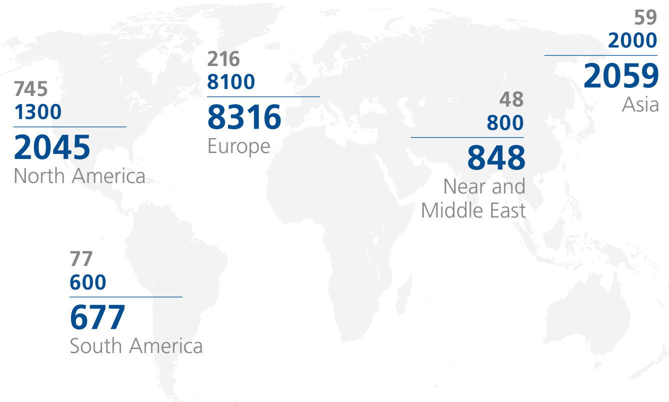
Summary Report 2011

Art & Fragrance

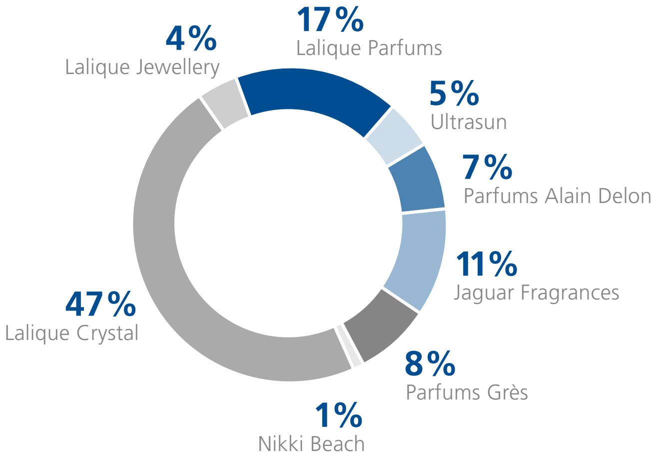
Art & Fragrance at a glance

Repartition of points of sale



Total crystal and jewellery: 1145
Total perfumes, cosmetics: 12 800

Revenue by brand



Key figures 2011[1]

	2011	2010
Revenue in CHF millions	113.1	57.2
EBIT in CHF millions	12.6	6.7
Equity in CHF millions	61.1	46.7
Number of employees	430	33
Net Group result in CHF millions	8.3	2.0
EBIT margin in %	11.1	11.7
Equity ratio in %	34.0	48.3
Net borrowings in CHF millions	62.4	19.0

[1] Lalique (crystal and jewellery) was consolidated at equity in 2010 and was fully consolidated in 2011.

Share information

Symbol	ARTN
Security no.	3381329
ISIN	CH0033813293

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

Share statistics (CHF)	2011	2010	2009
Earnings per share	1.68	0.41	–0.27
Equity per share	12.01	9.34	10.13
Share price high	25.00	15.50	20.15
Share price low	13.05	10.50	7.00

Contents

Highlights of 2011

Lalique: Art & Fragrance resumed control of Lalique in January 2011. Following its successful realignment in 2010, Art & Fragrance has now launched and partly implemented a new brand strategy with a focus on diversification that will secure a sustainable positioning for the renowned French company and support continued growth going forward.

Lalique Art & Lalique Maison: "Lalique Art" and "Lalique Maison" – synonymous with timeless art, exclusive furniture and living accessories made from the finest materials and designed by famous designers and artists. These lines, incorporated into the range in 2011, round off the renowned company's offering in crystal, jewellery and perfumes.

Bentley Fragrances: Hand-crafted luxury, unmistakable design, breathtaking excellence – these are the essence of prestige brand Bentley, whose exclusive licence rights were acquired by Art & Fragrance in 2011. Work is currently ongoing on high-end perfume line "Bentley Fragrances", which will be launched in spring 2013.

Foreword

Silvio Denz and Roger von der Weid

Dear Shareholders

Art & Fragrance achieved a very good result in the 2011 financial year, and this despite the fact that our company generates a significant part of its sales in euros, US dollars and sterling and was impacted not only by an unfavourable currency constellation but also by subdued consumer sentiment in the countries affected by the debt crisis.

With a Group profit which – at CHF 8.3 million – more than quadrupled, we have shown that, after the successful restructuring of Lalique and last year's return to profit, we are now well on the way to making the most of our potential.

The perfume segment in particular contributed to the pleasing overall performance. Although the segment saw sales drop as a result of currency developments, significant cost-cutting efforts coupled with a substantial increase in the gross margin meant that EBIT could nevertheless be increased by 75%. The EBIT margin rose to an impressive 21%.

Although there was a slight dip in operating profit for Parfums Alain Delon, this development was satisfactory given the catastrophes which struck the principle market, Japan. Jaguar Fragrances tripled its EBIT thanks to increased awareness of the brand, which translated into successful sales primarily for the lines Classic and Classic Black, Classic Amber and Jaguar For Men. Despite a decline in sales attributable primarily to currency developments, Parfums Grès succeeded in substantially increasing its gross margin. At Lalique Parfums, the main lines Encre Noire and Amethyst and the new launch Fleur de Cristal performed particularly well, generating a 13% increase in sales in euros. A significant increase in the gross margin coupled with cost-cutting efforts meant that the operating result saw in excess of a five-fold rise and that the operating margin exceeded 20%. In contrast, our new brand Nikki Beach Beauty failed to make its mark, and we have begun discussions with a view to terminating the licence early.

In 2011 we agreed a new exclusive licence with the Bentley Motors brand for the creation and worldwide distribution of fragrances, and this was followed up by the immediate start of product development. The first line will be unveiled at the Tax Free World Exhibition in August 2012. Its global launch is scheduled for spring 2013.

