

ART & FRAGRANCE IN BRIEF

Art & Fragrance is a successful niche player in the creation, development, marketing and worldwide distribution of luxury goods. In addition to perfumes and cosmetics, Art & Fragrance also specialises in crystal and jewellery.

BACKGROUND

Art & Fragrance, with its headquarters in Zollikerberg near Zurich, was founded in 2000 by Silvio Denz and floated on the Berne stock exchange in September 2007. In early 2007, Art & Fragrance acquired Ultrasun, a Swiss provider of quality sun protection products, thereby gaining an entry into the cosmetics sector and diversifying its brand portfolio. In February 2008, Art & Fragrance acquired the renowned company Lalique, which is active in the crystal, perfume and jewellery segments. In September 2008, Art & Fragrance took Paris-based Financière Saint-Germain (FSG) on board as a strategic investor for Lalique.

BUSINESS MODEL PERFUME AND COSMETICS

Efficiency gains thanks to consistent outsourcing

Thanks to a consistent outsourcing policy, in the perfume and cosmetics segment Art & Fragrance boasts streamlined structures that enable faster decision-making processes than many of its competitors. At Art & Fragrance, the time taken to develop products for special editions and line extensions is normally four to six months, and around twelve months for new product lines. This makes it one of the industry leaders in terms of time to market. The company's outsourcing strategy has a favourable impact on its cost structure. Moreover, it provides the requisite flexibility to address current customer needs and respond quickly to trends and market developments.

From original idea to finished product

Art & Fragrance is committed to professional, efficient project management for its product development operations: The responsible teams 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. At each stage of this process, the focus is on selecting the most suitable partner from the international network of contacts which the company has built up over the years. Production is contracted out to leading suppliers and component manufacturers. Art & Fragrance conducts quality control checks throughout the value chain.

International distribution is organised via a worldwide network of independent distribution partners and agents. This way, the most effective partner for the commercialisation of each market and brand can be selected to ensure the greatest possible market penetration.

BUSINESS MODEL CRYSTAL AND JEWELLERY

Unique objects thanks to century-old tradition and expertise

In the area of crystal products, Art & Fragrance has unique expertise that has been passed on from generation to generation at the Lalique production site in the Alsace for over a century. The training to become a fully qualified "maître verrier" takes no less than a decade. Over time, Lalique has developed processes for the manufacture of elegantly decorated pieces, particularly the moulding of objects with the aid of lost-wax casting, and specialises in presenting the transparency and reflections of glass to best effect. Crystal was introduced in the mid-20th century. Their unique style makes Lalique products easily recognisable.

From original idea to finished product

The teams responsible define the product lines and work together with the glass specialists to coordinate the technical execution. The molten crystal mass is formed and then cooled, before being cut, chiselled, engraved, sandblasted, polished, satin finished, etc. Only those pieces that pass the rigorous quality control process leave the factory for distribution through the network of the company's own boutiques or via external distribution partners throughout the world. Lalique products are available from over 1,200 points of sale at exclusive addresses worldwide.

STRATEGY

Maintenance and optimisation of existing brand portfolio

In perfume and cosmetics, work is constantly under way to maintain and optimise the brand portfolio. This includes in particular ongoing brand promotion with the regular launch of new product lines and line extensions, the optimisation of existing distribution channels and the development of new markets.

Expansion of brand portfolio in the perfume and cosmetics industry

Art & Fragrance aims to achieve further growth in this segment and plans to add new brands to its portfolio. Acquisition opportunities include the granting of new licences by up-and-coming brands and portfolio reshuffles by luxury goods suppliers.

Lalique: integration and implementation of growth strategy

With the acquisition of Lalique Parfums, Art & Fragrance has gained a prestigious brand that enhances the company's portfolio in terms of both quality and quantity. Synergies with Lalique Parfums will primarily be made in the areas of product development and distribution.

In the crystal and jewellery segments, Art & Fragrance aims primarily to increase productivity at the factory and optimise supply chain management. At the same time, the company's own distribution network of individual prestigious flagship stores will be redimensioned, while the number of points of sale via independent partners such as franchisees and distributors, in up-and-coming markets in particular, will be increased. Ultimately, the aim is to increase the visibility of the brand. First, the company intends to expand its interior decoration and architecture segments by enhancing its product range and introducing new sales promotion activities – primarily for its B2B customers. Second, it wants to tap the high-end jewellery market by using original drawings by René Lalique for the first time.

External growth by means of further acquisitions in the luxury goods sector

Despite the primary focus on new perfume brands and licences following the acquisition of Lalique, Art & Fragrance will continue to examine opportunities to acquire luxury brands as strategic additions to its portfolio. The central factors in this regard are the strategic fit with existing activities and products as well as the potential for establishing a perfume or cosmetics brand.

Expansion of business activities through private labelling

With private labelling, Art & Fragrance offers its clients the opportunity to create customised perfumes and cosmetics, for instance with their own company logo. Art & Fragrance develops high-quality products in a number of price categories, ranging from customised perfume and cosmetic creations based on standard components to luxury editions – even using crystal, upon request. The requisite knowledge comes from Art & Fragrance's many years of activity in the perfume, cosmetics and crystal industries. Thanks to its broad network of partners, Art & Fragrance can also offer solutions perfectly tailored to client needs and wishes in regard to design and quality.

PORTFOLIO

The Art & Fragrance portfolio includes the following brands:

- **Lalique** (brand acquired in 2008)
- **Parfums Grès** (licence acquired in 2001; brand acquired in 2007)
- **Parfums Alain Delon** (licence acquired in 2000; brand acquired in 2007)
- **Jaguar Fragrances** (licence acquired in 2002)
- **Ultrasun** (brand acquired in 2007)
- **Nikki Beach Beauty** (brand acquired in 2009)

BOARD OF DIRECTORS

Silvio Denz	Chairman
Roland Weber	Vice Chairman
Marc Roesti	Non-executive Director
Eric Amouyal	Non-executive Director
Roger von der Weid	Executive Director

EXECUTIVE BOARD

Roger von der Weid	Chief Executive Officer/ Chief Financial Officer
Thierry Rebetez	Head of Purchasing
David Rios	Head of Sales & Export
Romina Di Santi	Head of Marketing
Marc Roesti	Head of Sun care

KEY FIGURES

	2008	2007
Revenue	CHF 108.6 million	CHF 35.2 million
Gross result	CHF 70.2 million	CHF 17.1 million
EBIT	CHF -10.6 million	CHF 6.2 million
Net group result	CHF -11.0 million	CHF 8.4 million
Balance sheet total	CHF 171.7 million	CHF 77.7 million
Equity	CHF 80.6 million	CHF 64.2 million
Number of employees (in positions)	557	27
Points of sale perfume	Over 10'300	Over 10'300
Points of sale crystal	Over 1'200	Over 1'200

SHARE DETAILS

The registered shares of Art & Fragrance have been listed on the BX Berne eXchange since 19 September 2007.

Symbol	ARTN
Security number	3381329
ISIN	CH0033813293
Earnings per share	CHF -2.63 (2007: CHF 1.68)

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