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20 10

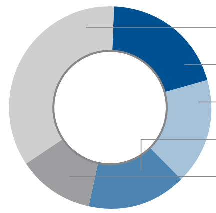
Art & Fragrance Summary Report 2010

ART& FRAGRANCE

Art & Fragrance at a glance

Company foundation	2000
Head office	Zollikerberg near Zurich, Switzerland

BREAKDOWN OF REVENUE

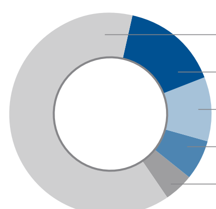


Lalique Parfums	35%
Parfums Grès	20%
Jaguar Fragrances	17%
Parfums Alain Delon	16%
Ultrasun	12%

KEY FIGURES	2010[2]	2009[2]	2008[1]
Revenue	CHF 57.2 million	CHF 47.8 million	CHF 108.6 million
Gross result	CHF 20.6 million	CHF 21.3 million	CHF 70.2 million
EBIT	CHF 6.7 million	CHF 1.7 million	CHF –10.6 million
Net Group result	CHF 2.0 million	CHF –1.3 million	CHF –11.0 million
Net borrowings	CHF 19.0 million	CHF 20.6 million	CHF 26.4 million
Equity	CHF 46.7 million	CHF 50.7 million	CHF 80.6 million
Number of employees (in positions)	33[3]	34	557
Points of sale – perfumes and cosmetics	Over 12,800	Over 12,800	Over 10,300

[1] Lalique (crystal and jewellery) fully consolidated.
[2] Lalique (crystal and jewellery) consolidated at equity.
[3] Art & Fragrance has 33 employees; a further 390 people are employed at Lalique (crystal and jewellery).

REPARTITION OF POINTS OF SALE PERFUMES AND COSMETICS



Europe	8,100
Asia	2,000
North America	1,300
Middle East	800
Latin America	600

SHARE INFORMATION

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

SHARE STATISTICS (CHF)	2010	2009	2008
Earnings per share	0.41	–0.27	–2.63
Equity per share	9.34	10.13	16.11
Share price high	15.50	20.15	25.00
Share price low	10.50	7.00	16.00

Masthead

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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 Art & Fragrance SA 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 Art & Fragrance SA and corresponds to the status as of the date of publication of this report.

Disclaimer

The Art & Fragrance Group publishes Annual Reports in German and Summary Reports in French and English. The German version is legally binding.

Contents

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

Silvio Denz and Roger von der Weid

Dear Shareholders

Art & Fragrance returned to profitability in 2010 in impressive fashion, following two years in which results had been affected by substantial losses in the crystal segment. Lalique, a renowned company that was acquired by Art & Fragrance in February 2008, has now been successfully restructured and realigned, and in 2010 it posted a positive result for the first time since the beginning of the new millennium.

Despite unfavourable currency trends with respect to the euro and the US dollar, we were able to increase sales in the perfume and cosmetics segments to CHF 57.2 million, a strong 20% increase. We are happy to report that all brands contributed to this rise. Personnel costs were reduced by 8%, whereas extraordinary inventory valuation allowances, extraordinary provisions and project costs were a strain on earnings. The consolidated operating result (EBIT) nonetheless increased fourfold to CHF 6.7 million. After inclusion of the negative financial result, which was due to unfavourable currency effects, Art & Fragrance generated a net Group profit of CHF 2.0 million in 2010, compared with a loss of CHF 1.3 million the previous year.

The perfume segment posted an outstanding performance in 2010, increasing sales by 17%. The decline in EBIT and operating margin in spite of this increase was due to one-time inventory valuation allowances, primarily at Parfums Grès and Lalique Parfums, as well as to other extraordinary factors. In addition, development costs for the two Nikki Beach Fragrances lines reduced the operating result of the perfume segment. However, the basic trend towards increased sales and comparatively modest rises in operating costs points the way to a promising future and makes us optimistic about the current year.

Parfums Alain Delon generated stable operating revenue compared with the previous year based, as is traditional, almost entirely on sales of the "Samouraï" brand in Japan. Jaguar Fragrances generated 18% growth in sales thanks to distribution optimisation as well as to successful new launches in recent years, but there is definitely further growth potential. Parfums Grès posted very strong growth, increasing sales by 22%. The strategy established several years ago of focusing investments and product developments on the "Cabotine" brand has thus proven successful, even though the inventory value of discontinued product lines had to be adjusted in the short term.

The integration of Lalique Parfums into the Art & Fragrance organisation has been extremely successful as regards cost structure. Sales were increased 24% (35% in local currencies) by leveraging synergies in distribution – which was particularly noticeable in the Near and Middle East and North and South America – and also by developing new lines. Like Parfums Grès, Lalique Parfums also made inventory adjustments and now has an excellent foundation for further profit growth.

2010 was also a successful year for the cosmetics segment. Sales of Ultrasun sunscreen products increased 38%, and growth in the UK was especially strong. Encouraging gains were also posted in Germany and the Netherlands. Ultrasun's operating result more than tripled, with investments in the brand over the past few years, especially in new product formulas and a fresh image, having a positive effect on earnings. The company plans to launch Ultrasun in Italy, Japan and several South American markets in 2011. After inclusion of development costs for the Nikki Beach sunscreen product range, the cosmetics segment posted EBIT of CHF 1.0 million.

The development of perfume and sunscreen products for the US lifestyle group Nikki Beach was largely completed in 2010. These products will be sold for the first time in the coming season. We are extremely pleased with this new business line, which fits very well with our core business.

In the crystal and jewellery segment of the renowned company Lalique, there was a positive participation result in 2010 due to the aforementioned, successfully completed realignment. In early 2011 we launched a new brand and sales strategy that will support Lalique to further grow. In addition to expanding the jewellery, interior decoration and interior design business areas, Lalique has entered into various partnerships with prominent artists for the creation of exceptional artworks such as the "Victoire de Samothrace" statue by Yves Klein. Fourteen new points of sale will be opened in 2011 throughout the world – most of them together with franchise partners – in cities including Delhi, Calcutta, Doha, Dubai, Kuwait, Muscat, Riyadh, Frankfurt, Istanbul and Moscow. Following the start-up of a new electric furnace in November 2010, we will round out our investments in the production facility at Wingen-sur-Moder by building a modern logistics centre and a new mould and tooling workshop. After the recent termination of the joint venture with Financière Saint-Germain (FSG) and the repurchase of FSG's participation in Lalique, the crystal and jewellery segment will be fully consolidated in the Art & Fragrance financial statements as of 2011 and managed as a separate segment.

Art & Fragrance is in very good shape for the future. We are accordingly optimistic about the next few years.

We thank you – our clients, business partners and employees – very much for your dedication and your trust.