In the cosmetics segment sales of Ultrasun sun protection products declined and EBIT contracted by 45%. This disappointing result is due in part to currency developments but primarily to unfavourable climate conditions in summer 2010, which resulted in excessive inventories at year-end that impacted orders in 2011. In addition, the segment's result was negatively impacted by inventory write-downs at Nikki Beach Beauty.

The crystal and jewellery segment of the renowned company Lalique saw a gratifying increase in sales which was primarily the result of the opening of new points of sale and strong sales figures in key markets. This came alongside a rise in personnel expense due to the dissolution of the joint venture, the hiring of new glass specialists, additional sales staff and new specialists in the areas of jewellery, architecture and interior decoration. Investments in the development of the high-end jewellery lines, which got off to a very promising start, and in new product lines in furniture and interior decoration weighed on operating costs as expected. The new jewellery creations were successfully presented to the public at the World Watch and Jewellery Show, BaselWorld, in March 2012 and have since been launched worldwide. The new electric furnace which came into operation in the Wingen factory at the beginning of 2011 experienced some initial problems which affected the quality of the crystal and meant that full production capacity could not be reached. The necessary steps have since been taken to ensure that the furnace will soon be able to run at full capacity and generate additional revenue. The crystal and jewellery segment more than tripled its EBIT in 2011.

As a Group, Art & Fragrance is very well positioned. This makes us optimistic about the future. Nevertheless, we remain cautious with regard to the coming months due to question marks about market conditions in connection with the debt crisis and the ongoing unfavourable currency situation.

In the perfume segment, we are well equipped to achieve further growth with margins at steadily high levels, particularly in view of the future launch of the Bentley Fragrances lines. We will continue to be on the lookout for new perfume brands or licences which could represent useful additions to our portfolio. In the cosmetics segment, we expect a positive development for Ultrasun despite the disappointing results witnessed in 2011. With the opening up of the markets of the future such as China, Japan, Latin America and South Africa, we have a strong framework with regard to brand globalisation, and the range has been extended to include innovative products such as high 50^{SPF} sports clear spray formula and very high 50+^{SPF} face anti-ageing formula for extreme conditions. The crystal and jewellery segment became more broadly diversified with the addition of new attractive product lines in high-end jewellery and interior decoration. Interesting cooperation agreements were signed with the well-known French musician and composer Jean-Michel Jarre and the internationally renowned architect Zaha Hadid. A new logistics centre went into operation in Wingen at the beginning of 2012. At the same time, we are currently investing in the renovation of the headquarters in Paris and the boutiques in Paris and Cannes, as well as in a new website with an online shop. There are likewise plans to expand our art activities and to open new showrooms for interior decoration and home accessories. Lalique is well on its way to becoming an international lifestyle brand. In the year to come, attention will be largely focused on the growth markets of Southeast Asia and China.

We wish to thank you, our valued shareholders, clients, business partners and employees, for your commitment 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. Its specialist business lines range from perfumes and cosmetics to 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 predominantly in the crystal, perfume and jewellery segments. This acquisition represented 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 with a French joint venture partner. Art & Fragrance bought back this partner's stake with effect from 10 January 2011, giving Art & Fragrance 96% of French company Lalique, with the rest being held by private shareholders.

Art & Fragrance is continuing to expand and remains interested in new brands and licences, particularly in the perfume segment.

The Art & Fragrance portfolio includes the following brands:

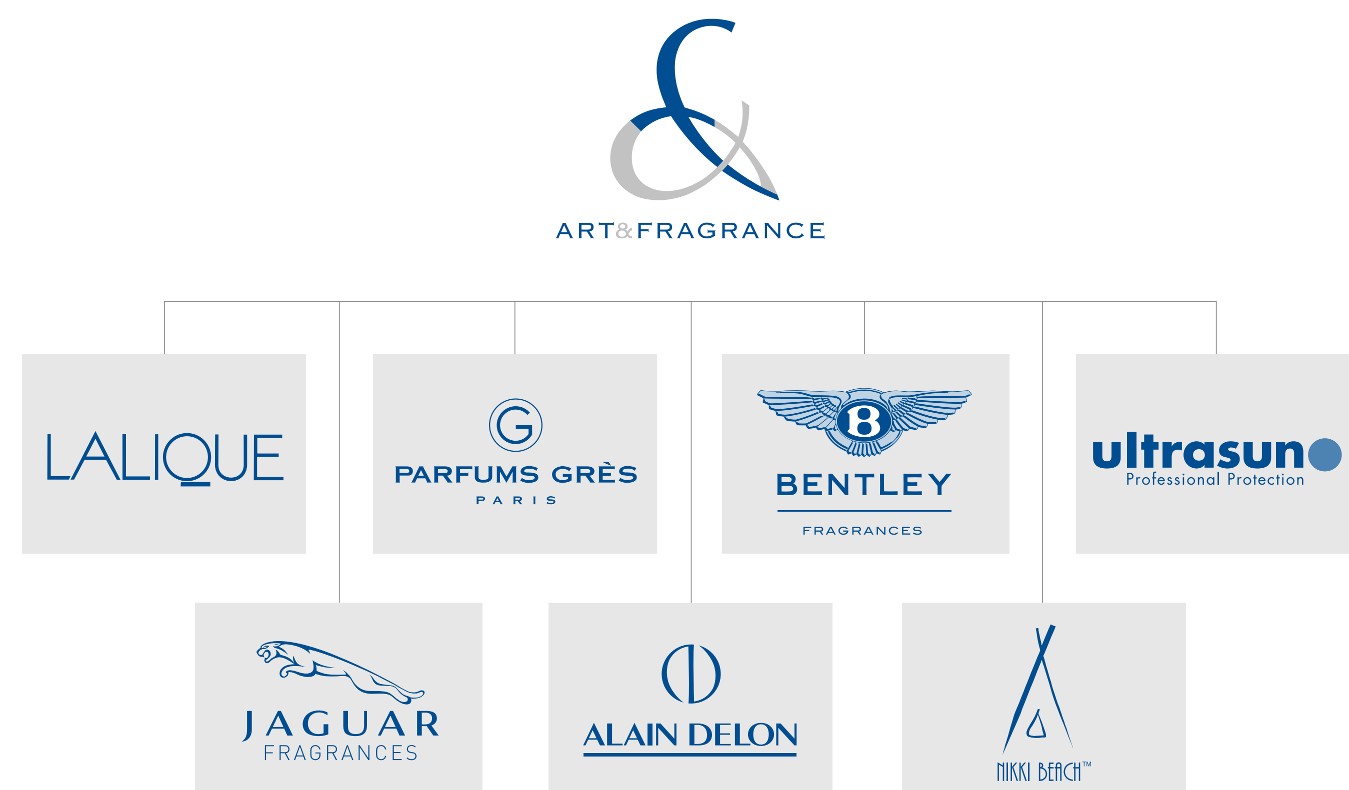
- Lalique (brand acquired in 2008)
- Lalique Parfums (brand acquired in 2008)
- Jaguar Fragrances (licence acquired in 2002)
- Parfums Grès (licence acquired in 2001; brand acquired in 2007)
- Parfums Alain Delon (licence acquired in 2000; brand acquired in 2007)
- Bentley Fragrances (licence acquired in 2011)
- 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:

