale which defines the relevant percentage of an employee's insured salary in relation to the insured salary. In accordance with Swiss law, the pension fund guarantees its insured members vested benefits which are confirmed each year. Upon retirement, insured members are entitled to draw their benefits as a single lump-sum payment, an annuity, or a combination of both. For the purpose of providing an occupational pension scheme, Lalique Group has joined a collective foundation in which the assets are invested on a joint basis with other scheme participants (with the same investment profile). This collective foundation is what is known as a full insurance solution. Thus, as at 31 December 2017, 100% of the plan assets were invested in a collective insurance policy held with Basler Leben AG. Direct pension entitlements vis-à-vis the insurance company constitute 100% of the investment. The pension plan meets legal provisions stipulating the minimum benefits payable. There were no significant changes, curtailments or settlements involving the plan during the reporting period.

Other long-term post-employment benefits

In France, there are plans that fall into this category. These can be described as follows: one plan exists which, in accordance with the statutory requirements governing privately held companies, builds up capital which is then used to pay appropriate compensation to employees when they leave the company. The benefit payable is based on years of service, the reference salary, the collective wage agreement and the circumstances which led to the employee's departure. Payment of pensions conforms to the national collective agreement for handmade glass manufacture.

Another plan or regulation exists which, under certain conditions, entitles specific pension recipients to claim a supplementary annuity corresponding to 55% of the beneficiary's last annual net salary (average salary over the last three years).

The table below shows the status of the Swiss pension plan and the amount recognized in the consolidated balance sheet on 31 December:

	DEFINED BENEFIT PENSION PLANS		OTHER LONG-TERM POST-EMPLOYMENT BENEFITS	
IN EUR THOUSANDS	31.12.17	31.12.16	31.12.17	31.12.16
Present value of defined benefit pension obligation	–10 919	–11 021	–216	–224
Fair value of the plan assets	6 299	6 494	–	–
(SHORTFALL)/SURPLUS	**–4 620**	**–4 527**	**–216**	**–224**

Annual expenditure on pension benefits recognized in wages and salaries breaks down as follows:

IN EUR THOUSANDS	2017	2016	2017	2016
Current service cost	–807	–720	–18	–18
Net interest cost of pension plans	–16	–20	–	–
TOTAL EMPLOYEE BENEFIT EXPENSES RECOGNIZED IN THE INCOME STATEMENT	**–823**	**–740**	**–18**	**–18**

Remeasurement of pension plans recognized directly in other comprehensive income breaks down as follows:

IN EUR THOUSANDS	2017	2016	2017	2016
Actuarial gain/(loss) from the pension obligation	–5	445	29	4
Change in the plan assets (not incl. interest)	–84	–47	–	–
TOTAL REMEASUREMENTS RECOGNIZED IN OTHER COMPREHENSIVE INCOME	**–89**	**398**	**29**	**4**

The change in the present value of the pension obligations and the fair value of the plan assets was as follows:

IN EUR THOUSANDS	2017	2016	2017	2016
Present value of defined benefit pension obligations on 1 January	–11 021	–10 241	–224	–227
Interest expenses	–61	–75	–	–
Current service cost	–807	–720	–18	–18
Employee contributions	–419	–414	–3	–5
Actuarial gains and losses	– 5	445	29	4
Contributions/benefits	384	33	–	22
Liquidation	434	–	–	–
Currency effect	576	–49	–	–
PRESENT VALUE OF DEFINED BENEFIT PENSION OBLIGATIONS ON 31 DECEMBER	**–10 919**	**–11 021**	**–216**	**–224**

IN EUR THOUSANDS	2017	2016	2017	2016
Fair value of the plan assets on 1 January	6 495	5 701	–	–
Interest income from the plan assets	45	54	–	–
Actuarial losses	–	–	–	–
Employer contributions	394	372	–	–
Employee contributions	394	372	–	–
Contributions/benefits	–373	24	–	–
Currency effect	–656	17	–	–
FAIR VALUE OF THE PLAN ASSETS ON 31 DECEMBER	**6 299**	**6 494**	**–**	**–**

Sensitivity of key actuarial assumptions

Actuarial assumptions are made in respect of the discount rate, future salary trends and life expectancy, and these can be summarized as follows.

	2017	2016
Bases used for calculation		
Discount rate	0.70%	0.90%
Expected rate of salary increase	1.00%	1.00%
Life expectancies	BVG2015 GT	BVG2010 GT

The implications for the defined benefit obligation (DBO) are as follows:

- A 0.25% increase/decrease in the discount rate would result in a decrease of EUR 513,000 (–4.9%)/increase of EUR 554,000 (+5.3%) in defined benefit pension obligations.
- A 0.25% increase/decrease in the expected rate of salary increase would result in an increase of EUR 84,000 (+0.8%)/decrease of EUR 83,000 (–0.8%) in defined benefit pension obligations.
- An increase/decrease in life expectancies of one year would result in an increase of EUR 95,000 (+0.9%)/decrease of EUR 71,000 (–0.7%) in defined benefit pension obligations.

The average duration of a defined benefit pension obligation was 20.1 years at the end of the reporting period (2016: 20.3 years).