Silvio Denz
Chairman of the Board of Directors

Roger von der Weid
Chief Executive Officer

Business Model and Strategy

*As a successful **niche player** in the luxury goods sector, **Art & Fragrance** specialises in the **development** and **distribution** of brand products. Art & Fragrance specialises in perfumes and cosmetics as well as **crystal** and **jewellery.***

PAST TO PRESENT

Art & Fragrance, with its headquarters in Zollikerberg near Zurich, was founded in 2000 by Silvio Denz and floated on the Berne stock exchange (BX Berne 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 for the first time. In February 2008, Art & Fragrance acquired the renowned company Lalique, which is active in the crystal, perfume and jewellery segments. This acquisition represents a significant expansion for Art & Fragrance, and has enabled the company to increase its activity in the perfume and luxury goods industries. Until the start of 2011, Lalique was jointly owned and operated by Paris-based Financière Saint-Germain (FSG); both parties held a stake of over 49% in the joint venture.

The repurchase of FSG's 49.2% stake in Lalique SA by Art & Fragrance was closed on 10 January 2011. Since then, Lalique has once again been fully owned by Art & Fragrance, with the exception of 0.7% of the capital, which is held by minority shareholders. Lalique Parfums remains fully owned by Art & Fragrance. Art & Fragrance is continuing to expand and remains interested in new brands and licences, particularly in the fragrance segment.

The Art & Fragrance portfolio includes the following brands:
- Lalique (brand acquired in 2008)
- Lalique Parfums (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)
- Nikki Beach (licence acquired in 2009)
- Ultrasun (brand acquired in 2007)

A SUCCESSFUL NICHE PLAYER

Art & Fragrance sees itself as a niche player in an industry dominated by multinational and global luxury goods suppliers. The company's recipe for success is based on its special expertise and the wealth of experience of its key employees and partners in the following areas:
- Brand building, with a particularly strong focus on selected markets such as the Samouraï line of Parfums Alain Delon, which has consistently been one of the five best-selling perfumes in Japan since Art & Fragrance acquired the licence.
- Repositioning of brand images, for example the modernisation of the Jaguar Fragrances brand following the acquisition of the licence.
- Professional management of global brands such as Parfums Grès.
- Identification of potential and acquisition of new brands, for the purposes of exploiting synergies in the perfume segment and expanding activities into new areas of the luxury goods industry, as occurred with Ultrasun and 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.

BRAND PORTFOLIO

BUSINESS MODEL CRYSTAL AND JEWELLERY

Unique objects thanks to century-old tradition and expertise

In the area of crystal products, Art & Fragrance has internationally 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 responsible teams define the product lines and work together with the glass specialists to coordinate the technical execution. The molten crystal mass is formed and 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 (e.g. Nikki Beach) and portfolio reshuffles by luxury goods groups.

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 were primarily leveraged in the areas of product development and distribution. The sales of Lalique Parfums increased significantly in the year under review through the integration into the organisation and the structures of Art & Fragrance.

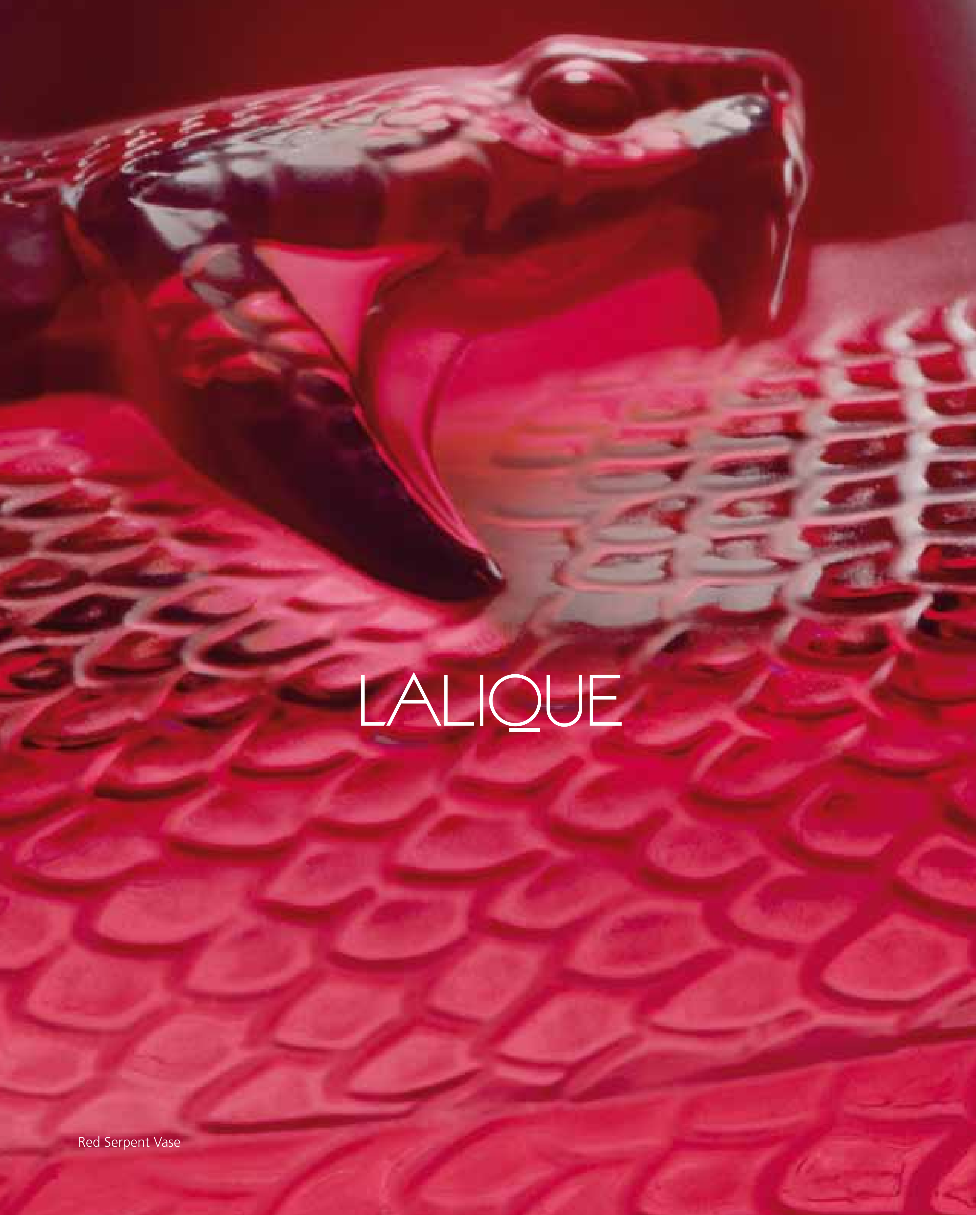
In the crystal and jewellery segment, Art & Fragrance has almost entirely implemented its aim of increasing productivity at the factory and optimising supply chain management. The new furnace was brought into operation towards the end of 2010 and its capacity has been gradually increased since then. At the same time, the company's own distribution network of individual prestigious flagship stores has been redimensioned, while the number of points of sale via independent partners such as franchisees and distributors, in up-and-coming markets in particular, has increased. Ultimately, the company continues to aim to increase the visibility of the brand. First, it is continuing to expand its interior decoration and architecture segments by enhancing its product range and introducing new sales promotion activities – primarily for its B2B customers. Secondly, the existing team in the jewellery segment was strengthened at the start of 2011 by the addition of specialists from a renowned Place Vendôme house in order to develop the jewellery business.