- Realignment and further development of a global luxury brand such as Lalique.
- 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, also for the purposes of exploiting synergies in the perfume and cosmetics segments, as occurred with Ultrasun and Lalique Parfums.

Brand portfolio



Business model perfume and cosmetics

Efficiency gains thanks to consistent outsourcing

Thanks to a consistent outsourcing policy, Art & Fragrance boasts streamlined structures in the perfume and cosmetics segment 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 Art & Fragrance 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 rapidly 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 teams responsible 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

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 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. Lalique products have a unique style makes which makes them easily recognisable.

From original idea to finished product

The teams involved 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 1,100 points of sale at exclusive addresses worldwide.

Business model jewellery

Between integration and outsourcing – creating value at the right place

In a sector where dreams and emotions are sparking increasingly nuanced demand at the international level and where the incessant introduction of new products and specialities is a must, competitiveness can only be guaranteed through excellence. This is why – provided the right balance is struck between quality and production costs – an optimal outsourcing allows a company to focus on those aspects that make the biggest contribution to creating value. This strategic vision of tailored development processes – applied to fashion jewellery at the one end and to fine jewellery and other prestige jewellers' pieces from Lalique at the other – enables us to maximise our competitive advantages.

In the case of fashion jewellery, where – with crystal – the primary focus is on a material for whose manufacture and crafting Lalique has unique expertise. Second, the production of jewellery lends itself ideally to outsourcing, as it allows a company to benefit from the expertise and skills of specialists and, at the same time, place the very highest requirements on suppliers, which are selected depending on the type and complexity of the products.

From the idea to the product, from the "savoir-être" to the "savoir-faire" – and from there to sales

Once a year, a theme relating to one of the four sources of inspiration "Sensual Water" ("Eau Sensuelle"), "Enchanting Air" ("Air Féerique"), "Extravagant Earth" ("Terre Extravagante") and "Charismatic Fire" ("Feu Charismatique") and the areas important for design (ranging from the decorative Art Nouveau style to the flora and fauna motif and the metaphoric form of Art Deco) is defined. This theme, illustrated with archive pictures, triggers the creative process, inspires the functionality of design and, at the same time, is incorporated into high-end technological developments (raw materials, innovations) and production. From raw materials and the selection of gems right up to assembly, quality is monitored throughout the entire process. It takes twelve months to develop new products and another three months until the product is available on the market.

Based on the action and product plan, the marketing strategy is adapted in line with the requirements of each of Lalique's most important markets and distribution networks. All measures are defined on a targeted, market-specific basis so as to ensure maximum efficiency in penetration.

Strategy

Maintenance and optimisation of existing brand portfolio

In the perfume and cosmetics segment, work is constantly underway 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.

Since its acquisition, the sales of Lalique Parfums have increased constantly, while those of Jaguar Fragrances continued to grow significantly in 2011, as in past years.

Expansion of brand portfolio in the perfume and cosmetics segment

Art & Fragrance aims to secure further growth in this segment and continues to plan to incorporate new brands into its portfolio. Acquisition opportunities include the granting of new licences by up-and-coming brands and portfolio reshuffles by luxury goods groups. The acquisition of the licence rights for Bentley Fragrances added a further brand to the portfolio in 2011.

Lalique: integration and implementation of growth strategy

Art & Fragrance's aim in the crystal segment is to enhance productivity at the Wingen-sur-Mode factory and optimise the supply chain, and this has largely been achieved. A new furnace was brought into operation towards the end of 2010 and its capacity has been gradually increased since then. A new logistics centre at the factory went into operation at the beginning of 2012. The company's own distribution network was redimensioned to comprise individual prestigious flagship stores, and progress continued in increasing points of sale via independent partners such as franchisees and distributors, in up-and-coming markets in particular. In 2011, Lalique boutiques were opened in cities including Frankfurt, Hong Kong, Singapore, Mexico City, New Delhi, Dubai, Riyadh, Doha and Calcutta – to name but a few. Ultimately, the company continues to aim to increase the visibility of the brand. First, it is pushing ahead with expanding its interior decoration and architecture segments by enhancing its product range and using targeted sales promotion measures, primarily for its B2B customers. Second, 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, more than 90 new lines of which were successfully presented at the World Watch and Jewellery Show BaselWorld in March 2012.

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

Since the acquisition of Lalique, the primary focus has been on new perfume brands and licences. These efforts are being maintained, although Art & Fragrance is continuing to examine opportunities to acquire luxury brands that represent 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 building up a perfume or cosmetics brand.