Forecasted contributions

The forecasted contributions of the company for the 2018 financial year amount to EUR 379,000 (2017: EUR 375,000).

	2017	2016
Bases used for calculation of French plans		
Discount rate	1.38%	1.38%
Expected rate of salary increase	1%/1.17%	1%/1.17%
Life expectancies	TGH 05/TGF 05	TGH 05/TGF 05

20. OTHER CURRENT LIABILITES

This item contains above all deferrals arising from goods received but not yet invoiced by the supplier, and from social benefits that have yet to be paid.

21. OTHER NON-CURRENT LIABILITIES

As at 31 December 2017, other non-current liabilities comprised minimal fees for licence rights owed in respect of the Jaguar Fragrances and Bentley Fragrances brands, as well as deferrals in connection with the settlement of increases in rental payments occurring over the term of the contract (straight-line accounting).

22. PROVISIONS

IN EUR THOUSANDS	OTHER PROVISIONS	TOTAL PROVISIONS
As at 01.01.2016	**400**	**400**
Formation	287	287
Usage	–316	–316
Currency effect	–3	–3
As at 31.12.2016	**368**	**368**
Formation	247	247
Usage	–218	–218
Currency effect	–	–
As at 31.12.2017	**397**	**397**
Of which current	–	–
Of which non-current	397	397

As at 31.12.2017, other provisions included provisions for litigation in France arising from job cuts.

23. NON-CURRENT FINANCIAL LIABILITES

IN EUR THOUSANDS	DUE IN > 1 YEAR, < 5 YEARS	DUE IN MORE THAN 5 YEARS	2017 TOTAL	DUE IN > 1 YEAR, < 5 YEARS	DUE IN MORE THAN 5 YEARS	2016 TOTAL
Loans from the principal shareholder	1 709	17 086	18 795	3 733	18 666	22 399
Non-current financial liabilities	12 999	1 885	14 884	10 936	746	11 682
TOTAL	**14 708**	**18 971**	**33 679**	**14 669**	**19 412**	**34 081**

The principal shareholder has declared EUR 17.086 million (2016: EUR 18.666 million) of the loan to be subordinate to the bank liability. Loans from the principal shareholder bear interest at a rate of 0.75% (2016: 0.75%).

Reconciliation of liabilities from financing activities

IN EUR THOUSANDS	01.01.17	CASHFLOWS	CURRENCY EXCHANGE MOVEMENTS	NEW LEASES	OTHER	31.12.17
Current financial liabilities (excluding items listed below)	1 748	– 808	–	–	1 156	2 096
Short-term liabilities from finance lease	1 310	–1 373	–35	560	815	1 277
Short-term liabilities main shareholder	1 867	–1 800	–158	–	1 800	1 709
Non-current financial liabilities (excluding items listed below)	7 972	3 672	–315	–	658	11 987
Long-term liabilities from finance lease	3 717	–	–3	–	–815	2 899
Non-current liabilities main shareholder	22 399	–	–1 805	–	–1 800	18 794
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	**39 013**	**–309**	**–2 316**	**560**	**1 814**	**38 762**

The “Other” column includes the effect of reclassification of the non-current portion of interest-bearing loans and borrowings and finance leases to current due to the passage of time. The Group classifies interest paid as cash flows from operating activities.

24. FINANCIAL LEASING

The maturity structure of all future minimum finance leasing payments and the corresponding interest expense are given below:

IN EUR THOUSANDS	2017	2016
Maturity within 1 year	1 478	1 455
Maturity between 1 and 5 years	3 303	4 319
Maturity over 5 years	–	–
TOTAL	**4 781**	**5 774**
Interest portion	–158	–189
TOTAL FINANCIAL LEASING	**4 623**	**5 585**

The capitalized net book value of property, plant and equipment and intangible assets financed by financial leases is as follows:

IN EUR THOUSANDS	2017	2016
Net book value of leased machinery	6 393	6 965
Net book value of buildings	2 563	2 619
Net book value of software	369	485
TOTAL NET BOOK VALUE FINANCIAL LEASINGS	**9 325**	**10 069**

25. DEFERRED TAXES

Deferred taxes developed as follows in the year under review and can be attributed to the following items:

IN EUR THOUSANDS	2017	2016
Deferred tax assets	–3 189	–4 320
Deferred tax liabilities	17 246	20 370
NET DEFERRED TAX LIABILITIES	**14 058**	**16 050**

The net deferred tax liabilities developed as follows:

IN EUR THOUSANDS	2017	2016
Net deferred tax liabities		
Opening balance 1.1.	16 050	15 816
Formation (+)/release (–) recognized in income statement	–1 690	58
Formation (+)/release (–) recognized in other comprehensive income	–15	100
Currency translation differences	–287	76
CLOSING BALANCE 31.12	**14 058**	**16 050**

The deferred tax income is determined by the local income tax rate. Capitalized deferred tax assets related to losses carried forward deductible from future profits are recorded in case the usage of such losses is probable. The capitalized deferred tax assets related to losses carried forward as well as other balance sheet positions that include deferred taxes present as follows:

IN EUR THOUSANDS	2017	2016
Receivables	225	339
Inventories	2 889	3 030
Property, plant and equipment	1 728	1 987
Intangible assets	15 794	16 376
Deferred tax liabilities	**20 636**	**21 732**
Payables	–1 463	–80
Pension fund liabilities	–1 146	–1 201
Inventories	–2 675	–2 894
Property, plant and equipment	–34	–52
Offsetting of unrecognized loss carry-forwards from previous financial years	–1 261	–1 455
Deferred tax assets	**–6 579**	**–5 682**
NET DEFERRED TAX LIABILITIES	**14 058**	**16 050**

The Group has not capitalized deferred taxes for losses carried forward in the amount of EUR 48.112 million (2016: EUR 49.025 million). These income tax deductible losses carried forward expire as follows:

IN EUR THOUSANDS	2017	2016
Expire next year	1 616	665
Expire in 2–4 years	3 187	2 938
Expire in 5–7 years	3 165	4 303
Expire after 7 years	–	–
No expiry	40 144	41 119
TOTAL UNRECOGNIZED CAPTALIZED DEFERRED TAX ASSETS FROM LOSSES CARRY-FORWARD	**48 112**	**49 025**

26. EQUITY

Share capital
The share capital amounts to EUR 816,000 (CHF 1 million), consisting of 5,000,000 registered shares with a nominal value of CHF 0.20 each. In addition, there is conditional share capital of CHF 50,000 for an employee incentive plan.

All registered shares issued are fully paid up and bear equal rights in all regards.

Capital reserves
The capital reserves relate to the acquisition of Parfums Grès SA and Parfums Samouraï SA in 2007 and the increase in equity in 2017 (see also section “Capital management”).

Retained earnings and other reserves
These reserves include retained earnings and currency translation differences. There are non-distributable reserves in various Group companies.

27. CONSOLIDATED GROUP AND CHANGES

Lalique Group comprises the following companies:

COMPANY, HEADQUARTERS, COUNTRY	CURRENCY (THOUSANDS)	SHARE CAPITAL 2017	SHARE CAPITAL 2016	PARTICIPATING INTEREST 2017	PARTICIPATING INTEREST 2016
Lalique Group SA, Zurich, Switzerland	CHF	1 000	1 000	Holding	Holding
Lalique Beauty SA , Zurich, Switzerland	CHF	1 000	1 000	100%	100%
LLQ Management SA, Zurich, Switzerland	CHF	500	500	100%	100%
Lalique Parfums SA, Zurich, Switzerland	CHF	1 000	1 000	100%	100%
Parfums Grès SA, Zurich, Switzerland	CHF	250	250	100%	100%
Parfums Samouraï SA, Zurich, Switzerland	CHF	250	250	100%	100%
Parfums Alain Delon SA, Zurich, Switzerland[1]	CHF	100	100	100%	100%
Jaguar Fragrances SA, Zurich, Switzerland	CHF	250	250	100%	100%
Bentley Fragrances SA, Zurich, Switzerland	CHF	250	250	100%	100%
Lalique Beauty Distribution SA, Zurich, Switzerland	CHF	100	100	100%	100%
Lalique Beauty Distribution Sàrl, Ury, France	EUR	100	100	100%	100%
Ultrasun AG, Zurich, Switzerland	CHF	250	250	100%	100%
Ultrasun (UK) Ltd, Reigate, UK	GBP	10	10	100%	100%
Lalique Beauty Services SASU, Ury, France	EUR	1 503	1 503	100%	100%
SCI du Mont à Grillon, Ury, France	EUR	1	1	100%	100%
Lalique Maison SA, Zurich, Switzerland[1]	CHF	100	100	100%	100%
Lalique Art SA, Zurich, Switzerland[1]	CHF	100	100	100%	100%
Lalique Suisse SA, Zurich, Switzerland	CHF	100	100	100%	100%
Lalique SA, Paris, France	EUR	34 400	34 400	95%	95%
Lalique North Americas Inc., East Rutherford, NJ, USA	USD	2 300	2 300	100%	100%
Lalique Ltd, London, UK	GBP	2 050	2 050	100%	100%
Lalique Asia Ltd, Hong Kong, China	HKD	8 000	8 000	100%	65%
Lalique Shanghai Ltd, Shanghai, China	CNY	6 115	6 115	100%	100%
Lalique (Xuhui) Ltd, Shanghai, China	CNY	1 000	1 000	100%	100%
Lalique Crystal Singapore PTE Ltd, Singapore	SGD	300	300	100%	100%
Lalique GmbH, Frankfurt, Germany	EUR	870	870	100%	100%
Lalique China Ltd, Hong Kong, China	HKD	1 000	1 000	100%	100%
Villa René Lalique SAS, Wingen-sur-Moder, France	EUR	60	60	100%	100%
Château Hochberg, Wingen-sur-Moder, France	EUR	10	–	100%	0%
Lalique Japan Co., Tokyo	CNY	80 005	–	60%	0%

[1] of which paid-in share capital: CHF 50,000 each

Following a resolution of the last general meeting, the subholding company Art & Fragrance SA was renamed Lalique Beauty SA. The scope of consolidation was extended compared with the previous year, with the newly founded company Lalique Japan Co. in Tokyo, Japan and the acquisition of Château Hochberg in Wingen. Furthermore, 35% minority shares in Lalique Asia in Hong Kong, China were added.