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

With the acquisition of Lalique, the primary focus was on new perfume brands and licences. These efforts are being maintained, which is why Art & Fragrance is continuing to examine opportunities to acquire perfume and 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.



Red Serpent Vase

"SCULPTEUR DE LUMIÈRE"

Rays of sunlight transform unique objects into glittering works of art. Incredible light reflexes and the scintillating sounds of pure crystal seduce the senses and inspire dreams.

In 2010, on the 150th anniversary of the birth of René Lalique, Lalique renewed its exceptional expertise in lost wax to create a unique decanter, in partnership with The Macallan, containing a 64-year-old Macallan whisky. Following an international roadshow, the decanter was auctioned by Sotheby's in New York in November 2010, where it fetched a record price, with all proceeds donated to the charitable organisation charity: water. In 2011, the spring/summer collection "Signature" is inspired by modernity and refinement. Black enamel and platinum combined in Art Deco lines illustrate the tradition and creativity of Lalique.

For over a century, Lalique has been combining tradition and modernity by revealing its magical universe with sophistication and passion. Every piece pays homage to the creative genius of René Lalique, founder of the company, Art Nouveau jeweller, and later inspired glassmaker of the Art Deco movement.

Through the bold combination of material and expertise, the crystal comes to life and becomes expressive: Transparent or satin-like, it plays with shadow and light and offers numerous possible nuances and contours. All of the creations, hand-made exclusively by master glassmakers in the workshops in Alsace, reflect the perfection of the work of a crystal engraver.

René Lalique's creations are part of the national and international artistic and cultural heritage. His works are displayed in more than 40 museums worldwide, including the Museum of Decorative Arts in Paris, the Calouste Gulbenkian Museum in Lisbon, the Victoria & Albert Museum in London and the Lalique Museum in Hakone, Japan. A Lalique museum will open in Wingen-sur-Moder, in the Alsace region of France, in summer 2011.

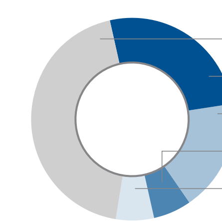
AFFILIATION WITH ART & FRAGRANCE

- Brand acquired in 2008

PRODUCT GROUPS (SHARE OF REVENUE 2010)

- Cristal 84%
- Jewellery 10%
- Perfumes 3%
- Others 3%

DISTRIBUTION BY MARKETS



Europe	44%
America	26%
Asia	18%
Near and Middle East	6%
Others	6%

"PARFUMEUR CRISTALLIER"

Lalique Parfums stands for contemporary fragrances. The combination of the skills of the perfume and crystal makers gives rise to the most sophisticated fragrances. Their bottles, whether glass or crystal, have fascinated collectors for generations.

2010 was a key year for Lalique, which celebrated the 150th anniversary of the birth of its founder, René Lalique. A century and a half after his birth, Lalique Parfums paid homage to him by producing an exceptional fragrance: Fleur de Cristal. Paying tribute to a unique tradition, this homage had to be a sincere echo of the artist's work: an infinitely modern fragrance. This novelty, and in particular the design of the glass bottle, for which Lalique Parfums won the Oscar for best feminine bottle at the PCD congress (Perfumes, Cosmetics & Design) in Paris, was inspired by the lily of the valley, the symbol of renewal that so fascinated René Lalique.

The name Lalique is synonymous with crystal, but the firm's history has always been closely linked to changes in perfumery. René Lalique was a forerunner of the contemporary perfume trade who designed extraordinary bottles for major houses, mainly during his close collaboration with François Coty at the beginning of the 20th century. Roger & Gallet and Houbigant among others had Lalique-designed bottles in the 1920s and 1930s.

A trend was emerging through the creative spirit of Art Nouveau whereby art and industry joined hands in the service of perfumery. Created just after the war, the interpretation of "L'Air du Temps" for Nina Ricci was named bottle of the century. The emblem of Lalique crystal creations, this design is also a symbol given the presence of two doves.

Today, Lalique Parfums stands for renowned scents that combine the classic and the modern. Nearly every year, exclusive perfumes and limited crystal editions are introduced; other crystal bottles are created for special editions in cooperation with renowned fashion houses such as Tom Ford.

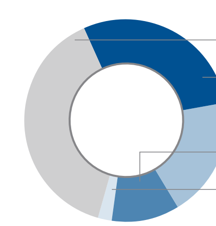
AFFILIATION WITH ART & FRAGRANCE

- Brand acquired in 2008

SELECTED LINES

- Lalique de Lalique (1992)
- Lalique pour Homme (1997)
- Lalique Le Parfum (2005)
- Perles de Lalique (2006)
- Encre Noire (2006), Encre Noire pour Elle (2009)
- Amethyst (2007)
- Lalique White (2008)
- Fleur de Cristal (2010)

DISTRIBUTION BY MARKETS



Europe	39%
Near and Middle East	29%
America	19%
Asia	11%
Others	2%

SHARE OF ART & FRAGRANCE REVENUE IN 2010

35%

A CONTEMPORARY INTERPRETATION OF PARISIAN CHIC

Parfums Grès combines the glamour of Parisian haute couture with the easy-going freshness of modern times. Continual new product launches add a seductive, youthful flair to the classic image. Parfums Grès is one of the most tradition-rich brands in the Art & Fragrance portfolio, and is marketed worldwide.

The new limited edition Cabotine Floralisme and Cabotine Cristalisme fragrances were added to the Parfums Grès product range in January 2011. Cabotine Floralisme is captivating, with its perfect balance of attractive floral notes and irresistible sensuality. The magical limited edition Cabotine Cristalisme is an elegant fragrance from the floral-oriental family. It is extremely sensual, but with an enchanting, playful side.

Grès was one of the most prestigious haute couture establishments in Paris in the second half of the 20th century. Alix Grès, who dressed personalities such as Grace Kelly and Jacqueline Kennedy, launched the classic Cabochard perfume in 1959. No less than 31 years later, another perfume was launched on the market: Cabotine, with playful notes that appeal to the younger woman.

Art & Fragrance took over the licence for this successful, albeit at the time not particularly dynamic perfume label in 2001, following which it stepped up operations and has since continually added to the product range with contemporary interpretations of traditional Parisian chic.

Today, the focus is on the Cabotine line – which by now has achieved the status of a true classic. In addition to the main Cabotine product, special editions or line extensions are created every year.