Expanding 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 using standard components to luxury editions which, upon request, can even incorporate crystal. Art & Fragrance has built up the requisite expertise for such business through its many years of activity in the perfume, cosmetics and crystal industries. Thanks to its broad network of partners, it can also offer solutions perfectly tailored to client needs and wishes in terms of design and quality.

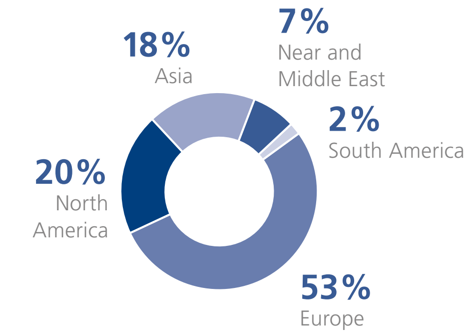
“Sculpteur de Lumière”

Lalique is continuing its endeavours aimed at positioning itself as a luxury brand for the contemporary lifestyle. To this end, the company is expanding its interior decoration, jewellery and art segments in particular. As part of this, Lalique joined forces with Studio Andrée Putman to create the “Orgue” collection, a unique collection of contemporary lighting. In addition, the collaboration between Lalique and musician and composer Jean-Michel Jarre resulted in the “Aerosystem One” docking station, of which only 999 were produced. The symbolic sculpture “Victoire de Samothrace” by world-famous artist Yves Klein was produced in Lalique crystal using lost-wax casting and developed in conjunction with the Yves Klein Foundation.

Affiliation with Art & Fragrance

Brand acquired in 2008

Distribution by market



Share of Art & Fragrance revenue in 2011

47%

Selected products

“Victoire de Samothrace” sculpture by Yves Klein

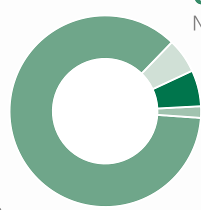
Jewellery for elemental emotions

It was first as a jewellery craftsman and then as a glass artist that René Lalique made his mark on the Art Nouveau movement and later the Art Deco movement. His creativity, inspiration and sheer genius produced a comprehensive body of daring, avant-garde and – without a doubt – ground-breaking work. René Lalique gave his imagination free rein and mastered the intricacies of the materials he worked with. Applying his highly developed craftsmanship he used raw materials and technical handling methods to tell a story and explore the mysteries of nature. He brought his pieces to life by incorporating light and mixing precious materials with more mundane materials: plique-à-jour enamelwork and patina with diamonds and crystal, for example. Lalique used his pieces to create a new poetical world in an "enchanting cosmogony" where women and – at times – nymphs, goddesses and fairies are the eternal guardians. Lalique designs are the living expression of a return to the origins of life, to myths and symbols, to the four elements of fire, water, air and earth.

Affiliation with Art & Fragrance

Brand acquired in 2008

Distribution by market



Share of Art & Fragrance revenue in 2011

4%

Selected products

Paon pendant

Libellule pendant

Ardente bracelet

Ring Pétillante

Libellule ring

"Parfumeur Cristallier"

The history of the renowned company Lalique is closely linked with developments in the modern perfume industry. René Lalique took his talents to the perfume industry when, at the beginning of the 20th century, he created unusual glass flacons for the large perfume houses of the time, such as Roger & Gallet and Houbigant. Created in 1949, 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.
Nevertheless, it was not until 1992 that, with "Lalique de Lalique", the company launched its first perfume, which went on to become a classic. Today, Lalique Parfums stands for renowned women's and men's fragrances which combine the classic and the modern. In keeping with the brand strategy, the company offers high-end fragrances with character that clearly set themselves apart from mainstream "fashion" fragrances. Each year, exclusive crystal editions are added to all lines and these have acquired cult status among collectors and connoisseurs.

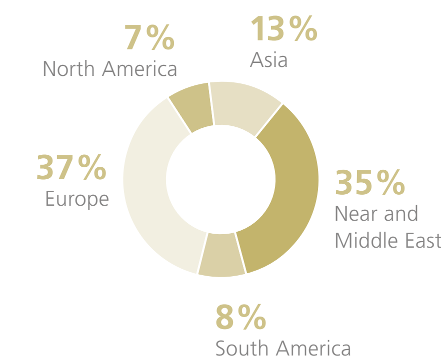
Selected lines

Hommage à l'homme

Affiliation with Art & Fragrance

Brand acquired in 2008

Distribution by market



Share of Art & Fragrance revenue in 2011

17%

Luxurious, modern and fresh

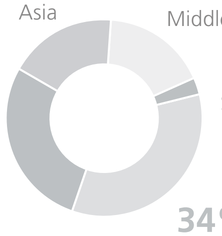
Jaguar Fragrances has established itself as a premium brand and stands for a unique experience that is incorporated in all the products in the line. The new men's line Jaguar Excellence is no exception, and consists of a sophisticated eau de toilette and an eau de parfum. With their fresh, woody-oriental note, this duo is the perfect fit for the successful, self-confident man who expects the customary Jaguar perfection from his fragrance, too. The presentation of Jaguar Excellence reflects the particular design language of the unmistakable cars produced by Jaguar Cars: contemporary beauty with clear lines combined with futuristic elements.

Selected lines

Affiliation with Art & Fragrance

Licence acquired in 2002

Distribution by market



Share of Art & Fragrance revenue in 2011

11%

Jaguar by Lalique Crystal Edition

A contemporary interpretation of Parisian chic

The yearly reinterpretation of Cabotine de Grès – the 1990 classic from Parfums Grès – lends the brand a logical coherence and continuity. Mystical, sensual and seductive: The new edition of this original launched in 2011, limited-edition Cabotine Fleur de Passion, offers an opulent, floral fragrance in perfect harmony with the refined oriental base note. Cabotine Fleur d'Ivoire, the second new limited edition perfume from Parfums Grès, is a fresh alternative to Cabotine Fleur de Passion. White flowers and musky notes add warmth and sensuality to this lovingly created new fragrance.