28. TRANSACTIONS WITH RELATED PARTIES

Members of the Board of Directors, members of the Executive Board

IN EUR THOUSANDS	2017	2016
Total emoluments and salaries (incl. bonuses and interest) paid to members of the Board of Directors and Executive Board	2 566	2 062
Total pension fund contributions paid to members of the Board of Directors and Executive Board	254	117

The compensation elements indicated relate to the previous financial year.

Affiliates and shareholders

IN EUR THOUSANDS	31.12.17	31.12.16	TYPE OF TRANSACTION
Liabilities:			
Members of the Board of Directors of Lalique Group SA	14	18	Mont-Blanc resourcing, consulting
Principal shareholder	–	4	Silvio Denz
Affiliates under common control	17	3	Vignobles Silvio Denz
	12	26	Denz Weine
Receivables:			
Affiliates under common control	11	12	Art & Terroir SA, Rent
Principal shareholder	58	–	Silvio Denz
Loans:			
Principal shareholder	20 503	24 266	Loan
Proceeds from:			
Affiliates under common control	12	12	Art & Terroir, rent, insurance
Principal shareholder	65	105	Proceeds from sale of Lalique objects
Expenditure of:			
Principal shareholder	185	204	Interest on loans
Affiliates under common control	8	174	Wermuth Auktionen, purchase of wine
	26	24	Vignobles Silvio Denz, purchase of wine
	5	9	Villa Madura, purchase of wine
	79	48	Denz Weine, purchase of wine
Members of the Board of Directors of Lalique Group SA	115	117	Mont-Blanc Resourcing, consulting
	416	395	Ermitage Estate Ltd, Rent
	135	–	Claudio Denz, purchase of car
	1	–	Art&Terroir, purchase of Château Hochberg

Transactions with related parties are settled on an arm's-length basis.

29. ACQUSITION UNDER COMMON CONTROL AND AQUISITION OF NON-CONTROLLING INTEREST

As at 26 July 2017, Lalique SA acquired 100% of the shares in Château Hochberg SAS, Wingen-sur-Moder, France for the price of 1 EUR. Château Hochberg SAS is a 4 star hotel and a modern restaurant for travellers and banquets. The hotel offers 15 rooms and suites and a modern brasserie with 60 covers.

IN EUR THOUSANDS	BOOK VALUE ON THE AQUISITION DATE
Cash and cash equivalents	2
Other current assets	454
Property, plant and equipment/intangible assets	7 955
Total assets	**8 411**
Bank liabilities	7 455
Current liabilities	1 166
Non-current liabilities	1 091
Total liabilities	**9 712**
SUM OF IDENTFIABLE NET ASSETS, MEASURED AT BOOK VALUE	**–1 301**
BOOK VALUE OF THE CONSIDERATION	**–1 301**
Analysis of the cash outflow resulting from the acquisition	
Purchase price (recognized in cash flow from investments)	0
Acquired cash and cash equivalents (recognized in cash flow investments)	7453
Cash outflow resulting from the acquisition	**7453**

The transaction was recorded in accordance with the “Pooling of interest” method (POI), meaning the deviation between purchase price, net assets was accounted in equity and consolidated as of purchase date. The POI method was applied as the acquisition took place between companies under common control. As Château Hochberg was not part of the consolidation group in 2016, the 2016 financial statement was not restated.

Lalique SA acquired as at 31 October 2017 35% of the shares in Lalique Asia Ltd, Hongkong, China at a price of EUR 88,000 (HKD 824,000) and holds 100% of the shares in the company. Lalique Asia was already consolidated prior to the transaction. The difference between purchase price and equity of the company was recorded in the retained earnings of Lalique Group.

30. CONTINGENT LIABILITIES

As at 31 December 2017, there were no unrecognized contingent liabilities (31. 12. 2016: EUR 0).

31. ASSETS PLEDGED OR ASSIGNED TO SECURE OWN COMMITMENTS

There are no assets pledged or assigned to secure our own commitments.

32. SUBSEQUENT EVENTS

The Group has evaluated events from 31 December, 2017 up to the date the financial statements were issued. There were no subsequent events that need disclosure.