This winning combination of classic and modern will ensure the ongoing success story that is Parfums Grès.

AFFILIATION WITH ART & FRAGRANCE

- Licence acquired in 2001
- Brand acquired in 2007

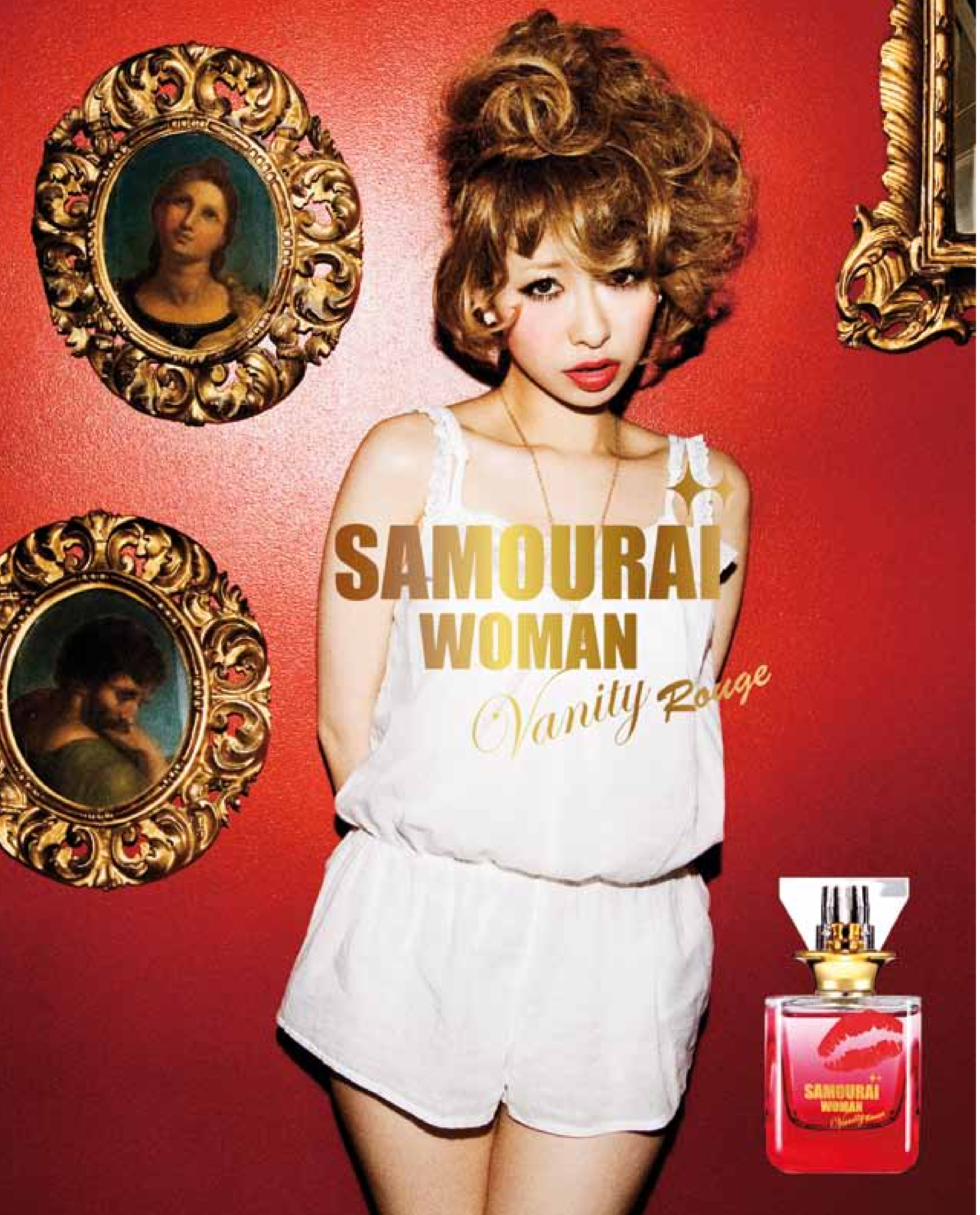
SELECTED LINES

- Cabochard (1959)
- Cabotine (1990); Cabotine Floralisme and Cabotine Cristalisme (2011)

DISTRIBUTION BY MARKETS

SHARE OF ART & FRAGRANCE REVENUE IN 2010

20%



A NOBLE RETAINER

Parfums Alain Delon, founded in 1978 by French film star Alain Delon, combines Japanese tradition with modern lifestyle. The flagship brand Samouraï, which is primarily aimed at the Far East market, is among the most successful perfumes ever on the Japanese market.

Samurai means servant or retainer and is the conventional term used to refer to members of the warrior caste of pre-industrial Japan. Samurais were distinguished by their courage, their sense of honour and their commitment to continually improving their mastery of martial arts. This tradition is reflected in the positioning of the Samouraï brand as a harmonic balance between power and wisdom, energy and spirituality.

The fresh Samouraï fragrances from Parfums Alain Delon recall the French actor of the same name and his legendary film "Le Samouraï" ("The Samurai").

Samouraï perfumes are particularly popular in Japan due to their association with Japan's noble warrior class. Younger buyers in particular identify strongly with the heroic legends of their ancestors. The fragrance is directly associated with the early 18th-century legend of the 47 Samurais, which millions of followers still celebrate every year. These valiant warriors achieved fame on account of their willingness to sacrifice their lives in order to uphold their ideals.

Launched in the 1990s, Samouraï perfumes have earned a place among the five best-selling fragrances in Japan since Art & Fragrance acquired the licence in 2000. As part of an ongoing brand promotion, various flankers and line extensions are added annually to keep abreast of the times.

For a number of years, Art & Fragrance has awarded its Japanese partner a licence to develop and successfully distribute cosmetics and haircare products.

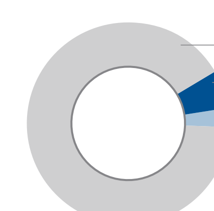
AFFILIATION WITH ART & FRAGRANCE

- Licence acquired in 2000
- Brand acquired in 2007

SELECTED LINES

- Samouraï (1997), Samouraï Woman (1999)
- Exclusively for Japan (2009): Samouraï Man Aquachrome, Samouraï Woman (new version), Samouraï Cheriche Le Jour, Samouraï Woman One Love, Samouraï Woman Vanity Rosa
- Exclusively for Japan (2010): Samouraï Man Light Air, Samouraï Man Blacklight, Samouraï Woman Vanity Rouge, Samouraï Woman Premium

DISTRIBUTION BY MARKETS



Asia	91%
Europe	6%
Others	3%

SHARE OF ART & FRAGRANCE REVENUE IN 2010

16%

NEW CRYSTAL COLLECTORS LIMITED EDITION

JAGUAR by LALIQUE

Jaguar – the name not only makes the hearts of car enthusiasts beat faster. Above all, Jaguar stands for exquisite luxury combined with outstanding design. The fragrances under the Jaguar label magnificently symbolise the brand's attributes.