Selected lines

Cabotine Floralisme

Cabotine

Cabochard

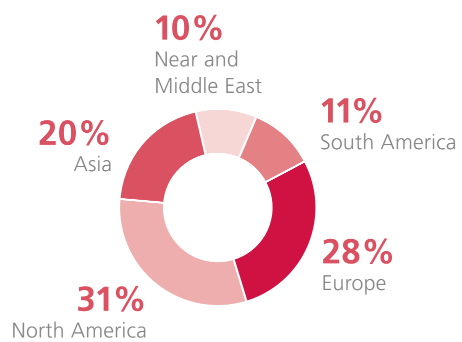
Cabotine Fleur d'Ivoire

Affiliation with Art & Fragrance

Licence acquired in 2001

Brand acquired in 2007

Distribution by market



Share of Art & Fragrance revenue in 2011

8%

Cabotine Fleur de Passion

A noble retainer

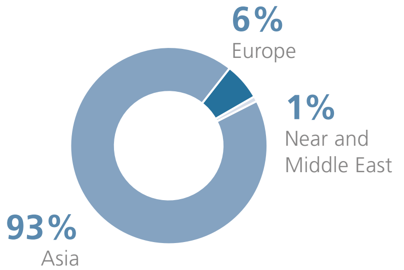
Samurai means servant or retainer and is the conventional term used to refer to members of the warrior caste of pre-industrial Japan. Samurais were distinguished by their courage, their sense of honour and their commitment to continually improving their mastery of martial arts. This tradition is reflected in the positioning of the Samouraï brand as a harmonic balance between power and wisdom, energy and spirituality. As part of ongoing brand promotion, various flankers and line extensions are added annually to keep abreast of the times.

Affiliation with Art & Fragrance

Licence acquired in 2000

Brand acquired in 2007

Distribution by market



Share of Art & Fragrance revenue in 2011

7%

Selected lines

Samouraï Man

Precision, design and power

Hand-crafted luxury, unmistakable design, breathtaking performance – the perfect combination of these elements of the luxury manufacturer Bentley Motors ensures a moving driving experience. These attributes also shape the new line of Bentley Fragrances planned for 2013. The use of fine materials such as chrome and solid glass for the masculine bottle design and leather and wood for the fragrance composition will ensure authenticity and timeless elegance.

Affiliation with Art & Fragrance

Licence acquired in 2011

Launch of first perfume line

Spring 2013

When time stands still and the magic begins

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", to quote 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. Under the Nikki Beach Beauty brand, Art & Fragrance develops high-quality and design-oriented fragrances as well as innovative suncare products.

Selected lines

SPF 30 Sun Lotion

Beach Party for Her

SPF 6 Milky Self Tan Spray

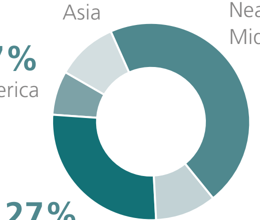
Beach Party for Him

Private Party for Him

Affiliation with Art & Fragrance

Licence acquired in 2009

Distribution by market



Share of Art & Fragrance revenue in 2011

1%

Top-quality sunscreen and skin care

Ultrasun offers a clearly structured range of products based on the latest scientific findings and geared to the many different needs of the customer of today. Ultrasun products offer sunseekers, sports enthusiasts and children alike reliable sun protection and gentle skin care after sunbathing. In spring 2012, the successful Sports product group will be extended to include a high 50^{SPF} sports clear spray formula. This spray offers a next-generation texture and is specially tailored for men. The lotion is transparent, non-greasy and non-sticky, water-resistant and cannot be rubbed off easily. With the exception of high 50^{SPF} reflex kids' formula, all Ultrasun products are oil-free and contain no emulsifiers or preservatives. Thanks to patented liposome technology, they are also water-resistant and, with the exception of the aftersun lotion, fragrance-free.