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To the General Meeting of
Lalique Group SA, Zurich

Zurich, 13 April 2018

Statutory auditor's report on the audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements of Lalique Group SA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (page 3 – 46) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion
We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial

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statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Valuation of brands	
Risk	As of 31 December 2017, the brand values of Lalique Group amounted to EUR 59.3 million. The separate capitalized brands relate to Lalique (divided into perfumes, crystal and jewellery), Ultrasun, Parfums Samourai and Parfums Grès. The segments of the group are Lalique, Ultrasun, Jaguar, Grès and other brands (Parfums Samourai, Bentley Fragrances, Art & Fragrance Services). The annual impairment testing process is complex, contains items based on judgments and includes assumptions that are affected by expected future market conditions. There is a risk that the future cash flows may not meet the Group’s expectation or outcomes may differ from the estimated values.
Our audit response	We reviewed management’s assessment related to impairment indicators for the value of the brands. We involved our internal valuation specialists for the review of the valuation model and the discount rate used. Additionally, we analyzed the impairment test process, the management forecasts regarding expected revenues and further input data with the responsible person as well as reviewed its reasonability compared to previous year. We also assessed the disclosure according to IAS 36 in the consolidated financial statements.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the compensation report and our auditor’s reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Christian Krämer Licensed audit expert (Auditor in charge)	Olga Semenova ACCA

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LALIQUE GROUP REMUNERATION REPORT

GENERAL INFORMATION/PRINCIPLES

Lalique Group strives to attract and retain qualified and motivated managers and skilled personnel. This aspiration is underpinned by a fair remuneration system. In the interests of the sustainable development of the company this system takes short-, medium- and long-term targets into account.

The present Remuneration Report offers an overview of the remuneration policy for the Board of Directors and the Executive Board, and of the equity participation of the members of those bodies in the company. This information complies with Articles 663b^{bis} and 663c of the Swiss Code of Obligations, the Ordinance against Excessive Compensation in Listed Corporations (VegüV) and the company's Articles of Association. The currently applicable articles were approved at the General Meeting of Shareholders on 23 June 2015.

Remuneration rates for the members of the Board of Directors and the Executive Board were put to shareholders for approval at the General Meeting of Shareholders on 26 June 2015. Neither amendments to the contracts of the Executive Board members nor any new agreements with members of the Board of Directors relating to the new legal and statutory requirements were necessary.

DIRECTORS' REMUNERATION

Composition of directors' remuneration
The members of the Board of Directors receive a fixed payment for their work. The Remuneration Committee can provide for them to receive an optional variable rate of remuneration. Where a variable remuneration rate is implemented, it is based on qualitative and quantitative targets. Evaluating the extent to which these targets are achieved is the responsibility of the directors themselves. The variable remuneration rate must not exceed 200% of the fixed sum.

Bonuses can be paid to members of committees or those who assume particular roles or tasks.

With regard to activities in companies directly or indirectly controlled by Lalique Group and activities performed in the exercise of the role of member of the Board of Directors, the company concerned may remunerate directors as long as this remuneration is covered by the amount approved by the General Meeting of Shareholders.

The fixed remuneration sum can be paid in part in shares, and the variable remuneration in part or in full in shares.

Members of the Board of Directors receive compensation for personal expenditure and expenses. The reimbursement of expenditure and payment of expenses does not count as remuneration. In addition, where the law permits, the company can compensate directors for financial disadvantages relating to legal proceedings, court cases or settlement deals, and advance sums accordingly and take out insurance policies. Any such compensation, advances or insurance policies are similarly not considered as remuneration.

Approval of directors' remuneration
The General Meeting of Shareholders approves the maximum amount of fixed remuneration for the Board of Directors for the period up to the next General Meeting of Shareholders.

The General Meeting of Shareholders approves the total amount of variable remuneration for the Board of Directors for the previous financial year.

Total remuneration for members of the Board of Directors

IN CHF THOUSANDS		SALARIES FEES, BONUSES	PENSION FUND CONTRIBUTIONS PAID	OTHER SOCIAL CHARGES	TOTAL
2017					
Silvio Denz	Chairman of the Board of Directors	65	5	3	73
Roger von der Weid	Delegate of the Board of Directors & CEO	601	42	40	683
Roland Weber	Vice-chairman of the Board of Directors	25	–	2	27
Marc Roesti	Member of the Board of Directors	25	–	1	26
Claudio Denz	Member of the Board of Directors & CD	200	8	14	222
Jan Kollros	Member of the Board of Directors	13	–	–	13
Total Board of Directors		**929**	**55**	**60**	**1 044**
2016					
Silvio Denz	Chairman of the Board of Directors	185	–	27	212
Roger von der Weid	Delegate of the Board of Directors & CEO	609	42	42	693
Roland Weber	Vice-chairman of the Board of Directors	25	–	2	27
Marc Roesti	Member of the Board of Directors	25	–	–	25
Claudio Denz	Member of the Board of Directors & CD	199	8	14	221
Total Board of Directors		**1 043**	**50**	**85**	**1 178**

No remuneration was paid to former members of the Board of Directors.

REMUNERATION FOR THE EXECUTIVE BOARD

Composition of remuneration for the Executive Board
The members of the Executive Board receive a fixed annual remuneration sum and variable remuneration for their work. The variable remuneration rate is based on qualitative and quantitative targets. Evaluating the extent to which these targets are achieved is the responsibility of the Board of Directors. The variable remuneration rate must not exceed 100% of the fixed sum.

Bonuses can be paid to members of committees or those who assume particular roles or tasks.

With regard to activities in companies directly or indirectly controlled by Lalique Group and activities performed in the exercise of the role of member of the Executive Board, the company concerned may remunerate Executive Board members as long as this remuneration is covered by the amount approved by the General Meeting of Shareholders.

The variable remuneration sum can be paid in part or in full in shares.