As a tribute to the 75th anniversary of Jaguar Cars in 2010, Jaguar Fragrances launched two high-quality, exclusive crystal editions. The two numbered, signed, limited-edition collectors' bottles combine inspiration from the creations of Lalique and the world-renowned Jaguar mascot. They embody the first joint creation of the two famous, established companies. Both unique bottles contain high-concentration Eau de Parfum, for which only the finest raw materials are selected.

Jaguar Fragrances are developed and distributed worldwide. They appeal to style-driven, cosmopolitan individuals. The perfumes are elegant, strong, yet sensual – the signature of Jaguar distilled in every bottle.

Working under licence from Jaguar, Art & Fragrance has developed a range of exclusive fragrances that epitomise the spirit of Jaguar, and stand for design, luxury and craftsmanship. With each new product, Art & Fragrance strives to mirror these attributes.

The two new fragrances Jaguar Fresh Energy and Jaguar Fresh Verve, which are presented in the beautifully puristic Jaguar Fresh bottle, are no exception to this rule. These fresh, elegant fragrance compositions appeal to a generation of men who associate sportiness with design and style.

By contrast, the two exclusive crystal editions attract the attention of collectors of unique perfume bottles and Jaguar enthusiasts. They have been made to the highest level of craftsmanship and contain high-quality Eau de Parfum with which Jaguar Fragrances is expanding its range of elegant, luxurious fragrances for men.

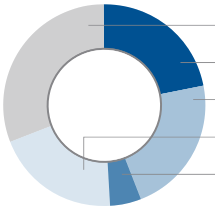
AFFILIATION WITH ART & FRAGRANCE

- Licence acquired in 2002

SELECTED LINES

- Jaguar Classic (2002), Jaguar Classic Black (2009)
- Jaguar Performance (2003)
- Jaguar Fresh (2006); Jaguar Fresh Energy and Jaguar Fresh Verve (2010)
- Jaguar Prestige (2008), Jaguar Prestige Spirit (2009)
- Jaguar for Men (2008) – relaunch
- Jaguar Vision (2010)

DISTRIBUTION BY MARKETS



America	31%
Near and Middle East	22%
Asia	22%
Europe	20%
Others	5%

SHARE OF ART & FRAGRANCE REVENUE IN 2010

17%

NIKKI BEACH™ SUNCARE

Elite suncare for the jetset

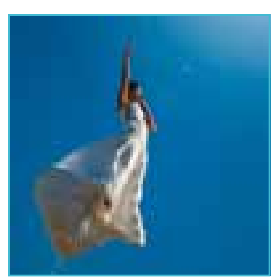


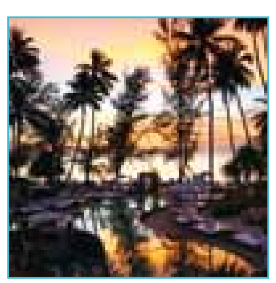


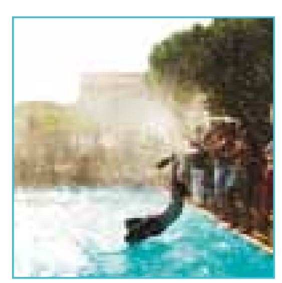










WHEN TIME STANDS STILL AND THE MAGIC BEGINS

Nikki Beach – a unique entertainment concept that indulges glamorous guests thirsty for excitement with exclusive beach clubs, night clubs, hotels & resorts and delights the international party scene with its presence in fantastic holiday resorts.

Pure action: The young party scene buzzes to the sound of the DJ, revelling in seeing and being seen at Nikki Beach Clubs worldwide. These are "the sexiest party places on earth", as quoted by the London Observer. Over the years, Nikki Beach has developed into a successful lifestyle brand, offering its own fashion line in addition to music and accessories. A perfume range and a suncare product range have been added to the Nikki Beach lifestyle since last year.

In 1997, the success story of the lifestyle brand began under the name Nikki Beach Club in Miami: a beach club that whips up the party mood in a stylish and luxurious setting, where from noon, when the sun reaches its zenith, champagne corks pop to mood-enhancing tunes and exquisite meals from around the world are served while models displaying the latest collection of bikinis and beachwear stroll past the tables. When the sun goes down, as the music gets louder, the pumping bass lines draw guests onto the dance floor.

This blend of luxury, glamour and entertainment has helped Nikki Beach to gain an international reputation; the popularity of the clubs amongst celebrities from the worlds of fashion and showbiz and the expansion of the concept through new locations have been crucial in its worldwide success. Along with Miami, Nikki Beach is now present in attractive holiday destinations around the globe including St. Barths, St. Tropez, Marbella, Marrakech, Koh Samui and New York, to name but a few.

Under the Nikki Beach Beauty brand, Art & Fragrance develops high-quality and design-oriented fragrances as well as innovative suncare products, which are marketed internationally.

AFFILIATION WITH ART & FRAGRANCE

- Licence acquired in 2009

PRODUCT LINES

PERFUME PRODUCTS

- Nikki Beach Beach Party for Her and Him (2010)
- Nikki Beach Private Party for Her and Him (2011)

SUNCARE PRODUCTS (2010)

- Nikki Beach SPF 6 Milky Self Tan Spray
- Nikki Beach SPF 15 Sun Fluid Soft Feel
- Nikki Beach SPF 20 Clear Sun Spray Sport
- Nikki Beach SPF 30 Sun Lotion
- Nikki Beach SPF 30 Sun Cream Face
- Nikki Beach SPF 50+ Sun Lotion
- Nikki Beach After Sun Tan Maximizer

TOP-QUALITY SUNSCREEN AND SKIN CARE

Soak up the sun, relax in your deckchair with a book, and enjoy a refreshing dip. Holidays mean sunbathing time. Ultrasun products from the Art & Fragrance cosmetics business unit provide reliable protection against UV radiation and care for the skin after sunbathing.

Ultrasun's compact product range embodies the latest scientific findings and covers a wide variety of needs. The products offer optimum protection against the sun and gentle skin care after sunbathing for sun-seekers, athletes and children. With the exception of high 50^{SPF} reflex – kids' formula, all products are oil-free and contain no emulsifiers. Thanks to a patented liposome technology they are also water-resistant and, with the exception of the aftersun lotion, fragrance-free.

Since acquiring Ultrasun, a Swiss provider of sun protection products, in early 2007, Art & Fragrance has added a high-quality line of cosmetics products to its portfolio. For more than a decade, Ultrasun has been producing excellent sunscreen products that offer reliable long-term protection against UV A and UV B radiation as well as against sun allergies. Ultrasun products also protect against premature skin ageing and pigmentation due to UV radiation.