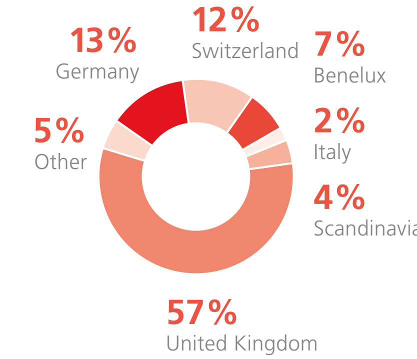
Selected products

high 30^{SPF} sports clear spray formula

Affiliation with Art & Fragrance

Brand acquired in 2007

Distribution by market

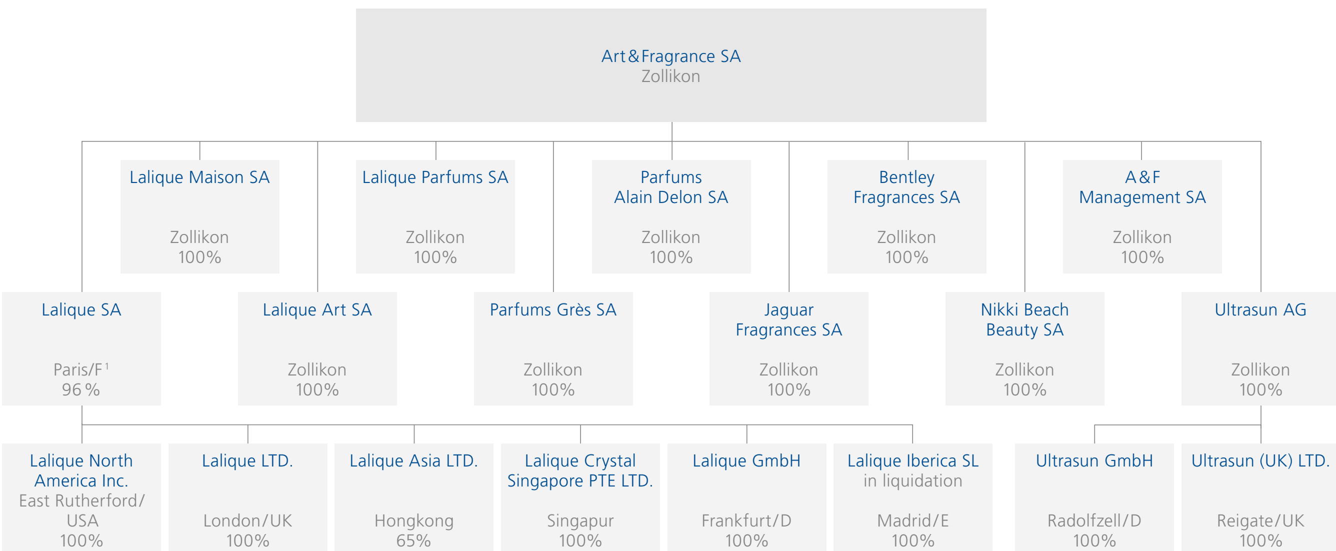


Share of Art & Fragrance revenue in 2011

5%

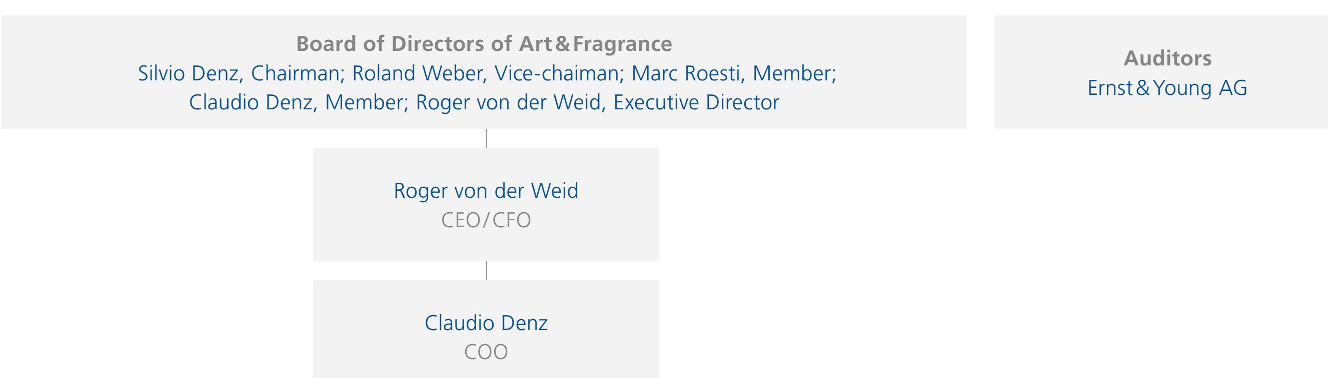
Corporate Governance

Group structure and shareholders



[1] The joint venture with a French partner was dissolved with effect from 10 January 2011 and Art & Fragrance SA bought back the shares in Lalique. In addition, the subsidiary Lalique Parfums SAS, Paris, was merged with Lalique SA, Paris.

Group structure



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 voluntarily 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 since 19 September 2007 and are traded on the BX Berne eXchange.

Shareholders

As at 31 December 2011 at total of 198 shareholders (previous year: 189) were entered in the share register.

Shareholders	Shares 31.12.11	Shares 31.12.10	Remarks
Board of Directors and Executive Board	4 108 750	4 010 950	See major shareholders
Other shareholders	496 519	445 810	
Non-registered shares	173 931	372 053	
Own shares	220 800	171 187	
Total	5 000 000	5 000 000	
Major shareholders			
Silvio Denz[2]	4 000 000	4 000 000	

[2] The shares formerly held by Interparfums SA were transferred to Silvio Denz in November 2011.

Capital structure

Ordinary share capital

As at 31 December 2011, the share capital amounted to CHF 1 million (as at 31 December 2010: CHF 1 million) and consisted of 5,000,000 registered shares of a nominal value of CHF 0.20 each (as at 31 December 2010: 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 2010 and 2011.
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 shall be 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 case put by person concerned, the company may cancel any relevant entry in the share register that was made on the basis of false information.

Compensation, participations and loans

Compensation is listed in the Notes to the parent company financial statements.

Ownership of share capital as at 31 December 2011 (2010)

Corporate body	Number
Board of Directors	4 108 000 (4 010 200)
Executive Board [3]	750 (750)

[3] Excl. Roger von der Weid, Marc Roesti and Claudio Denz, 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. The following management transactions were carried out in 2011.

	Number of persons	Number of transactions	Value of purchasing transaction (CHF)
Management transactions in shares	1	1	44 000

Shareholder loans

As at the end of 2011, there were two loans granted to the company by the main shareholder, one of CHF 10 million and one of CHF 20 million. The CHF 20 million 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 entered in the share register with voting rights 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 stipulated 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 2011, Ernst & Young AG, Zurich, was elected as 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 17 June 2011. Claudio Denz was elected to the Board of Directors at this same meeting.