Members of the Executive Board receive compensation for personal expenditure and expenses. The reimbursement of expenditure and the payment of expenses does not count as remuneration. In addition, where the law permits, the company can compensate Executive Board members for financial disadvantages relating to legal proceedings, court cases or settlement deals, and advance sums accordingly and take out insurance policies. Any such compensation, advances or insurance policies are similarly not considered as remuneration.

Approval of remuneration for the Executive Board
The General Meeting of Shareholders approves the maximum amount of fixed remuneration for the Board of Directors for the period up to the next General Meeting of Shareholders.

The General Meeting of Shareholders approves the total amount of the variable remuneration for the Board of Directors for the previous financial year.

Where new Executive Board members are appointed subsequent to the approval being given by the General Meeting of Shareholders, the supplementary pro rata sum per new member is 150% of the highest fixed remuneration paid to an Executive Board member in the financial year preceding the last General Meeting of Shareholders. Approval by the shareholders for the supplementary remuneration is not required.

Total remuneration to members of the Executive Board

IN CHF THOUSANDS	SALARIES FEES, BONUSES	PENSION FUND CONTRIBUTIONS PAID	OTHER SOCIAL CHARGES	TOTAL
2017				
Members of the Executive Board (9 members)	1 922	227	367	2 516
Total Executive Board[1]	**1 922**	**227**	**367**	**2 516**
2016				
Members of the Executive Board (6 members)	1 204	78	86	1 368
Total Executive Board[1]	**1 204**	**78**	**86**	**1 368**

[1] Excl. Roger von der Weid, Delegate of the BoD and CEO, and Claudio Denz, Member of the BoD and Creative Director

The constitution of the Executive Board was reviewed and adjusted during the reporting period.
The Board comprises senior leaders from all businesses.
No remuneration was paid to former members of the Executive Board.

REMUNERATION COMMITTEE

At the General Meeting of Shareholders of 23 June 2017, shareholders elected or confirmed respectively the members of the Remuneration Committee. They are Silvio Denz and Roger von der Weid. The members were elected for a period of office of one year. The Remuneration Committee is responsible for regularly checking and evaluating the company's remuneration system. In addition, the Remuneration Committee makes proposals to the Board of Directors for both quantitative and qualitative targets and for their achievement by directors and Executive Board members and with regard to the remuneration rates for directors and Executive Board members, within the framework of the conditions set out above.

SHAREHOLDINGS OF THE MANAGEMENT BODIES

As of 31 December 2017, the members of the Board of Directors and the Executive Board held the following numbers of shares:

NAME	FUNCTION	31.12.17	IN %	31.12.16	IN %
Silvio Denz	Chairman of the Board of Directors	3 602 000	72.04%	3 775 000	75.50%
Roger von der Weid	Delegate of the Board of Directors & CEO	3 000	0.06%	3 000	0.06%
Roland Weber	Vice-chairman of the Board of Directors	3 500	0.07%	3 500	0.07%
Marc Roesti	Member of the Board of Directors	1 500	0.03%	1 500	0.03%
Claudio Denz	Member of the Board of Directors & CD	149 000	2.98%	149 000	2.98%
Jan Kollros	Member of the Board of Directors	–	0.00%	n/a	n/a
Rosemarie Abels	Head Procurement & Production, Perfumes	100	0.00%	100	0.00%
Jean Baptiste de Jaham	Head of Sales, Crystal	–	0.00%	n/a	n/a
Pascal Grussi	Head of HR, Crystal	–	0.00%	n/a	n/a
Ulrich Hürlimann	Group CFO (until 31.5.2017)	n/a	n/a	100	0.00%
Benedikt Irniger	Head of Ultrasun	–	0.00%	500	0.01%
Marie-Laure Joly	Head of Marketing, Perfumes	100	0.00%	100	0.00%
Marc Lamineaux	Head of Design, Crystal	–	0.00%	n/a	n/a
Thomas Leutenegger	Head of Sales, Perfumes	n/a	n/a	–	0.00%
Denis Mandry	Factory Director, Crystal	–	0.00%	n/a	n/a
David Rios Lopes	COO, Perfumes	500	0.01%	500	0.01%
Alexis Rubinstein	Group CFO (as of 1.6.2017)	–	0.00%	n/a	n/a
Total		**3 759 700**	**75.19%**	**3 933 300**	**78.67%**
Total Lalique Group shares		5 000 000	100.00%	5 000 000	100.00%

The shares listed above, held by members of the Board of Directors and Executive Board, are not subject to any vesting periods. The option of purchasing blocked shares in the company at market value (including a discount which recognizes the lock-up period and its duration) may be accorded to members of either body. Otherwise, the members of the Board of Directors and Executive Board are not granted any special rights concerning the purchase of shares.

LOANS AND CREDIT

Lalique Group may grant loans or credit to members of the Board of Directors or Executive Board in exceptional cases. The total sum of such loans and credits may not exceed CHF 1 million per member. No such loans or credits existed in the 2017 financial year, either towards present (or former) members of the Board of Directors or Executive Board or persons closely connected with these members.