Ultrasun commands a leading position in the sun protection products sector, be it in terms of providing comprehensive information at all levels or in developing new products with proven added benefits. The company works closely with established experts to produce state-of-the-art cosmetic technology solutions to meet the most rigorous requirements. Each product is tested for compliance with current European standards on radiation absorption and reflection. Ultrasun also applies ecological production standards in the development and manufacture of its products as well as in the materials used. Wherever possible, raw materials with the best ecological balance are selected. From the outset, the company has pursued a no-animal-testing policy.

Ultrasun is constantly expanding its product range to keep abreast of the growing demand for high-quality sun protection products.

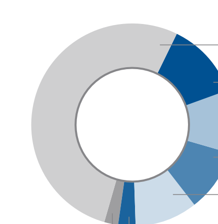
AFFILIATION WITH ART & FRAGRANCE

- Brand acquired in 2007

PRODUCTS

- medium 20^{SPF} sensitive – glimmer formula
- medium 20^{SPF} sports – clear gel formula
- medium 30^{SPF} sports – clear spray formula
- high 30^{SPF} super sensitive – family formula
- high 30^{SPF} face – anti-ageing formula
- high 50^{SPF} reflex – kids' formula – new
- very high 50+^{SPF} ultra sensitive – extreme formula
- aftersun – cooling & hydrating
- medium 15^{SPF} ultralip – care & protection

DISTRIBUTION BY MARKETS



United Kingdom	53%
Germany	12%
Switzerland	10%
Benelux	10%
Others	10%
Austria	3%
Scandinavia	2%

SHARE OF ART & FRAGRANCE REVENUE IN 2010

12%

Corporate Governance

PRINCIPLES

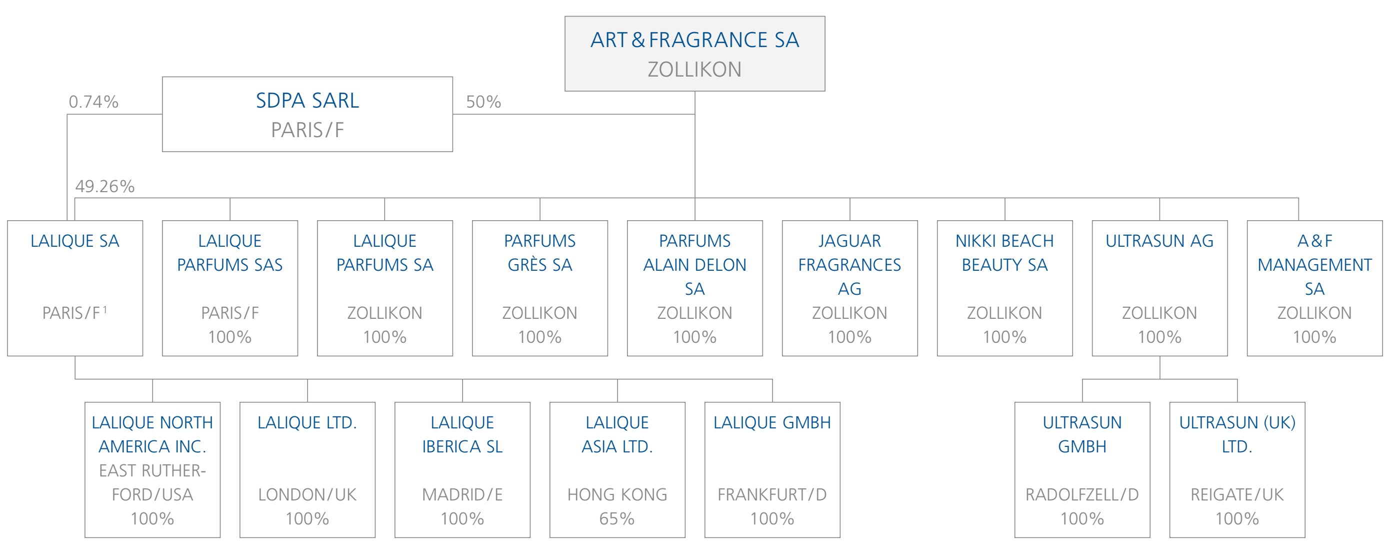
Art & Fragrance undertakes to comply with the principles of good corporate governance and follows the requirements of the BX Berne eXchange concerning information on corporate governance. It also freely aligns itself with the relevant standards of the SIX Swiss Exchange.

GROUP STRUCTURE AND SHAREHOLDERS

Group structure

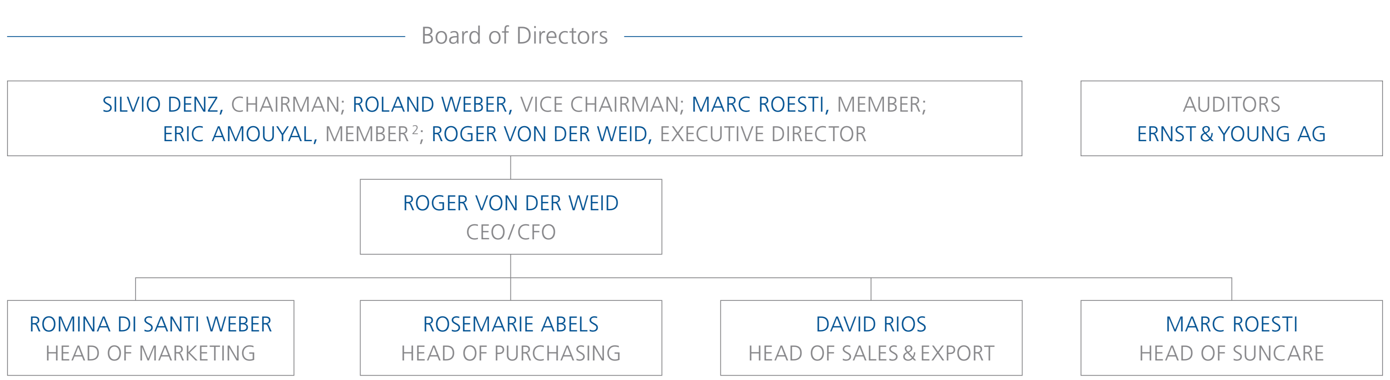
Art & Fragrance SA, registered in Zollikon, Switzerland, is the parent company of the Art & Fragrance Group. The shares of Art & Fragrance SA (ARTN) have been listed on the BX Berne eXchange since 19 September 2007.

LEGAL GROUP STRUCTURE



[1] Art & Fragrance entered into a joint venture with Financière Saint-Germain (FSG) at the beginning of 2009. Both Art & Fragrance and FSG hold a direct stake of 49.26% and an indirect stake via SDPA SARL of 0.37% in the joint venture. On 10 January 2011 the joint venture was terminated, as a result of which Art & Fragrance repurchased FSG's participation in Lalique.

OPERATIONAL GROUP STRUCTURE



[2] Stepped down as of January 2011.

Shareholders

A total of 189 shareholders were entered in the share register on 31 December 2010 (previous year: 193).

