

AD-HOC ANNOUNCEMENT**Art & Fragrance announces 2013 year-end results**

Zollikoberg near Zurich, 17 April 2014 – Art & Fragrance SA (BX:ARTN), which is active in the creation, development, marketing and worldwide distribution of luxury goods, made pleasing operating and strategic progress in 2013. Operating revenue was increased by 7% to CHF 118.7 million. The Group result of CHF 5.8 million reflects the mostly one-off integration costs relating to the acquisition of a filling and logistics company at the start of the year, which has since been renamed Art & Fragrance Services (AFS). Art & Fragrance is confident that it will continue to achieve stable growth in all its segments.

Art & Fragrance performed well in 2013, both in terms of its operating business as well as its strategic projects. Operating revenue was up 7% on the prior year to CHF 118.7 million. The 27% rise in salaries and wages and the 10% increase in operating expenses is due to the insourcing, including one-off integration costs, of the filling and logistics firm – acquired in January 2013 and since renamed Art & Fragrance Services (AFS) – into the company's perfumes segment. This strategic acquisition has allowed Art & Fragrance to secure an important element in its value chain, which going forward is expected to lead to greater planning certainty and increased efficiency. The net Group result was 40% lower overall at CHF 5.8 million as a result.

The perfumes segment generated revenue of CHF 52.6 million, a year-on-year increase of 7%. The price pressure on older, classic perfumes was more than offset by the strong growth recorded by Lalique Parfums and the launch of the new Bentley Fragrances brand. The gross margin improved by more than two percentage points, while EBIT fell on the back of costs relating to the AFS integration, by 29% to CHF 8.8 million.

Lalique Parfums boosted its revenue by a very respectable 33% and kept margins stable at a high level, posting good sales mainly in (Eastern) Europe, the Near and Middle East and the US, as well as increasingly in the travel retail segment. Alongside the new Satine line the launch of Encre Noire Sport is expected to provide a further boost this coming autumn.

Jaguar Fragrances continued to post a solid performance with a small increase in sales of 1%, fuelled in particular by good sales in Europe and the Middle East. The gross margin shrank slightly as a result of the focus on more trendy lifestyle products that have a higher cost. This ground lost is to be made up by increasing sales revenues, also within the context of planned new launches.

The situation surrounding Parfums Grès has stabilized in recent months following the dwindling sales reported by the classic perfume Cabotine in the first half of the year. Revenue was down 37% for the year as a whole. The newly launched Madame Grès line performed well, with the new Grès Lumière line from the traditional brand is expected to provide a further boost over the course of the current year.

Parfums Samouraï posted a 16% drop in royalties after licensing terms for hair and bathing products had to be revised due to the ongoing tense market conditions in Japan, its primary market. Sales revenues generated by Samouraï perfumes remained stable, however – a positive performance given the market environment.

The products distributed under the new Bentley Fragrances brand have generated pleasing sales since their launch in March 2013, and the sales targets set for the year of launch were met. Due to development and licensing costs, which are recognised on a straight-line basis over the contract term and therefore have a comparatively stronger impact on the initial years, the margins fell short of the defined target range. The Bentley Azure line extension due to be launched soon will further raise awareness of the still fledgling perfume brand.

The cosmetics segment posted a very good year. Sales of Ultrasun sunscreen products improved by 28% year-on-year to CHF 8.4 million, with a stable operating margin. Sales were especially strong in the UK, the Netherlands, China, Switzerland and Germany. EBIT was up 26% to CHF 1.2 million.

Revenue in the crystal and jewellery segment rose by 4% to CHF 61.2 million, while the gross margin improved by two percentage points. Production in Wingen was bolstered by additional personnel in view of the expanded activities at the site. These new hires include young glassworkers who will have to be trained over the coming years, with a corresponding impact on costs. Previous investments in manufacturing were rounded off by the installation of a rotary table press for manufacturing objects such as glasses, carafes and flacons. EBITDA was nonetheless increased by 24%. Owing to higher writedowns resulting from investments, EBIT fell to CHF 0.2 million. The pleasing operational development overall was bolstered by the new areas Lalique Maison and Lalique Art and by our exclusive co-branding partnerships in particular, which helped the company tap into additional client target groups and strengthen its market profile. As part of this, the first lines belonging to the „Crystal Architecture“ collection by Zaha Hadid as well as collection of exclusive writing instruments from Caran d’Ache were launched at the beginning of 2014. Revenue in the prestige jewellery segment was up 30% and will continue to be propped up going forward by the upcoming opening of the first Lalique Joaillerie Boutique on Rue de la Paix in Paris. In 2013 new points of sale were opened in Bal Harbour/Miami, Casablanca, Las Vegas, Manila, Muscat, Shanghai and Zurich.

Outlook

Art & Fragrance is confident that it will continue to achieve stable growth in all its segments. Now that it has insourced perfume production and logistics, Art & Fragrance is independent of external service providers and has laid the foundation for further growth and improvements to margins. At the same time, Art & Fragrance is evaluating the acquisition of new brands and licences in the perfume segment. Ultrasun is set to build on its most recent successes with a new market image. At Lalique, the strategy that is currently being pursued will be reinforced and developed, with a particular focus on the jewellery and art segments. Lalique is poised to announce new partnerships with internationally renowned artists, which will raise the global profile of the traditional brand.

Roger von der Weid, CEO of Art & Fragrance: "We made major operational strides in the financial year just ended and have laid an even firmer foundation for continued growth in our perfumes segment with the acquisition of the filling and logistics company at the beginning of 2013. The focus will remain on strengthening growth and improving profitability."

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Art & Fragrance SA

Art & Fragrance is a niche player in the creation, development, marketing and global distribution of luxury goods and specialises in perfumes, cosmetics, crystal, jewellery, high-end furniture and living accessories, and art. Founded in 2000, the company employs approx. 550 staff and has its headquarters in Zollikerberg near Zurich. The registered shares of Art & Fragrance (ARTN) are listed on the BX Berne eXchange.

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

Key performance figures for Art & Fragrance

CHF million

	2013	2012 Restated*
Operating revenue	118.7	111.3
Gross profit	68.8	62.6
Salaries and wages	-26.8	-21.1
Other operating expenses	-28.1	-25.6
EBITDA	13.9	15.9
EBIT	9.4	13.1
EBIT margin	7.9%	11.8%
Financial result	-3.0	-1.5
Net Group result	5.8	9.7

CHF

Earnings per share	1.16	2.00
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CHF million

	31.12.2013	31.12.2012 Restated*
Total equity (before non-controlling interests)	77.2	66.1
Equity ratio	35.8%	35.2%

* 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 appendix of the consolidated financial statements 2013.

The complete annual report 2013 (in German) as well as summary report 2013 (in English) will be available from mid-May at www.art-fragrance.com.