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To the General Meeting of
Lalique Group SA, Zürich

Zurich, 13 April 2018

Report of the statutory auditor on the remuneration report

We have audited the remuneration report on page 50 to 55 of Lalique Group SA for the year ended 31 December 2017.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the remuneration report for the year ended 31 December 2017 of Lalique Group SA complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Christian Krämer
Licensed audit expert
(Auditor in charge)

Olga Semenova
ACCA

LALIQUE GROUP SA, ZURICH FINANCIAL STATEMENTS

INCOME STATEMENT

IN CHF THOUSANDS	2017	2016
Income from participating interests	–	7 550
Personnel expenses	–356	–380
Other operating expenses	–269	–269
Depreciation on property, plant and equipment	–17	–11
Earnings before interest, taxes, depreciation and amortization	**–642**	**6 890**
Total financial income	3 052	2 655
Total financial expenses	–2 673	–2 156
Profit for the year before taxes	**– 263**	**7 389**
Direct taxes	–58	5
PROFIT FOR THE YEAR	**–321**	**7 394**

BALANCE SHEET

IN CHF THOUSANDS	31.12.17	31.12.16
Current assets		
Cash and cash equivalents	133	–
Other short-term receivables from third party	3	1
Other short-term receivables from related party	180	124
Total current assets	**316**	**125**
Non-current assets		
Investments	103 150	103 150
Loans to shareholdings	77 725	64 647
Total non-current assets	**180 875**	**167 797**
TOTAL ASSETS	**181 191**	**167 922**
Short-term liabilities		
Interest-bearing short-term bank liabilities	29 745	22 893
Trade account payables	–	14
Other current liabilities due to third-party	100	28
Interest-bearing short-term loan due to bodies	2 000	2 000
Total short-term liabilities	**31 845**	**24 935**
Long-term liabilities		
Long-term liabilities due to group companies	5 176	196
Interest-bearing loans due to bodies	22 000	24 000
Total long-term liabilities	**27 176**	**24 196**
Total liabilities	**59 021**	**49 131**
Equity		
Share capital	1 000	1 000
Statutory capital reserves	34 402	30 322
Capital contribution reserves	14 580	10 500
Other capital contribution reserves	19 822	19 822
Statutory retained earnings	1 255	1 255
Voluntary retained earnings: profit brought forward	86 111	79 404
Profit for the year	–321	7 394
Treasury shares	–277	–584
Total equity	**122 170**	**118 791**
TOTAL LIABILITIES AND EQUITY	**181 191**	**167 922**

NOTES TO THE FINANCIAL STATEMENTS

Applied valuation principles in the financial statements
These financial statements have been prepared in accordance with the provisions on commercial accounting laid down in articles 957–963b Swiss Code of Obligations (CO) (effective 1 January 2013).

Treasury shares
Treasury shares are valued at acquisition cost at date of recognition and recorded as a negative value of the equity. In case of sales a gain or loss will be recorded in financial income or expenses.

Interest-bearing long-term loans
Interest-bearing long-term loans are valued at nominal value.

Waiver of disclosing additional information for interest-bearing liabilities and cash flow statement
Because Lalique Group SA prepares its consolidated financial statements in accordance with a recognized standard for financial accounting (IFRS), in these financial statements it has omitted the additional information with respect to the interest-bearing liabilities and a cash flow statement from these financial statements.

Information about balance sheet and income statement items

Full-time positions
The number of full-time positions, on annual average, did not exceed ten in the year under review nor in the previous year.

Significant shareholders
With the exception of Silvio Denz's 72.04% shareholding (2016: 75.5%), as at the end of the financial year and the previous year-end, no shareholder exceeded 5% of the participation or voting rights.

Equity
The capital contribution reserve is the subject of ongoing negotiations with the federal tax administration.

IN CHF THOUSANDS	31.12.17	31.12.16
Contingent liabilities		
As at 31 December 2017, there were unrecognized contingent liabilities (joint guarantees) of EUR 11.697million (31.12.2016: EUR 11.412 million) arising from short- and long-term loans and guaranteed rental income in connection with Lalique SA and Villa René Lalique SAS.	13 693	12 228
Guarantees		
Joint and several liability for VAT debt resulting from the consolidated accounting of VAT (group taxation)	–	–
Authorized and conditional capital		
Authorized capital	–	–
Conditional capital	50	50
Directly held investments		
Lalique Beauty SA (formerly Art & Fragrance SA)		
Holding of participating interests		
Share capital in CHF thousands	1 000	1 000
Ownership and voting right	100%	100%
Lalique SA, Paris		
Production and sale/distribution of crystal, jewellery, perfume and cosmetic products		
Share capital in EUR thousands	34 400	34 400
Ownership and voting right	95%	95%
Lalique Suisse SA, Zurich		
Creation, development and trading of objects of art and decorative elements		
Share capital in CHF thousands	100	100
Ownership and voting right	100%	100%
Lalique Maison SA, Zurich		
Creation and sale/distribution of furniture and interior-design accessories		
Share capital in CHF thousands[1]	100	100
Ownership and voting right	100%	100%
Lalique Art SA, Zurich		
Creation, development and trading of art objects and decorative elements		
Share capital in CHF thousands[1]	100	100
Ownership and voting right	100%	100%
SCI du Mont à Grillon, Ury		
Management and rental of real estate		
Share capital in EUR thousands	1	1
Ownership and voting right	100%	100%