Shareholders	Shares 31.12.10	Shares 31.12.09	Remarks
Board of Directors and Executive Board	4,010,950	4,011,350	See major shareholders
Other shareholders	445,810	541,732	
Non-registered shareholders	372,053	396,118	
Own shares	171,187	50,800	
Total	5,000,000	5,000,000	
Major shareholders			
Interparfums S.A.[3]	4,000,000	4,000,000	

[3] Interparfums S.A. is wholly owned by Silvio Denz.

CAPITAL STRUCTURE

Ordinary share capital

As at 31 December 2010, the share capital amounts to CHF 1 million (as at 31 December 2009: CHF 1 million) and consists of 5,000,000 registered shares of a nominal value of CHF 0.20 each (as at 31 December 2009: 5,000,000 registered shares of 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

There were no changes in capital in 2009 and 2010.

There are non-distributable reserves in various Group companies.

Conditional capital

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

Restrictions on transferability

- The transferability of the shares of Art & Fragrance 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 person affected, the company is entitled to cancel any relevant entry in the share register that was made on the basis of false information.

COMPENSATION, PARTICIPATIONS AND LOANS

Total emoluments and salaries including bonuses and share-based compensation paid to the Board of Directors and Executive Board was CHF 1.0 million (2009: CHF 1.1 million).

Ownership of share capital as at 31 December 2010 (2009)

Corporate body	Number
Board of Directors	4,010,200 (4,010,200)
Executive Board [4]	750 (1,150)

[4] excl. Roger von der Weid and Marc Roesti, who are listed under the Board of Directors.

Management transactions

"Management transactions" are transactions carried out by members of the Board of Directors and the Executive Board. In 2009 and 2010, no management transactions were carried out.

Shareholder loans

As at the end of 2010, there were two loans granted by the main shareholder, one of CHF 10 million and one of CHF 10.5 million. The CHF 10 million shareholder loan is subordinate to a bank credit of Art & Fragrance SA.

Business transactions with related parties

All transactions with related parties and companies are based on standard contracts at market conditions.

SHAREHOLDER PARTICIPATION

All shareholders with voting rights entered in the share register 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 authorised 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 organisational 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 mentioned in the Swiss Code of Obligations.

CHANGE OF CONTROL AND DEFENSIVE MEASURES

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

AUDITORS

The General Meeting of Shareholders elects the auditor for a period of one year. In 2010, Ernst & Young AG, Zurich, was elected as Group auditor and statutory auditor. The auditor in charge was Daniel Zaugg, a Swiss certified accountant.

INFORMATION POLICY

Art & Fragrance undertakes to pursue an open, transparent and continuous 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.art-fragrance.com. The CEO is responsible for communication with investors and the media. The official publication medium of Art & Fragrance is the Swiss Official Gazette of Commerce (SHAB).

BOARD OF DIRECTORS

All members of the Board of the Directors were re-elected at the General Meeting of Shareholders on 31 May 2010. Eric Amouyal resigned from the Board of Directors with effect from January 2011.

Term of office

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

Dual functions

The Board of Directors believes that the current dual function of Roger von der Weid as CEO and Executive Director of the Board of Directors, and of Marc Roesti as Member of the Board of Directors and Head of Suncare, is to the benefit of Art & Fragrance, facilitating efficient leadership and an excellent flow of information between shareholders, the Board of Directors and the Executive Board.

Committees

No committees exist.

Working methods of the Board of Directors

The Board of Directors meets at least four times a year and as often as business requires. In 2010, the Board of Directors held seven meetings (previous year: seven). 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, identifies opportunities and risks and appoints the members of the Executive Board. Its rights and obligations, authorities and responsibilities are laid down in the organisational 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 BOARD

The Executive Board is responsible for the operational management of Art & Fragrance. Its rights and obligations, authorities and responsibilities are laid down in the organisational regulations.

Board of Directors and Executive Board

SILVIO DENZ
Chairman of the Board of Directors

ROLAND WEBER
Vice Chairman of the Board of Directors

MARC ROESTI
Member of the Board of Directors and Executive Board/Head of Suncare

ROGER VON DER WEID
Member of the Board of Directors and Executive Board/Chief Executive Officer/Chief Financial Officer

ROMINA DI SANTI WEBER
Member of the Executive Board/Head of Marketing

ROSEMARIE ABELS
Member of the Executive Board/Head of Purchasing

DAVID RIOS
Member of the Executive Board/Head of Sales & Export

SILVIO DENZ

Commercial training. Positions held abroad. Built up, managed and took over Alrodo Group, then sold it to Marionnaud and founded Interparfums Holding AG (now Art & Fragrance SA). Investments in vineyards and wine trading. Active in the real estate business in London, resident in England since 2002. Other board mandates: Lalique SA, Lalique Limited, London; Lalique Asia Limited, Hong Kong; ASM Aerosol-Service AG, Möhlin; Interparfums SA, Luxembourg.

Born 1956, Swiss, Chairman of the Board of Directors from 2000 to 2005 and as of the Extraordinary General Meeting of Shareholders on 21 May 2007; occupation: entrepreneur

ROLAND WEBER

Master in Economics from the University of St. Gallen (HSG), management functions with Jaguar Switzerland and Yves Saint Laurent Switzerland and Austria. CEO and Executive Director of Alrodo Group. Founder of Tradeaccess AG, later director of Retail Factory SA, Cham, leading in the marketing for retail space. Resident in Dubai since 2007. Other board mandates: Schneider Feldmann AG, patent and brand attorneys, Zurich; Outletpark Murgenthal; Creavest AG, Zurich; Ermitage Holding AG, Zollikerberg.

Born 1957, Swiss, member of the Board of Directors since the 2003 General Meeting of Shareholders; Chairman from 2005 until the Extraordinary General Meeting of Shareholders on 21 May 2007; since then, Vice Chairman; occupation: entrepreneur

MARC ROESTI

Study of business administration in Cambridge and Sheffield, England. Management roles in Sales & Marketing in the perfume industry. CEO at Takasago Europe, a leading producer of perfume oils and aromas. Founded Mont-Blanc Resourcing in 1999 and since then consultant to the Art & Fragrance Group on perfumes and cosmetics. Other board mandates: Ultrasun AG, Zollikerberg; Lalique SA, Paris.

Born 1946, Swiss, member of the Board of Directors since the 2008 General Meeting of Shareholders; occupation: Head of Suncare Art & Fragrance since July 2008, owner and founder of Mont-Blanc Resourcing, a consultancy firm for the creation and development of perfumes and cosmetics

ROGER VON DER WEID

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 with Bär & Karrer, attorneys at law, and Walder Wyss & Partners. Managing Director of Cofis Treuhand AG. Other board mandates: Lalique SA, Paris; Lalique Parfums SAS, Paris; Lalique Asia Limited, Hong Kong; Lalique Limited, London; Ermitage Holding AG, Zollikerberg; Ultrasun AG, Zollikerberg.

