

AD HOC ANNOUNCEMENT

Art & Fragrance achieved strong results in its core business and completed the restructuring of Lalique in the 2009 financial year

Zollikerberg near Zurich, 22 March 2010 – Art & Fragrance SA (BX: ARTN), which is active in the creation, development, marketing and worldwide distribution of luxury goods, achieved strong results in the 2009 financial year, which continued to be shaped by the global economic crisis, thanks to an early, moderate adjustment of capacities in its core business. In the perfumes and cosmetics segment, sales increased and operating profit rose to CHF 9.5 million. At the same time, the restructuring and realignment of Lalique was completed. Net Group loss, which includes restructuring costs of CHF 3.0 million for Lalique, decreased considerably year-on-year to CHF 1.3 million. A new and exciting brand in the form of Nikki Beach was added to the portfolio in the year under review. Thanks to the measures introduced and consistently implemented in recent years, Art & Fragrance is well-positioned to achieve further growth in 2010 and to gradually develop its full potential.

Despite the continuing difficult market environment, earnings before interest and taxes (EBIT) more than tripled in the perfume segment compared to 2008, to CHF 9.1 million – with a 4% increase in sales to CHF 42.7 million in conjunction with reduced costs. For Lalique Parfums, where sales in local currency increased by 5%, the merger with the perfume segment of Art & Fragrance led to considerable cost savings and a more than fourfold increase in the EBIT. The rise in gross margin which this includes reflects the purchasing and inventory valuation policies of Art & Fragrance, which have also been applied at Lalique Parfums since 2009. At Parfums Alain Delon (Samouraï), the change of distributor announced in the previous year and higher royalty income led to a 9% increase in revenues and a 64% jump in the EBIT. Jaguar Fragrances benefited from successful new launches, which contributed to a 17% rise in sales and a return to an encouraging profit after an operating loss in 2008. Only Parfums Grès suffered a 3% decline in sales, but also posted a pleasing operating profit again, due in particular to an improved gross margin.

In the cosmetics segment, Ultrasun sales increased significantly by 14% to CHF 5.0 million. However, investments in product development due to regulatory requirements and increased expenditure on marketing and advertising led to a slight decline in margins.

In the Art & Fragrance accounts, Lalique (crystal and jewellery segment) is no longer fully consolidated from 2009, but instead consolidated pro-rata according to the equity method, based on the stake (49.63%) held in the joint venture with co-investor Financière Saint-Germain (FSG). Art & Fragrance suffered an investment loss of CHF 7.1 million in the period under review. The result reflects poor consumer sentiment, which curbed sales. The figure also includes CHF 3.0 million in restructuring costs, a large part of which was used to implement a fair social plan. The restructuring of Lalique was completed at the end of 2009.

Excluding the investment loss from Lalique, Art & Fragrance increased its earnings before interest, taxes, depreciation and amortisation (EBITDA) to CHF 9.5 million in the 2009 financial year. Including the investment loss, the EBITDA stood at CHF 2.4 million with a Group loss of CHF 1.3 million, compared with a loss of CHF 11.0 million in the 2008 financial year, when Lalique was fully consolidated.

Changes to the Executive Board

Thierry Rebetez, Head of Purchasing and member of the Executive Board of Art & Fragrance, left the company at the end of February 2010 to pursue new challenges. The Board of Directors would like to thank him for his contribution to the company. He was succeeded with effect from 1 March 2010 by Rosemarie Abels, who previously held this position between 2001 and 2006 and has now returned to Art & Fragrance.

Outlook

Thanks to the measures introduced and consistently implemented in recent years, Art & Fragrance is well-positioned to achieve further growth in its core business of perfumes and cosmetics in 2010. The company is also cautiously optimistic as regards the stake in Lalique following double-digit organic growth in the first months of the current year, particularly in the crystal segment, to which all distribution channels contributed. In addition, the cost-saving measures implemented and the synergies from the collaboration with Cristallerie Daum, Cristallerie Royale de Champagne and Haviland, which are part of FSG, should have a positive impact on the result. Art & Fragrance expects normalisation of the economic environment to a large extent and a return to profit for Lalique from 2011.

Over the next few years, the new exclusive manufacturing licence for perfume and sunscreen products for the US lifestyle group Nikki Beach is expected to provide significant stimulus, starting in summer 2010.

Roger von der Weid, CEO of Art & Fragrance: "Art & Fragrance has managed two difficult years well and has proven itself to be robust and adaptable. The acquisition of Lalique took place in the immediate run-up to the economic crisis and thus at a bad time retrospectively. Nevertheless, we pushed ahead dynamically with the restructuring, together with a new co-investor, and have now completed it. At the same time, we have prudently aligned our core business with the new conditions and again achieved pleasing growth and good profitability in 2009 – particularly when the adverse environment is taken into account. We are ideally positioned for the future and now want to develop our full potential gradually".

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Art & Fragrance is a niche player in the creation, development, marketing and worldwide distribution of luxury goods and specialises in perfumes, cosmetics, crystal and jewellery. Founded in 2000, the company employs 34 staff, in addition to 390 staff at Lalique (crystal and jewellery), in which Art & Fragrance has a 49.6% stake. The company is headquartered in Zollikerberg near Zurich. The registered shares of Art & Fragrance (ARTN) are listed on the BX Berne eXchange.

Further information is available at www.art-fragrance.com.

Key performance data for Art & Fragrance

The complete annual accounts for 2009 can be downloaded at www.art-fragrance.com.

Notes on consolidation:

- 2009: Lalique Parfums SA fully consolidated; Lalique SA (crystal and jewellery) consolidated according to the equity method
- 2008: Lalique SA (perfumes, crystal and jewellery) fully consolidated from February

In CHF million

	2009	2008
Operating revenue	47.8	108.6
Gross result	21.3	70.2
Salaries and wages	- 5.2	-41.1
Other operating expenses	- 6.6	-33.3
Lalique SA participation income	- 7.1	n.a.
EBITDA	2.4	- 4.2
EBIT	1.7	- 10.6
EBIT margin	3.6%	- 9.8%
Financial result	- 0.9	- 3.4
Net group profit	-1.3	-11.0

In CHF

Earnings per share	- 0.27	- 2.63
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In CHF million

	31.12.2009	31.12.2008
Total equity (after minority interests)	50.7	80.6
Equity ratio	53%	47%