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 functions of Roger von der Weid as CEO and Executive Director of the Board of Directors, Marc Roesti as Head of Suncare and member of the Board of Directors, and Claudio Denz as COO and member of the Board of Directors are 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

Pursuant to the articles of incorporation the Board of Directors meets at least four times a year and as often as business requires. In 2011, the Board of Directors held three meetings (2010: 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 and identifies opportunities and risks. It also 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 Boards of the business segments perfumes and cosmetics on the one part, and crystal and jewellery on the other are responsible for the operational management of Art & Fragrance. Their 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

Commercial training. Positions held abroad. Built up and managed Alrodo Group, then sold it to Marionnaud and founded 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, Paris; Lalique Limited, London; Lalique Asia Limited, Hong Kong; 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

Vice Chairman of the Board of Directors

Master of Economics from the University of St. Gallen (HSG). Management functions at 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, a company active in the marketing of retail space. Resident in Dubai since 2007. Other board mandates: Schneider Feldmann AG, patent and brand attorneys, 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

Claudio Denz

Member of the Board of Directors/ Chief Operating Officer

Commercial diploma. Brand and product management at Art & Fragrance. Assignments at Lalique North America and Lalique SA abroad; subsequently involved in various Lalique projects. COO of Art & Fragrance since August 2011.

Born 1988, Swiss, member of the Board of Directors since the 2011 General Meeting of Shareholders; occupation: COO of Art & Fragrance SA since August 2011

Marc Roesti

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

Study of business administration in Cambridge and Sheffield, UK. Management roles in Sales & Marketing in the perfume industry. CEO at Takasago. 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 SA since July 2008, owner and founder of Mont-Blanc Resourcing, a consultancy firm for the creation and development of perfumes and cosmetics

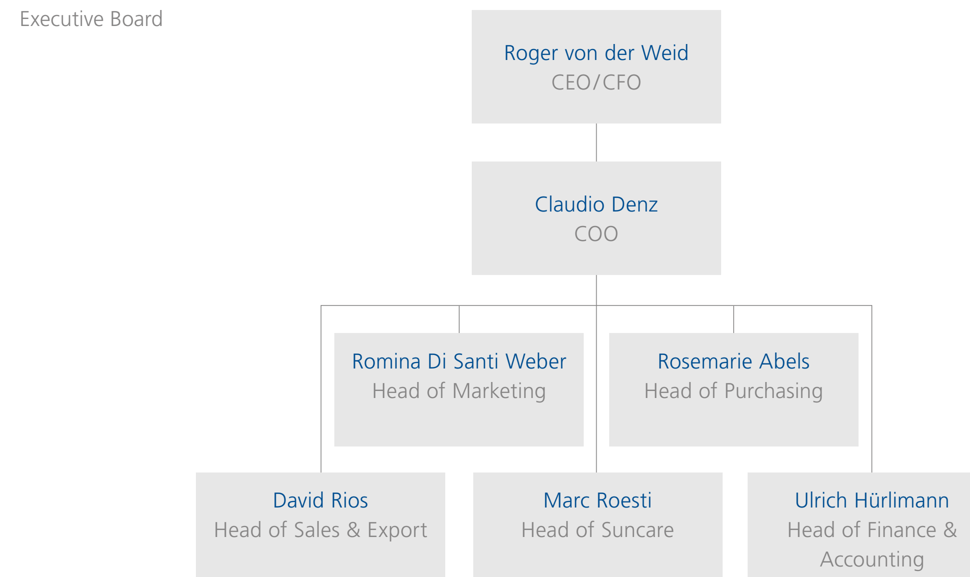
Roger von der Weid

Member of the Board of Directors and Executive Board/Chief Executive Officer/ Chief Financial Officer

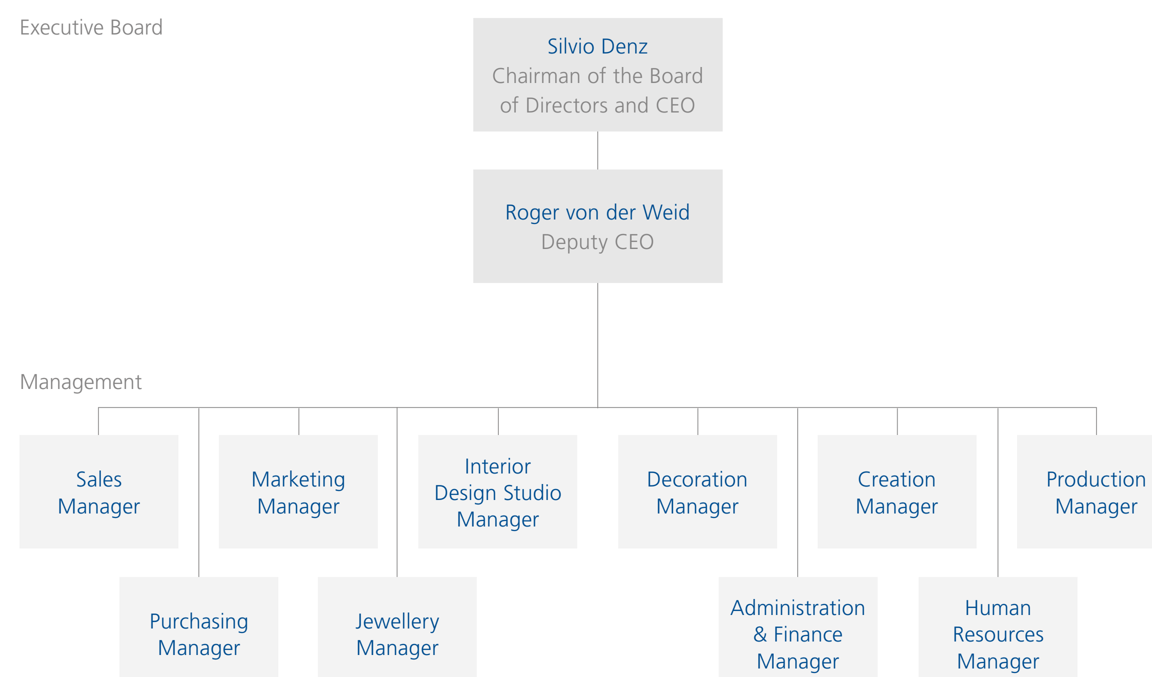
Trained as an attorney at law; Master of Laws from Duke University School of Law, North Carolina (USA); Swiss Certified Tax Expert; Executive Master of Corporate Finance. Lawyer and tax consultant. Managing Director of a trust company. Other board mandates: Lalique SA, Paris; Lalique Asia Limited, Hong 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