Born 1970, Swiss, member of the Board of Directors since the 2006 General Meeting of Shareholders; occupation: CEO/CFO of Art & Fragrance SA since January 2006

ROMINA DI SANTI WEBER

Marketing planner, KV Business School. Various positions held, including at Alrodo Parfums AG (now Marionnaud Parfumeries). With Art & Fragrance SA since 2002, most recently as Brand Manager for the Ultrasun and Parfums Alain Delon brands.

Born 1974, Italian, Head of Marketing since July 2008

ROSEMARIE ABELS

Business administrator. Various positions held including at Cosko Parfümerievertriebs GmbH, Art & Fragrance SA and Intereurope Cosmetics GmbH. Latterly Sales Director at Scooter Fashion AG, Aarau.

Born 1967, German, Head of Purchasing from August 2001 to December 2006, and again since March 2010

DAVID RIOS

Postgraduate studies "D.E.S.S. International Business Negotiations", University of Angers, France; B.A. International Business Administration, Catholic University, Guayaquil in Ecuador. Various positions held, including at Elizabeth Arden as Business Development Manager. With Art & Fragrance SA since 2006, most recently as Deputy Head of Sales & Export.

Born 1975, Ecuadorian, Head of Sales & Export since November 2008

Perfumes and Cosmetics

LALIQUE PARFUMS


Fleur de Cristal


Fleur de Cristal
Crystal Edition


Encre Noire


Lalique de Lalique
Annual Crystal Edition 2011

PARFUMS GRÈS


Cabotine Floralisme


Cabotine Cristalisme

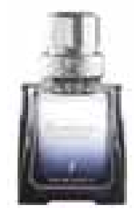

Cabotine


Cabochard

PARFUMS ALAIN DELON


Samouraï Woman
Vanity Rouge

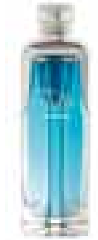

Samouraï Man
Light Air


Samouraï Man
Blacklight


Samouraï

JAGUAR FRAGRANCES


Jaguar by Lalique
Crystal Edition


Jaguar Fresh Man
Energy


Jaguar Classic Black


Jaguar for Men

NIKKI BEACH


Beach Party for Him


Beach Party for Her


SPF 6 Milky Self Tan Spray


SPF 30 Sun Lotion

ULTRASUN


medium 20SPF sports
clear gel formula


high 30SPF sports
clear spray formula


high 50SPF reflex
kids' formula


very high 50+SPF ultra sensitive
extreme formula

Crystal


Macallan Decanter

Consolidated Accounts

Consolidated income statement

In CHF thousands	2010	2009
Net revenue from sales of goods and services	55,448	46,183
Other operating income	1,790	1,625
Operating revenue	57,238	47,808
Material costs, licences and third-party services	−36,591	−26,504
Gross result	20,647	21,304
Salaries and wages	−4,813	−5,175
Other operating expenses	−8,317	−6,591
EBITDA before income from participations in joint ventures	7,517	9,538
Income from participations in joint ventures	54	−7,136
EBITDA	7,571	2,402
Depreciation and amortisation/impairment	−853	−705
EBIT	6,718	1,697
Financial revenues	1,924	816
Financial expenses	−5,119	−1,735
Group profit before tax	3,523	778
Income taxes	−1,496	−2,104
Net group profit	2,027	−1,326
whereof attributable to shareholders of the parent company	2,027	−1,326
Earnings per share (in CHF)	0.41	−0.27

Consolidated statement of comprehensive income

In CHF thousands	2010	2009
Net group profit	2,027	−1,326
Partial income not recognised through profit and loss from participations in joint ventures	235	−17
Exchange difference	−4,056	107
Net group comprehensive income	−1,794	−1,236
whereof attributable to shareholders of the parent company	−1,794	−1,236

Consolidated balance sheet

ASSETS

In CHF thousands	31.12.2010	31.12.2009
Cash and cash equivalents	7,177	5,922
Trade accounts receivable	9,290	8,562
Inventories	22,416	24,360
Other receivables	1,356	1,181
Total current assets	40,239	40,025
Participations in joint ventures	18,194	20,630
Non-current financial assets	9,234	6,488
Property, plant and equipment	958	1,000
Intangible assets	27,998	28,316
Deferred tax assets	78	–
Total fixed assets	56,462	56,434
Total assets	96,701	96,459

LIABILITIES AND EQUITY

In CHF thousands	31.12.2010	31.12.2009
Trade accounts payable	4,558	3,881
Short-term financial liabilities	15,000	–
Income tax provisions	1,666	1,364
Pension fund liabilities	185	82
Other current liabilities	4,101	2,718
Total current liabilities	25,510	8,045
Other deferred liabilities	419	873
Long-term financial liabilities	20,500	33,000
Deferred tax liabilities	3,554	3,886
Total non-current liabilities	24,473	37,759
Total liabilities	49,983	45,804
Share capital	1,000	1,000
Capital reserves	9,537	9,537
Retained earnings/other reserves	36,181	40,118
Total equity before non-controlling interests	46,718	50,655
Total equity	46,718	50,655
Total liabilities and equity	96,701	96,459

Segment reporting for the financial year 2010

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

In CHF thousands	Crystal + Jewellery	Perfumes [1]	Cosmetics [2]	Holding + Elim. [3]	Group
Operating revenue					
Revenue from sales to external customers	–	50,148	6,982	108	57,238
Revenue from transactions with other segments	–	2,246	65	–2,311	–
Total operating revenue	–	52,394	7,047	–2,203	57,238
Partial income from participations in joint ventures	54	–	–	–	54
EBIT	54	6,216	1,043	–595	6,718
Financial result	–	–	–	–	–3,195
Group profit before tax	–	–	–	–	3,523
Income tax expense	–	–	–	–	–1,496
Net group profit	–	–	–	–	2,027
Assets and liabilities					
Segment assets	18,194	59,977	15,625	2,905	96,701
Segment liabilities	–	23,725	4,655	21,604	49,984
Other segment information					
Investments					
Property, plant and equipment	–	582	–	64	646
Intangible assets	–	174	62	65	301
Depreciation and amortisation					
Property, plant and equipment	–	633	3	7	643
Intangible assets	–	158	51	1	210
Impairment goodwill	–	–	–	–	–

[1] Operating revenue per perfume brand

Lalique Parfums	20,171	(EUR thousand 14,614)
Parfums Grès	11,625	
Parfums Alain Delon	8,500	
Jaguar Fragrances	9,848	
Nikki Beach	4	
Total operating revenue perfumes segment	50,148	

[2] Operating revenue per cosmetic brand

Ultrasun	6,975
Nikki Beach	7
Total operating revenue cosmetics segment	6,982

[3] 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 liabilities mainly comprise current liabilities, loans and eliminations.

Contact

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