ART&FRAGRANCE

AD HOC ANNOUNCEMENT

Art & Fragrance announces 2013 half-year results

Zollikerberg near Zurich, 30 September 2013 – ***Art & Fragrance SA (BX:ARTN), which is active in the creation, development, marketing and worldwide distribution of luxury goods, achieved operating revenue of CHF 55.3 million in the first half of 2013, a result practically on a par with the same period in the previous year, in spite of challenging market conditions in some areas. The net Group profit of CHF 2.4 million reflects the mostly one-off integration costs related to the acquisition of a filling and logistics company at the start of the year and the increasing price pressure on one of the older, classic perfumes. Art & Fragrance is confident that it will continue to achieve stable growth in all its segments.***

Art & Fragrance has achieved pleasing results overall in the first six months of 2013 and has continued to drive forward its strategic projects.

Operating revenue remained practically stable at CHF 55.3 million in the first half of 2013 (-1% compared with the first half of 2012), in spite of a disappointing performance by classic perfume Cabotine de Grès, which also had an impact on the operating margin. Salaries and wages increased 17% during the reporting period, while other operating expenses rose by 3%. This cost increase is primarily a reflection of the insourcing of staff and operations in the company's perfumes segment, including one-off integration costs, following the acquisition of the filling and logistics company previously called CPS, which has since been renamed Art & Fragrance Services. This strategic acquisition has allowed Art & Fragrance to secure an important element in its value chain and is also expected to result in synergies and increased efficiency once the integration has been successfully completed. The net Group result was 33% lower overall at CHF 2.4 million; however, experience shows that the second half of a year tends to contribute more to the annual result.

Sales in the perfumes segment declined slightly by 2% to stand at CHF 24.4 million in the first half of 2013. While the gross margin increased, the above-mentioned developments led to a lower operating margin and resulted in EBIT dropping 39% to CHF 4.4 million.

Lalique Parfums saw a solid first half of the year, posting sales growth of 16% with higher sales generated mainly in Russia, the US and the Middle East. The newly launched Satine line made a significant contribution to this sales growth, and the launch of Encre Noire Sport is expected to provide a further boost from October.

Jaguar Fragrances continued to post a solid performance, with a slight decline in sales of 2% and particularly good sales in Europe and the Middle East. Margins were slightly lower due to the focus on new, trendy lifestyle products; this should be compensated in the future with increasing sales revenues. There are plans to add two extensions to the line in autumn and to launch a new product line in early 2014.

Sales of Parfums Grès declined by 42% in the first half of 2013. This is due in part to the intense price pressure on Cabotine, which was not immediately yielded to and therefore led to a loss of revenues. Three new launches are expected to give the brand a boost in the second half of the year.

Samouraï by Parfums Alain Delon posted a decline in royalties after licensing terms for hair and bath products had to be revised due to the still tense market conditions in Japan, its primary market. Sales revenues generated by Samouraï Parfums remained stable, however – a positive performance given the market environment.

The new Bentley Fragrances brand has had a very pleasing start since its launch in March 2013 and has performed in line with the budget. As expected, there was lively interest in the products in the Middle East and Europe in particular. Due to development costs and licensing costs, which are recognised on a straight-line basis over the contract term and therefore have a comparatively stronger impact on the first years, the margins failed to reach the defined target range. The line extension planned for the autumn will further raise awareness of the still young perfume brand.

The cosmetics segment posted sales of CHF 5.9 million for Ultrasun sun protection products, a pleasing increase of 6% compared with the previous year, which enabled it to maintain high margins. Sales were particularly good in the UK, the Netherlands, China, Switzerland and Germany. EBIT rose 5% to CHF 1.6 million.

The crystal and jewellery segment posted pleasing sales of CHF 26.3 million in the first half of the year, which is typically weaker due to seasonal factors (-4% compared with the first half of 2012). The gross margin rose sharply by 14% to CHF 17.4 million. Efficient cost management also enabled the segment to reduce operating loss by 52% to CHF 1.9 million. The strategic positioning of Lalique as a diversified lifestyle brand has started to bear fruit, further underlining the progress Lalique has made in the operating business. The new areas Lalique Maison and Lalique Art in particular posted pleasing growth, with the continued co-branding programme contributing to increased visibility among new target customer groups. Investments in proprietary distribution channels in the form of a new store concept also paid off; retail sales have risen 16% year-on-year. The opening of new proprietary sales points is planned for Zurich, Miami, Las Vegas, Shanghai and Hong Kong in the coming months.

Outlook

Art & Fragrance is confident that it will continue to achieve stable growth in all its segments. In the perfumes segment, the company has an excellent platform now that it has its own filling and logistics business, and it also has a portfolio offering great potential for the future with the growth-driving brands Lalique, Jaguar and Bentley. The short-term focus for Parfums Grès will be on stabilising Cabotine, even if the company does not expect it to fully reach previous sales and income levels. New product lines are currently being developed for Samouraï, with a view to penetrating new Asian markets outside Japan. At the same time, Art & Fragrance is evaluating the acquisition of new brands and licences in line with its strategy, which is also geared toward external growth. In the cosmetics segment, long-term development efforts and extensive investments have created a solid foundation for the sustainable performance of Ultrasun. The company is continuing to pursue its adopted strategy for Lalique’s crystal and jewellery segment, with a focus on collaborations with contemporary artists and exclusive partnerships with other luxury goods companies.

Roger von der Weid, CEO of Art & Fragrance: “We made some good progress in the first half of 2013 and have laid an even better foundation for continued growth in our perfumes segment with the recent acquisition of a filling and logistics company. Unfortunately, the performance of Cabotine is less pleasing but we will be making efforts to stabilise it over the coming months. Thanks to our broadly diversified portfolio in the luxury goods segment we are optimistic about the future and expect that our business segments will continue to post both organic and external growth.”

Media contact
Art & Fragrance SA
Daniel Graf
Head of Communication and PR
Bühlstrasse 1
CH-8125 Zollikerberg

Tel.: +41 43 499 45 26
Fax: +41 43 499 45 02
E-mail: daniel.graf@art-fragrance.com

Art & Fragrance SA
Art & Fragrance is a niche player in the creation, development, marketing and global distribution of luxury goods and specialises in perfumes, cosmetics, crystal, jewellery, high-end furniture and living accessories, and art. Founded in 2000, the company employs approx. 500 staff and has its headquarters in Zollikerberg near Zurich. The registered shares of Art & Fragrance (ARTN) are listed on the BX Berne eXchange.

You can find further information at **www.art-fragrance.com.**

Key performance figures for Art & Fragrance (unaudited)

CHF millions

	1st half of 2013	1st half of 2012 Restated*
Operating revenue	55.3	55.9
Gross profit	32.2	30.1
Salaries and wages	-12.6	-10.7
Other operating expenses	-13.4	-13.0
EBITDA	6.2	6.4
EBIT	3.9	4.7
EBIT margin	7.1%	8.4%
Financial result	-0.5	-0.4
Net Group result	2.4	3.6

CHF

Earnings per share	0.49	0.76

CHF millions

	30.06.2013	30.06.2012 Restated*
Total equity **(after shares with non-controlling interest)**	76.8	64.2
Equity ratio	37.8%	35.4%

** Application of IAS 19 Revised resulted in adjustments to the previous period. We refer to the note on "New accounting and valuation principles" in the notes to the consolidated financial statements for the first half of 2013.*

The complete consolidated financial statements for the first half of 2013 are available at
www.art-fragrance.com.