Segments Perfumes, Cosmetics



Segment Crystal and Jewellery



Consolidated Accounts

Consolidated income statement

In CHF thousands	2011	2010
Net revenue from sales of goods and services	107 602	55 448
Other operating income	5 525	1 790
Operating revenue	113 127	57 238
Material costs, licences and third-party services	– 52 064	– 36 591
Gross result	61 063	20 647
Salaries and wages	– 21 911	– 4 813
Other operating expenses	– 25 745	– 8 317
EBITDA before income from participations in joint ventures	13 407	7 517
Income from participations in joint ventures	–	54
Income from revaluation of stake in Lalique	3 235	–
EBITDA	16 642	7 571
Depreciation and amortisation / impairment	– 4 082	– 853
EBIT	12 560	6 718
Financial income	4 346	1 924
Financial expenses	– 7 584	– 5 119
Group profit before taxes	9 322	3 523
Income taxes	– 1 062	– 1 496
Net group profit	8 260	2 027
of which attributable to:		
Non-controlling interests	171	–
Owners of the parent company	8 089	2 027
Earnings per share (in CHF)	1.68	0.41

Consolidated statement of comprehensive income

In CHF thousands	2011	2010
Net group profit	8 260	2 027
Partial income not recognised through profit and loss from participations in joint ventures	–	235
Reclassification of foreign exchange differences in the consolidated income statement	5 399	–
Exchange difference	– 1 945	– 4 056
Net group comprehensive income	11 714	– 1 794
of which attributable to:		
Non-controlling interests	121	–
Owners of the parent company	11 593	– 1 794

Consolidated balance sheet

ASSETS

In CHF thousands	31.12.2011	31.12.2010
Cash and cash equivalents	13 188	7 177
Trade accounts receivable	14 451	9 290
Inventories	46 101	22 416
Other receivables	6 954	1 356
Total current assets	80 694	40 239
Participations in joint ventures	–	18 194
Non-current financial assets	–	9 235
Property, plant and equipment	18 336	958
Intangible assets	73 231	27 997
Other non-current assets	5 462	–
Deferred tax assets	1 907	78
Total non-current assets	98 936	56 462
Total assets	179 630	96 701

LIABILITIES AND EQUITY

In CHF thousands	31.12.2011	31.12.2010
Bank liabilities	25 873	–
Trade accounts payable	12 809	4 558
Short-term financial liabilities	–	15 000
Income tax provisions	1 931	1 666
Pension fund liabilities	2 322	204
Other current liabilities	10 874	4 082
Total current liabilities	53 809	25 510
Other deferred liabilities	2 278	419
Provisions	3 274	–
Long-term financial liabilities	37 622	20 500
Deferred tax liabilities	21 538	3 554
Total non-current liabilities	64 712	24 473
Total liabilities	118 521	49 983
Share capital	1 000	1 000
Capital reserves	9 537	9 537
Retained earnings / other reserves	47 214	36 181
Total equity before non-controlling interests	57 751	46 718
Non-controlling interests	3 358	–
Total equity	61 109	46 718
Total liabilities and equity	179 630	96 701

Segment reporting for the financial year 2011

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	59 846	47 720	5 604	–43	113 127
Revenue from transactions with other segments	1 360	3 129	–	–4 489	–
Total operating revenue	61 206	50 849	5 604	–4 532	113 127
Partial income from participations in joint ventures	3 235	–	–	–	3 235
EBIT	2 900	10 877	275	–1 492	12 560
Financial result	–	–	–	–	–3 238
Group profit before taxes	–	–	–	–	9 322
Income taxes expense	–	–	–	–	–1 062
Net group profit	–	–	–	–	8 260
Assets and liabilities					
Segment assets	109 302	72 516	15 845	–18 033	179 630
Segment liabilities	50 921	34 478	4 195	28 927	118 521
Other segment information					
Investments					
Property, plant and equipment					–
Intangible assets					–
Depreciation and amortisation					
Property, plant and equipment	2 571	567	–	34	3 172
Intangible assets	466	375	56	13	910

[1] Operating revenue per perfume brand			
Lalique Parfums	19 896	(EUR thousand 16 579)	
Parfums Grès	10 160		
Parfums Alain Delon	7 979		
Jaguar Fragrances	12 724		
Nikki Beach	90		
Total operating revenue perfumes segment	50 849		
[2] Operating revenue per cosmetic brand			
Ultrasun			5 580
Nikki Beach			24
Total operating revenue cosmetics segment			5 604

[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.

Masthead

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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.

Cover page

Products shown
Jaguar Classic (Jaguar Fragrances); Hommage à l'homme, Sillage Annual Crystal Edition 2012, Amethyst (Lalique Parfums); Bacchantes vase (Lalique Crystal); Gourmande Antinea and Fuchsia rings, Phoenix pendant and Phoenix ring, Vesta ring (Lalique Jewellery); Cabotine Floralisme (Parfums Grès); Samouraï Woman Touch (Parfums Alain Delon)

Photographs

Products shown
Pages 36/37 (Lalique crystal): *Archers vase, Hirondelles set of drinking glasses, Mistral amber horse, Langeais carafe*
Pages 38/39 (Lalique jewellery): *Nysa Black&White bracelet, Vesta pendant, Vesta ring, Gourmande ring in opal, amber, red and antinea, Ardente pendant, Ardente ring*
Pages 40/41: Cabotine (Parfums Grès); *Jaguar Excellence Intense (Jaguar Fragrances); Lalique Le Parfum, Nilang Crystal Edition (Lalique Parfums)*


AMETHYST