[1] Of which paid-in: CHF 50,000 each

Treasury shares

	NUMBER OF TRANSACTIONS	ANNUAL LOW SHARE PRICE IN CHF	ANNUAL HIGH SHARE PRICE IN CHF	AVERAGE PRICE PER SHARE IN CHF	NUMBERS
Treasury shares					
Balance as of 1.1.2016					**45 400**
Purchases	32	19,00	27,12	23,28	5 531
Sales	14	22	26	25	–20 731
Balance as of 31.12.2016					**30 200**
Purchases	19	27,01	43,95	31,43	2 241
Sales	24	26,54	40,00	35,83	–18 941
Balance as of 31.12.2017					**13 500**

As of balance sheet date, the acquisition cost of the treasury shares amounted to CHF 277,000 (31.12.2016: CHF 583,000).
All shares traded were placed at the current share price on the BX Berne eXchange.

Shares held by members of the Board of Directors and Executive Board

NAME	FUNCTION	31.12.17	IN %	31.12.16	IN %
Silvio Denz	Chairman of the Board of Directors	3 602 000	72.04%	3 775 000	75.50%
Roger von der Weid	Delegate of the Board of Directors & CEO	3 000	0.06%	3 000	0.06%
Roland Weber	Vice-chairman of the Board of Directors	3 500	0.07%	3 500	0.07%
Marc Roesti	Member of the Board of Directors	1 500	0.03%	1 500	0.03%
Claudio Denz	Member of the Board of Directors & CD	149 000	2.98%	149 000	2.98%
Jan Kollros	Member of the Board of Directors	–	0.00%	n/a	n/a
Rosemarie Abels	Head Procurement & Production, Perfumes	100	0.00%	100	0.00%
Jean Baptiste de Jaham	Head of Sales, Crystal	–	0.00%	n/a	n/a
Pascal Grussi	Head of HR, Crystal	–	0.00%	n/a	n/a
Ulrich Hürlimann	Group CFO (until 31.5.2017)	n/a	n/a	100	0.00%
Benedikt Irniger	Head of Ultrasun	–	0.00%	500	0.01%
Marie-Laure Joly	Head of Marketing, Perfumes	100	0.00%	100	0.00%
Marc Lamineaux	Head of Design, Crystal	–	0.00%	n/a	n/a
Thomas Leutenegger	Head of Sales, Perfumes	n/a	n/a	–	0.00%
Denis Mandry	Factory Director, Crystal	–	0.00%	n/a	n/a
David Rios Lopes	COO, Perfumes	500	0.01%	500	0.01%
Alexis Rubinstein	Group CFO (as of 1.6.2017)	–	0.00%	n/a	n/a
Total		**3 759 700**	**75.19%**	**3 933 300**	**78.67%**
Total Lalique Group shares		5 000 000	100.00%	5 000 000	100.00%

PROPOSAL FOR THE APPROPRIATION OF AVAILABLE EARNINGS

IN CHF THOUSANDS	31.12.17	31.12.16
Approval of the Annual Report and accounts for the 2017 financial year, closing with a profit of	–321	7 394
Brought forward from the previous year	86 109	79 402
Total available to the General Meeting	**85 788**	**86 796**
Appropriation of available earnings as follows		
Dividend payment (CHF 0.50 per share)	–2 500	–2 500
Disclaimer for dividend payment of principal shareholder	0	1 801
No dividend payments to treasury shares (status 13.04.2018)	6	12
BALANCE BROUGHT FORWARD TO NEW ACCOUNTS	**83 294**	**86 109**

Building a better working world

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To the General Meeting of
Lalique Group SA, Zurich

Zurich, 13 April 2018

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Lalique Group SA, which comprise the balance sheet, income statement and notes, (page 58 – 64) for the year ended 31 December 2017.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2017 comply with Swiss law and the company's articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each

matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Separate valuation of participations	
Risk	Lalique Group SA is the parent company of the Lalique Group and holds the shares of its subsidiaries. Shareholdings amounted to CHF 103.2 million as of 31 December 2017 and represented 57% of the balance sheet. Due to potential impairment needs, we defined this topic as a key audit matter.
Our audit response	We reviewed the valuation method used for the individual valuation of the participations and verified the clerical accuracy of the amounts. We assessed the used input parameters and reviewed the disclosure according to the Swiss accounting law in the financial statements.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Christian Krämer	Olga Semenova
Licensed audit expert (Auditor in charge)	ACCA

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS
This report contains forward-looking statements based on current assumptions and projections made by management. Such statements are subject to known and unknown risks, uncertainties and other factors which may cause the actual results and performance of the Lalique Group to differ from those expressed in, implied or projected by the forward-looking information and statements. The information published in this report is provided by Lalique Group SA and corresponds to the status as of the date of publication of this report.

Disclaimer
Lalique Group publishes an electronic version of the Financial Report in German and English (legally binding) and prints a Summary Report in English.

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